

**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

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

For the fiscal year ended December 31, 2018

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
(State or other jurisdiction of
incorporation or organization)

36-2675536
(I.R.S. Employer
Identification No.)

3 Overlook Point, 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:

<u>Title of Each Class</u>	<u>Name of Exchange on which Registered</u>
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 ☒ No ☐

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 ☒

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 ☒ 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 ☒ 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. Yes ☒ No ☐

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," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Act (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Act). Yes ☐ No ☒

The aggregate market value of the shares of Class A Common Stock held by non-affiliates of the registrant, computed by reference to the closing price of such stock as of the last business day of the registrant's most recently completed second quarter, was \$7.6 billion .

As of February 7, 2019 , there were 53,870,497 shares of Class A Common Stock, par value \$.01 per share, 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 16, 2019 , are incorporated by reference into Part III of this report, as indicated herein.

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**INDEX**

	PAGE
<u>PART I</u>	
Item 1. Business	4
Item 1A. Risk Factors	12
Item 1B. Unresolved Staff Comments	20
Item 2. Properties	20
Item 3. Legal Proceedings	20
Item 4. Mine Safety Disclosures	20
<u>PART II</u>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	21
Item 6. Selected Financial Data	23
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Overview	24
Results of Operations	26
Critical Accounting Policies and Estimates	30
Recently Issued Accounting Pronouncements	30
Liquidity and Capital Resources	30
Contractual Obligations	32
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	34
Item 8. Financial Statements and Supplementary Data	35
Report of Independent Registered Public Accounting Firm	36
Consolidated Balance Sheets	37
Consolidated Statements of Operations	38
Consolidated Statements of Comprehensive Income (Loss)	39
Consolidated Statements of Stockholders’ Equity	40
Consolidated Statements of Cash Flows	41
Notes to Consolidated Financial Statements	42
Note 1: Description of Business and Basis of Presentation	42
Note 2: Significant Accounting Policies	42
Note 3: Revenues	47
Note 4: Inventories	49
Note 5: Business Acquisition and Divestiture	49
Note 6: Goodwill and Other Intangibles, net	50
Note 7: Property, Plant and Equipment	51
Note 8: Costs Associated with Exit and Restructuring Activities	52
Note 9: Fair Value Measurements	52
Note 10: Derivative Instruments	53
Note 11: Long-Term Debt	56
Note 12: Commitments and Contingencies	59
Note 13: Share-Based Compensation	60
Note 14: Income Taxes	63
Note 15: Earnings (Loss) Per Share	67
Note 16: Accumulated Other Comprehensive Income (Loss)	67
Note 17: Accounts Receivable Factoring	68

Table of Contents

	Note 18: Segment Information & Geographic Data	68
	Note 19: Supplementary Financial Information	70
	Note 20: Subsequent Event	71
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	72
Item 9A.	Controls and Procedures	72
Item 9B.	Other Information	74
 <u>PART III</u>		
Item 10.	Directors, Executive Officers and Corporate Governance	75
Item 11.	Executive Compensation	75
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	75
Item 13.	Certain Relationships and Related Transactions, and Director Independence	75
Item 14.	Principal Accounting Fees and Services	75
 <u>PART IV</u>		
Item 15.	Exhibits, Financial Statement Schedules	76
Item 16.	Form 10-K Summary	78
Signatures		79
Schedule II - Valuation and Qualifying Accounts		80

PART I

References in this document to “the Company,” “we,” “us,” or “our” refer to Zebra Technologies Corporation and its subsidiaries, unless the context specifically 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. When used in this document and documents referenced, the words “anticipate,” “believe,” “intend,” “estimate,” “will,” and “expect” and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements but are not the exclusive means of identifying these statements. The forward-looking statements include, but are not limited to, the Company’s financial outlook for the first quarter and full year of 2019. These forward-looking statements are based on current expectations, forecasts and assumptions and are subject to the risks and uncertainties inherent in the Company’s industry, market conditions, general domestic and international economic conditions, and other factors. These factors include:

- Market acceptance of the Company’s products and solution offerings and competitors’ offerings and the potential effects of technological changes,
- The effect of global market conditions, including North America; Europe, Middle East, and Africa; Latin America; and Asia-Pacific regions in which we do business,
- The impact of foreign exchange rates due to the large percentage of our sales and operations being outside the United States (“U.S.”),
- Our ability to control manufacturing and operating costs,
- Risks related to the manufacturing of the Company’s products and conducting business operations in non-U.S. countries, including the risk of depending on key suppliers who are also in non-U.S. countries,
- The Company’s ability to purchase sufficient materials, parts, and components to meet customer demand, particularly considering global economic conditions,
- The availability of credit and the volatility of capital markets, which may affect our suppliers, customers, and ourselves,
- Success of integrating acquisitions,
- Interest rate and financial market conditions,
- Access to cash and cash equivalents held outside the U.S.,
- The effect of natural disasters on our business,
- The impact of changes in foreign and domestic governmental policies, laws, or regulations,
- The outcome of litigation in which the Company may be involved, particularly litigation or claims related to infringement of third-party intellectual property rights, and
- The outcome of any future tax matters or tax law changes.

We encourage readers of this report to review Item 1A, “Risk Factors,” in this report for further discussion of issues that could affect the Company’s future results. We undertake 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

We are a global leader in the Automatic Identification and Data Capture (“AIDC”) market. The AIDC market consists of mobile computing, data capture, radio frequency identification devices (“RFID”), barcode printing, and other automation products and services. The Company’s solutions are proven to help our customers and end-users achieve their mission critical strategic business objectives, including improved operational efficiency, optimized workflows, increased asset utilization, and better customer experiences.

We design, manufacture, and sell a broad range of AIDC products, including: mobile computers, barcode scanners, RFID readers, specialty printers for barcode labeling and personal identification, real-time location systems (“RTLS”), related accessories and supplies, such as self-adhesive labels and other consumables, and software utilities and applications. We also provide a full range of services, including maintenance, technical support, repair, managed and professional services, including cloud-based subscriptions. End-users of our products and services include retail and e-commerce, transportation and logistics, manufacturing, health care, hospitality, warehouse and distribution, energy and utilities, government, and education enterprises around the world. We provide our products and services globally through a direct sales force and extensive network of channel

partners. We provide products and services in over 180 countries, with 109 facilities and approximately 7,400 employees worldwide.

Through innovative application of our technologies, we are leading an evolution of the AIDC market into Enterprise Asset Intelligence (“EAI”). Specifically, EAI encompasses solutions which “sense” information from enterprise assets, including packages moving through a supply chain, equipment in a factory, workers in a warehouse, and shoppers in a store. Operational data from enterprise assets, including status, location, utilization, and preferences, is then analyzed to provide actionable insights. Finally, with the benefits of mobility, these insights can be delivered to the right user at the right time to drive more effective actions. As a result, our solutions and technologies enable enterprises to “sense, analyze, and act” more effectively to improve operational effectiveness and achieve critical business objectives.

The evolution of the AIDC market toward a more strategically oriented EAI focus is being driven by strong underlying secular trends in technology. These trends include internet of things (“IoT”), cloud-based data analytics, and mobility. The IoT is enabling a proliferation of smart, connected devices. EAI solutions, which include these smart, connected devices, capture a much broader range of information than is possible with traditional AIDC solutions and communicate this information in real-time. Cloud computing and expanded data analytics are allowing enterprises to make better business decisions through improved timeliness and visibility to information and workflows. While traditional AIDC solutions sporadically capture limited amounts of data and populate static enterprise systems, EAI solutions continuously analyze real-time data from many sources to generate actionable insights. Finally, the continued rapid growth of mobile devices and applications are significantly expanding mobile computing use cases to levels of near ubiquity in the enterprise. With this expanded mobility, end-users can consume or act upon dynamic enterprise data and information anytime and anywhere. The broad availability of wireless and internet connectivity also supports the adoption and deployment of the Company’s solutions to enable organizations to collect more data in real-time on the location, movement, and condition of their assets.

Acquisition of Xplore Business

On August 14, 2018, the Company acquired all outstanding equity interests of Xplore Technologies Corporation (“Xplore”), for \$87 million in cash, which included, \$72 million for the net assets acquired, a \$9 million payment of Xplore debt as well as \$6 million of other Xplore transaction-related obligations. The Xplore business designs, integrates, markets and sells rugged tablets that are primarily used by industrial, government, and field service organizations. The acquisition of Xplore is intended to expand the Company’s portfolio of mobile computing devices to serve a wider range of customers. See Note 5, *Business Acquisition and Divestiture* in the Notes to Consolidated Financial Statements.

Disposition

On October 28, 2016, the Company concluded the sale of Extreme Networks, Inc., its wireless LAN (“WLAN”) business, for net proceeds of \$39 million. See Note 5, *Business Acquisition and Divestiture* in the Notes to Consolidated Financial Statements.

Integration of Enterprise Business

In October 2014, the Company acquired the Enterprise business (“Enterprise”), excluding its iDEN or Integrated Digital Enhanced Network Business, from Motorola Solutions, Inc. (“MSI”) for \$3.45 billion in cash.

The Company funded the acquisition of Enterprise through a combination of the sale of \$1.1 billion senior notes due in 2022, a credit agreement with various lenders that provided a \$2.2 billion term loan due in 2021, and cash on hand. In 2017, the Company executed a debt restructuring program to lower its cost of debt, which included amending its credit facilities, establishing a Receivables Financing Facility and fully redeeming the \$1.1 billion senior notes. In 2018, the Company executed a second debt restructuring program, which included entering into Amendment No. 1 to the “A&R Credit Agreement” (“Amendment No. 1”) that included an increase to the credit facility and partial extinguishment of the term loan, further lowering the cost of debt. See Note 11, *Long-Term Debt* in the Notes to Consolidated Financial Statements.

Since closing the acquisition of Enterprise in October 2014, integration activities by the Company have focused on creating “One Zebra” by integrating the operations of Enterprise to create a single business with common sales, service, supply chain, marketing, finance, information technology (“IT”), and other functions. Our integration priorities centered on maintaining business continuity while identifying and implementing cost synergies, operating efficiencies, and integration of functional organizations and processes. Another key focus of the integration was to conclude MSI-provided transition service agreements (“TSAs”) related primarily to IT support services. These TSAs were an interim measure to continue the operations of the Enterprise business without disruption while integration activities were completed.

During 2017, the Company substantially completed its integration activities, including the implementation of a common enterprise resource planning system, associated with the Enterprise acquisition. The Company also exited the TSAs with MSI.

Operations

Our operations consist of two segments: (1) Asset Intelligence & Tracking (“AIT”), comprised of barcode and card printing, location solutions, supplies, and services; and (2) Enterprise Visibility & Mobility (“EVM”), comprised of mobile computing, data capture, RFID, and services.

Asset Intelligence & Tracking

Barcode and Card Printing: We design, manufacture, and sell printers, which produce high-quality labels, wristbands, tickets, receipts, and plastic cards on demand. Our customers use our printers in a wide range of applications, including routing and tracking, patient safety, transaction processing, personal identification, and product authentication. These applications require high levels of data accuracy, speed, and reliability. They also include specialty printing for receipts and tickets for improved customer service and productivity gains. Plastic cards are used for secure, reliable personal identification (e.g. state identification cards and drivers’ licenses, healthcare IDs), access control (e.g. employee or student building access), and financial cards (e.g. credit, debit and ATM cards) by financial institutions. Our RFID printers/encoders are used to print and encode passive RFID labels. We offer a wide range of accessories and options for our printers, including vehicle mounts and battery chargers.

Supplies: We produce and sell stock and customized thermal labels, receipts, ribbons, plastic cards, and wristbands suitable for use with our printers, and also wristbands which can be imaged in most commercial laser printers. We support our printing products, resellers, and end-users with an extensive line of superior quality, high-performance supplies optimized to a particular end-user’s needs. We promote the use of genuine Zebra branded supplies with our printing equipment. We also provide a family of self-laminating wristbands for use in laser printers. These wristbands are marketed under the LaserBand ® name. We operate supplies production facilities located in the United States and Western Europe. We supplement our in-house production capabilities with those of third-party manufacturers to offer genuine Zebra supplies, principally in Asia.

Services: We provide a full range of maintenance, technical support, and repair services. We also provide managed and professional services including those which help customers manage their devices and related software applications. Our offerings include cloud-based subscriptions and multiple service levels. They are typically contracted through multi-year service agreements. We provide our services directly and through our global network of partners.

Location Solutions: The Company offers a range of RTLS and services which incorporate active and passive RFID and other tracking technologies to enable users to locate, track, manage, and optimize the utilization of enterprise assets and personnel. We provide substantially all elements of the location solution, including tags, sensors, excitors, middleware software, and application software. Our location solutions are deployed primarily in manufacturing, aerospace, transportation and logistics, sports, and healthcare industries. Various sports teams utilize our Zebra MotionWorks ® sports solution to track the location and movement of personnel and objects in real-time during sporting events, as well as in training and practice activities.

Enterprise Visibility & Mobility

Mobile Computing: We design, manufacture, and sell rugged and enterprise-grade mobile computing products and accessories in a variety of specialized form factors and designs to meet a wide variety of enterprise applications. Industrial applications include inventory management in warehouses and distribution centers; field mobility applications include field service, post and parcel, and direct store delivery; and retail and customer facing applications include e-commerce, omnichannel, mobile point of sale, inventory look-up, and staff collaboration. Our products incorporate both Android™ and Microsoft® Windows® operating systems and support local-area and wide-area voice and data communications. Our mobile computing products often incorporate barcode scanning, global position system (“GPS”) and RFID features, and other sensory capabilities. We also provide related software tools, utilities, and applications.

Data Capture and RFID: We design, manufacture, and sell barcode scanners, image capture devices, and RFID readers. Our portfolio of barcode scanners includes laser scanning and imager products and form factors, including fixed, handheld, and embedded original equipment manufacturer (“OEM”) modules. The Company’s data capture products capture business-critical information by decoding barcodes and images, and transmit the resulting data to enterprise systems for analysis and timely decision making. Common applications include asset identification and tracking and workflow management in a variety of industries, including retail, transportation and logistics, manufacturing, and healthcare. Our RFID line of data capture products is focused on ultra-high frequency (“UHF”) technology. These RFID devices comply with the electronic product code (“EPC”) global Generation 2 UHF standard and similar standards around the world. We also provide related accessories.

Services: We provide a full range of maintenance, technical support, and repair services. We also provide managed and professional services that, among other things, help customers design, test, and deploy our solutions as well as manage their mobility devices, software applications and workflows. Our offerings include cloud-based subscriptions and multiple service levels. They are typically contracted through multi-year service agreements. We provide our services directly and through our global network of partners.

Our Competitive Strengths

The following are core competitive strengths that we believe enable us to differentiate ourselves from our competitors:

An industry leader focused solely on improving enterprise operations

We are a market leader in the key technologies of Enterprise Asset Intelligence, including mobile computing, barcode and card printing, data capture, and RFID readers. We also provide related software, services, and accessories. Our leadership position enables us to work with and support customers globally, in a variety of industries, who are focused on implementing leading-edge solutions.

High entry and switching barriers

On a global basis, we have long-standing relationships with end customers and with our extensive network of channel partners. We believe these customer relationships and our strong partner network are critical to our success and would be difficult for a new market entrant to replicate. We believe a significant portion of our products are deployed with specialized product performance and software application requirements, which could result in high switching costs.

Commitment to innovation and deep industry-specific expertise

We leverage our strong commitment to innovation and deep industry-specific expertise to deliver end-to-end solutions to a wide array of industries, with a broad portfolio of products and services.

Highly diversified business mix

We are highly diversified across business segments, end markets, geographies, customers, and suppliers. Additionally, we have strong recurring business in services and supplies driven by an extensive global installed base of products.

Global reach and brand

We sell to customers directly and through our network of channel partners around the world. This global presence gives us the capability to supply our customers with products, solutions, and services no matter the location of their operations. In addition, we believe we have strong brand recognition with a reputation in the industry as a trusted and strategic partner.

Scale advantages

We believe the size and scope of our operations, including market leadership, product development investment, portfolio breadth, and global distribution, give us advantages over our competitors. We believe we have the largest installed base of products compared with other companies in our industry. These characteristics enable us to compete successfully, achieve economies of scale, and develop industry-leading solutions.

Our Business Strategies

Leverage our market leadership position and innovation to profitably grow our core business

We expect to drive revenue growth by continuing to outpace our competition in our core businesses, including mobile computing, data capture, barcode printing, and services. We expect to achieve this by leveraging our broad portfolio of solutions and product innovation and continuing to be a strategic partner to end customers. We also expect to drive growth by capitalizing on technology transitions occurring in the industry, including the transition to the Android™ operating system in mobile computing and transitions in data capture to newer technologies involving 2D imaging and RFID. This includes increased focus on market segments and geographies that offer share-gain opportunities. In addition, we plan to leverage our market-leading installed base to accelerate growth in attach-oriented products, including services, supplies, and accessories. Our global channel partner network is vital to helping us achieve these goals. As such, we will ensure that we provide the necessary value and support for our partners to be successful.

Drive our Enterprise Asset Intelligence vision

We believe that secular technology trends, particularly in IoT, cloud computing, automation, and mobility are transforming our customers' businesses and our industry and provide us with significant new opportunities to create value for our customers and for the Company. We expect to capitalize on these trends, and in particular the proliferation of smart connected sensors and devices in our core market segments, by providing end-to-end solutions that integrate these sensors and devices with cloud-based workflows and analytics applications. These solutions will enable increased visibility into the enterprise, real-time, actionable information, and improved customer experiences. Our solutions will also increasingly include common features, functions, and user experiences to drive additional competitive differentiation.

Increase our opportunity for growth through expansion in adjacent market segments

We plan to drive growth through expansion, organically or inorganically, in adjacent market segments that share similar technology needs with our core markets. We will focus specifically on segments where our products and solutions, workflow expertise, and customer and industry relationships will enable us to provide significant value to end users.

Enhance financial strength and flexibility

We intend to continue to improve profitability and cash flow generation through operational execution and increased productivity derived from continuous business process improvement, cost management, and focus on working capital efficiency.

Competition

We operate in a highly competitive environment. The need for companies to improve productivity and implement their strategies, as well as the secular trends around IoT, cloud computing, automation, and mobility, are some of the factors that are creating growth opportunities for established and new competitors.

Key competitive factors include the design, breadth and quality of products and services, price, product performance, durability, product and service availability, warranty coverage, brand recognition, company relationships with customers and channel partners, and company reputation. We believe we compete effectively with respect to these factors.

Mobile Computing : Competitors in mobile computing include companies that have historically served enterprises with ruggedized devices. For some applications, we compete with companies that provide tablets and smart phones. Competitors include: Datalogic, Honeywell, and Panasonic.

Data Capture and RFID : Competitors that provide a broad portfolio of barcode scanning products that are suitable for most global market applications include Datalogic and Honeywell. We also compete against smaller companies that focus on limited product subsets or specific regions, including Fujian Newland and Impinj.

Barcode and Card Printing : We consider our direct competition in printing to be producers of on-demand thermal transfer and direct thermal label printing systems, RFID printer/encoders, and mobile printers. We also compete with companies engaged in the design, manufacture, and marketing of printing systems that use technologies such as ink-jet, direct marking and laser printing, as well as card printers based on ink-jet, thermal transfer, embossing, film-based systems, encoders, laser engraving, and large-scale dye sublimation printers. In addition, service bureaus, which provide centralized services, compete for end-user business and provide an alternative to our card printing solutions. Competitors include: Fargo Electronics (a unit of HID Global), Honeywell, Sato, and Toshiba TEC.

Location Solutions : We compete with a diverse group of companies marketing location solutions that are primarily based on active RFID technologies. Competitors include: Cisco, Impinj, and Stanley Healthcare.

Supplies : The supplies industry is highly fragmented with competition comprised of numerous companies of various sizes around the world.

Customers

End-users of our products are diversified across a wide variety of industries, including retail and e-commerce, transportation and logistics, manufacturing, and healthcare industries. We have had three customers that each accounted for 10% or more of our Net sales over the past three years. All three of these customers are distributors and not end-users of our products. No end-user has accounted for 10% or more of our Net sales during these years. See Note 18 , *Segment Information & Geographic Data* in the Notes to Consolidated Financial Statements for further information.

	Year Ended December 31,		
	2018	2017	2016
Customer A	20.3%	21.3%	20.1%
Customer B	15.7%	14.2%	13.2%
Customer C	14.1%	13.2%	12.4%

Sales and Marketing

Sales: We sell our products, solutions, and services primarily through distributors (two-tier distribution), value added resellers (“VARs”), independent software vendors (“ISVs”), direct marketers, and OEMs. We also sell directly to a select number of customers through our direct sales force. Distributors purchase our products and sell to VARs, ISVs and others, thereby increasing the distribution of our products globally. VARs, ISVs, OEMs, and systems integrators provide customers with a variety of hardware, accessories, software applications, and services. VARs and ISVs typically customize solutions for specific end-user applications using their industry, systems, and applications expertise. Some OEMs resell the Zebra-manufactured products under their own brands as part of their own product offering. Because these sales channels provide specific software, configuration, installation, integration, and support services to end-users within various industry segments, these relationships are highly valued by end-users and allow our products to reach customers in a wide array of industries around the world. We believe that the breadth of our distributor and channel partner network is a competitive differentiator and enhances our ability to compete. Finally, we experience some seasonality in sales, depending upon the geographic region and industry served.

Marketing: Our marketing function aligns closely with sales and product management functions to market our products and to deliver and promote solutions that address the needs of our customers and partners. Our marketing organization includes regional and channel marketing teams that interface closely with customers, partners, and sellers. Our marketing organization also includes teams that support global strategies and communications, including portfolio marketing, digital marketing, marketing operations and communications, and strategic marketing functions.

Manufacturing and Outsourcing

Final assembly of our hardware products is performed by third-parties, including electronics manufacturing services companies (“EMS”) and joint design manufacturers (“JDMs”). Our products are produced primarily in facilities located in China, Mexico, and Brazil. These JDMs or manufacturers produce our products to our design specifications. We maintain control over portions of the supply chain, including supplier selection and price negotiations for key components. The manufacturers purchase the components and subassemblies used in the production of our products. Our products are shipped to regional distribution centers, operated by 3rd party logistics providers (“3PL’s”) or the Company. A portion of products are reconfigured at the distribution centers through firmware downloads, packaging, and customer specific customization before they are shipped to customers. In addition, certain products are manufactured in accordance with procurement regulations and various international trade agreements, and remain eligible for sale to the U.S. government. Production facilities for our supplies products are located in the U.S. and Western Europe. We also supplement our in-house production capabilities with those of third-party manufacturers to offer our supplies, principally in Asia.

Research and Development

The Company devotes significant resources to developing innovative solutions for our target markets and ensuring that our products and services maintain high levels of reliability and provide value to end-users. Research and development expenditures for the years ended 2018, 2017, and 2016 were \$444 million, \$389 million, and \$376 million, or 10.5%, 10.5% and 10.5% of Net sales, respectively. We have more than 1,900 engineers worldwide focused on strengthening and broadening our extensive portfolio of products and solutions.

Our Technology

Mobile Computing : Our mobile computing products incorporate a wide array of advanced technologies in rugged, ergonomic enclosures to meet the needs of specific use cases. These purpose-built devices couple hardened industry-standard operating systems with specialized hardware and software features to satisfy a customer’s mission-critical applications. Purpose-built rugged housings ensure reliable operations for targeted use cases, surviving years of rough handling and harsh environments. Specialized features such as advanced data capture technologies, voice and video collaboration tools, and advanced battery technologies enable our customers to work more efficiently and better serve their customers. A broad portfolio of enterprise accessories further tailors mobile computers to meet a wide variety of enterprise use cases. Our mobile computers are offered with software tools and services that support application development, device configuration, and field support to facilitate smooth and rapid deployment and ensure maximum customer return on investment.

Data Capture and RFID : Our data capture products allow businesses to track business critical information simply, quickly, and accurately by providing critical visibility into business processes and performance and enabling real-time action in response to the information. These products include barcode scanners in a variety of form factors, including fixed and handheld scanners and standalone modules designed for integration into third-party OEM devices. Our scanners incorporate a variety of technologies including area imagers, linear imagers, lasers, and read linear, and two-dimensional barcodes. They are used in a broad range of applications, ranging from supermarket checkout to industrial warehouse optimization to patient management in hospitals. The design of these products reflects the diverse needs of these markets, with different ergonomics, multiple communication protocols, and varying levels of ruggedness.

Our RFID products include fixed readers, RFID enabled mobile computers, and RFID sleds. These utilize passive Ultra High Frequency (“UHF”) to provide high speed, non-line of sight data capture from hundreds or thousands of RFID tags in near real-time. Using the Electronic Product Code (“EPC”) standard, end-users across multiple industries take advantage of RFID technology to track high-value assets, monitor shipments, and drive increased retail sales through improved inventory accuracy. We also offer mobile computers that support high frequency (“HF”) near-field communications (“NFC”) and low frequency (“LF”) radio technologies.

Barcode and Card Printing: All of the Company’s printers and print engines incorporate thermal printing technology. This technology creates an image by heating certain pixels of an electrical printhead to selectively image a ribbon or heat-sensitive substrate. Thermal printing benefits applications requiring simple and reliable operations, yet it is flexible enough to support a wide range of specialty label materials and associated inks. Our dye-sublimation thermal card printers produce full-color, photographic quality images that are well-suited for driver’s licenses, access and identification cards, transaction cards, and on-demand photographs. Many of our printers also incorporate RFID technology that can encode data into passive RFID transponders embedded in a label or card.

The Company’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. Firmware supports serial, parallel, Ethernet, USB, Bluetooth, or 802.11 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.

Location Solutions : Our RTLS solutions use active and passive RFID technologies, beacons, and other tracking technologies to locate, track, manage, and optimize high-value assets, equipment, and people. We offer a range of scalable RTLS technologies that generate precise, on-demand information about the physical location and status of high-valued assets. In addition, we offer a selection of RTLS infrastructure products that receive tag transmissions and provide location and motion calculations, database and system management functions and asset visibility. The flexible infrastructure supports large tag populations and coverage areas that range from small to large.

Supplies : Our supplies business includes thermal labels, receipts, ribbons, plastic cards and wristbands suitable for use with our printers, and wristbands which can be imaged in most commercial laser printers. Our wristbands incorporate multi-layer form technology to ensure trouble-free printing, wearer comfort, and reliable barcode reading, even when exposed to harsh chemical environments. We offer many thermal label, card, and receipt materials, and matching ribbons for diverse applications that may require meeting unique or precise specifications, including chemical or abrasion resistance, extreme temperatures, exceptional image quality, or long life.

Intellectual Property

We rely on a combination of trade secrets, patents, trademarks, copyrights, and contractual rights to establish and protect our innovations, and hold a large portfolio of intellectual property rights in the U.S. and other countries. As of December 31, 2018, the Company owned approximately 1,800 trademark registrations and trademark applications, and over 4,400 patents and patent applications, worldwide. We continue to actively seek to obtain patents and trademarks, whenever possible and practical, to secure intellectual property rights in our innovations.

We believe that our intellectual property will continue to provide us with a competitive advantage in our core product areas as well as provide leverage for future technologies. We also believe that we are not dependent upon any single patent or select group of patents. Our success depends more upon our extensive know-how, deep understanding of end-user processes and work-flows, innovative culture, technical leadership and marketing and sales abilities. Although we do not rely only on patents or other intellectual property rights to protect or establish our market position, we will enforce our intellectual property rights when and where appropriate.

Employees

As of December 31, 2018, the Company had approximately 7,400 employees. Some portions of our business, primarily in Europe, China, and India are subject to labor laws that differ significantly from those in the U.S. In Europe, for example, it is common for a works council to represent employees when discussing matters such as compensation, benefits, restructurings and layoffs. We consider our relations with our employees to be very good.

Regulatory Matters

Wireless Regulatory Matters

Our business is subject to certain wireless regulatory matters.

The use of wireless voice, data, and video communications systems requires radio spectrum, which is regulated by government agencies throughout the world. In the U.S., the Federal Communications Commission (“FCC”) and the National Telecommunications and Information Administration (“NTIA”) regulate spectrum use by non-federal entities and federal entities, respectively. Similarly, countries around the world have one or more regulatory bodies that define and implement the rules for use of the radio spectrum, pursuant to their respective national laws and international coordination under the International Telecommunications Union. We manufacture and market products in spectrum bands already made available by regulatory bodies, these include voice and data infrastructure, mobile radios, and portable or hand-held devices. Consequently, our results of operations could be positively or negatively affected by the rules and regulations adopted from time-to-time by the FCC, NTIA, or regulatory agencies in other countries. Our products operate both on licensed and unlicensed spectrum. The availability of additional radio spectrum may provide new business opportunities, and consequently, the loss of available radio spectrum may result in the loss of business opportunities. Regulatory changes in current spectrum bands may also provide opportunities or may require modifications to some products so they can continue to be manufactured and marketed.

Other Regulatory Matters

Some of our operations use substances regulated under various federal, state, local, and international laws governing the environment and worker health and safety, including those governing the discharge of pollutants into the ground, air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Certain products are subject to various federal, state, local, and international laws governing chemical substances in electronic products. During 2018, compliance with U.S. federal, state and local, and foreign laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment did not have a material effect on our business or results of operations.

Available Information

Our website address is www.zebra.com. The information on our website is not, and shall not be deemed to be, a part of this annual report Form 10-K or incorporated into any other filings we make with the Securities and Exchange Commission (the “SEC”). Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, are made available free of charge on the Investor Relations page of our website as soon as reasonably practicable after we electronically file them with or furnish them to the SEC.

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 our business, financial condition, operating results, cash flows, and growth prospects. These risks are not the only risks we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial.

The Company has substantial operations and sells a significant portion of our products outside of the U.S. and purchases important components, including final products, from suppliers located outside the U.S. Shipments to non-U.S. customers are expected to continue to account for a material portion of Net sales. We also expect to continue the use of third-party contract manufacturing services with non-U.S. production and assembly operations for our products.

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

- Fluctuating foreign currency rates could restrict sales, increase costs of purchasing, and impact collection of receivables outside of the U.S.;
- Volatility in foreign credit markets may affect the financial well-being of our customers and suppliers;
- Violations of anti-corruption laws, including the Foreign Corrupt Practices Act and the U.K. Bribery Act could result in large fines and penalties;
- Adverse changes in, or uncertainty of, local business laws or practices, including the following:
 - Imposition of 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 non-U.S. assets at risk;
 - Potentially limited intellectual property protection in certain countries may limit recourse against infringing on our products or cause us to refrain from selling in certain geographic territories;
 - Staffing may be difficult along with higher turnover at international operations;
 - A government-controlled exchange rate and limitations on the convertibility of currencies, including the Chinese yuan ;
 - Transportation delays and customs related delays that may affect production and distribution of our products;
 - Effectively managing and overseeing operations that are distant and remote from corporate headquarters may be difficult; and
 - Integration and enforcement of laws varies significantly among jurisdictions and may change significantly over time.

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

The Company'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;
- Changing customer demands; and
- Changing security protocols.

Future success will depend on our ability to effectively and economically adapt in this evolving environment. We could incur substantial costs if we must modify our business to adapt to these changes, and may even be unable to adapt to these changes.

The Company participates 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. We face significant competition in developing and selling our products and solutions. To remain competitive, we believe we must continue to effectively and economically provide:

- Technologically advanced systems that satisfy user demands;
- Superior customer service;

[Table of Contents](#)

- High levels of quality and reliability; and
- Dependable and efficient distribution networks.

We cannot assure we will be able to compete successfully against current or future competitors. Increased competition in mobile computing products, data capture products, 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, which may create additional pressures on our competitive position in the marketplace.

The Company is vulnerable to the potential difficulties associated with the increase in the complexity of our business. We have grown rapidly over the last several years through acquisition and worldwide 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. The following factors could present difficulties to us:

- Managing our distribution channel partners;
- Managing our contract manufacturing and supply chain;
- Manufacturing an increased number of products;
- Managing parties to whom we have outsourced portions of our business operations;
- Increased administrative and operational burden;
- Maintaining and improving information technology infrastructure to support growth;
- Increased logistical problems common to complex, expansive operations;
- Increasing international operations; and
- Attract, develop and retain individuals with the requisite technical expertise to develop new technologies and introduce new products and solutions.

Inability to consummate future acquisitions at appropriate prices could negatively impact our growth rate and stock price. Our ability to expand revenues, earnings, and cash flow depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and to realize anticipated synergies. Acquisitions can be difficult to identify and consummate due to competition among prospective buyers and the need to satisfy applicable closing conditions and obtain antitrust and other regulatory approval on acceptable terms.

The Company 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. We may acquire or make investments in other businesses, technologies, services, or products. An acquisition may present business issues which are new to us. The process of integrating any acquired business, technology, service, or product into our 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 the further development of our existing business. These and other factors may result in benefits of an acquisition not being fully realized.

Acquisitions also may involve a number of risks, including:

- Difficulties and uncertainties in retaining the customers or other business relationships from the acquired entities;
- The loss of key employees of acquired entities;
- The ability of acquired entities to fulfill their customers' obligations;
- The discovery of unanticipated issues or liabilities;
- Pre-closing and post-closing acquisition-related earnings charges could adversely impact operating results and cash flows in any given period, and the impact may be substantially different from period to period;
- The failure of acquired entities to meet or exceed expected operating results or cash flows could result in impairment of goodwill or intangible assets acquired;
- The ability to implement internal controls and accounting systems necessary to be compliant with requirements applicable to public companies subject to SEC reporting, which could result in misstated financial reports; and
- Future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt and contingent liabilities.

Infringement by the Company or our suppliers on the proprietary rights of others could put us at a competitive disadvantage, and any related litigation could be time consuming and costly. Third parties may claim that we or our suppliers violated their intellectual property rights. To the extent of a violation of a third-party's patent or other intellectual property right, we may be prevented from operating our 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 our 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 the intellectual property rights of parties in such technologies can be uncertain. As a result, our 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 our reputation, and our competitive position may be materially damaged. Our intellectual property is valuable and provides us with certain competitive advantages. We use copyrights, patents, trademarks, trade secrets, and contracts to protect these proprietary rights. Despite these precautions, third parties may be able to copy or reproduce aspects of our intellectual property and our products or, without authorization, to misappropriate and use information, which we regard as trade secrets. Additionally, the intellectual property rights we obtain may not be sufficient to provide us with a competitive advantage and may be successfully challenged, invalidated, circumvented, or infringed. In any infringement litigation that the Company may undertake to protect our intellectual property, any award of monetary damages may be unlikely or very difficult to obtain, and any such award we may receive may not be commercially valuable. Furthermore, efforts to enforce or protect our proprietary rights may be ineffective and could result in the invalidation or narrowing of the scope of our intellectual property and incurring substantial litigation costs. Because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation. Some aspects of our business and services also rely on technologies, software, and content developed by or licensed from third parties, and we may not be able to maintain our relationships with such third parties or enter into similar relationships in the future on reasonable terms or at all.

We currently use third-party and/or open source operating systems and associated application ecosystems in certain of our products. Such parties ceasing continued development of the operating system or restricting our access to such operating system could adversely impact our business and financial results. We are dependent on third-parties' continued development of operating systems, software application ecosystem infrastructures, and such third-parties' approval of our implementations of their operating system and associated applications. If such parties cease to continue development or support of such operating systems or restrict our access to such operating systems, we would be required to change our strategy for such devices. As a result, our financial results could be negatively impacted because a resulting shift away from the operating systems we currently use and the associated applications ecosystem could be costly and difficult. A strategy shift could increase the burden of development on the Company and potentially create a gap in our portfolio for a period of time, which could competitively disadvantage us.

Cybersecurity incidents could disrupt business operations. Like many companies, we continually strive to meet industry information security standards relevant to our business. We periodically perform vulnerability assessments, remediate vulnerabilities, review log/access, perform system maintenance, manage network perimeter protection, implement and manage disaster recovery testing, and provide periodic educational sessions to our employees to foster awareness of schemes to access sensitive information. A cybersecurity incident could include an attempt to gain unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. "Phishing" and other types of attempts to obtain unauthorized information or access are often sophisticated and difficult to detect or defeat.

A cybersecurity incident, including deliberate attacks and unintentional events, may lead to a material disruption of our core business systems, the loss or corruption of confidential business information and/or the disclosure of personal data that in each case could result in an adverse business impact, as well as, possible damage to our brand. This could also lead to a public disclosure or theft of private intellectual property and a possible loss of customer confidence.

While we have experienced and expect to continue to experience these types of threats and incidents, there have been no material incidents incurred to-date at the Company. If our core business operations, or that of one of our third-party service providers, were to be breached, this could affect the confidentiality, integrity, and availability of our systems and data. While we continue to perform security due diligence, there is always the possibility of a significant breach affecting the confidentiality, integrity, and availability of our systems and/or data.

Our products that are deployed in customer environments also have the possibility of being breached, which could result in damage to a customer's confidentiality, integrity, and availability of the customer's data and systems. It is possible that such a breach could result in delays in, or loss of market acceptance of, our products and services; diversion of our resources; injury to our reputation; increased service and warranty expenses; and payment of damages. To date, we have had no material incidents related to the security on our products.

Laws and regulations relating to the handling of personal data may result in increased costs, legal claims, or fines against the Company. As part of our operations, the Company collects, uses, stores, and transfers personal data of third parties and employees in and across jurisdictions. The governing bodies in such jurisdictions have adopted or are considering adopting

laws and regulations regarding the collection, use, transfer, storage and disclosure of personal data obtained from third parties and employees; for example, General Data Protection Regulation effective May 2018. These laws may result in burdensome or inconsistent requirements affecting the collection, use, storage, transfer and disclosure of our third-party and employee personal data. Compliance may require changes in services, business practices, or internal systems that result in increased costs, lower revenue, reduced efficiency, or greater difficulty in competing with foreign-based firms. Failure to comply with existing or new rules may result in claims against the Company or significant penalties or orders to stop the alleged noncompliant activity.

We may incur liabilities as a result of product failures due to actual or apparent design or manufacturing defects. We 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 our own designed products but also in components provided by third-party suppliers. We generally have insurance protection against property damage and personal injury liabilities and also seek 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 the Company's installed product base, a design or manufacturing defect involving this large installed product base could result in product recalls or customer service costs that could have material adverse effects on our financial results.

Defects or errors in the Company's software products could harm our reputation, result in significant cost to us, and impair our ability to market such products. Our software may contain undetected errors, defects, or bugs. Although we have not suffered significant harm from any errors, defects, or bugs to date, we may discover significant errors, defects, or bugs in the future that we may not be able to correct or correct in a timely manner. It is possible that errors, defects, or bugs will be found in our existing or future software products and related services with the possible results of delays in, or loss of market acceptance of, our products and services, diversion of our resources, injury to our reputation, increased service and warranty expenses, and payment of damages.

We depend on the ongoing services of our senior management and the ability to attract and retain key personnel. The future success of the Company is substantially dependent on the continued services and continuing contributions of senior management and other key personnel. The ability to attract, retain, and motivate highly skilled employees is important to our long-term success. Competition for skill sets in certain functions within our industry is intense, and we may be unable to retain key employees or attract, assimilate, or retain other highly qualified employees in the future. Any disruption in the services of senior management or our ability to attract and retain key personnel may have a material adverse effect on our business and results of operations.

Terrorist attacks or war could lead to further economic instability and adversely affect the Company'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. Since then, a number of significant acts of terrorism have occurred, and war continues in the Middle East, all of which may contribute to instability in financial markets. Additional 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 our facilities and operations or those of our customers or suppliers.

The impact of changes in customs duties and trade policies in the United States and corresponding actions by other countries in which the Company does business could adversely affect our financial performance. The U.S. government has imposed customs duties on various imports from China that are intended to address trade imbalances. These actions will result in increased customs duties and will likely result in the renegotiation of some U.S. trade agreements. In response to such actions, China has instituted customs duties on certain U.S. goods. Other governments could also institute customs duties on U.S. goods similar to China's actions in response to the U.S. government's customs duties. The Company imports a significant percentage of our products into the U.S. and China, and an increase in customs duties with respect to these imports could negatively impact the Company's financial performance. Based on the current products affected, we do not anticipate such increase in customs duties to materially impact the Company's financial performance. Such customs duties also may cause the U.S.' trading partners, other than China, to take actions with respect to U.S. imports or U.S. investment activities in their respective countries. Any potential changes in trade policies in the U.S. and the potential corresponding actions by other countries in which the Company does business could adversely affect the Company's financial performance.

Taxing authority challenges may lead to tax payments exceeding current reserves. We are subject to, and may become 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 the Company's effective tax rate and cash flows. Future changes in tax law in various jurisdictions around the world and income tax holidays could have a material impact on our effective tax rate, foreign rate differential, future income tax expense, and cash flows.

Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual tax rates. Forecasts of our income tax position and effective tax rate are complex, subject to uncertainty and periodic updates because our income tax position for each year combines the effects of a mix of profits earned and losses incurred by us in various tax jurisdictions with a broad range of income tax rates, as well as changes in the valuation of deferred tax assets and liabilities, the impact of various accounting rules and changes to these rules and tax laws, the results of examinations by various tax authorities, and the impact of any acquisition, business combination, disposition or other reorganization, or financing transaction.

As a multinational corporation, we conduct our business in many countries and are subject to taxation in many jurisdictions. The taxation of our business is subject to the application of multiple and sometimes conflicting tax laws and regulations, as well as multinational tax conventions. Many countries have recently adopted or are considering the adoption of revisions to their respective tax laws based on the on-going reports issued by the Organization for Economic Co-operation and Development (“OECD”)/G20 Base Erosion and Profit Shifting (“BEPS”) Project, which could materially impact our tax liability due to our organizational structure and significant operations outside of the U.S. Our effective tax rate is highly dependent upon the geographic distribution of our worldwide earnings or losses resulting from our structure and operating model, the tax regulations and tax holidays in each geographic region, and the availability of tax credits and carry-forwards. The application of tax laws and regulations is subject to legal and factual interpretation, judgment, and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, and the evolution of regulations and court rulings. Consequently, taxing authorities may impose tax assessments or judgments against us that could materially impact our tax liability and/or our effective income tax rate.

Economic conditions and financial market disruptions may adversely affect our business and results of operations . Adverse economic conditions or reduced information technology spending may adversely impact our business. General disruption of financial markets and a related general economic downturn could adversely affect our 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 might lead to restructuring charges. A tightening of financial credit could adversely affect our customers, suppliers, outsourced manufacturers, and channel partners (e.g., distributors and resellers) from obtaining adequate credit for the financing of significant purchases. An economic downturn could also result in a decrease in or cancellation of orders for our products and services; negatively impacting the ability to collect 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 cash flows.

A natural disaster may cause supply disruptions that could adversely affect our business and results of operations. Natural disasters may occur in the future, and the Company is not able to predict to what extent or duration any such 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 our business and results of operations.

Zebra could be adversely impacted by the United Kingdom’s withdrawal from the European Union. Zebra maintains its European regional headquarters and a label converting facility in the U.K. and has significant operations and sales throughout Europe. The U.K. formally notified the E.U. of its intention to withdraw, with such notice triggering a two-year period ending in March 2019, which could be followed by a transition period. During such two-year period, the U.K. has been negotiating the terms of the withdrawal. Since the U.K.’s referendum in June 2016 to withdraw from the E.U., markets have been more volatile, including fluctuations in the British pound, that could adversely impact Zebra’s operating costs in the U.K. Such market volatility could also cause customers to alter or delay buying decisions that would adversely impact Zebra’s sales in the U.K. and throughout Europe. Our European business involves cross border transactions between the U.K. and the E.U. The future trade relationship between the U.K. and the E.U. could adversely impact Zebra’s operations in the region by increasing importation requirements or disrupting shipments between the E.U. to the U.K. or vice versa. The terms of the U.K.’s withdrawal from the E.U. and resulting impacts to Zebra’s operations are currently uncertain and could adversely affect the Company’s financial performance.

We are exposed to risks under large, multi-year system and solutions and services contracts that may negatively impact our business. We enter into large, multi-year system and solutions and services contracts with our customers. This exposes us to risks, including among others: (i) technological risks, especially when the contracts involve new technology; (ii) financial risks, including the estimates inherent in projecting costs associated with large, long-term contracts and the related impact on operating results; and (iii) cyber security risk, especially in managed services contracts with customers that process personal data. Recovery of front-loaded costs incurred on long-term managed services contracts with customers is dependent on the

continued viability of such customers. The insolvency of customers could result in a loss of anticipated future revenue attributable to that program or product, which could have an adverse impact on our profitability.

We enter into fixed-price contracts that could subject us to losses in the event we fail to properly estimate our costs. If our initial cost estimates are incorrect, we can lose money on these contracts. Because many of these contracts involve new technologies and applications and require the Company to engage subcontractors and can last multiple years, unforeseen events, such as technological difficulties, fluctuations in the price of raw materials, problems with our subcontractors or suppliers and other cost overruns, can result in the contract pricing becoming less favorable or even unprofitable to us and have an adverse impact on our financial results. In addition, a significant increase in inflation rates could have an adverse impact on the profitability of longer-term contracts.

We utilize the services of subcontractors to perform under many of our contracts and the inability of our subcontractors to perform in a timely and compliant manner could negatively impact our performance obligations as the prime contractor. We engage subcontractors on many of our contracts and as we expand our global solutions and services business, our use of subcontractors has and will continue to increase. Our subcontractors may further subcontract performance and may supply third-party products and software. We may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by the subcontractor or our subcontractors and the functionality, warranty and indemnities of products, software, and services supplied by our subcontractor. We are not always successful in passing along customer requirements to our subcontractors, and thus in some cases may be required to absorb contractual risks from our customers without corresponding back-to-back coverage from our subcontractor. Our subcontractors may not be able to acquire or maintain the quality of the materials, components, subsystems and services they supply, or secure preferred warranty and indemnity coverage from their suppliers which might result in greater product returns, service problems, warranty claims and costs and regulatory compliance issues and could harm our business, financial condition, and results of operations.

We have outsourced portions of certain business operations such as repair, distribution, engineering services and information technology services and may outsource additional business operations, which limits our control over these business operations and exposes us to additional risk as a result of the actions of our outsource partners. When we outsource certain business operations, we are not able to directly control these activities. Our outsource partners may not prioritize our business over that of their other customers and they may not meet our desired level of service, cost reductions, or other metrics. In some cases, their actions may result in our being found to be in violation of laws or regulations like import or export regulations. As many of our outsource partners operate outside of the U.S., our outsourcing activity exposes us to information security vulnerabilities and increases our global risks. In addition, we are exposed to the financial viability of our outsource partners. Once a business activity is outsourced, we may be contractually prohibited from, or may not practically be able to, bring such activity back within the Company or move it to another outsource partner. The actions of our outsource partners could result in reputational damage to us and could negatively impact our financial results. Additionally, transitioning activities between new or existing outsource partners or across different geographies as well as insourcing activities could result in additional cost, time and management attention in order to effectively manage the transition which could negatively impact our financial results.

Failure of our suppliers, subcontractors, distributors, resellers, and representatives to use acceptable legal or ethical business practices could negatively impact our business. It is our policy to require suppliers, subcontractors, distributors, resellers, and third-party sales representatives (“TPSRs”) to operate in compliance with applicable laws, rules, and regulations regarding working conditions, employment practices, environmental compliance, anti-corruption, and trademark and copyright licensing. However, we do not control their labor and other business practices. If one of our suppliers, subcontractors, distributors, resellers, or TPSRs violates labor or other laws or implements labor or other business practices that are regarded as unethical, the shipment of finished products to us could be interrupted, orders could be canceled, relationships could be terminated, and our reputation could be damaged. If one of our suppliers or subcontractors fails to procure necessary license rights to trademarks, copyrights, or patents, legal action could be taken against us that could impact the salability of the Company’s products and expose us to financial obligations to a third-party. Any of these events could have a negative impact on our sales and results of operations.

We rely on third-party dealers, distributors, and resellers to sell many of our products. In addition to our own sales force, we offer our products through a variety of third-party dealers, distributors, and resellers. These third-parties may also market other products that compete with our products. Failure of one or more of our dealers, distributors, or resellers to effectively promote our products could affect our ability to bring products to market and have a negative impact on our results of operations. Any changes to our channel program may cause some of our third-party dealers, distributors or resellers to exit the program due to modifications to the program structure, thereby reducing our ability to bring products to market and have a negative impact on our results of operations.

Some of these third-parties are smaller and more likely to be impacted by a significant decrease in available credit that could result from a weakness in the financial markets. If credit pressures or other financial difficulties result in insolvency for third-

party dealers, distributors, or retailers and we are unable to successfully transition end-customers to purchase our products from other third-parties or from us directly, it may cause, and in some cases, has caused, a negative impact on our financial results.

Final assembly of certain of our products is performed by third-party electronics manufacturers. We may be dependent on these third-party electronics manufacturers as a sole-source of supply for the manufacture of such products. A failure by such manufacturers to provide manufacturing services to us as we require, or any disruption in such manufacturing services up to and including a catastrophic shut-down, may adversely affect our business results. Because we rely on these third-party electronics manufacturers to manufacture our products, we may incur increased business continuity risks. We are not able to exercise direct control over the assembly or related operations of certain of our products. If these third-party manufacturers experience business difficulties or fail to meet our manufacturing needs, then we 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 such third parties continuing to manufacture our products, we may have no other means of final assembly of certain of our products until we are able to secure the manufacturing capability at another facility or develop an alternative manufacturing facility. This transition could be costly and time consuming.

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

Our future operating results depend on our ability to purchase a sufficient amount of materials, parts, and components, as well as services and software to meet the demands of customers. We source some of our components from sole source suppliers. Any disruption to our suppliers or significant increase in the price of supplies could have a negative impact on our results of operations. Our ability to meet customers' demands depends, in part, on our ability to obtain in a timely manner an adequate delivery of quality materials, parts, and components, as well as services and software from our suppliers. In addition, certain supplies are available only from a single source or limited sources and we may not be able to diversify sources in a timely manner. If demand for our products or services increases from our current expectations or if suppliers are unable or unwilling to meet our demand for other reasons, including as a result of natural disasters or financial issues, we could experience an interruption in supplies or a significant increase in the price of supplies that could have a negative impact on our business. We have experienced shortages in the past that have negatively impacted our results of operations and may experience such shortages in the future. Credit constraints at our suppliers could cause us to accelerate payment of accounts payable by us, impacting our cash flow.

In addition, our current contracts with certain suppliers may be canceled or not extended by such suppliers and, therefore, not afford us with sufficient protection against a reduction or interruption in supplies. Moreover, in the event any of these suppliers breach their contracts with us, our legal remedies associated with such a breach may be insufficient to compensate us for any damages it may suffer.

The unfavorable outcome of any pending or future litigation, arbitration, or administrative action could have a material adverse effect on our financial condition or results of operations. From time to time we are a party to litigation, arbitration, or administrative actions. Our financial results and reputation could be negatively impacted by unfavorable outcomes to any pending or future litigation or administrative actions, including those related to the Foreign Corrupt Practices Act, the U.K. Bribery Act, or other anti-corruption laws. There can be no assurances as to the favorable outcome of any litigation or administrative proceedings. In addition, it can be very costly to defend litigation or administrative proceedings and these costs could negatively impact our financial results.

It is important that we are able to obtain many different types of insurance, and if we are not able to obtain insurance or exhaust our coverage, we may be forced to retain the risk. We have many types of insurance coverage and are also self-insured for some risks and obligations. While the cost and availability of most insurance is stable, there are still certain types and levels of insurance that remain difficult to obtain, such as professional liability insurance, which is expensive to obtain for the amount of coverage often requested by certain customers. As we grow our global solutions and services business, we are being asked to obtain higher amounts of professional liability insurance, which could result in higher costs to do business. Natural disasters and certain risks arising from securities claims, professional liability, and public liability are potential self-insured events that could negatively impact our financial results. In addition, while we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs from an accident, incident, or claim.

We are subject to a wide range of product regulatory and safety, consumer, worker safety, and environmental laws. Our operations and the products we manufacture and/or sell are subject to a wide range of product regulatory and safety, consumer,

worker safety, and environmental laws and regulations. Compliance with such existing or future laws and regulations could subject us to future costs or liabilities, impact our production capabilities, constrict our ability to sell, expand or acquire facilities, restrict what products and services we can offer, and generally impact our financial performance. Some of these laws are environmental and relate to the use, disposal, remediation, emission and discharge of, and exposure to hazardous substances. These laws often impose liability and can require parties to fund remedial studies or actions regardless of fault. We continue to incur disposal costs and have ongoing remediation obligations. Environmental laws have tended to become more stringent over time and any new obligations under these laws could have a negative impact on our operations or financial performance.

Laws focused on the energy efficiency of electronic products and accessories; recycling of both electronic products and packaging; reducing or eliminating certain hazardous substances in electronic products; and the transportation of batteries continue to expand significantly. Laws pertaining to accessibility features of electronic products, standardization of connectors and power supplies, the transportation of lithium-ion batteries, and other aspects are also proliferating. There are also demanding and rapidly changing laws around the globe related to issues such as product safety, radio interference, radio frequency radiation exposure, medical related functionality, and consumer and social mandates pertaining to use of wireless or electronic equipment. These laws, and changes to these laws, could have a substantial impact on whether we can offer certain products, solutions, and services, and on what capabilities and characteristics our products or services can or must include.

These laws impact our products and negatively affect our ability to manufacture and sell products competitively. We expect these trends to continue. In addition, we anticipate that we will see increased demand to meet voluntary criteria related to reduction or elimination of certain constituents from products, increasing energy efficiency, and providing additional accessibility.

We could be adversely impacted by changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines, and interpretations with regard to a wide range of matters that are relevant to our businesses, including, but not limited to, revenue recognition, asset impairment, business acquisition purchase price allocations, impairment of goodwill and other intangible assets, inventories, tax matters, and litigation and other contingent liabilities are highly complex and involve many subjective assumptions, estimates, and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates, or judgments could significantly change our reported or expected financial performance or financial condition. New accounting guidance may also require systems and other changes that could increase our operating costs and/or change our financial statements.

Our indebtedness could adversely affect our business. As of December 31, 2018, we had \$1.6 billion of outstanding debt, gross of unamortized discounts and debt issuance costs. Our indebtedness could have important consequences, including the following:

- We may experience difficulty in satisfying our obligations with respect to our existing indebtedness or future indebtedness;
- Our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- We plan to use a substantial portion of cash flow from operations to pay interest and principal on our indebtedness, which may reduce the funds available for other purposes, such as acquisitions and capital expenditures;
- We may be at a competitive disadvantage with reduced flexibility in planning for, or responding to, changing conditions in the industry, including increased competition; and
- We may be more vulnerable to economic downturns and adverse developments in the business.

We expect to fund our expenses and to pay the principal and interest on our indebtedness from cash flow from operations. Our ability to meet our expenses and to pay principal and interest on our indebtedness when due depends on our future performance, which will be affected by financial, business, economic, and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors.

If our business does not generate sufficient cash flows from operations or if future borrowings are not available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness on or before the maturity thereof, sell assets, reduce or delay capital investments, or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to restructure or refinance our indebtedness will depend on the condition of the capital and debt markets and our financial condition at such time. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict business operations. The terms of anticipated or future debt instruments may limit or prevent us

from taking any of these actions. In addition, any failure to make scheduled payments of interest and/or principal on outstanding indebtedness would likely result in a reduction of our credit rating, which could harm our ability to access additional capital on commercially reasonable terms or at all. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy the obligations in respect of our indebtedness.

Our use of derivative financial instruments to reduce interest rate risk may result in added volatility in our operating results . We do not hold or issue derivative financial instruments for trading purposes. However, we do utilize derivative financial instruments to reduce interest rate risk associated with our indebtedness. To manage variable interest rate risk, we entered into forward interest rate swap agreements, which will effectively convert a portion of our indebtedness into a fixed rate loan. Under generally accepted accounting principles, changes in the fair values of the swap contracts are reflected in our Consolidated Statements of Operations as a component of “Other, net” if not hedged. The associated impact on our quarterly operating results is directly related to changes in prevailing interest rates. If interest rates increase, we would have a non-cash gain on the swaps, and vice versa in the event of a decrease in interest rates. Consequently, these swaps introduce additional volatility to our operating results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Lincolnshire, Illinois; a northern suburb of Chicago. We also operate manufacturing, production and warehousing, administrative, research, and sales facilities in other U.S. and international locations.

As of December 31, 2018 , the Company owned three laboratory and warehouse facilities located in Holtsville, NY, Preston, UK, and Mississauga, Ontario, Canada. The Company leases seven facilities for the purposes of manufacturing, production, and warehousing; five of which are located in the U.S. and two are located in other countries.

As of December 31, 2018 , the Company had a total of 106 leased facilities with locations spread globally; 30 of which are located in the U.S. and 76 are located in 45 other countries.

We generally consider the productive capacity of the plants to be adequate and sufficient for our requirements. The extent of utilization of each manufacturing facility varies throughout the year.

Item 3. Legal Proceedings

See Note 12 , *Commitments and Contingencies* in the Notes to Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

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, LLC under the symbol “ZBRA”. The following table shows the high and low trade prices for each fiscal quarter in 2018 and 2017, as reported by the NASDAQ Stock Market, LLC.

2018	High	Low	2017	High	Low
First Quarter	\$ 147.99	\$ 102.75	First Quarter	\$ 93.61	\$ 81.02
Second Quarter	161.72	130.79	Second Quarter	109.30	86.82
Third Quarter	179.47	136.16	Third Quarter	109.89	94.78
Fourth Quarter	184.75	140.95	Fourth Quarter	117.44	101.49

At February 7, 2019, the last reported price for the Class A common stock was \$176.79 per share, and there were 125 registered stockholders of record for Zebra’s Class A common stock.

Dividend Policy

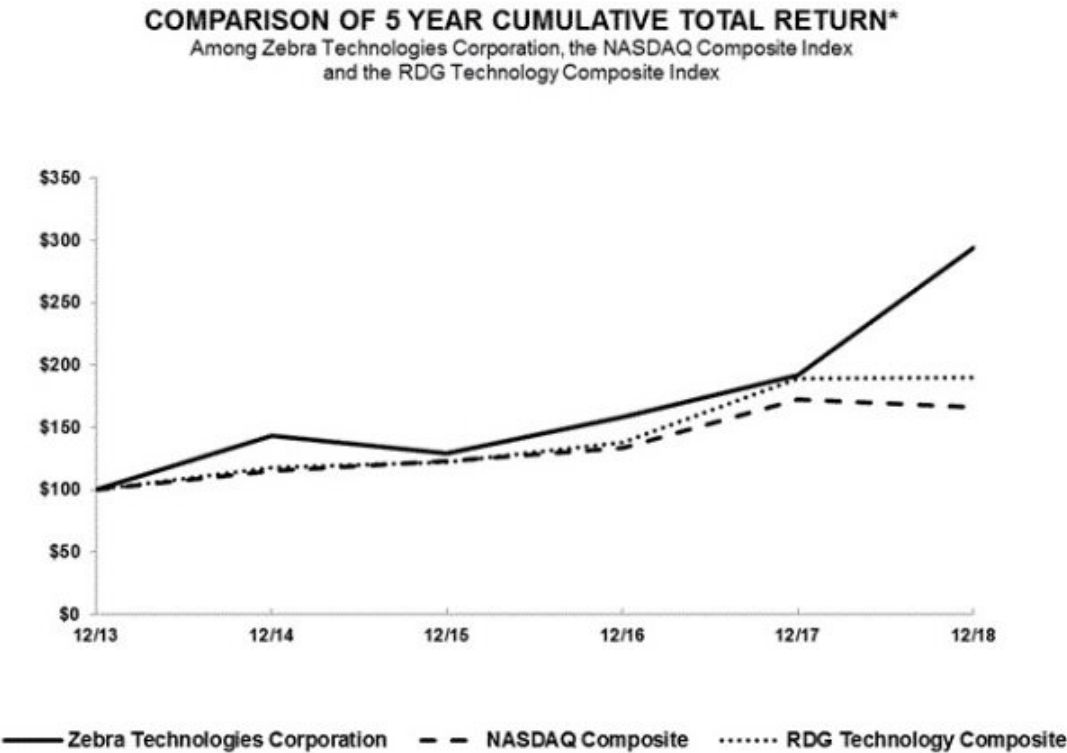
Since our initial public offering in 1991, we have not declared any cash dividends or distributions on our capital stock. We currently do not anticipate paying any cash dividends in the foreseeable future.

Treasury Shares

In November 2011, our Board authorized the purchase of up to 3,000,000 shares under the purchase plan program with a maximum of 665,475 shares remaining available for purchase. The November 2011 authorization does not have an expiration date. We did not purchase shares of Zebra Class A common stock during 2018 as part of the purchase plan program.

Stock Performance Graph

This graph compares the cumulative annual change since December 31, 2013 , of the total stockholder return of Zebra Technologies Corporation Class A common stock with the cumulative return on the following published indices: (i) the RDG Technology Composite; and (ii) the NASDAQ Composite Market Index, during the same period. The comparison assumes that \$100 was invested in each of the Company’s Class A common stock, the stocks comprising the RDG Technology Composite and the stocks comprising the NASDAQ Composite Market Index on December 31, 2013 . The comparison assumes that all dividends were reinvested at the end of the month in which they were paid.



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Item 6. Selected Financial Data

FIVE YEAR SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(In millions, except shares and per share amounts)

Consolidated Statements of Operations ⁽¹⁾	Year Ended December 31,				
	2018	2017	2016	2015	2014
Total Net sales	\$ 4,218	\$ 3,722	\$ 3,574	\$ 3,650	\$ 1,671
Gross profit	1,981	1,710	1,642	1,644	778
Net income (loss)	\$ 421	\$ 17	\$ (137)	\$ (158)	\$ 32
Basic earnings (loss) per share	\$ 7.86	\$ 0.33	\$ (2.65)	\$ (3.10)	\$ 0.64
Diluted earnings (loss) per share	\$ 7.76	\$ 0.32	\$ (2.65)	\$ (3.10)	\$ 0.63
Weighted average shares outstanding:					
Basic	53,591,655	53,021,761	51,579,112	50,996,297	50,789,173
Diluted	54,299,812	53,688,832	51,579,112	50,996,297	51,379,698
Consolidated Balance Sheets ⁽¹⁾	December 31,				
	2018	2017	2016	2015	2014
Cash and cash equivalents, investments and marketable securities	\$ 44	\$ 62	\$ 156	\$ 192	\$ 418
Total Assets	4,339	4,275	4,632	5,040	5,539
Long-term liabilities	1,703	2,441	2,891	3,252	3,346
Total Stockholders' Equity	1,335	834	792	893	1,040

(1) Includes the Xplore business from its date of acquisition, August 14, 2018 and the Enterprise business from its date of acquisition, October 27, 2014.

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

Overview

The Company is a global leader respected for innovative EAI solutions in the automatic information and data capture solutions industry. We design, manufacture, and sell a broad range of products that capture and move data, including: mobile computers; barcode scanners and imagers; RFID readers; specialty printers for barcode labeling and personal identification; RTLS; related accessories and supplies, such as self-adhesive labels and other consumables; and software utilities and applications. We also provide a full range of services, including maintenance, technical support, and repair, managed and professional services, including cloud-based subscriptions. End-users of our products and services include those in the retail and e-commerce, transportation and logistics, manufacturing, healthcare, hospitality, warehouse and distribution, energy and utilities, government and education enterprises around the world. Benefits of our solutions include improved efficiency and workflow management, increased productivity and asset utilization, real-time, actionable enterprise information, and better customer experiences. We provide our products and services globally through a direct sales force and an extensive network of partners. We provide products and services in over 180 countries, with 109 facilities and approximately 7,400 employees worldwide.

Segments

The Company’s operations consist of two reportable segments: Asset Intelligence & Tracking (“AIT”) and Enterprise Visibility & Mobility (“EVM”).

Asset Intelligence & Tracking

The AIT segment is an industry leader in barcode printing and asset tracking technologies. Its major product lines include barcode and card printers, supplies, services and location solutions. Industries served include retail and e-commerce, transportation and logistics, manufacturing, healthcare, and other end markets within the following regions: North America; Europe, Middle East, and Africa (“EMEA”); Asia-Pacific; and Latin America.

Enterprise Visibility & Mobility

The EVM segment is an industry leader in automatic information and data capture solutions. Its major product lines include mobile computing, data capture, RFID, and services. Industries served include retail and e-commerce, transportation and logistics, manufacturing, healthcare, and other end markets within the following regions: North America; EMEA; Asia-Pacific; and Latin America.

Geographic Information

For the year ended December 31, 2018, the Company recorded \$4.2 billion of Net sales in its consolidated statements of operations, of which approximately 48.4% were attributable to North America; approximately 33.4% were attributable to EMEA; and other foreign locations accounted for the remaining 18.2%. Relative Net sales attributable to each region is comparable with the prior year period.

Acquisition and Integration

On August 14, 2018, the Company completed its tender offer to acquire all outstanding common stock of Xplore for \$6.00 per share. In connection with this acquisition, the Company paid \$87 million in cash, which included \$72 million for the net assets acquired, a \$9 million payment of Xplore debt, as well as \$6 million of other Xplore transaction-related obligations. The operating results of Xplore are included within the Company’s EVM segment beginning August 14, 2018, contributing approximately 1% to our consolidated Net sales growth in 2018. The Xplore acquisition was accounted for under the acquisition method of accounting for business combinations and the preliminary opening balance sheet was included in the Company’s Consolidated Balance Sheet and operating results beginning August 14, 2018.

On October 27, 2014, the Company acquired Enterprise from MSI and began integration activities focused on creating “One Zebra”. Our integration priorities centered on maintaining business continuity while identifying and implementing cost synergies, operating efficiencies, and integration of functional organizations and processes. Another key focus of the integration was to exit MSI-provided TSAs related primarily to IT systems and support services. These TSAs were an interim measure to continue the operations of the Enterprise business without disruption while integration activities were completed. The Company substantially completed its integration activities in fiscal year 2017, including the implementation of a common enterprise resource planning system and has exited the last TSAs with MSI.

Restructuring Programs

In the first quarter 2017, the Company’s executive leadership approved an initiative to continue the Company’s efforts to increase operational efficiency (the “Productivity Plan”). The Productivity Plan built upon the exit and restructuring initiatives specific to the October 2014 Enterprise acquisition (the “Acquisition Plan”). Actions under the Productivity Plan included organizational design changes, process improvements and automation. The Company substantially completed all initiatives

under the Acquisition Plan as of December 31, 2017, and substantially completed all initiatives under the Productivity Plan as of December 31, 2018. Exit and restructuring costs are not included in the operating results of our segments as they do not impact the specific segment measures as reviewed by our Chief Operating Decision Maker and therefore are reported as a component of Corporate eliminations. See Note 18 , *Segment Information & Geographic Data* in the Notes to Consolidated Financial Statements.

Total exit and restructuring charges of \$23 million life-to-date specific to the Productivity Plan have been recorded through December 31, 2018 and include severance and related benefits, lease exit costs and other expenses. Charges related to the Productivity Plan for the year ended December 31, 2018 and 2017 were \$11 million and \$12 million , respectively.

Total exit and restructuring charges of \$69 million life-to-date specific to the Acquisition Plan have been recorded through December 31, 2018 and include severance and related benefits, lease exit costs and other expenses. Charges related to the Acquisition Plan for the periods ended December 31, 2017 and 2016, were \$4 million and \$19 million, respectively.

See Note 8 , *Costs Associated with Exit and Restructuring Activities* in the Notes to Consolidated Financial Statements for further information.

Impact of U.S. Tax Reform

Enacted on December 22, 2017, the Tax Cut and Jobs Act (“TCJA” or “the Act”) reduced the U.S. federal corporate tax rate from 35% to 21% and requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred. Based on current operations, the Company is subject to the Global Intangible Low-Taxed Income and the Deduction for Foreign-Derived Intangible Income provisions (collectively referred to as “GILTI”) of the Act, for which we recorded income tax expense of \$10 million in 2018. We are not currently subject to the new limitations which defer U.S. interest deductions in excess of 30% of adjusted taxable income or the Base Erosion Anti-Avoidance Tax (“BEAT”). However, the application of the interest limitations and BEAT regime may apply in the future, depending on changes in the Company’s business model or the level of taxable income in any given year. Additionally, the Company is no longer able to deduct performance-based compensation for its covered employees which exceeds the limitation under amended Internal Revenue Code Section 162(m). These impacts are included in the calculation of the Company’s effective tax rate.

During 2017, the Company provisionally recognized an income tax expense of \$72 million associated with the Act, comprised of one-time transition tax of \$37 million and \$35 million remeasurement of its net U.S. deferred tax assets based on the federal statutory rate of 21%.

During 2018, the Company finalized its analysis of the Act, including the one-time transition tax and measurement of net deferred tax assets, and recorded a \$3 million income tax benefit for the year ended December 31, 2018 as a result of differences between its final analysis and provisional analysis from the prior year. The final analysis included both federal and state tax effects based on legislative pronouncements through December 31, 2018. The Company also utilized a total of \$28 million of available net operating losses, research and development credits, alternative minimum tax credits, and foreign tax credits, in order to reduce its future cash payments for the one-time transition tax, resulting in a net liability for the one-time transition tax of \$6 million, of which \$1 million has been classified as a short term liability and \$5 million as a long term liability. The final one-time transition tax installment payment will be made in 2024.

See Note 14 , *Income Taxes* in the Notes to Consolidated Financial Statements for further information.

Results of Operations: Year Ended 2018 versus 2017 and Year Ended 2017 versus 2016
Consolidated Results of Operations

(amounts in millions, except percentages)

	Year Ended December 31,			Percent Change 2018 vs 2017	Percent Change 2017 vs 2016
	2018	2017	2016		
Net sales	\$ 4,218	\$ 3,722	\$ 3,574	13.3 %	4.1 %
Gross profit	1,981	1,710	1,642	15.8 %	4.1 %
Operating expenses	1,371	1,388	1,562	(1.2)%	(11.1)%
Operating income	\$ 610	\$ 322	\$ 80	89.4 %	302.5 %
Gross margin	47.0%	45.9%	45.9%		

Net sales to customers by geographic region were as follows (amounts in millions, except percentages):

	Year Ended December 31,			Percent Change 2018 vs 2017	Percent Change 2017 vs 2016
	2018	2017	2016		
North America	\$ 2,041	\$ 1,798	\$ 1,739	13.5%	3.4 %
Europe, Middle East, and Africa	1,409	1,221	1,138	15.4%	7.3 %
Asia-Pacific	520	468	483	11.1%	(3.1)%
Latin America	248	235	214	5.5%	9.8 %
Total Net sales	\$ 4,218	\$ 3,722	\$ 3,574	13.3%	4.1 %

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

	Year Ended December 31,			As Percentage of Net sales		
	2018	2017	2016	2018	2017	2016
Selling and marketing	\$ 483	\$ 448	\$ 444	11.5%	12.0%	12.4%
Research and development	444	389	376	10.5%	10.5%	10.5%
General and administrative	328	301	307	7.8%	8.1%	8.6%
Amortization of intangible assets	97	184	229	NM	NM	NM
Acquisition and integration costs	8	50	125	NM	NM	NM
Impairment of goodwill and other intangibles	—	—	62	NM	NM	NM
Exit and restructuring costs	11	16	19	NM	NM	NM
Total Operating expenses	\$ 1,371	\$ 1,388	\$ 1,562	32.5%	37.3%	43.7%

Consolidated Organic Net sales growth:

	Year Ended December 31,	
	2018	2017
Reported GAAP Consolidated Net sales growth	13.3 %	4.1 %
Adjustments:		
Impact of foreign currency translation ⁽¹⁾	(1.6)%	(0.6)%
Impact of Xplore acquisition ⁽²⁾	(0.6)%	— %
Impact of Wireless LAN divestiture ⁽³⁾	— %	3.2 %
Corporate, eliminations ⁽⁴⁾	— %	(0.2)%
Consolidated Organic Net sales growth	11.1 %	6.5 %

(1) Operating results reported in U.S. dollars are affected by foreign currency exchange rate fluctuations. Foreign currency translation impact represents the difference in results that are attributable to fluctuations in the currency exchange rates used to convert the results for businesses where the functional currency is not the U.S. dollar. This impact is calculated by translating, for certain currencies, the current period results at the currency exchange

rates used in the comparable prior year period, rather than the exchange rates in effect during the current period. In addition, we exclude the impact of the company's foreign currency hedging program in both the current and prior year periods.

- (2) For purposes of computing Organic Net sales, amounts directly attributable to the Xplore acquisition (included in our consolidated results beginning August 14, 2018) will be excluded for 12 months following the acquisition date.
- (3) The Company sold the WLAN business in October 2016. The Company excludes the impact of the Net sales of this business in 2016 when computing Organic Net sales growth.
- (4) Amounts included in Corporate, eliminations consist of purchase accounting adjustments not reported in segments related to the Enterprise acquisition.

2018 compared to 2017

Net sales increased by \$ 496 million or 13.3% compared with the prior year, reflecting growth across all regions, most notably North America, EMEA and Asia-Pacific. The increase in Net sales was primarily due to higher sales of mobile computing, barcode printing and data capture products. Net sales growth was also positively impacted by currency changes, primarily in the EMEA region, as well as the inclusion of Xplore. Consolidated Organic Net sales growth was 11.1% .

Gross margin increased to 47.0% in the current year compared to 45.9% in the prior year. Gross margin improvement was driven by higher margins in both the EVM and AIT segments primarily due to operational efficiencies, favorable business mix as well as favorable foreign currency changes.

Operating expenses for the years ended December 31, 2018 and 2017 were \$1.4 billion , or 32.5% and 37.3% of Net sales, respectively. As a percentage of Net sales, operating costs continue trending favorably primarily due to lower intangible asset amortization expense and acquisition and integration charges. The lower amortization expense results from certain acquired intangible assets becoming fully amortized in 2017. Additionally, the Company had lower acquisition and integration charges in the current year as the Enterprise business integration activities were substantially completed during 2017. Current operating costs reflect higher compensation costs, which include the impact of higher incentive-based compensation associated with financial performance, a \$13 million pretax charge related to a legal settlement included within general and administrative expense, investments to accelerate organic growth, as well as the inclusion of Xplore.

Operating income was \$610 million for the current year, compared to \$322 million for the prior year. The increase was primarily due to higher Net sales and Gross profit as well as lower Operating expenses.

Total Other expenses, net was \$86 million for the current year, compared to \$234 million for the prior year. The decrease was primarily due to \$81 million reduction of debt extinguishment and modification costs versus the prior year. The current year also benefited from lower outstanding debt and interest rates, a \$10 million gain on sale of certain investments, and a \$6 million increase in interest rate swap gains.

The Company recognized income tax expense of \$103 million and \$71 million for the years ended December 31, 2018 and 2017 , respectively. The Company's effective tax rates were 19.7% and 80.7% as of December 31, 2018 and 2017 , respectively. The decrease in the effective tax rate in the current year versus the prior year is primarily due to favorable year-over-year impacts of U.S. Tax Reform, changes in valuation allowances, U.S. impacts of the Enterprise acquisition as well as uncertain tax benefits, partially offset by the benefits of net foreign deferred tax asset remeasurements and intercompany asset transfers recorded in the prior year as well as reduced year-over-year favorability of foreign income taxes.

2017 compared to 2016

Net sales increased by \$148 million or 4.1% compared with the prior year period. The increase in Net sales was due to higher hardware sales in North America, EMEA, and Latin America, offset by lower hardware sales in Asia-Pacific. The increase in hardware sales was largely attributable to increased sales of mobile computing, data capture, and barcode printing products, partially offset by the impact of the divestiture of the WLAN business in October 2016. Services sales were lower primarily due to the impact of the WLAN divestiture. Organic net sales growth was 6.5% , reflecting growth in all four geographic regions, most notably in EMEA, North America, and Latin America.

Gross margin was 45.9% in both the current and prior year periods. This reflects an increase in gross margin in the EVM segment primarily due to changes in business mix and operational efficiencies, offset by lower AIT segment gross margin driven primarily by higher overhead and service costs, as well as increased customer sales incentives.

Operating expenses for the year ended December 31, 2017 and 2016 , were \$1.4 billion , or 37.3% of Net sales, and \$1.6 billion , or 43.7% of Net sales, respectively. The reduction in operating expenses was primarily due to impairment charges related to the disposal of the Company's WLAN business in the prior year, lower acquisition and integration costs, and lower amortization of intangible assets. During 2017, the Company substantially completed its integration activities, including the implementation of

a common enterprise resource planning system, associated with the Enterprise acquisition. The Company also exited the transition service agreements with MSI. The decrease in amortization of intangible assets was due to certain assets reaching full amortization in 2017. Exit and restructuring costs were also lower than the prior year due to the prior year including costs associated with the divestiture of the WLAN business. Research and development costs were higher primarily due to increased incentive compensation expense associated with improved financial performance, partially offset by the impact of the divestiture of the WLAN business. General and administrative expenses were lower compared to the prior year due primarily to reduced facility and IT expenses, professional fees, and employee benefit costs, as well as the impact of the divestiture of the WLAN business being offset partially by increased incentive compensation expense associated with improved financial performance.

Operating income increased \$242 million compared to the prior year. The increase was primarily due to the decline in Operating expenses as well as the increase in Net sales and Gross profit.

Total Other expenses, net was \$234 million for the current year, compared to \$209 million for the prior year. The increase was primarily driven by \$65 million of payments for early extinguishment and \$16 million of accelerated amortization of debt issuance costs related to the redemption of \$1.1 billion senior notes in the current year, partially offset by the impact of early repayments of debt and lower interest rates as well as lower long-term investment impairment charges in the current year.

The Company recognized income tax expense of \$71 million and \$ 8 million for the years ended December 31, 2017 and 2016, respectively. The Company's effective tax rates were 80.7% and (6.2)% for the years ended December 31, 2017 and December 31, 2016, respectively. The increase in income tax expense in 2017 was primarily due to improvement in pre-tax operating results as well as the one-time unfavorable impacts of U.S. Tax Reform, and unfavorable changes in valuation allowances as well as uncertain tax benefits, which were partially offset by the benefits of net foreign deferred tax asset remeasurements and intercompany asset transfers in 2017 as well as favorability of foreign income taxes.

Results of Operations by Segment

The following commentary should be read in conjunction with the financial results of each operating business segment as detailed in Note 18, *Segment Information & Geographic Data* in the Notes to Consolidated Financial Statements. Segment results exclude purchase accounting adjustments, amortization of intangible assets, acquisition and integration costs, impairment of goodwill and intangibles, and exit and restructuring costs. Segment results reflect a current year revision to the Company's operating cost allocation methodologies which more accurately reflects where costs are being incurred. The effect of this revision on prior periods resulted in \$14 million and \$41 million of operating expenses being reclassified from AIT to EVM for the years ended December 31, 2017 and 2016, respectively.

Asset Intelligence & Tracking Segment ("AIT")

(amounts in millions, except percentages)

	Year Ended December 31,			Percent Change 2018 vs 2017	Percent Change 2017 vs 2016
	2018	2017	2016		
Net sales	\$ 1,423	\$ 1,311	\$ 1,247	8.5%	5.1 %
Gross profit	710	640	620	10.9%	3.2 %
Operating expenses	385	366	339	5.2%	8.0 %
Operating income	\$ 325	\$ 274	\$ 281	18.6%	(2.5)%
Gross margin	49.9%	48.8%	49.7%		

AIT Organic Net sales growth:

	December 31,	
	2018	2017
AIT Reported GAAP Net sales growth	8.5 %	5.1 %
Adjustments:		
Impact of foreign currency translations ⁽¹⁾	(1.5)%	(0.5)%
AIT Organic Net sales growth	7.0 %	4.6 %

(1) Operating results reported in U.S. dollars are affected by foreign currency exchange rate fluctuations. Foreign currency translation impact represents the difference in results that are attributable to fluctuations in the currency exchange rates used to convert the results for businesses where the functional currency is not the U.S. dollar. This impact is calculated by

translating, for certain currencies, the current period results at the currency exchange rates used in the comparable prior year period, rather than the exchange rates in effect during the current period. In addition, we exclude the impact of the company's foreign currency hedging program in both the current and prior year periods.

2018 compared to 2017

Net sales for AIT increased \$ 112 million or 8.5% compared to the prior year. The increase in Net sales was primarily due to higher sales of barcode printing products being partially offset by declines in card printer sales. Barcode printer growth was broad based across all major product lines and led by North America, Asia-Pacific, and EMEA regions. Net sales growth was also positively impacted by currency changes, primarily in the EMEA region. AIT Organic Net sales growth for the year ended December 31, 2018 was 7.0% .

Gross margin increased to 49.9% in the current year compared to 48.8% for the prior year. The increase was primarily driven by favorable product mix, operational efficiencies and the favorable impact of currency changes.

Operating income for the current period increased 18.6% primarily due to higher Net sales and Gross profit partially offset by higher Operating expenses.

2017 compared to 2016

AIT Net sales for the year ended December 31, 2017 increased \$64 million or 5.1% compared to the prior year. The increase in Net sales was largely driven by higher sales of barcode and card printers, primarily in the EMEA and Asia-Pacific regions. Sales of supplies and services were also higher than the prior year. The year-on-year growth also reflects a price concession to distributors of barcode printer products imported into China in the third quarter of 2016. During 2017, no additional price concession provisions were required and a reduction of the 2016 provision was recorded due to a change in import classification for barcode printers. AIT Organic Net sales growth for the year ended December 31, 2017 was 4.6% .

Gross margin was 48.8% compared to 49.7% for comparable prior year. The decrease in gross margin reflects higher overhead costs, including freight and costs associated with our regional distribution center transitions, higher services costs and increased customer sales incentives, offset partially by lower provisions for price concessions to distributors of barcode printer products imported into China.

Operating income decreased 2.5% as higher Net sales and Gross profit were more than offset by higher Operating expenses.

Enterprise Visibility & Mobility Segment ("EVM")

(amounts in millions, except percentages)

	Year Ended December 31,			Percent Change 2018 vs 2017	Percent Change 2017 vs 2016
	2018	2017	2016		
Net sales	\$ 2,795	\$ 2,414	\$ 2,337	15.8%	3.3 %
Gross profit	1,274	1,073	1,032	18.7%	4.0 %
Operating expenses	870	772	787	12.7%	(1.9)%
Operating income	\$ 404	\$ 301	\$ 245	34.2%	22.9 %
Gross margin	45.6%	44.4%	44.2%		

EVM Organic Net sales growth:

	December 31,	
	2018	2017
EVM Reported GAAP Net sales growth	15.8 %	3.3 %
Adjustments:		
Impact of foreign currency translation ⁽¹⁾	(1.6)%	(0.7)%
Impact of Xplore acquisition ⁽²⁾	(0.8)%	— %
Impact of Wireless LAN Divestiture ⁽³⁾	— %	4.9 %
EVM Organic Net sales growth	13.4 %	7.5 %

(1) Operating results reported in U.S. dollars are affected by foreign currency exchange rate fluctuations. Foreign currency translation impact represents the difference in results that are attributable to fluctuations in the

currency exchange rates used to convert the results for businesses where the functional currency is not the U.S. dollar. This impact is calculated by translating, for certain currencies, the current period results at the currency exchange rates used in the comparable prior year period, rather than the exchange rates in effect during the current period. In addition, we exclude the impact of the company's foreign currency hedging program in both the current and prior year periods.

- (2) For purposes of computing Organic Net sales, amounts directly attributable to the Xplore acquisition (included in our consolidated results beginning August 14, 2018) will be excluded for 12 months following the acquisition date.
- (3) The Company sold the WLAN business in October 2016. The Company excludes the impact of the Net sales of this business in 2016 when computing Organic Net sales growth.

2018 compared to 2017

Net sales for EVM increased \$ 381 million or 15.8% compared to the prior year. The increase in Net sales was primarily attributable to strong global sales of mobile computing and data capture products, most notably in North America, EMEA and Asia-Pacific regions. Net sales growth was also positively impacted by currency changes, primarily in the EMEA region, as well as the inclusion of Xplore. EVM Organic Net sales growth was 13.4% .

Gross margin increased to 45.6% in the current year as compared to 44.4% in the prior year. The increase was primarily due to favorable product mix, operational efficiencies, and the positive impact of currency changes.

Operating income for the current year increased 34.2% due to higher Net sales and Gross profit that were partially offset by higher Operating expenses.

2017 compared to 2016

EVM Net sales for the year ended December 31, 2017 increased \$77 million or 3.3% compared to prior year. The increase in Net sales was primarily driven by higher sales of mobile computing and data capture products, primarily in the North America and EMEA regions, partially offset by impact of the divestiture of the WLAN business in October 2016. EVM Organic Net sales growth for the year ended December 31, 2017 was 7.5% .

Gross margin for the year ended December 31, 2017 was 44.4% compared to 44.2% in the prior year. The increase in gross margin primarily reflects changes in product mix and improvements in hardware product costs.

Operating income increased 22.9% primarily as a result of higher Net sales and Gross profit as well as lower Operating expenses.

Critical Accounting Policies and Estimates

Management prepared the consolidated financial statements of the Company under accounting principles generally accepted in the United States of America. The application of these principles requires the use of estimates, judgments, and assumptions which affect the amounts reported in our consolidated financial statements. We believe that our estimates, judgments, and assumptions are reasonable based upon available information. Our more significant estimates and assumptions include those related to the measurement and recognition of income tax assets and liabilities, development of reporting unit fair values as part of our annual goodwill impairment testing, and the allocation of transaction price to performance obligations in certain revenue transactions. See Note 2 , *Significant Accounting Policies* in the Notes to Consolidated Financial Statements for additional discussion of these as well as other accounting policies.

Recently Issued Accounting Pronouncements

See Note 2 , *Significant Accounting Policies* in the Notes to Consolidated Financial Statements.

Liquidity and Capital Resources

The primary factors that influence our liquidity include, but are not limited to, the amount and timing of our revenues, cash collections from our customers, cash payments to our suppliers, capital expenditures, repatriation of foreign cash and investments, and acquisitions of third-parties. Management believes that our existing capital resources and funds generated from operations are sufficient to meet anticipated capital requirements and service our indebtedness. The following table summarizes our cash flow activities for the years indicated (in millions):

	Year Ended December 31,		
	2018	2017	2016
Cash flow (used in) provided by:			
Operating activities	\$ 785	\$ 478	\$ 380
Investing activities	(137)	(51)	(39)
Financing activities	(661)	(517)	(384)
Effect of exchange rates on cash balances	(5)	(4)	7
Net decrease in cash and cash equivalents	<u>\$ (18)</u>	<u>\$ (94)</u>	<u>\$ (36)</u>

The change in our cash and cash equivalents balance is reflective of the following:

2018 vs. 2017

Cash flows from operations increased by \$307 million during 2018 to \$785 million. The increase was primarily due to higher net income, favorable changes in accounts payable due primarily to timing of payments and extension of contractual payment terms, lower cash payments for interest, and commencement of our Receivables Factoring program. These were partially offset by unfavorable timing of accounts receivable collections.

The increase in net cash used in investing activities was driven by the acquisition of Xplore and higher capital expenditures.

Net cash used in financing activities during the year ended December 31, 2018 consisted primarily of net debt repayments of \$657 million compared to \$454 million during the year ended December 31, 2017. The net debt repayment activities in 2017 also included \$65 million of debt extinguishment costs associated with the full redemption of \$1.1 billion in debt obligations.

2017 vs. 2016

Cash flows from operations increased \$98 million during 2017 to \$478 million. This improvement was driven by an increase in net earnings of \$154 million, partially offset by a decline in working capital primarily related to higher inventory levels and lower accounts payable. Net inventory increased primarily as a result of growth in the business and changes in product mix, an increased backlog level compared to the prior year, and our recent transition to a new distribution model for our European operations. In addition, the prior year working capital benefited from the successful renegotiation of longer payment terms with vendors.

Net cash used in the purchase of property, plant and equipment declined \$27 million as compared to the prior year, as capital expenditures related to the Enterprise acquisition integration were substantially completed in 2016. The prior year investing activities also included net cash proceeds of \$39 million related to the sale of the WLAN business.

Net cash used in financing activities increased by \$133 million during 2017 to \$517 million. The increase was primarily due to higher net debt repayments in 2017 as well as \$65 million of debt extinguishment costs associated with the full redemption of \$1.1 billion in debt obligations.

Company Debt

The following table shows the carrying value of the Company's debt (in millions):

	December 31,	
	2018	2017
Term Loan A	\$ 608	\$ 679
Term Loan B	445	1,160
Revolving Credit Facility	408	275
Receivables Financing Facility	139	135
Total debt	<u>1,600</u>	<u>2,249</u>
Less: Debt issuance costs	(5)	(7)
Less: Unamortized discounts	(4)	(15)
Less: Current portion of long-term debt	(157)	(51)
Total long-term debt	<u>\$ 1,434</u>	<u>\$ 2,176</u>

Credit Facilities

The Company's debt includes borrowings under Term Loan A, Term Loan B and a multi-currency Revolving Credit Facility, all maturing in 2021. Borrowings under each instrument bear interest at a variable rate for which the Company has entered into interest rate swap contracts to manage interest rate exposure. All borrowings under the credit facilities as of December 31, 2018 were denominated in U.S. Dollars, except for €92 million under the Revolving Credit Facility that was borrowed in Euros. The average interest rates as of December 31, 2018 for Term Loan A, Term Loan B, and the Revolving Credit Facility were 3.84% , 4.09% and 3.26% , respectively. The Company is required to prepay certain amounts in the event of certain circumstances or transactions. The Company may make prepayments against the Term Loans, in whole or in part, without premium or penalty.

Receivables Financing Facility

In December 2017, the Company entered into a Receivables Financing Facility with a financial institution that has a borrowing limit of up to \$180 million which matures on November 29, 2019 . As collateral, the Company pledges a perfected first-priority security interest in its domestically originated accounts receivables. Borrowings bear interest at a variable rate and are accounted for as secured borrowings. As of December 31, 2018 , the Receivables Financing Facility had an average interest rate of 3.36% and the Company's Consolidated Balance Sheets included \$459 million of receivables that were pledged, of which \$139 million had been borrowed against and reflected as a component of the Current portion of long-term debt on the Company's Consolidated Balance Sheets. All borrowings under the Receivable Financing Facility were denominated in U.S. Dollars.

Both the Revolving Credit Facility and Receivables Financing Facility include terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels. As of December 31, 2018 , the Company was in compliance with all debt covenants.

See Note 11 , *Long-Term Debt* in the Notes to Consolidated Financial Statements for further details.

Receivables Factoring

In addition to the Company's borrowing arrangements described above, the Company entered into a Receivables Factoring arrangement in December 2018 in order to provide additional liquidity and improve working capital. Under the Receivables Factoring arrangement, the Company sells certain EMEA-originated receivables to a bank in exchange for cash without maintaining a beneficial interest in the receivables sold. At any time, the bank's purchase of eligible receivables is subject to a maximum of \$90 million of uncollected receivables. Transactions under the Receivables Factoring arrangement are accounted for as sales under ASC 860, *Transfers and Servicing of Financial Assets* with related cash flows reflected in operating cash flows. As of December 31, 2018 , \$33 million of uncollected receivables were sold and removed from the Company's Consolidated Balance Sheet.

Cash and Cash Equivalents

Included in the Company's Cash and cash equivalents are amounts held by foreign subsidiaries. The Company had \$39 million and \$54 million of foreign cash and cash equivalents included in the Company's total cash positions of \$44 million and \$62 million as of December 31, 2018 and 2017 , respectively.

Historically, significant portions of our cash inflows were generated by our operations. We currently expect this trend to continue throughout 2019 . We believe that our existing cash and investments, borrowings available under our Revolving Credit Facility and Receivables Financing Facility and funds available from our Receivables Factoring arrangement, combined with cash flows expected from operations will be sufficient to meet expected operating and investing activities as well as debt repayment obligation requirements for the next 12 months.

Contractual Obligations

Zebra's contractual obligations as of December 31, 2018 were as follows (in millions):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations ⁽¹⁾	\$ 153	\$ 34	\$ 52	\$ 30	\$ 37
Deferred compensation liability ⁽²⁾	17	1	1	1	14
Debt principal payments	1,600	157	1,443	—	—
Interest payments ⁽³⁾	160	64	96	—	—
Purchase obligations ⁽⁴⁾	392	392	—	—	—
Total	\$ 2,322	\$ 648	\$ 1,592	\$ 31	\$ 51

- (1) Includes leases of facilities, distribution centers, and sales and administrative offices that are classified as operating leases. The contractual obligations above include future minimum payments, including payments for those periods where renewal options are reasonably certain to be exercised.
- (2) These payments relate to obligations under our deferred compensation plan. The deferred compensation plan allows certain members of management and other highly-compensated employees to defer receipt of a portion of their compensation. The amount in “More than 5 Years” represents the remaining total balance under the deferred compensation plan to be paid to participants who have not terminated employment, since we cannot estimate the timings of those terminations and withdrawals.
- (3) Payments related to variable interest or interest rate swap agreements are based on applicable rates as of December 31, 2018 plus the specified margin were applicable in the associated agreements for each period presented.
- (4) Purchase obligations are for purchases made in the normal course of business to meet operational requirements, primarily raw materials and finished goods. Purchase obligations included in the table above are based on quarterly forecasted component and manufacturing requirements and typically provide for fulfillment within agreed upon lead-times and/or commercially standard lead-times for products.

Uncertain tax benefits of \$50 million have been excluded from the above table; of which \$20 million is expected to be settled in the next twelve months and is reflected as a current liability as of December 31, 2018 . The remainder is reflected within Other long-term liabilities as we cannot make a reasonably reliable estimate of the period of cash settlement, if any, with the respective taxing authority. See Note 14 , *Income Taxes* in the Notes to Consolidated Financial Statements for further information.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the sensitivity of income to changes in interest rates, commodity prices, and foreign currency changes. Zebra is exposed to the following types of market risk: interest rates and foreign currency.

Interest Rate Risk

We are exposed to interest rate volatility with regard to existing debt issuances. Primary exposures include LIBOR rates. From time to time, we use interest rate derivative contracts including interest rate swaps to hedge our exposure to the impact of interest rate changes on existing debt and future debt issuances to reduce the volatility of our financing costs and, based on current and projected market conditions, achieve a desired proportion of fixed versus floating-rate debt. Generally, under these swaps, we agree with a counterparty to exchange floating-rate for fixed-rate interest amounts with an agreed upon notional principal amount.

As of December 31, 2018, we had \$1.6 billion of debt outstanding under our debt facilities, which bears interest determined by reference to a variable rate index. A one percentage point increase or decrease in interest rates would increase or decrease annual interest expense by approximately \$8 million. This amount includes the impact of an associated forward interest rate swap outstanding as of December 31, 2018, which was entered into to mitigate the interest rate risk associated with the variable interest payments on our debt facilities. Refer to Note 10, *Derivative Instruments* in the Notes to Consolidated Financial Statements for further discussion of hedging activities.

Foreign Exchange Risk

We provide products and services in over 180 countries throughout the world and, therefore, at times are exposed to risk based on movements in foreign exchange rates. On occasion, we invoice customers in their local currency and have a resulting foreign currency denominated revenue transaction and accounts receivable. We also purchase certain raw materials and other items in foreign currencies. We manage these risks using derivative financial instruments. See Note 10, *Derivative Instruments* in the Notes to Consolidated Financial Statements for further discussions of hedging activities.

We are exposed to fluctuations in foreign currency exchange rates, primarily with respect to the Euro, British Pound Sterling, Czech koruna, Australian dollar, Mexican peso, and Chinese yuan. A one percentage point increase or decrease in exchange rates relative to the U.S. dollar would increase or decrease our pre-tax income by approximately \$1 million. This amount is inclusive of the impact of associated derivative contracts. We enter into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on the Consolidated Balance Sheets of certain entities with exposures denominated in foreign currencies. These transactions are typically one month in maturity and are not designated as hedges.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Financial Statements	
Report of Independent Registered Public Accounting Firm	36
Consolidated Balance Sheets as of December 31, 2018 and 2017	37
Consolidated Statements of Operations for the years ended December 31, 2018, 2017, and 2016	38
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2018, 2017, and 2016	39
Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2018, 2017, and 2016	40
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017, and 2016	41
Notes to Consolidated Financial Statements	42

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Zebra Technologies Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Zebra Technologies Corporation (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 14, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2005.

Chicago, Illinois
February 14, 2019

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 COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended December 31,		
	2018	2017	2016
Net income (loss)	\$ 421	\$ 17	\$ (137)
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on anticipated sales hedging transactions	21	(15)	7
Unrealized gain on forward interest rate swaps hedging transactions	9	6	—
Foreign currency translation adjustment	(13)	2	(4)
Comprehensive income (loss)	<u>\$ 438</u>	<u>\$ 10</u>	<u>\$ (134)</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Class A Common Stock Shares	Class A Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2015	52,161,851	\$ 1	\$ 194	\$ (631)	\$ 1,377	\$ (48)	\$ 893
Issuance of treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards, net of cancellations	817,943	—	(14)	25	—	—	11
Shares withheld related to net share settlement	(95,206)	—	—	(8)	—	—	(8)
Additional tax benefit resulting from exercise of options	—	—	3	—	—	—	3
Share-based compensation	—	—	27	—	—	—	27
Net loss	—	—	—	—	(137)	—	(137)
Unrealized gain anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	7	7
Foreign currency translation adjustment	—	—	—	—	—	(4)	(4)
Balance at December 31, 2016	52,884,588	\$ 1	\$ 210	\$ (614)	\$ 1,240	\$ (45)	\$ 792
Cumulative effect of change in accounting principle	—	—	—	—	(9)	—	9
Issuance of treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards, net of cancellations	410,239	—	12	—	—	—	12
Shares withheld related to net share settlement	(58,732)	—	—	(6)	—	—	(6)
Share-based compensation	—	—	35	—	—	—	35
Net income	—	—	—	—	17	—	17
Unrealized loss on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	(15)	(15)
Unrealized gain on forward interest rate swaps hedging transactions (net of income taxes)	—	—	—	—	—	6	6
Foreign currency translation adjustment	—	—	—	—	—	2	2
Balance at December 31, 2017	53,236,095	\$ 1	\$ 257	\$ (620)	\$ 1,248	\$ (52)	\$ 834
Cumulative effect of change in accounting principle	—	—	—	—	19	—	19
Issuance of treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards, net of cancellations	704,137	—	(8)	18	—	—	10
Shares withheld related to net share settlement	(69,048)	—	—	(11)	—	—	(11)
Share-based compensation	—	—	45	—	—	—	45
Net income	—	—	—	—	421	—	421
Unrealized gain on anticipated sales hedging transactions (net of income taxes)	—	—	—	—	—	21	21
Unrealized gain on forward interest rate swaps hedging transactions (net of income taxes)	—	—	—	—	—	9	9
Foreign currency translation adjustment	—	—	—	—	—	(13)	(13)
Balance at December 31, 2018	53,871,184	\$ 1	\$ 294	\$ (613)	\$ 1,688	\$ (35)	\$ 1,335

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

See accompanying Notes to Consolidated Financial Statements.

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Note 1 Description of Business and Basis of Presentation**

Zebra Technologies Corporation and its wholly-owned subsidiaries (“Zebra” or the “Company”) is a global leader providing innovative Enterprise Asset Intelligence (“EAI”) solutions in the automatic identification and data capture solutions industry. We design, manufacture, and sell a broad range of products that capture and move data. We also provide a full range of services, including maintenance, technical support, repair, and managed services, including cloud-based subscriptions. End-users of our products and services include those in retail and e-commerce, transportation and logistics, manufacturing, healthcare, hospitality, warehouse and distribution, energy and utilities, and education industries around the world. We provide our products and services globally through a direct sales force and an extensive network of channel partners.

The Company reclassified \$41 million of costs from Accrued liabilities to Accounts payable on the Consolidated Balance Sheets for the year ended December 31, 2017 to conform to the current year presentation. This reclassification was made to the Consolidated Balance Sheets to more accurately present these current liabilities. A similar reclassification was made to the Consolidated Statement of Cash Flows resulting in a change to Accounts payable and Accrued liabilities within Net cash provided by operating activities for the years ended December 31, 2017 and 2016.

Note 2 Significant Accounting Policies*Principles of Consolidation*

These accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Zebra and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Calendar

The Company’s fiscal year is a 52-week period ending on December 31. Interim fiscal quarters end on a Saturday and generally include 13 weeks of operating activity. During the 2018 fiscal year, the Company’s quarter end dates were March 31, June 30, September 29 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. Examples of accounting estimates include: cash flow projections and other valuation assumptions included in business acquisition purchase price allocations as well as annual goodwill impairment testing; the allocation of transaction price to performance obligations in revenue transactions; inventory and product warranty reserves; useful lives of our tangible and intangible assets; and the recognition and measurement of income tax assets and liabilities. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists primarily of deposits with banks. In addition, the Company considers highly liquid short-term investments with original maturities of less than three months to be cash equivalents. These highly liquid short-term investments are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of a change in value because of changes in interest rates.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of amounts due to us from our customers in the course of normal business activities. Collateral on trade accounts receivable is generally not required. The Company maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. The allowance is based on historical experience and our assessment of 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 a moving-average cost (which approximates cost on a first-in, first-out basis) and net realizable value. Manufactured inventory cost includes materials, labor, and manufacturing overhead. Purchased inventory cost also includes internal purchasing overhead costs.

Provisions are made to reduce excess and obsolete inventories to their estimated net realizable values. Inventory provisions are based on forecasted demand, experience with specific customers, the age and nature of the inventory, and the ability to redistribute inventory to other programs or to rework other consumable inventory.

Property, Plant and Equipment

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

Income Taxes

The Company accounts for income taxes under the liability method in accordance with ASC 740, *Income Taxes*. Accordingly, deferred income taxes are provided for the future tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company recognizes the benefit of tax positions when it is more likely than not to be sustained on its technical merits. The Company recognizes interest and penalties related to income tax matters as part of income tax expense. The Company has elected consolidated tax filings in certain of its jurisdictions which may allow the group to offset one member's income with losses of other members in the current period and on a carryover basis. The income tax effects of non-inventory intra-entity asset transfers are recognized in the period in which the transfer occurs. The Company classifies its balance sheet accounts by applying jurisdictional netting principles for locations where consolidated tax filing elections are in place.

The Tax Cut and Jobs Act ("TCJA" or "the Act") enacted on December 22, 2017 contains the Global Intangible Low-Taxed Income and Deduction for Foreign-Derived Intangible Income provisions (collectively referred to as "GILTI"), which relate to the taxation of certain foreign income and are effective for tax years beginning on or after January 1, 2018. The Company recognizes its GILTI inclusions as a charge to tax expense in the year included in its U.S. tax return.

The effects of changes in tax rates and laws on deferred tax balances are recorded in the period of enactment as a component of income tax expense within continuing operations, even if they relate to items recorded within accumulated other comprehensive income (loss) ("AOCI"). The Company has elected to not reclassify the tax effects of these changes associated with the Act from AOCI to retained earnings. Such tax effects will be released into earnings when the underlying portfolio of assets or liabilities giving rise to the AOCI position are fully derecognized.

Goodwill

Goodwill is not amortized, rather it is tested annually for impairment, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Our annual impairment testing consists of comparing the estimated fair value of each reporting unit to its carrying value. If the carrying value of a reporting unit exceeds its estimated fair value, goodwill would be considered to be impaired and reduced to its implied fair value. We estimate the fair value of reporting units with valuation techniques including both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry group.

Fair value determinations require judgment and are sensitive to changes in underlying assumptions, estimates as well as market factors. Estimating the fair value of reporting units requires that we make a number of assumptions and estimates regarding our long-term growth and cash flow expectations as well as overall industry and economic conditions. These estimates and assumptions include, but are not limited to, projections of revenue and income growth rates, capital investments, competitive and customer trends, appropriate peer group selection, market-based discount rates and other market factors.

We performed our annual goodwill impairment testing in the fourth quarter of 2018 using a quantitative approach which did not result in any impairments. See Note 6, *Goodwill and Other Intangibles, net* for additional information. We believe our fair value estimates are reasonable. If actual financial results differ materially from current estimates or there are significant negative changes in market factors beyond our control, there could be an impairment of goodwill in the future.

Other Intangible Assets

Other intangible assets consist primarily of current technology, customer relationships, trade names, unpatented technology, and patents and patent rights. These assets are recorded at cost and amortized on a straight-line basis over the asset's useful life which range from 3 years to 15 years.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

The Company accounts for long-lived assets in accordance with the provisions of ASC 360, *Property, Plant and Equipment* which 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 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.

Investments in Equity Securities

The Company's investments in equity securities are accounted for at cost, adjusted for impairment losses or changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. These investments are primarily in venture capital backed technology companies, where the Company's ownership interest is less than 20% of each investee and the Company does not have the ability to exercise significant influence. The Company held investments in equity securities in the amount of \$25 million as of December 31, 2018 and 2017, respectively. These investments are included in Other long-term assets on the Consolidated Balance Sheets. During the fiscal year ended December 31, 2018, the Company recognized a pre-tax gain upon the sale of investments in equity securities totaling \$10 million. The Company recognized impairment losses of \$0 million, \$1 million, and \$7 million during the fiscal years ended December 31, 2018, 2017, and 2016, respectively. These gains and losses were included within Other, net in the Consolidated Statements of Operations.

Revenue Recognition

Revenue includes sales of hardware, supplies and services (including repair services and product maintenance service contracts, which typically occur over time, and professional services such as installation, integration and provisioning, which typically occur in the early stages of a project). The average life of repair and maintenance service contracts is approximately three years. Professional service arrangements range in duration from a day to several weeks or months. We recognize revenues when we transfer control of promised goods or services to our customers in an amount that reflects the consideration to which we expect to receive in exchange for those goods or services.

The Company elects to exclude from the transaction price sales and other taxes assessed by a governmental authority and collected by the Company from a customer. The Company also considers shipping and handling activities as part of the fulfillment costs, not as a separate performance obligation. See Note 3, *Revenues* for additional information.

Research and Development Costs

Research and development ("R&D") costs are expensed as incurred, and 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 is expensed as incurred. Advertising costs totaled \$18 million each for the years ended 2018, 2017 and 2016, respectively.

Warranty

In general, the Company provides warranty coverage of one year on mobile computers, printers and batteries. Advanced data capture products are warrantied from one to five years, depending on the product. Thermal printheads are warrantied for six months and battery-based products, such as location tags, are covered by a 90-day warranty. A provision for warranty expense is adjusted quarterly based on historical and expected warranty experience.

Contingencies

The Company establishes a liability for loss contingencies when the loss is both probable and estimable. In addition, for some matters for which a loss is probable or reasonably possible, an estimate of the amount of loss or range of loss is not possible, and we may be unable to estimate the possible loss or range of losses that could potentially result from the application of non-monetary remedies.

Fair Value of Financial Instruments

Fair value is 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. Our financial assets and liabilities that require recognition and fair value

measurement under the accounting guidance generally include our employee deferred compensation plan investments, foreign currency derivatives, and interest rate swaps. In accordance with ASC 815, *Derivatives and Hedging*, we recognize derivative instruments and hedging activities as either assets or liabilities on the Consolidated Balance Sheets and measure them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. See Note 10, *Derivative Instruments* for additional information on the Company's derivatives and hedging activities.

The Company utilizes foreign currency forwards to hedge certain foreign currency exposures and interest rate swaps to hedge a portion of the variability in future cash flows on debt. We use broker quotations or market transactions, in either the listed or over-the-counter markets to value our foreign currency exchange contracts and relevant observable market inputs at quoted intervals, such as forward yield curves and the Company's own credit risk to value our interest rate swaps.

The Company's securities held for its deferred compensation plans are measured at fair value using quoted prices in active markets for identical assets. If active markets for identical assets are not available to determine fair value, then we use quoted prices for similar assets or inputs that are observable either directly or indirectly.

The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value due to the short-term nature of these financial instruments. See Note 9, *Fair Value Measurements* for financial assets and liabilities carried at fair value.

Share-Based Compensation

The Company has share-based compensation plans and an employee stock purchase plan under which shares of Class A Common Stock are available for future grants and sales. The Company recognizes compensation costs over the vesting period of up to 4 years, net of estimated forfeitures. Compensation costs associated with awards with graded vesting terms are recognized on a straight-line basis. See Note 13, *Share-Based Compensation* for additional information.

Foreign Currency Translation

The balance sheet accounts of the Company's subsidiaries that have not designated the U.S. dollar as its 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 AOCI within the Consolidated Balance Sheets.

Acquisitions

We account for acquired businesses using the acquisition method of accounting. This method requires that the purchase price be allocated to the identifiable assets acquired and liabilities assumed at their estimated fair values. The excess of the purchase price over the identifiable assets acquired and liabilities assumed is recorded as goodwill.

The estimates used to determine the fair value of long-lived assets, such as intangible assets, can be complex and require judgment. We use information available to us to make fair value determinations and engage independent valuation specialists, when necessary, to assist in the fair value determination of significant acquired long-lived assets. While we use our best estimates and assumptions as a part of the purchase price allocation process, our estimates are inherently uncertain and subject to refinement during the measurement period. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from revenues and operating activities, customer attrition rates, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but due to the inherent uncertainty during the measurement period, we may record adjustments to the fair value of assets acquired and liabilities assumed, with the corresponding adjustment to goodwill.

Recently Adopted Accounting Pronouncements

On January 1, 2018, we adopted Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606") applying the modified retrospective method to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605, *Revenue Recognition* ("ASC 605"). Under ASC 606, revenue is recognized upon the transfer of control of goods or services under a five-step model, whereas under ASC 605 revenue was recognized under a risk and reward-based model. The adoption of ASC 606 did not have a material effect on the Company's consolidated financial statements or results of operations.

The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet related to the adoption of ASC 606 were as follows (in millions):

	As Reported December 31, 2017	Adjustment	As Adjusted January 1, 2018
Assets:			
Inventories, net ⁽¹⁾	\$ 458	\$ (3)	\$ 455
Prepaid expenses and other current assets ⁽²⁾	24	7	31
Long-term deferred income taxes ⁽³⁾	119	(5)	114
Other long-term assets ⁽⁴⁾	65	12	77
Liabilities:			
Deferred revenue ⁽⁵⁾	186	(2)	184
Long-term deferred revenue ⁽⁶⁾	148	(6)	142
Stockholders' Equity:			
Retained earnings	1,248	19	1,267

(1) Reflects an adjustment of \$(3) million related to changes in revenue recognition patterns.

(2) Reflects an adjustment of \$ 7 million related to the recognition of contract assets.

(3) Reflects the income tax effect of \$ (5) million related to the adjustments made for the adoption of ASC 606.

(4) Reflects an adjustment of \$ 12 million related to the capitalization of costs to obtain contracts (primarily comprised of sales commissions associated with longer term support service contracts).

(5) Reflects an adjustment of \$ (3) million related to reallocation of revenue between performance obligations and \$ 1 million related to changes in the timing of revenue recognition.

(6) Reflects an adjustment of \$ (6) million related to reallocation of revenue between performance obligations.

Under the modified retrospective method of adoption, we are required to disclose the impact to the Consolidated Financial Statements had we continued to follow our accounting policies under the previous revenue recognition guidance. Had the Company applied the previous revenue recognition guidance, revenue would have been \$4 million lower for the year ended December 31, 2018. See Note 3, *Revenues* for further information.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. The Company adopted this ASU as of January 1, 2018, in conjunction therewith, the Company elected to measure equity investments without readily determinable fair values at cost, adjusted only for impairment losses or for observable price changes in orderly transactions for the identical or similar investment of the same issuer. Prior to ASU 2016-01, such equity investments of the Company were measured at cost, adjusted only for impairment losses. The adoption of this ASU did not have a material impact to the Company's consolidated financial statements or related disclosures.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) -Measurement of Credit Losses on Financial Instruments*. The new standard requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. It replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. There are two transition methods available under the new standard dependent upon the type of financial instrument, either cumulative effect or prospective. The standard will be effective for the Company in the first quarter of 2020. Earlier adoption is permitted only for annual periods after December 15, 2018. Management has assessed the impact of the new standard and determined, based on current operations, that there will not be a material impact to the Company's consolidated financial statements and disclosures upon adoption in the first quarter of 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases (Subtopic 842)*. Also, in July 2018, the FASB issued ASU 2018-11, *Leases (Subtopic 842): Targeted Improvements*. Together, these ASUs increase the transparency and comparability of organizations by recognizing Right-of-use ("ROU") assets and Lease liabilities on the Consolidated Balance Sheets and disclosing key quantitative and qualitative information about leasing arrangements. The principal difference from previous guidance is that the ROU assets and Lease liabilities arising from operating leases were not previously recognized in the

Consolidated Balance Sheets. The recognition, measurement and cash flows arising from a lease by a lessee have not significantly changed. The ASUs will be effective for the Company in the first quarter of 2019. In transition, lessees and lessors are required to recognize and measure leases at either the beginning of the earliest period presented or the beginning of the period adopted, using a modified retrospective approach. Management expects to elect to not adjust the comparative reporting periods, and apply the ASUs beginning in the period of adoption. In transition, there are also a number of optional practical expedients that entities may elect to apply. Management expects to elect certain practical expedients that it will apply upon transition, which principally include the election to not reassess existing or expired contracts to determine if such contracts contain a lease or if the lease classification would differ, as well as the election to not separate lease and non-lease components for arrangements where the Company is a lessee. Management is finalizing its assessment of the impact of these elections and adoption of this standard on its consolidated financial statements. Management has identified and collected data on its significant leases and selected a system to support future accounting and disclosure requirements and expects to recognize ROU assets related to operating leases of approximately \$100 million and Lease liabilities of approximately \$120 million on its Consolidated Balance Sheet upon adoption in the first quarter of 2019. The lease liabilities to be recognized will be measured based upon the present value of minimum future payments and the ROU assets to be recognized will be equal to lease liabilities, adjusted for prepaid and accrued rent balances which are recorded in the Consolidated Balance Sheets as of December 31, 2018.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU clarifies existing guidance related to implementation costs incurred in cloud computing arrangements, including the recognition, subsequent measurement, and financial statement presentation of such costs. The standard will be effective for the Company in the first quarter of 2020, with earlier adoption permitted. Management is still assessing the impact of adoption on its consolidated financial statements.

Note 3 Revenues

As prescribed in ASC 606, the Company recognizes revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services.

Performance Obligations

We enter into contract arrangements that may include various combinations of tangible products and services, which generally are capable of being distinct and accounted for as separate performance obligations. For these types of contract arrangements, we evaluate whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract has more than one performance obligation. This evaluation requires judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue recorded in the reporting period. We use the accounting guidance on “capable of being distinct” and “distinct within the context of the contract” to assist with the evaluation.

For contract arrangements that include multiple performance obligations, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices for the products and/or services underlying each performance obligation. When the standalone selling prices are not directly observable, we estimate the standalone selling prices primarily based on the expected cost-plus margin approach. For arrangements comprised strictly of the sale of product and performance of maintenance type services where the standalone selling price of the maintenance service is not discernible, we estimate the standalone selling price of the maintenance contract using the residual approach. When the residual approach cannot be applied, regional pricing, marketing strategies and business practices are evaluated and analyzed to derive the estimated standalone selling price using a cost-plus margin methodology.

The Company recognizes revenue when transfer of control has occurred for the goods or services sold. Control is deemed to have been transferred when the customer has the ability to direct the use of and has obtained substantially all of the remaining benefits from the goods and services sold. The Company uses judgment in the evaluation of the following criteria: 1) the customer simultaneously receives and consumes the benefits provided by the transfer of goods or service; 2) the performance creates or enhances an asset that is under control of the customer; 3) the performance does not create an asset with an alternative use to the Company; and 4) the Company has an enforceable right to payment, in order to determine whether control transfers at a point in time or over time. For each performance obligation satisfied over time, the Company measures its progress toward completion to determine the timing of revenue recognition. Judgment is also used in the evaluation of the following transfer of control criteria: 1) the Company has a present right to payment for the asset; 2) the legal title to the asset has transferred to the customer; 3) the customer has physical possession of the asset; 4) the customer has the significant risks and rewards of ownership of the asset; and 5) the customer has accepted the asset, in order to determine when revenue should be recognized in a point in time revenue recognition pattern. Assuming all other criteria for revenue recognition have been met, for products and services sold on a standalone basis, revenue is generally recognized upon shipment and by using an output

method or time-based method respectively. In cases where a bundle of products and services are delivered to the customer, judgment is required to select the method of progress which best reflects the transfer of control.

The Company's remaining obligations that are greater than one year in duration relate primarily to repair and support services. The aggregated transaction price allocated to remaining performance obligations related to these types of service arrangements was \$489 million as of December 31, 2018 . We expect to recognize these remaining performance obligations over a period of approximately two years.

For some of our transactions, products are sold with a right of return, and we may also provide other rebates, price protection, or incentives, which are accounted for as variable consideration. The Company estimates the amount of variable consideration by using the expected value or the most likely amount method and reduces the revenue by those estimated amounts, only to the extent it is probable that a significant reversal in the cumulative revenue recognized will not occur. These estimates are reviewed and updated, as necessary, at the end of each reporting period.

Revenue recognized in the reporting period from performance obligations satisfied in previous periods was not material for the year ended December 31, 2018 .

Disaggregation of Revenue

The following table presents our revenues disaggregated by product category for each of our segments, AIT and EVM, for the year ended December 31, 2018 (in millions):

Segment	Year Ended December 31, 2018		
	Product Category		
	Tangible Products	Services and Software	Total
AIT	\$ 1,298	\$ 125	\$ 1,423
EVM	2,387	408	2,795
Total	\$ 3,685	\$ 533	\$ 4,218

In addition, refer to Note 18 , *Segment Information & Geographic Data* for Net sales to customers by geographic region.

We recognize revenue arising from performance obligations outlined in contracts with our customers that are satisfied at a point in time and over time. Substantially all of our revenue for tangible products is recognized at a point in time, whereby revenue for services and software is predominantly recognized over time.

Contract Balances

Progress on satisfying performance obligations under contracts with customers and the related billings and cash collections are recorded on the Consolidated Balance Sheets in Accounts receivable, net and Prepaid expenses and other current assets. The opening and closing contract assets balances were \$7 million and \$5 million , as of January 1, 2018 and December 31, 2018 , respectively, and were recorded within Prepaid expenses and other current assets on the Consolidated Balance Sheets. These contract assets result from timing differences between the billing schedule and the products and services delivery schedules, as well as, the impact from the allocation of the transaction price among performance obligations for contracts that include multiple performance obligations. Our policy is to test these contract asset balances for impairment in accordance with ASC 310, *Receivables* . No impairment losses have been recorded for the year ended December 31, 2018 .

Deferred revenue on the Consolidated Balance Sheets, consist of payments and billings in advance of our performance. The combined short-term and long-term deferred revenue balances were \$382 million and \$334 million as of December 31, 2018 and December 31, 2017, respectively. During the year ended December 31, 2018 , the Company recognized \$181 million in revenue which was previously included in the beginning balance of deferred revenue.

Our payment terms vary by the type and location of our customer and the products or services offered. The time between invoicing and when payment is due is not significant. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that our contracts do not include a significant financing component.

Costs to obtain a contract

Our incremental direct costs of obtaining a contract, which consist of sales commissions and incremental fringe benefits, are deferred and amortized over the weighted-average contract term, consistent with the guidance in ASC 340 *Other Assets and Deferred Costs* . The incremental costs to obtain a contract, which were previously expensed as incurred under ASC 605, and

the determination of the amortization period are derived at a portfolio level and the amortization is recognized on a straight-line basis. The adoption of ASC 606 required the capitalization of these costs which resulted in an adjustment to increase retained earnings. The Company recorded a \$12 million increase to Other long-term assets on the Consolidated Balance Sheet as of January 1, 2018. The Company recognized amortization expense related to commissions during the year ended December 31, 2018 of \$10 million. The ending balance of the deferred commissions was \$15 million as of December 31, 2018. The Company elected a practical expedient permitted by ASC 606, whereby the incremental costs of obtaining a contract are expensed as incurred if the amortization period of the assets would otherwise be one year or less.

Note 4 Inventories

The components of Inventories, net are as follows (in millions):

	December 31, 2018	December 31, 2017
Raw material	\$ 125	\$ 116
Work in process	3	1
Finished goods	392	341
Total	<u>\$ 520</u>	<u>\$ 458</u>

Note 5 Business Acquisition and Divestiture

Acquisition

On August 14, 2018, the Company acquired all outstanding equity interests of Xplore Technologies Corporation (“Xplore”). The Xplore business designs, integrates, markets and sells rugged tablets that are primarily used by industrial, government, and field service organizations. The acquisition of Xplore is intended to expand the Company’s portfolio of mobile computing devices to serve a wider range of customers.

The Xplore acquisition was accounted for under the acquisition method of accounting for business combinations. In connection with this acquisition, the Company paid \$87 million in cash during the third quarter of 2018, which included, \$72 million for the net assets acquired, a \$9 million payment of Xplore debt as well as \$6 million of other Xplore transaction-related obligations. Additionally, we incurred \$8 million of cash acquisition-related costs during 2018 (primarily third-party transaction and advisory fees), which are reflected as Acquisition and integration costs on the Consolidated Statements of Operations.

The Company utilized estimated fair values as of August 14, 2018 to allocate the total consideration paid to the net tangible and intangible assets acquired and liabilities assumed. The fair value of these net assets acquired was based on a number of estimates and assumptions as well as customary valuation procedures and techniques, including relief from royalty and excess earnings methodologies. During the fourth quarter of 2018, the Company recorded measurement period adjustments relating to facts and circumstances existing as of the acquisition date. The primary measurement period adjustments were \$1 million increase in other liabilities assumed, \$1 million decrease in inventory and \$2 million increase in goodwill. While we believe these estimates provide a reasonable basis to record the net assets acquired, the purchase price allocation is considered preliminary and subject to adjustment during the measurement period, which is up to one year from the acquisition date of August 14, 2018. The primary fair value estimates considered preliminary are identifiable intangible assets and income tax-related items.

The preliminary opening balance sheet of Xplore was included in the Company’s Consolidated Balance Sheet and operating results beginning August 14, 2018. The Company has not included unaudited proforma results, as if Xplore had been acquired as of January 1, 2018, as it would not yield materially different results.

The preliminary purchase price allocation, reflecting interim measurement period adjustments, to assets acquired and liabilities assumed was as follows (in millions):

Accounts receivable	\$	10
Inventory		22
Identifiable intangible assets		32
Other assets acquired		4
Debt		(9)
Accounts payable		(8)
Deferred revenues		(7)
Other liabilities assumed		(7)
Net Assets Acquired	\$	37
Goodwill on acquisition		35
Total consideration	\$	72

The \$35 million of goodwill will be non-deductible for tax purposes. The goodwill principally relates to the planned expansion of the Xplore product offerings into current and new markets. This goodwill has been allocated to the EVM segment.

The preliminary purchase price allocation to identifiable intangible assets acquired was:

	Fair Value (in millions)	Life (in years)
Customer relationships	\$ 16	9
Current technology	15	7
Trade names	1	3
Total identifiable intangible assets	\$ 32	

Divestiture

On September 13, 2016, the Company entered into an Asset Purchase Agreement with Extreme Networks, Inc. to dispose of the Company's wireless LAN ("WLAN") business. On October 28, 2016, the Company completed the disposition of WLAN and recorded net proceeds of \$39 million. In 2017, the Company and Extreme Networks, Inc. finalized the net working capital amounts for the Divestiture Group. The finalized amount did not differ materially from the original estimate.

The Company incurred a non-cash pre-tax charge related to the disposal group during the third quarter of 2016. This charge, which totaled \$62 million, consisted of impairments of goodwill for \$32 million and other intangibles for \$30 million and is shown separately on the Consolidated Statements of Operations for the year ended December 31, 2016.

WLAN operating results are reported in the EVM segment through the closing date of the WLAN divestiture of October 28, 2016. Within the fiscal year ended December 31, 2016 Consolidated Statement of Operations, the Company generated revenue and gross profit from these assets of \$106 million and \$47 million, respectively.

Note 6 Goodwill and Other Intangibles, net

Goodwill

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

	Total
Goodwill as of December 31, 2016	\$ 2,458
Foreign exchange impact	7
Goodwill as of December 31, 2017	2,465
Xplore acquisition ⁽¹⁾	35
Foreign exchange impact	(5)
Goodwill as of December 31, 2018	\$ 2,495

(1) See Note 5, *Business Acquisition and Divestiture* for detail on the Xplore acquisition.

As of December 31, 2018, goodwill totaled \$2.3 billion for the EVM reportable segment and \$154 million for the AIT reportable segment.

The Company's goodwill balance consists of five reporting units with an aggregate carrying value of \$2.5 billion. The majority of the goodwill relates to the 2014 Enterprise acquisition. The Company completed its annual goodwill impairment testing during the fourth quarter of 2018 utilizing a quantitative approach. The estimated fair value of each reporting unit exceeded its carrying value by at least 40%. There is risk of future impairment to the extent that individual reporting unit performance does not meet projections. Additionally, if our current assumptions and estimates, including projected revenues and income growth rates, terminal growth rates, competitive and consumer trends, market-based discount rates, and other market factors, are not met, or if other valuation factors outside of our control change unfavorably, the estimated fair value of our reporting units could be adversely affected, leading to a potential impairment in the future.

No events occurred during the years ended December 31, 2018 and 2017 that indicated it was more likely than not that our goodwill was impaired. During the year ended December 31, 2016, goodwill impairment of \$32 million was recorded related to the WLAN business divestiture and reflected within the EVM segment.

Other Intangibles, net

The balances in Other Intangibles, net consisted of the following (in millions):

	As of December 31, 2018			As of December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets						
Current technology	\$ 40	\$ (26)	\$ 14	\$ 24	\$ (23)	\$ 1
Trade Names	41	(41)	—	41	(41)	—
Unpatented technology	241	(221)	20	242	(205)	37
Patent and patent rights	233	(223)	10	235	(215)	20
Customer relationships	493	(305)	188	481	(240)	241
Total	\$ 1,048	\$ (816)	\$ 232	\$ 1,023	\$ (724)	\$ 299

Amortization expense was \$97 million, \$184 million, and \$229 million for fiscal years ended 2018, 2017 and 2016, respectively. Aside from amortization expense, the change in other intangible assets in 2018 relates to the addition of Xplore acquisition as well as foreign currency translation.

Estimated future intangible asset amortization expense is as follows (in millions):

Year Ended December 31,	Amount
2019	\$ 87
2020	42
2021	41
2022	35
2023	6
Thereafter	21
Total	\$ 232

Note 7 Property, Plant and Equipment

Property, plant and equipment, net is comprised of the following (in millions):

	December 31,	
	2018	2017
Buildings	\$ 57	\$ 54
Land	7	8
Machinery and equipment	204	233
Furniture and office equipment	18	19
Software and computer equipment	161	235
Leasehold improvements	75	69
Projects in progress	24	23
	546	641
Less accumulated depreciation	(297)	(377)
Property, plant and equipment, net	\$ 249	\$ 264

Depreciation expense was \$78 million, \$79 million and \$75 million for the years ended December 31, 2018, 2017 and 2016, respectively. The reduction in gross cost and accumulated depreciation balances is due to a significant level of substantially depreciated asset retirements in the current year.

Note 8 Costs Associated with Exit and Restructuring Activities

In the first quarter of 2017, the Company's executive leadership approved an initiative to continue the Company's efforts to increase operational efficiency (the "Productivity Plan"). The Company expects the Productivity Plan to build upon the exit and restructuring initiatives specific to the October 2014 acquisition of the Enterprise business from Motorola Solutions, Inc. (the "Acquisition Plan"). The Company substantially completed all initiatives under the Acquisition Plan as of December 31, 2017. Actions under the Productivity Plan include organizational design changes, process improvements and automation. Exit and restructuring costs are not included in the operating results of our segments as they do not impact the specific segment measures as reviewed by our Chief Operating Decision Maker and therefore are reported as a component of Corporate, eliminations. See Note 18, *Segment Information & Geographic Data*.

Total exit and restructuring charges of \$23 million life-to-date specific to the Productivity Plan have been recorded through December 31, 2018. Exit and restructuring charges related to the Productivity Plan were \$11 million and \$12 million for the years ended December 31, 2018 and 2017, respectively. The Company has substantially completed the activities associated with this plan.

Total exit and restructuring charges of \$69 million life-to-date specific to the Acquisition Plan have been recorded through December 31, 2018. Exit and restructuring charges were \$0 million, \$4 million and \$19 million for the years ended December 31, 2018, 2017 and 2016, respectively. There are no remaining charges associated with this plan.

Total life-to-date costs associated with the Productivity Plan and Acquisition Plan of \$92 million consist of \$80 million related to severance, stay bonuses, and other employee-related expenses and \$12 million related to obligations for future lease payments.

A rollforward of the exit and restructuring accruals is as follows (in millions):

	Year Ended December 31,		
	2018	2017	2016
Balance at beginning of year	\$ 8	\$ 10	\$ 15
Charged to earnings	11	16	19
Cash paid	(14)	(18)	(22)
WLAN Divestiture	—	—	(2)
Balance at the end of year	\$ 5	\$ 8	\$ 10

The \$5 million accrual as of December 31, 2018 is reflected within the Consolidated Balance Sheet as \$4 million within Accrued liabilities and \$1 million within Other long-term liabilities. The long-term portion of the accrual relates to non-cancellable lease payments associated with exited facilities whose latest term expires May 2021.

Note 9 Fair Value Measurements

Financial assets and liabilities are measured using inputs from three levels of the fair value hierarchy in accordance with ASC Topic 820, *Fair Value Measurements*. Fair value is defined as 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. It establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into the following three broad levels:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs (e.g. U.S. Treasuries & 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, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. In addition, the Company considers counterparty credit risk in the assessment of fair value.

The Company's financial assets and liabilities carried at fair value as of December 31, 2018, are classified below (in millions):

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts ⁽¹⁾	\$ 1	\$ 15	\$ —	\$ 16
Forward interest rate swap contracts ⁽²⁾	—	5	—	5
Money market investments related to the deferred compensation plan	17	—	—	17
Total Assets at fair value	\$ 18	\$ 20	\$ —	\$ 38
Liabilities:				
Liabilities related to the deferred compensation plan	17	—	—	17
Total Liabilities at fair value	\$ 17	\$ —	\$ —	\$ 17

The Company's financial assets and liabilities carried at fair value as of December 31, 2017, are classified below (in millions):

	Level 1	Level 2	Level 3	Total
Assets:				
Money market investments related to the deferred compensation plan	\$ 15	\$ —	\$ —	\$ 15
Total Assets at fair value	\$ 15	\$ —	\$ —	\$ 15
Liabilities:				
Forward interest rate swap contracts ⁽²⁾	\$ —	\$ 18	\$ —	\$ 18
Foreign exchange contracts ⁽¹⁾	2	9	—	11
Liabilities related to the deferred compensation plan	15	—	—	15
Total Liabilities at fair value	\$ 17	\$ 27	\$ —	\$ 44

(1) The fair value of the foreign exchange contracts is calculated as follows:

- Fair value of a put option contract associated with forecasted sales hedges is calculated using bid and ask rates for similar contracts.
- Fair value of regular forward contracts associated with forecasted sales hedges is calculated using the year-end exchange rate adjusted for current forward points.
- Fair value of hedges against net assets is calculated at the year-end exchange rate adjusted for current forward points unless the hedge has been traded but not settled at year end (Level 2). If this is the case, the fair value is calculated at the rate at which the hedge is being settled (Level 1).

(2) The fair value of forward interest rate swaps is based upon a valuation model that uses relevant observable market inputs at the quoted intervals, such as forward yield curves, and is adjusted for the Company's credit risk and the interest rate swap terms. See gross balance reporting in Note 10, *Derivative Instruments*.

Note 10 Derivative Instruments

[Table of Contents](#)

In the normal course of business, the Company is exposed to global market risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company uses derivative instruments to manage its exposure to such risks and may elect to designate certain derivatives as hedging instruments under ASC 815, *Derivatives and Hedging*. The Company formally documents all relationships between designated hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking hedge transactions. The Company does not hold or issue derivatives for trading or speculative purposes.

In accordance with ASC 815, the Company recognizes derivative instruments as either assets or liabilities on the Consolidated Balance Sheets and measures them at fair value. The following table presents the fair value of its derivative instruments (in millions):

		Asset / (Liability)		
		Balance Sheets Classification	Fair Values as of December 31,	
			2018	2017
Derivative instruments designated as hedges:				
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 15	\$ —	
Foreign exchange contracts	Accrued liabilities	—	(9)	
Forward interest rate swaps	Accrued liabilities	—	(2)	
Forward interest rate swaps	Other long-term liabilities	—	(8)	
Total derivative instruments designated as hedges		\$ 15	\$ (19)	
Derivative instruments not designated as hedges:				
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 1	\$ —	
Forward interest rate swaps	Prepaid expenses and other current assets	2	—	
Forward interest rate swaps	Other long-term assets	3	—	
Foreign exchange contracts	Accrued liabilities	—	(2)	
Forward interest rate swaps	Accrued liabilities	—	(1)	
Forward interest rate swaps	Other long-term liabilities	—	(7)	
Total derivative instruments not designated as hedges		6	(10)	
Total net derivative asset (liability)		\$ 21	\$ (29)	

The following table presents the net gains (losses) from changes in fair values of derivatives that are not designated as hedges (in millions):

	Statements of Operations Classification	Gain (Loss) Recognized in Income		
		Year Ended December 31,		
		2018	2017	2016
Derivative instruments not designated as hedges:				
Foreign exchange contracts	Foreign exchange loss	\$ 1	\$ (24)	\$ 5
Forward interest rate swaps	Interest expense, net	8	2	—
Total gain (loss) recognized in income		\$ 9	\$ (22)	\$ 5

Activities related to derivative instruments are included within Net cash provided by operating activities within the Statements of Cash Flows.

Credit and Market Risk Management

Financial instruments, including derivatives, expose the Company to counterparty credit risk of nonperformance and to market risk related to currency exchange rate and interest rate fluctuations. The Company manages its exposure to counterparty credit risk by establishing minimum credit standards, diversifying its counterparties, and monitoring its concentrations of credit. The Company's counterparties are commercial banks with expertise in derivative financial instruments. The Company evaluates the

impact of market risk on the fair value and cash flows of its derivative and other financial instruments by considering reasonably possible changes in interest rates and currency exchange rates. The Company continually monitors the creditworthiness of the customers to which it grants credit terms in the normal course of business. The terms and conditions of the Company's credit policies are designed to mitigate or eliminate concentrations of credit risk with any single customer.

The Company's master netting and other similar arrangements with the respective counterparties allow for net settlement under certain conditions, which are designed to reduce credit risk by permitting net settlement with the same counterparty. We elect to present the assets and liabilities of our derivative financial instruments on a net basis on the Consolidated Balance Sheets. If the derivative financial instruments had been presented gross on the Consolidated Balance Sheets, the asset and liability positions each would have been increased by \$1 million and \$11 million as of December 31, 2018 and 2017, respectively.

Foreign Currency Exchange Risk Management

The Company conducts business on a multinational basis in a wide variety of foreign currencies. Exposure to market risk for changes in foreign currency exchange rates arises from euro denominated external revenues, cross-border financing activities between subsidiaries, and foreign currency denominated monetary assets and liabilities. The Company generally seeks to preserve the economic value of non-functional currency denominated cash flows by reducing transaction exposures with natural offsets, and secondarily through foreign exchange forward and option contracts, as deemed appropriate.

The Company manages the exchange rate risk of anticipated euro denominated sales by using forward contracts which typically mature within twelve months of execution. The Company designates these derivative contracts as cash flow hedges. Unrealized gains and losses on these contracts are deferred in AOCI on the Consolidated Balance Sheets until the contract is settled and the hedged sale is realized. The realized gain or loss is then recorded as an adjustment to Net sales on the Consolidated Statement of Operations. Realized gains or (losses) reclassified to Net sales were \$13 million, \$(8) million, and \$(7) million for the years ending December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the notional amounts of the Company's foreign exchange cash flow hedges were €496 million and €389 million, respectively. The Company has reviewed its cash flow hedges for effectiveness and determined they are highly effective.

The Company uses forward contracts, which are not designated as hedging instruments, to manage its exposures related to net assets denominated in foreign currencies. These forward contracts typically mature within one month after execution. Monetary gains and losses on these forward contracts are recorded in income each quarter and are generally offset by the transaction gains and losses related to their net asset positions. The notional values and the net fair value of these outstanding contracts are as follows (in millions):

	December 31,	
	2018	2017
Notional balance of outstanding contracts:		
British Pound/U.S. Dollar	£ 1	£ 13
Euro/U.S. Dollar	€ 45	€ 108
British Pound/Euro	£ 6	£ 5
Canadian Dollar/U.S. Dollar	C\$ 6	C\$ 12
Czech Koruna/U.S. Dollar	Kč	Kč 361
Brazilian Real/U.S. Dollar	R\$ —	R\$ 34
Australian Dollar/U.S. Dollar	A\$ 47	A\$ 55
Swedish Krona/U.S. Dollar	kr —	kr 13
Japanese Yen/U.S. Dollar	¥ 396	¥ 151
Singapore Dollar/U.S. Dollar	S\$ 7	S\$ 4
Mexican Peso/U.S. Dollar	Mex\$ 225	Mex\$
Chinese Yuan/U.S. Dollar	¥ 71	¥
South African Rand/U.S. Dollar	\$ 42	\$ —
Net fair value of asset (liability) outstanding contracts	\$ 1	\$ (2)

Beginning in the third quarter of 2018, the Company significantly reduced the use of non-designated forward contracts to manage Euro exposure with the commencement of Euro denominated borrowings on the Revolving Credit Facility. See Note 11, *Long-Term Debt*.

Interest Rate Risk Management

The Company's debt consists of borrowings under two term loans ("Term Loan A" and "Term Loan B", also referred to collectively as the "Term Loans"), the Revolving Credit Facility and the Receivables Financing Facility which bear interest at variable rates plus an applicable margin. See Note 11, *Long-Term Debt*. As a result, the Company is exposed to market risk associated with the variable interest rate payments on the Term Loans, Revolving Credit Facility and Receivables Financing Facility.

The Company manages its exposure to changes in interest rates by utilizing interest rate swaps to hedge this exposure and to achieve a desired proportion of fixed versus floating-rate debt, based on current and projected market conditions. The Company does not enter into derivative instruments for trading or speculative purposes.

In December 2017, the Company entered into a forward long-term interest rate swap agreement with a notional amount of \$800 million to lock into a fixed LIBOR interest rate base for debt facilities subject to monthly interest payments, including Term Loan A, the Revolving Credit Facility and Receivables Financing Facility. Under the terms of the agreement, \$800 million in variable-rate debt will be swapped for a fixed interest rate with net settlement terms due effective starting in December 2018 and ending in December 2022. The changes in fair value of these swaps are not designated as hedges and are recognized immediately as Interest expense, net on the Consolidated Statement of Operations.

The Company previously had a floating-to-fixed interest rate swap, which was designated as a cash flow hedge. This swap was terminated and hedge accounting treatment was discontinued in 2014. The terminated swap has approximately \$2 million of pretax losses remaining in AOCI as of December 31, 2018, which will be reclassified into Interest expense, net on the Consolidated Statements of Operations through June 2021. There was \$2 million expensed by the Company in the year ended December 31, 2018.

During the fourth quarter of 2018, the Company terminated three interest rate swaps. The first swap was entered into with a syndicated group of commercial banks for the purpose of fixing the interest rate on the Company's floating-rate debt. The second swap largely offset the first swap, causing interest payments to again be exposed to rate fluctuations. Neither of these instruments were designated as accounting hedges, with changes in fair value recognized in Interest expense, net on the Consolidated Statements of Operations. The third interest rate swap converted the floating-rate debt to fixed-rate debt and was designated as a cash flow hedge. As part of the termination, the Company settled all three swaps resulting in \$7 million cash payment to counterparties that was classified within Net cash provided by operating activities. Hedge accounting treatment was discontinued on the third swap, which has less than \$1 million of pretax losses remaining in AOCI as of December 31, 2018. This \$1 million will be reclassified into Interest expense, net on the Consolidated Statements of Operations through June 2021.

Note 11 Long-Term Debt

The following table shows the carrying value of the Company's debt (in millions):

	December 31,	
	2018	2017
Term Loan A	\$ 608	\$ 679
Term Loan B	445	1,160
Revolving Credit Facility	408	275
Receivables Financing Facility	139	135
Total debt	1,600	2,249
Less: Debt issuance costs	(5)	(7)
Less: Unamortized discounts	(4)	(15)
Less: Current portion of long-term debt	(157)	(51)
Total long-term debt	\$ 1,434	\$ 2,176

At December 31, 2018, the future maturities of long-term debt, excluding debt discounts and issuance costs, are as follows (in millions):

2019	\$	157
2020		55
2021		1,388
2022		—
2023		—
Thereafter		—
Total future maturities of long-term debt	\$	1,600

All borrowings as of December 31, 2018 were denominated in U.S. Dollars, except for €92 million under the Revolving Credit Facility that was borrowed in Euros.

The estimated fair value of our long-term debt approximated \$1.6 billion and \$2.2 billion as of December 31, 2018 and 2017, respectively. These fair value amounts, developed based on inputs classified as Level 2 within the fair value hierarchy, represent the estimated value at which the Company's lenders could trade its debt within the financial markets and does not represent the settlement value of these long-term debt liabilities to the Company. The fair value of the long-term debt will continue to vary each period based a number of factors including fluctuations in market interest rates, as well as changes to the Company's credit ratings.

Credit Facilities

On July 26, 2017, the Company entered into an Amended and Restated Credit Agreement which provided for the issuance of Term Loan A and increased funding available under the Revolving Credit Facility to \$500 million. In conjunction therewith, the Company capitalized \$5 million of debt issuance costs and partially paid down and repriced Term Loan B. The Company applied the provisions of ASC Subtopic 470-50, *Modifications and Extinguishments* ("ASC 470-50") on a creditor by creditor basis concluding that the terms of Term Loan B were not substantially different and that modification accounting was appropriate to apply. As part of Term Loan B activity, the Company recorded approximately \$6 million of pre-tax charges for third-party fees for arranger, legal and other services and accelerated discount and amortization of debt issuance costs within Other, net on the Company's Consolidated Statements of Operations.

During 2017, the Company fully redeemed \$1.1 billion of outstanding principal of other debt obligations which had a scheduled maturity in 2022. In accounting for the early termination, the Company applied the provisions of ASC 470-50 and concluded extinguishment accounting was appropriate to apply. The Company recognized a \$65 million make whole premium and \$16 million acceleration of debt issuance costs within Interest expense, net on the Company's Consolidated Statements of Operations.

On May 31, 2018, the Company entered into Amendment No. 1. to the Amended and Restated Credit Agreement ("Amendment No. 1"). Amendment No. 1 replaced the existing Term Loan A with a new Term Loan A of \$670 million and increased the existing Revolving Credit Facility from \$500 million to \$800 million. As part of the Amendment No. 1, the Company entered into a partial early debt termination of \$300 million and repricing of Term Loan B, lowering the index rate spread for LIBOR loans from LIBOR + 200 bp to LIBOR + 175 bp.

In accounting for the impact of Amendment No. 1, the Company applied the provisions of ASC 470-50, which resulted in approximately \$6 million of non-cash accelerated debt issuance cost amortization and approximately \$1 million of pre-tax charges related to third party fees associated with the amendments that are included within Interest expense, net on the Company's Consolidated Statements of Operations. Additionally, the issuance of new Term Loan A and the increase to the Revolving Credit Facility resulted in \$2 million of third party fees for arranger, legal, and other services, which were capitalized and will be amortized over the term of the credit facilities.

As of December 31, 2018, the Term Loan A interest rate was 3.84%, and the Term Loan B interest rate was 4.09%. Borrowings under the Term Loan A and Term Loan B bear interest at a variable rate plus an applicable margin. Interest payments are payable monthly or quarterly on Term Loan A and quarterly on Term Loan B.

Amendment No. 1 also requires the Company to prepay certain amounts in the event of certain circumstances or transactions. The Company may make prepayments against the Term Loans, in whole or in part, without premium or penalty. Under Amendment No. 1, Term Loan A will mature on July 27, 2021 and Term Loan B will mature on October 27, 2021. The remaining principal on Term Loan A is due in quarterly installments starting in the third quarter of 2019, with the majority due upon maturity. All remaining principal on Term Loan B is due upon maturity.

The Revolving Credit Facility is available for working capital and other general corporate purposes including letters of credit. As of December 31, 2018, the Company had letters of credit totaling \$5 million, which reduced funds available for other borrowings under the Revolving Credit Facility to \$795 million. Borrowings bear interest at a variable rate plus an applicable margin. As of December 31, 2018, the Revolving Credit Facility had an average interest rate of 3.26%. The facility allows for interest payments payable monthly or quarterly. The Revolving Credit Facility will mature and the related commitments will terminate on July 27, 2021. All remaining principal on the Revolving Credit Facility is due upon maturity.

Receivables Financing Facility

In December 2017, the Company entered into a Receivables Financing Facility with a financial institution that has a borrowing limit of up to \$180 million. As collateral, the Company pledges a perfected first-priority security interest in its domestically originated accounts receivable. The Company has accounted for transactions under this Receivable Financing Facility as secured borrowings.

At December 31, 2018, the Company's Consolidated Balance Sheets included \$459 million of receivables that were pledged under the Receivables Financing Facility, of which \$139 million had been borrowed against. Borrowings under the Receivables Financing Facility bear interest at a variable rate plus an applicable margin. As of December 31, 2018, the Receivables Financing Facility had an average interest rate of 3.36% and requires monthly interest payments. The Receivables Financing Facility will mature on November 29, 2019, accordingly, amounts borrowed as of December 31, 2018 are included in Current portion of long-term debt on the Company's Consolidated Balance Sheets.

Both the Revolving Credit Facility and Receivables Financing Facility include terms and conditions that limit the incurrence of additional borrowings and require that certain financial ratios be maintained at designated levels.

The Company has entered into interest rate swaps to manage the interest rate risk associated with its debt. See Note 10, *Derivative Instruments* for further information. On December 31, 2018, the Company was in compliance with all debt covenants.

Note 12 Commitments and Contingencies

Lease Commitments

The Company leases certain manufacturing facilities, distribution centers, and sales and administrative offices under non-cancellable operating leases. Rent expense under these leases was \$33 million, \$34 million and \$39 million for the years ended December 31, 2018, 2017 and 2016, respectively. Remaining lease terms range from 1 to 16 years, with certain leases containing extension and termination options. Options for extensions are included in the lease term and future minimum obligations below when those options are reasonably certain to be exercised.

The Company's minimum future lease obligations under all non-cancellable operating leases as of December 31, 2018 are as follows (in millions):

	Future Minimum Payments
2019	\$ 34
2020	29
2021	23
2022	17
2023	13
Thereafter	37
Total minimum lease obligations	<u>\$ 153</u>

Warranties

The following table is a summary of the Company's accrued warranty obligation (in millions):

Warranty Reserve	Year Ended December 31,		
	2018	2017	2016
Balance at the beginning of the year	\$ 18	\$ 21	\$ 22
Acquisition	1	—	—
Warranty expense	34	28	31
Warranty payments	(31)	(31)	(32)
Balance at the end of the year	<u>\$ 22</u>	<u>\$ 18</u>	<u>\$ 21</u>

Contingencies

The Company is 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. The Company currently believes that the outcomes of such proceedings, individually and in the aggregate, will not have a material adverse impact on its business, cash flows, financial position, or results of operations. Any legal proceedings are subject to inherent uncertainties, and the Company's view of these matters and its potential effects may change in the future.

In connection with the acquisition of the Enterprise business from Motorola Solutions, Inc., the Company acquired Symbol Technologies, Inc., a subsidiary of Motorola Solutions ("Symbol"). A putative federal class action lawsuit, *Waring v. Symbol Technologies, Inc., et al.*, was filed on August 16, 2005 against Symbol Technologies, Inc. and two of its former officers in the United States District Court for the Eastern District of New York by Robert Waring. After the filing of the Waring action, several additional purported class actions were filed against Symbol and the same former officers making substantially similar allegations (collectively, "the New Class Actions"). The Waring action and the New Class Actions were consolidated for all purposes and on April 26, 2006, the Court appointed the Iron Workers Local # 580 Pension Fund as lead plaintiff and approved its retention of lead counsel on behalf of the putative class. At a mediation held on March 15, 2018, the parties reached an agreement in principle to settle the matter, and Zebra reached agreements with certain of its insurers to fund the settlement and therefore, no amounts have been recorded. On October 30, 2018, the Court entered the Final Judgment Approving Class Action Settlement and Order of Dismissal with Prejudice. The time to appeal expired on November 29, 2018, with no appeals filed. The case is concluded.

During 2018, the Company settled in its entirety a commercial lawsuit resulting in a \$13 million pre-tax charge reflected within General and administrative expenses within the Consolidated Statements of Operations.

Unclaimed Property Voluntary Disclosure Agreement (“VDA”) and Audits: During fiscal 2018, the Company completed several state audits related to its reporting of unclaimed property liabilities and submitted a VDA with the State of Delaware. There were no significant impacts to the results of operations from these activities.

Note 13 Share-Based Compensation

On May 17, 2018, shareholders approved the Zebra Technologies 2018 Long-Term Incentive Plan (“2018 Plan”), which authorizes for additional awards to be granted in the future. The 2018 Plan superseded and replaced the Zebra Technologies Corporation Long-Term Incentive Plan (“2015 Plan”) on the approval date, except that the 2015 Plan shall remain in effect with respect to outstanding awards under the 2015 Plan until such awards have been exercised, forfeited, canceled, expired or otherwise terminated in accordance with their terms. Together, the 2018 Plan and 2015 Plan provide for incentive compensation to the Company’s non-employee directors, officers and employees. The awards available under the plans include Stock Appreciation Rights (“SARs”), Restricted Stock Awards (“RSAs”), Performance Share Awards (“PSAs”), Cash-settled Stock Appreciation Rights (“CSRs”), Restricted Stock Units (“RSUs”), and Performance Stock Units (“PSUs”). Non-qualified stock options are not authorized for grant under the 2018 Plan or 2015 Plan.

A summary of the equity awards authorized and available for future grants under the 2018 Plan is as follows:

Available for future grants at December 31, 2017	—
Newly authorized options	3,800,000
Granted	(10,200)
Cancellation and forfeitures	—
Plan termination	—
Available for future grants at December 31, 2018	<u>3,789,800</u>

A summary of the equity awards authorized and available for future grants under the 2015 Plan is as follows:

Available for future grants at December 31, 2017	1,437,435
Newly authorized options	—
Granted	(360,999)
Cancellation and forfeitures	—
Plan termination	(1,076,436)
Available for future grants at December 31, 2018	<u>—</u>

The compensation expense and related income tax benefit from the Company’s share-based compensation plans were included in the Consolidated Statements of Operations as follows (in millions):

Compensation costs and related income tax benefit	Year Ended December 31,		
	2018	2017	2016
Cost of sales	\$ 4	\$ 3	\$ 2
Selling and marketing	13	8	6
Research and development	15	11	9
General and administration	21	16	11
Total compensation expense	<u>\$ 53</u>	<u>\$ 38</u>	<u>\$ 28</u>
Income tax benefit	<u>\$ 10</u>	<u>\$ 11</u>	<u>\$ 9</u>

As of December 31, 2018, total unearned compensation costs related to the Company’s share-based compensation plans was \$57 million, which will be amortized to expense over the weighted average remaining service period of 1.5 years.

The Company uses outstanding treasury shares as its source for issuing shares under the share-based compensation programs.

Stock Appreciation Rights (“SARs”)

Upon exercise of SARs, the Company issues whole shares of Class A Common Stock to participants based on the difference between the fair market value of the stock at the time of exercise and the exercise price. Fractional shares are settled in cash upon exercise. SARs typically vest over a period of 4 years.

A summary of the Company's SARs outstanding is as follows:

SARs	2018		2017		2016	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	1,817,991	\$ 65.73	1,740,786	\$ 56.15	1,397,611	\$ 56.78
Granted	88,042	149.75	402,029	98.87	627,971	52.13
Exercised	(598,249)	55.93	(250,326)	48.66	(160,946)	35.37
Forfeited	(46,161)	80.41	(66,550)	75.38	(115,215)	65.74
Expired	(438)	108.20	(7,948)	108.20	(8,635)	88.65
Outstanding at end of year	1,261,185	\$ 75.71	1,817,991	\$ 65.73	1,740,786	\$ 56.15
Exercisable at end of year	595,086	\$ 60.85	874,942	\$ 50.86	828,754	\$ 45.14

The fair value of share-based compensation 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 the Company's stock price over its entire stock history.

The following table shows the weighted-average assumptions used for grants of SARs, as well as the fair value of the grants based on those assumptions:

	2018	2017	2016
Expected dividend yield	0%	0%	0%
Forfeiture rate	8.40%	9.37%	9.01%
Volatility	35.93%	35.49%	43.14%
Risk free interest rate	2.96%	1.77%	1.29%
Range of interest rates	1.68%-3.00%	0.71%-2.41%	0.25%-1.75%
Expected weighted-average life (in years)	4.11	4.13	5.33
Weighted-average grant date fair value of SARs granted (per underlying share)	\$47.63	\$29.86	\$20.18

The following table summarizes information about SARs outstanding as of December 31, 2018 :

	Outstanding	Exercisable
Aggregate intrinsic value (in millions)	\$ 105	\$ 59
Weighted-average remaining contractual term (in years)	5.6	4.8

The intrinsic value for SARs exercised in fiscal 2018 , 2017 and 2016 was \$59 million , \$14 million and \$6 million , respectively. The total fair value of SARs vested in fiscal 2018 , 2017 and 2016 was \$12 million , \$8 million and \$3 million , respectively.

Restricted Stock Awards ("RSAs") and Performance Share Awards ("PSAs")

The Company's restricted stock grants consist of time-vested restricted stock awards ("RSAs") and performance vested restricted stock awards ("PSAs"). The RSAs and PSAs hold voting rights and therefore are considered participating securities. The outstanding RSAs and PSAs are included as part of the Company's Class A Common Stock outstanding. The RSAs and PSAs vest at each vesting date subject to restrictions such as continuous employment except in certain cases as set forth in each stock agreement. The Company's RSAs and PSAs are expensed over the vesting period of the related award, which is typically 3 years . Some awards, including those granted annually to non-employee directors as an equity retainer fee, were vested upon grant. PSA targets are set based on certain Company-wide financial metrics. Compensation cost is calculated as the market date fair value of the Company's Class A Common Stock on grant date multiplied by the number of shares granted.

The Company also issues stock awards to non-employee directors. Each director receives an equity grant of shares every year during the month of May. The number of shares granted to each director is determined by dividing the value of the annual grant by the price of a share of common stock. In fiscal 2018 , there were 7,980 shares granted to non-employee directors compared to 12,488 shares and 25,088 shares in fiscal 2017 and 2016 , respectively. New directors in any fiscal year earned a prorated amount. The shares vest immediately upon the grant date.

A summary of information relative to the Company's RSAs is as follows:

	2018		2017		2016	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Restricted Stock Awards						
Outstanding at beginning of year	628,642	\$ 77.70	622,814	\$ 70.19	566,447	\$ 77.68
Granted	206,922	150.60	199,629	98.90	389,193	51.93
Released	(154,878)	107.22	(165,846)	75.90	(275,229)	59.39
Forfeited	(22,962)	88.77	(27,955)	72.81	(57,597)	70.50
Outstanding at end of year	657,724	\$ 93.45	628,642	\$ 77.70	622,814	\$ 70.19

The fair value of each PSA granted includes assumptions around the Company's performance goals. A summary of information relative to the Company's PSAs is as follows:

	2018		2017		2016	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Performance Share Awards						
Outstanding at beginning of year	265,747	\$ 77.04	379,226	\$ 70.14	332,630	\$ 73.40
Granted	59,849	146.83	79,423	98.97	172,024	51.01
Released	(57,074)	107.31	(2,029)	62.70	(111,325)	46.58
Forfeited	(8,795)	81.07	(190,873)	73.09	(14,103)	75.73
Outstanding at end of year	259,727	\$ 86.41	265,747	\$ 77.04	379,226	\$ 70.14

Other Award Types

The Company also has cash-settled compensation awards including cash-settled Stock Appreciation Rights ("CSRs"), Restricted Stock Units ("RSUs"), and Performance Stock Units ("PSUs") (the "Awards") that are expensed over the vesting period of the related award, which is not more than 4 years. Compensation cost is calculated at the fair value on grant date multiplied by the number of share-equivalents granted, and the fair value is remeasured at the end of each reporting period based on the Company's stock price. Cash settlement is based on the fair value of share equivalents at the time of vesting, which was \$2 million, \$2 million and \$1 million in 2018, 2017 and 2016, respectively. Share-equivalents issued under these programs totaled 20,393, 45,781 and 95,210 in fiscal 2018, 2017 and 2016, respectively.

Non-qualified Stock Options

A summary of the Company's non-qualified options outstanding under the 2006 Plan is as follows:

	2018		2017		2016	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Non-qualified Options						
Outstanding at beginning of year	15,705	\$ 26.34	154,551	\$ 35.96	204,434	\$ 36.66
Granted	—	—	—	—	—	—
Exercised	(15,705)	26.34	(132,905)	36.86	(47,393)	38.60
Forfeited	—	—	—	—	—	—
Expired	—	—	(5,941)	41.25	(2,490)	43.35
Outstanding at end of year	—	\$ —	15,705	\$ 26.34	154,551	\$ 35.96
Exercisable at end of year	—	\$ —	15,705	\$ 26.34	154,551	\$ 35.96

As of December 31, 2018, there were no non-qualified stock options remaining outstanding.

The intrinsic value for non-qualified options exercised in fiscal 2018 , 2017 and 2016 was \$2 million , \$8 million and \$2 million , respectively. There were no non-qualified options vested in fiscal 2018 , 2017 and 2016 .

Cash received from the exercise of non-qualified options was less than \$1 million during fiscal 2018 compared to \$5 million and \$2 million during fiscal years 2017 and 2016 , respectively. The related income tax benefit realized in fiscal 2018 , 2017 and 2016 was \$2 million , \$2 million and \$1 million , respectively.

Employee Stock Purchase Plan

The Zebra Technologies Corporation 2011 Employee Stock Purchase Plan (“2011 Plan”), which became effective in fiscal 2011, permits eligible employees to purchase common stock at 95% of the fair market value at the date of purchase. Employees may make purchases by cash or payroll deductions up to certain limits. The aggregate number of shares that may be purchased under this plan is 1.5 million shares. At December 31, 2018 , 840,262 shares were available for future purchase.

Note 14 Income Taxes

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

	Year Ended December 31,		
	2018	2017	2016
United States	\$ (25)	\$ (152)	\$ (120)
Outside United States	549	240	(9)
Total	\$ 524	\$ 88	\$ (129)

Income tax expense (benefit) consisted of the following (in millions):

	Year Ended December 31,		
	2018	2017	2016
Current:			
Federal	\$ 20	\$ 10	\$ 14
State	3	8	6
Foreign	77	62	31
Total current	100	80	51
Deferred:			
Federal	(11)	20	(31)
State	5	(10)	(6)
Foreign	9	(19)	(6)
Total deferred	3	(9)	(43)
Total	\$ 103	\$ 71	\$ 8

The Company’s effective tax rates were 19.7% , 80.7% and (6.2)% for the years ended December 31, 2018 , 2017 and 2016 respectively.

The Company’s effective tax rate was lower than the federal statutory rate of 21% for the year ended December 31, 2018 primarily due to lower tax rates in foreign jurisdictions and the generation of tax credits. These benefits were partially offset by increases related to foreign earnings subject to U.S. taxation, the U.S. impact of the Enterprise acquisition and certain discrete items. The discrete items included the favorable impacts of reductions in valuation allowances and share-based compensation benefits, which were offset by audit settlements with the U.S. Internal Revenue Service for the fiscal years 2013, 2014, and 2015 and an increase in uncertain tax positions resulting from interpretive guidance issued during the year.

For the year ended December 31, 2017, the Company’s effective tax rate was higher than the federal statutory rate of 35%, primarily due to an increase in valuation allowance on foreign deferred tax assets, the one-time transition tax and remeasurement of net U.S. deferred tax assets under U.S. Tax Reform, the U.S. impact of the Enterprise acquisition, and an increase in uncertain tax benefits. These expenses were partially offset by remeasurement of foreign net deferred tax assets, the benefit of lower tax rates in foreign jurisdictions, the recognition of deferred tax assets on intercompany asset transfers, the generation of tax credits and share-based compensation benefits.

[Table of Contents](#)

For the year ended December 31, 2016, the Company's effective tax rate, applied to an overall pre-tax loss, was lower than the federal statutory rate of 35%, primarily due to the benefits of lower tax rates in foreign jurisdictions, the U.S. impact of the Enterprise acquisition as well as foreign earnings subject to U.S. taxation, partially offset by the generation of income tax credits.

A reconciliation of the U.S. federal statutory income tax rate to our actual income tax rate is provided below:

	Year Ended December 31,		
	2018	2017	2016
Provision computed at statutory rate	21.0%	35.0%	35.0 %
U.S. Tax Reform - one-time transition tax	(0.6)	41.8	0.0
Remeasurement of deferred taxes	0.7	(56.0)	0.0
Change in valuation allowance	(4.5)	96.4	(1.0)
U.S. impact of Enterprise acquisition	1.1	12.9	(14.1)
Change in contingent income tax reserves	3.2	14.0	(1.6)
Foreign earnings subject to U.S. taxation	2.0	2.0	(6.6)
Foreign rate differential	(2.0)	(29.1)	(16.0)
Intra-entity transactions	0.0	(18.8)	0.0
State income tax, net of federal tax benefit	0.8	(5.3)	(1.0)
Tax credits	(1.9)	(5.7)	9.5
Equity compensation deductions	(2.0)	(5.6)	(0.4)
Return to provision and other true ups	1.1	(3.2)	(3.7)
Other	0.8	2.3	(6.3)
Provision for income taxes	19.7%	80.7%	(6.2)%

The Company earns a significant amount of its operating income outside of the U.S., primarily in the United Kingdom, Singapore, and Luxembourg, with statutory rates of 19% , 17% , and 27% , respectively. During 2017, the Company affirmed an incentivized tax rate of 10% with the Singapore Economic Development Board with the Company's commitment to make increased investments in Singapore. During 2018, the Company applied for and was granted a second extension of its incentivized tax rate by the Singapore Economic Development Board. The incentive reduces the income tax rate to 10.5% from the statutory rate of 17% and is effective for calendar years 2019 to 2023. The Company has committed to making additional investments in Singapore over the period 2019 to 2022; should the Company not make these investments in accordance with the agreement, any incentive benefit would have to be repaid to the Singapore tax authorities.

Tax effects of temporary differences that resulted in deferred tax assets and liabilities are as follows (in millions):

	December 31,	
	2018	2017
Deferred tax assets:		
Capitalized research expenditures	\$ 28	\$ 32
Deferred revenue	21	21
Tax credits	28	31
Net operating loss carryforwards	394	338
Other accruals	20	20
Inventory items	20	20
Capitalized software costs	8	14
Sales return/rebate reserve	41	33
Share-based compensation expense	15	12
Accrued bonus	3	1
Unrealized gains and losses on securities and investments	—	8
Valuation allowance	(56)	(134)
Total deferred tax assets	522	396
Deferred tax liabilities:		
Depreciation and amortization	411	275
Unrealized gains and losses on securities and investments	2	—
Undistributed earnings	3	2
Total deferred tax liabilities	\$ 416	\$ 277
Net deferred tax assets	\$ 106	\$ 119

At December 31, 2018, the Company has approximately \$394 million (tax effected) of net operating losses (“NOLs”) and approximately \$28 million of credit carryforwards. Approximately \$39 million of NOLs will expire beginning in 2019 through 2032, and \$14 million of credits will expire beginning in 2023 through 2032; \$355 million of NOLs and \$14 million of credit carryforwards have no expiration dates.

Impact of U.S. Tax Reform

Overview

Enacted on December 22, 2017, the Act reduced the U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign sourced earnings. Based on current operations, the Company is subject to the GILTI provisions of the Act. We are not currently subject to the new limitations which defer U.S. interest deductions in excess of 30% of adjusted taxable income or the Base Erosion Anti-Avoidance Tax (“BEAT”). However, the application of the interest limitations and BEAT regime may apply in the future, depending on changes in the Company’s business model or the level of taxable income in any given year. Additionally, the Company is no longer able to deduct performance-based compensation for its covered employees which exceeds the limitation under amended Internal Revenue Code Section 162(m). These impacts are included in the calculation of our effective tax rate.

Foreign Tax Effects

As part of the Act, the Company recognized a one-time transition tax based on its total post-1986 earnings and profits that were previously deferred from U.S. income taxes. The Company earns a significant amount of its operating income outside of the U.S. As of December 31, 2018, the Company is indefinitely reinvested with respect to its U.S. directly-owned subsidiary earnings. Under the Act, the Company has recorded a current provision related to deemed foreign inclusions through December 31, 2017 as a result of the transition tax. For periods after 2017, the Company is subject to U.S. income tax on substantially all foreign earnings under the GILTI provisions of the Act, while any remaining foreign earnings are eligible for the new dividends received deduction. As a result, future repatriation of earnings will no longer be subject to U.S. income tax, but may be subject to state and local income taxes, as well as currency translation gains or losses. Additionally, gains and losses on any future taxable dispositions of U.S.-owned foreign affiliates continue to be subject to U.S. income tax.

[Table of Contents](#)

The Company has not recognized deferred tax liabilities in the U.S. with respect to its outside basis differences in its directly-owned foreign affiliates. It is not practicable to determine the amount of unrecognized deferred tax liabilities on these indefinitely reinvested earnings.

Certain foreign affiliate parent companies are not indefinitely reinvested, and thus, the Company has recorded a deferred tax liability for foreign withholdings taxes on those earnings.

Performance-Based Executive Compensation

The Act amends the rules related to the exclusion of performance-based compensation under Internal Revenue Code 162(m). The Company will no longer be able to claim a deduction for compensation accrued after January 1, 2018 for a covered employee which exceeds \$1 million, unless the compensation is earned in respect of a binding contract in existence on November 2, 2017 (“Grandfathered Contracts”). The Company has remeasured the Section 162(m)-grandfathered deferred tax assets at 21% for its covered employees for equity award agreements issued and executed prior to November 2, 2017. Additionally, the Company has determined that its short-term bonus plan will not qualify for the grandfathered contract provisions, and thus any associated deferred tax assets have been derecognized.

Provisional and Final Effects

During 2017, the Company provisionally recognized an income tax expense of \$72 million associated with the Act, including a one-time transition tax of \$37 million and \$35 million remeasurement of its net U.S. deferred tax assets based on a 21% rate.

During 2018, the Company finalized its analysis of the Act, including the one-time transition tax and measurement of net deferred tax assets, and recorded a \$3 million income tax benefit for the year ended December 31, 2018 as a result of differences between its final analysis and provisional analysis from the prior year. The final analysis included both federal and state tax effects based on legislative pronouncements through December 31, 2018. The Company also utilized a total of \$28 million of available net operating losses, research and development credits, alternative minimum tax credits, and foreign tax credits, in order to reduce its future cash payments for the one-time transition tax, resulting in a net liability for the one-time transition tax of \$6 million, of which \$1 million has been classified as a short term liability and \$5 million as a long term liability. The final one-time transition tax installment payment will be made in 2024.

During 2018, the Company estimated and recognized an income tax expense of \$10 million related to GILTI, based on current law and regulations; as guidance continues to be published, the estimate could result in filing positions significantly different than our current estimates.

Unrecognized tax benefits

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

	Year ended December 31,	
	2018	2017
Balance at beginning of year	\$ 51	\$ 42
Additions for tax positions related to the current year	1	0
Additions for tax positions related to prior years	22	11
Reductions for tax positions related to prior years	(11)	(1)
Settlements for tax positions	(13)	(1)
Balance at end of year	\$ 50	\$ 51

At December 31, 2018 and December 31, 2017, there are \$48 million and \$47 million of unrecognized tax benefits that if recognized would affect the annual effective tax rate. The Company continues to believe its positions are supportable, however, the Company anticipates that \$20 million of uncertain tax benefits may be paid within the next twelve months and, as such, is reflected as a current liability within the Company’s Consolidated Balance Sheets. The Company is engaged in an inquiry from the UK Her Majesty’s Revenue and Customs (“HMRC”) for the years 2012 to 2016. The tax years 2004 through 2016 remain open to examination by multiple foreign and U.S. state taxing jurisdictions. Due to uncertainties in any tax audit outcome, the Company’s estimates of the ultimate settlement of uncertain tax positions may change and the actual tax benefits may differ significantly from the estimates.

The Company recognized \$8 million, \$2 million and \$1 million of interest and/or penalties related to income tax matters as part of income tax expense for the years ended December 31, 2018, 2017 and 2016, respectively. The Company had \$14 million and \$6 million of interest and penalties reflected in the Consolidated Balance Sheets as of December 31, 2018 and 2017, respectively.

Note 15 Earnings (Loss) Per Share

Basic net earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the weighted average number of shares assuming dilution. Dilutive common shares outstanding is computed using the Treasury Stock method and in periods of income, reflects the additional shares that would be outstanding if dilutive stock options were exercised for common shares during the period.

Earnings (loss) per share (in millions, except share data):

	Year Ended December 31,		
	2018	2017	2016
Basic:			
Net income (loss)	\$ 421	\$ 17	\$ (137)
Weighted-average shares outstanding ⁽¹⁾	53,591,655	53,021,761	51,579,112
Basic earnings (loss) per share	\$ 7.86	\$ 0.33	\$ (2.65)
Diluted:			
Net income (loss)	\$ 421	\$ 17	\$ (137)
Weighted-average shares outstanding ⁽¹⁾	53,591,655	53,021,761	51,579,112
Dilutive shares ⁽²⁾	708,157	667,071	—
Diluted weighted-average shares outstanding	54,299,812	53,688,832	51,579,112
Diluted earnings (loss) per share	\$ 7.76	\$ 0.32	\$ (2.65)

(1) In periods of net loss, restricted stock awards that are classified as participating securities are excluded from the weighted-average shares outstanding computation.

(2) In periods of net loss, options are anti-dilutive and therefore excluded from the earnings (loss) per share calculation.

Anti-dilutive options to purchase common shares are excluded from diluted earnings per share calculations. Anti-dilutive options consist primarily of stock appreciation rights (“SARs”) with an exercise price greater than the average market closing price of the Class A common stock. There were 72,856 , 259,142 , and 1,391,567 anti-dilutive shares for the years ended December 31, 2018 , 2017 , and 2016 , respectively.

Note 16 Accumulated Other Comprehensive Income (Loss)

Stockholders’ equity includes certain items classified as AOCI, including:

- **Unrealized gain (loss) on anticipated sales hedging transactions** relates to derivative instruments used to hedge the exposure related to currency exchange rates for forecasted Euro sales. These hedges are designated as cash flow hedges, and the Company defers income statement recognition of gains and losses until the hedged transaction occurs. See Note 10 , *Derivative Instruments* for more details.
- **Unrealized (loss) gain on forward interest rate swaps hedging transactions** refers to the hedging of the interest rate risk exposure associated with the variable rate commitment entered into for the Enterprise Acquisition. See Note 10 , *Derivative Instruments* for more details.
- **Foreign currency translation adjustments** relate to the Company’s non-U.S. subsidiary companies that have designated a functional currency other than the U.S. dollar. The Company is required to translate the subsidiary functional currency financial statements to dollars using a combination of historical, period-end, and average foreign exchange rates. This combination of rates creates the foreign currency translation adjustment component of AOCI.

The components of AOCI for each of the three years ended December 31 are as follows (in millions):

	Unrealized gain (loss) on sales hedging	Unrealized (loss) gain on forward interest rate swaps	Foreign Currency translation adjustments	Total
Balance at December 31, 2015	\$ (1)	\$ (15)	\$ (32)	\$ (48)
Other comprehensive income (loss) before reclassifications	1	(1)	(4)	(4)
Amounts reclassified from AOCI ⁽¹⁾	7	2	—	9
Tax expense	(1)	(1)	—	(2)
Other comprehensive income (loss)	7	—	(4)	3
Balance at December 31, 2016	6	(15)	(36)	(45)
Other comprehensive (loss) income before reclassifications	(26)	1	2	(23)
Amounts reclassified from AOCI ⁽¹⁾	8	8	—	16
Tax benefit (expense)	3	(3)	—	—
Other comprehensive (loss) income	(15)	6	2	(7)
Balance at December 31, 2017	(9)	(9)	(34)	(52)
Other comprehensive income (loss) before reclassifications	38	8	(13)	33
Amounts reclassified from AOCI ⁽¹⁾	(13)	4	—	(9)
Tax expense	(4)	(3)	—	(7)
Other comprehensive income (loss)	21	9	(13)	17
Balance at December 31, 2018	\$ 12	\$ —	\$ (47)	\$ (35)

(1) See Note 10 , *Derivative Instruments* regarding timing of reclassifications to operating results.

Note 17 Accounts Receivable Factoring

In 2018, the Company entered into a Receivables Factoring arrangement, pursuant to which, certain receivables originated from the Europe, Middle East, and Africa region are sold to a bank in exchange for cash without the Company maintaining a beneficial interest in the receivables sold. At any time, the bank's purchase of eligible receivables is subject to a maximum of \$90 million of uncollected receivables. The Company services the receivables on behalf of the bank, but otherwise maintains no continuing involvement with respect to the receivables. Transactions under the Receivables Factoring arrangement are accounted for as sales under ASC 860, *Transfers and Servicing of Financial Assets* with related cash flows reflected in operating cash flows. As of December 31, 2018 , \$33 million of uncollected receivables have been sold and removed from the Company's Consolidated Balance Sheet.

Note 18 Segment Information & Geographic Data

The Company's operations consist of two reportable segments: Asset Intelligence & Tracking ("AIT") and Enterprise Visibility & Mobility ("EVM"). The reportable segments have been identified based on the financial data utilized by the Company's Chief Executive Officer (the chief operating decision maker or "CODM") to assess segment performance and allocate resources among the Company's segments. The CODM reviews adjusted operating income to assess segment profitability. Adjusted operating income excludes purchase accounting adjustments, amortization of intangible assets, acquisition and integration costs, and exit and restructuring costs. Segment assets are not reviewed by the Company's CODM and therefore are not disclosed below.

Financial information by segment is presented as follows (in millions):

	Year Ended December 31,		
	2018	2017	2016
Net sales:			
AIT	\$ 1,423	\$ 1,311	\$ 1,247
EVM	2,795	2,414	2,337
Total segment Net sales	4,218	3,725	3,584
Corporate, eliminations ⁽¹⁾	—	(3)	(10)
Total Net sales	\$ 4,218	\$ 3,722	\$ 3,574
Operating income:			
AIT ⁽²⁾⁽³⁾	\$ 325	\$ 274	\$ 281
EVM ⁽²⁾⁽³⁾	404	301	245
Total segment operating income	729	575	526
Corporate, eliminations ⁽⁴⁾	(119)	(253)	(446)
Total Operating income	\$ 610	\$ 322	\$ 80

- (1) Amounts included in Corporate, eliminations consist of purchase accounting adjustments related to the Enterprise Acquisition.
- (2) During 2018, the Company revised its methodology for allocating certain operating expenses across its two reportable segments to more accurately reflect where these operating costs are being incurred. The reallocations relate primarily to facilities, information technology, marketing and human resources expenses. All periods are presented on a comparable basis and reflect these changes which reclassified operating expenses from AIT to EVM of \$14 million and \$41 million for the years ended December 31, 2017 and 2016, respectively. There was no impact to the Consolidated Financial Statements as a result of these reallocations.
- (3) AIT and EVM segment operating income includes depreciation expense and share-based compensation expense. The amounts of depreciation expense and share-based compensation attributable to AIT and EVM are proportionate to each segment's Net sales.
- (4) Amounts included in Corporate, eliminations consist of purchase accounting adjustments, amortization of intangible assets, acquisition and integration costs, and exit and restructuring costs.

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

Geographic data for Net sales is as follows (in millions):

	Year Ended December 31,		
	2018	2017	2016
North America	\$ 2,041	\$ 1,798	\$ 1,739
Europe, Middle East, and Africa	1,409	1,221	1,138
Asia-Pacific	520	468	483
Latin America	248	235	214
Total Net sales	\$ 4,218	\$ 3,722	\$ 3,574

Geographic data for long-lived assets, defined as property, plant and equipment is as follows (in millions):

	Year Ended December 31,		
	2018	2017	2016
North America	\$ 225	\$ 238	\$ 267
Europe, Middle East, and Africa	14	14	13
Asia-Pacific	7	9	9
Latin America	3	3	3
Total long-lived assets	\$ 249	\$ 264	\$ 292

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

	Year Ended December 31,		
	2018	2017	2016
United States	\$ 2,247	\$ 1,984	\$ 1,950
United Kingdom	1,403	1,196	1,065
Singapore	508	454	362
Other	60	88	197
Total Net sales	\$ 4,218	\$ 3,722	\$ 3,574

Net sales by country are determined by the country from where the products are invoiced when they leave the Company's warehouses. Generally, our United States sales company serves North America and Latin America; United Kingdom sales company serves Europe, Middle East, and Africa; and our Singapore sales company serves Asia-Pacific.

Our Net sales to significant customers as a percentage of the total Company's Net sales by segment were as follows:

	Year Ended December 31,								
	2018			2017			2016		
	AIT	EVM	Total	AIT	EVM	Total	AIT	EVM	Total
Customer A	6.2%	14.1%	20.3%	6.3%	15.0%	21.3%	5.9%	14.2%	20.1%
Customer B	5.6%	10.1%	15.7%	5.3%	8.9%	14.2%	5.0%	8.2%	13.2%
Customer C	6.2%	7.9%	14.1%	6.2%	7.0%	13.2%	5.3%	7.1%	12.4%

All three of the above customers are distributors and not end-users. No other customer accounted for 10% or more of total Net sales during the years presented.

There are three customers at December 31, 2018 and December 31, 2017 that each accounted for more than 10% of outstanding accounts receivable. In 2018, the three largest customers accounted for 23.0%, 16.9%, and 14.6%, respectively of accounts receivable while in 2017, the three largest customers accounted for 19.5%, 14.0% and 11.7%, respectively.

Note 19 Supplementary Financial Information

Prepaid expenses and other current assets consist of the following (in millions):

	December 31,	
	2018	2017
Foreign Exchange Contracts	\$ 16	\$ —
Other	38	24
Prepaid expenses and other current assets	\$ 54	\$ 24

The components of Accrued liabilities are as follows (in millions):

	December 31,	
	2018	2017
Accrued incentive compensation	\$ 127	\$ 101
Customer reserves	45	41
Accrued payroll	55	50
Interest payable	5	15
Accrued other expenses	90	89
Accrued liabilities	\$ 322	\$ 296

Summary of Quarterly Results of Operations (unaudited, in millions):

	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total Net sales	\$ 977	\$ 1,012	\$ 1,092	\$ 1,137	\$ 4,218
Gross profit	465	472	505	539	1,981
Net income	109	70	127	115	421
Net earnings per common share:					
Basic earnings per share:	\$ 2.04	\$ 1.31	\$ 2.37	\$ 2.14	\$ 7.86
Diluted earnings per share:	2.01	1.29	2.34	2.11	7.76
	2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Total Net sales	\$ 865	\$ 896	\$ 935	\$ 1,026	\$ 3,722
Gross profit	401	411	429	469	1,710
Net (loss) income	8	17	(12)	4	17
Net earnings per common share:					
Basic (loss) earnings per share:	\$ 0.16	\$ 0.33	\$ (0.23)	\$ 0.07	\$ 0.33
Diluted (loss) earnings per share:	0.16	0.32	(0.23)	0.07	0.32

Note 20 Subsequent Event

On January 25, 2019, Zebra entered into a definitive agreement under which Zebra will wholly acquire Temptime Corporation, a developer and manufacturer of temperature-monitoring labels and devices. Zebra expects to fund the transaction with a combination of cash on hand along with fully committed financing available under its Revolving Credit Facility. The transaction is subject to customary closing conditions and is expected to close in the first quarter of 2019. The acquired business will become part of the AIT segment.

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

None.

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, 2018. 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 as released in 2013. Based on this assessment and those criteria, our management believes that, as of December 31, 2018, 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 73 of this report.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the fourth quarter of 2018, which were identified in connection with management’s evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

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

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Zebra Technologies Corporation

Opinion on Internal Control over Financial Reporting

We have audited Zebra Technologies Corporation's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Zebra Technologies Corporation (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Zebra Technologies Corporation as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15 and our report dated February 14, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/Ernst & Young LLP

Chicago, Illinois

February 14, 2019

Item 9B. Other Information

Not applicable.

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 Chief Accounting Officer. The Code of Ethics is posted on the Investor Relations – 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."

PART IV**Item 15. Exhibits, Financial Statements and Schedule***Index to Consolidated Financial Statements and Schedules*

	PAGE
Financial Statements	
Report of Independent Registered Public Accounting Firm	36
Consolidated Balance Sheets as of December 31, 2018 and 2017	37
Consolidated Statements of Operations for the years ended December 31, 2018, 2017, and 2016	38
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2018, 2017, and 2016	39
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2018, 2017, and 2016	40
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017, and 2016	41
Notes to Consolidated Financial Statements	42
Financial Statement Schedule	
Schedule II - Valuation and Qualifying Accounts	80

All other financial statement schedules are omitted because they are not applicable to the Company.

Index to Exhibits

3.1(i)	(3) Restated Certificate of Incorporation of the Company.
3.1(ii)	(12) Amended and Restated By-laws of Zebra Technologies Corporation, as amended as of January 7, 2013.
4.1	(20) Specimen stock certificate representing Class A Common Stock.
10.1	(19) Employment Agreement between the Company and Hugh Gagnier dated June 1, 2018. +
10.2	(17) Employment Agreement between Olivier Leonetti and the Company dated October 31, 2016. +
10.3	(4) Form of Amendment No. 1 to Employment Agreement by and between the Company and certain executive officers dated December 30, 2008. +
10.4	(17) Form of indemnification agreement between Zebra Technologies Corporation and each director and executive officer.
10.5	(10) Form of Director Stock Option Agreement (1-Year Vesting) under the 2006 Incentive Compensation Plan for awards granted to directors on or after May 22, 2008 and prior to December 2, 2008. +
10.6	(11) Amendment to outstanding Stock Option Agreements under the 2006 Incentive Compensation Plan, dated December 2, 2008. +
10.7	(7) 2006 Incentive Compensation Plan. +
10.8	(11) Amendment to the 2006 Incentive Compensation Plan dated December 2, 2008. +
10.9	(14) 2011 Long-Term Incentive Plan (Amended and Restated as of May 15, 2014). +
10.10	(20) 2015 Long-Term Incentive Plan. +
10.11	(9) 2005 Executive Deferred Compensation Plan, as amended. +
10.12	(6) Form of Amendment to Employment Agreement between Zebra Technologies Corporation and executive officers. +
10.13	(8) Amended and Restated Employment Agreement between Zebra Technologies Corporation and Anders Gustafsson dated as of May 6, 2010. +
10.14	(8) Letter Agreement between Zebra Technologies Corporation and Anders Gustafsson dated as of May 6, 2010. +
10.15	(8) Form of 2010-2011 time-vested stock appreciation rights agreement for employees other than CEO. +
10.16	(5) Form of 2012 time-vested stock appreciation rights agreement for employees other than CEO. +
10.17	(15) Form of 2013-16 time-vested stock appreciation rights agreement for employees other than CEO. +
10.18	(18) Form of 2017 time-vested stock appreciation rights agreement for employees other than CEO. +
10.19	(19) Form of 2018 stock appreciation rights agreement for employees other than the CEO. +

Table of Contents

10.20	(8) Form of 2010 time-vested stock appreciation rights agreement for CEO. +
10.21	(5) Form of 2011-12 time-vested stock appreciation rights agreement for CEO. +
10.22	(15) Form of 2013-16 time-vested stock appreciation rights agreement for CEO. +
10.23	(18) Form of 2017 time-vested stock appreciation rights agreement for CEO. +
10.24	(19) Form of 2018 stock appreciation rights agreement for CEO. +
10.25	(8) Form of 2009 time-vested stock appreciation rights agreement for non-employee directors. +
10.26	(8) Form of 2010 time-vested stock appreciation rights agreement for non-employee directors. +
10.27	(1) Form of 2011 time-vested stock appreciation rights agreement for non-employee directors. +
10.28	(5) Form of 2012 time-vested stock appreciation rights agreement for non-employee directors. +
10.29	(2) Form of 2016-2017 time-vested restricted stock agreement for employees other than CEO. +
10.30	(19) Form of 2018 time-vested restricted stock agreement for employees other than the CEO. +
10.31	(13) Form of 2016-2017 performance-vested equity agreement for employees other than CEO. +
10.32	(19) Form of 2018 performance-vested restricted stock agreement for employees other than CEO. +
10.33	(15) Form of 2016-17 time-vested restricted stock agreement for CEO. +
10.34	(19) Form of 2018 time-vested restricted stock agreement for CEO. +
10.35	(13) Form of 2016-2017 performance-vested equity agreement for CEO. +
10.36	(19) Form of 2018 performance-vested restricted stock agreement for CEO. +
10.37	(16) Amended and Restated Credit Agreement, dated July 26, 2017 (originally dated as of October 27, 2014), by and among Zebra, the lenders and issuing banks party thereto, JPMorgan Chase Bank, N.A., and Morgan Stanley Senior Funding, Inc.
10.38	(19) Amendment No. 1, dated May 31, 2018, to the Amended and Restated Credit Agreement of July 26, 2017 (originally dated as of October 27, 2014), by and among Zebra, the lenders and issuing banks party thereto, JPMorgan Chase Bank, N.A., and Morgan Stanley Senior Funding, Inc.
10.39	(20) Office Lease dated November 14, 2013 between Griffin Capital Corporation (as assignee from Northwestern Mutual Life Insurance Company) and Zebra Technologies Corporation
10.40	(20) First Amendment to Lease dated June 6, 2014 between Griffin Capital Corporation (as assignee from Northwestern Mutual Life Insurance Company) and Zebra Technologies Corporation
10.41	(20) Receivables Purchase Agreement dated as of December 1, 2017 among Zebra Technologies International, LLC, as the Originator, and Zebra Technologies RSC, LLC, as Buyer
10.42	(20) Receivables Financing Agreement, dated as of December 1, 2017, by and among Zebra Technologies RSC, LLC, the lenders from time to time party thereto, PNC Bank, National Association, Zebra Technologies, LLC, and PNC Capital Markets, LLC
10.43	Master Accounts Receivable Purchase Agreement dated December 19, 2018 among Zebra Technologies Europe Limited, Zebra Technologies Corporation, and MUFG Bank, Ltd.*
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, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income (Loss); (iv) the Consolidated Statements of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.

- (1) Incorporated by reference from Current Report on Form 8-K dated May 19, 2011.
- (2) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 29, 2014.
- (3) Incorporated by reference from Current Report on Form 8-K dated August 1, 2012.
- (4) Incorporated by reference from Current Report on Form 8-K dated January 5, 2009.
- (5) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.
- (6) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended October 2, 2010.
- (7) Incorporated by reference from Current Report on Form 8-K filed on May 15, 2006.
- (8) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended April 3, 2010.
- (9) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 29, 2008.
- (10) Incorporated by reference from Current Report on Form 8-K filed on May 29, 2008.
- (11) Incorporated by reference from Current Report on Form 8-K filed on December 8, 2008.
- (12) Incorporated by reference from Current Report on Form 8-K dated January 7, 2013.
- (13) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended July 4, 2015.
- (14) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended June 28, 2014.
- (15) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 30, 2013.
- (16) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended July 1, 2017
- (17) Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 2016
- (18) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended April 1, 2017
- (19) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended June 30, 2018
- (20) Incorporated by reference from Annual Report on Form 10-K for the year ended December 31, 2017
- + Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.
- * Included with this Annual Report on this Form 10-K.

Item 16. Form 10-K Summary

None.

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, there unto duly authorized, on the 14th day of February 2019.

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Anders Gustafsson</u> Anders Gustafsson	Chief Executive Officer and Director (Principal Executive Officer)	February 14, 2019
<u>/s/ Olivier Leonetti</u> Olivier Leonetti	Chief Financial Officer (Principal Financial Officer)	February 14, 2019
<u>/s/ Colleen O'Sullivan</u> Colleen O'Sullivan	Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 14, 2019
<u>/s/ Michael A. Smith</u> Michael A. Smith	Director and Chairman of the Board of Directors	February 14, 2019
<u>/s/ Andrew K. Ludwick</u> Andrew K. Ludwick	Director	February 14, 2019
<u>/s/ Ross W. Manire</u> Ross W. Manire	Director	February 14, 2019
<u>/s/ Richard L. Keyser</u> Richard L. Keyser	Director	February 14, 2019
<u>/s/ Janice M. Roberts</u> Janice M. Roberts	Director	February 14, 2019
<u>/s/ Chirantan J. Desai</u> Chirantan J. Desai	Director	February 14, 2019
<u>/s/ Frank B. Modruson</u> Frank B. Modruson	Director	February 14, 2019

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES
Schedule II
Valuation and Qualifying Accounts
(In millions)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Valuation account for accounts receivable:				
Year ended December 31, 2018	\$ 3	\$ 1	\$ 1	\$ 3
Year ended December 31, 2017	3	1	1	3
Year ended December 31, 2016	6	—	3	3
Valuation account for deferred tax assets:				
Year ended December 31, 2018	\$ 134	\$ —	\$ 78	\$ 56
Year ended December 31, 2017	47	91	4	134
Year ended December 31, 2016	48	18	19	47

See accompanying report of independent registered public accounting firm.

MASTER ACCOUNTS RECEIVABLE PURCHASE AGREEMENT

among

ZEBRA TECHNOLOGIES EUROPE LIMITED

and any affiliates thereof that become parties hereto from time to time, as Sellers,

ZEBRA TECHNOLOGIES CORPORATION, as Guarantor,

and

MUFG BANK, LTD., as Purchaser

Dated as of December 19, 2018

Table of Contents

Page

SECTION 1. D EFINITIONS AND I NTERPRETATION	1
<i>Section 1.1. Definitions</i>	1
<i>Section 1.2. Interpretation</i>	11
SECTION 2. P URCHASE AND S ALE ; U NCOMMITTED A RRANGEMENT ; T ERM	11
<i>Section 2.1. Offer to Purchase; Purchase and Sale</i>	11
<i>Section 2.2. Purchase Price; Adjustment Reserve</i>	12
<i>Section 2.3. Purchase Request Power of Attorney</i>	13
<i>Section 2.4. UNCOMMITTED ARRANGEMENT</i>	13
<i>Section 2.5. Term</i>	13
<i>Section 2.6. Usage Fee</i>	14
SECTION 3. P AYMENTS	14
<i>Section 3.1. Late Payment Amount</i>	14
<i>Section 3.2. Payments Generally</i>	14
SECTION 4. N ATURE OF F ACILITY	15
<i>Section 4.1. True Sale</i>	15
<i>Section 4.2. No Purchaser Liability</i>	15
<i>Section 4.3. Further Assurances</i>	15
SECTION 5. S ERVICER	16
<i>Section 5.1. Appointment of each Seller as a Servicer</i>	16
<i>Section 5.2. Servicing Covenants</i>	16
<i>Section 5.3. Unidentified Collections on Receivables; Return of Collections</i>	17
<i>Section 5.4. Past Due Receivables</i>	17
<i>Section 5.5. Termination of Appointment</i>	18
<i>Section 5.6. Reserved</i>	19
SECTION 6. S ERVICING R EPORTS ; R ECONCILIATION R EPORTS	19
<i>Section 6.1. Servicing Reports</i>	19
<i>Section 6.2. Reconciliation Reports</i>	19
SECTION 7. O THER I NFORMATION ; S ELLERS ' B OOKS AND R ECORDS ; I NSPECTION ;	

PURCHASER'S RECORDS	19
Section 7.1. Other Information	19
Section 7.2. Sellers' Books and Records	19
Section 7.3. Inspection	19
Section 7.4. Purchaser's Records	20
SECTION 8. CONDITIONS PRECEDENT	20
Section 8.1. Conditions Precedent to the Closing Date	20
Section 8.2. Conditions Precedent to Each Purchase	21
SECTION 9. REPRESENTATIONS AND WARRANTIES	22
Section 9.1. Generally	22
Section 9.2. Purchased Receivables	24
Section 9.3. Guarantor Representations	26
SECTION 10. COVENANTS	28
Section 10.1. Sellers' Covenants	28
Section 10.2. Guarantors' Covenants	29
SECTION 11. REPURCHASE OF PURCHASED RECEIVABLES ; GUARANTY	29
Section 11.1. Repurchase Price	29
Section 11.2. Repurchase	30
Section 11.3. Repurchase Date	30
Section 11.4. Guaranty	30
SECTION 12. TAXES, ETC.	31
Section 12.1. Taxes	31
Section 12.2. Duties and Taxes	32
SECTION 13. MISCELLANEOUS	32
Section 13.1. Indemnity	32
Section 13.2. Expenses	33
Section 13.3. Setoff	33
Section 13.4. Notices, Addresses	33
Section 13.5. Certificates and Determinations	35

<i>Section 13.6.</i>	<i>Assignments and Transfers</i>	35
<i>Section 13.7.</i>	<i>Waivers, Remedies Cumulative</i>	35
<i>Section 13.8.</i>	<i>Accounting Treatment; Non-Reliance</i>	35
<i>Section 13.9.</i>	<i>Third Party Rights</i>	36
<i>Section 13.10.</i>	<i>Counterparts</i>	36
<i>Section 13.11.</i>	<i>Entire Agreement</i>	36
<i>Section 13.12.</i>	<i>Exclusion of Liability</i>	36
<i>Section 13.13.</i>	<i>Invalidity</i>	36
<i>Section 13.14.</i>	<i>Governing Law</i>	36
<i>Section 13.15.</i>	<i>Consent to Jurisdiction</i>	36
<i>Section 13.16.</i>	<i>WAIVER OF JURY TRIAL</i>	37
<i>Section 13.17.</i>	<i>USA Patriot Act</i>	37
<i>Section 13.18.</i>	<i>Confidentiality</i>	37
<i>Section 13.19.</i>	<i>Communication Through the PrimeRevenue System</i>	38
<i>Section 13.20.</i>	<i>Judgment Currency</i>	38
Schedule A	Approved Obligors	
Schedule B	UCC and Other Perfection Information	
Schedule C	Electronic Services Schedule	
Exhibit A	Form of Purchase Request	
Exhibit B	Form of Servicing Report	
Exhibit C	Form of Reconciliation Report	

MASTER ACCOUNTS RECEIVABLE PURCHASE AGREEMENT

MASTER ACCOUNTS RECEIVABLE PURCHASE AGREEMENT, dated as of December 19, 2018 (as amended, restated, supplemented or otherwise modified from time to time, this “Agreement”), among Zebra Technologies Europe Limited, an English private company limited by shares (“Seller A”), each affiliate of Seller A that at any time after the date hereof becomes a party hereto as a seller in the sole and absolute discretion of the Purchaser (as hereinafter defined) (each, an “Additional Seller”; and, together with Seller A, each, a “Seller”, and collectively, the “Sellers”), Zebra Technologies Corporation, a Delaware corporation (the “Guarantor”), and MUFG Bank, Ltd. (the “Purchaser”).

RECITAL :

From time to time during the term hereof, each Seller may sell accounts receivable to the Purchaser, and the Purchaser may in its sole discretion agree to purchase such accounts receivable from such Seller, in each case, on the terms and conditions set forth in this Agreement.

SECTION 1. DEFINITIONS AND INTERPRETATION .

Section 1.1. Definitions . In this Agreement, the following terms shall have the meanings ascribed thereto:

“Account Control Agreement” means a deposit account control agreement with respect to a Seller Account, in form and substance satisfactory to the parties thereto, among the applicable Seller (in its capacity as owner of such Seller Account), the Purchaser (in its capacity as the Purchaser and secured party) and the applicable depository institution, as such agreement may be amended, modified or supplemented from time to time by agreement of such parties.

“Actual Adjustment Amount” means with respect to any Purchased Receivable all Adjustments (including Disputes) related to such Purchased Receivable, other than Adjustments taken into account in determining the Purchase Price of such Purchased Receivable as of the Purchase Date.

“Additional Seller” as defined in the preamble hereto.

“Adjustment” means, with respect to any Receivable, any discount, adjustment, deduction, or reduction that would have the effect of reducing the amount of part or all of such Receivable.

“Adjustment Reserve” means, with respect to any Purchased Receivable on its Purchase Date, an amount equal to its Net Face Value multiplied by the Approved Obligor Adjustment Rate of the Obligor thereof. For the avoidance of doubt, for any Obligor that has an Approved Obligor Adjustment Rate of 0%, the Adjustment Reserve relating to Receivables of such Obligor shall be \$0.

“Adjustment Reserve Deficit” as defined in Section 2.2(b).

“Adjustment Reserve Deficit Payment Date” means, with respect to a Purchased Receivable for which there is an Adjustment Reserve Deficit, the earlier of (x) the Collection Date with respect to such Receivable, or (y) the 60th calendar day after the Invoice Due Date thereof.

“Adjustment Reserve Payment” as defined in Section 2.2(a).

“ Adjustment Reserve Surplus ” as defined in Section 2.2(b) .

“ Adjustment Reserve Surplus Payment Date ” means, with respect to a Purchased Receivable for which there is an Adjustment Reserve Surplus, the Collection Date with respect to such Receivable; provided that if the Collection Date with respect to such Receivable does not occur solely as a result of an Insolvency Event of the Obligor thereof or the financial inability of such Obligor to pay such Purchased Receivable, Adjustment Reserve Surplus Payment Date shall mean the date after the Invoice Due Date of such Receivable on which the Purchaser reasonably determines that all Adjustments (including Disputes) with respect to all outstanding Purchased Receivables have been determined.

“ Adverse Claim ” means any mortgage, collateral assignment, security interest, pledge, lien or other encumbrance securing any obligation of any Person or any other type of adverse claim or preferential arrangement having a similar effect (including any agreement to give any of the foregoing and any conditional sale or other title retention agreement), in each case other than as arising under this Agreement.

“ Affiliate ” means any Person controlling, controlled by or under common control with, a Seller.

“ Agreement ” as defined in the preamble hereto.

“ Anti-Corruption Laws ” means the Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, and the rules and regulations promulgated thereunder, and all other laws, rules, and regulations of any jurisdiction applicable to any Seller, the Guarantor or any of their respective Subsidiaries concerning or relating to bribery or corruption.

“ Anti-Money Laundering Laws ” means the PATRIOT Act, the Money Laundering Control Act of 1986, the Bank Secrecy Act, and the rules and regulations promulgated thereunder, and corresponding laws of the jurisdictions in which any Seller, the Guarantor or any of their respective Subsidiaries operates or in which the proceeds of any purchase of Receivables under this Agreement will be used.

“ Applicable Cost of Funds ” means:

- (a) with respect to any Receivable denominated in Euro, EURIBOR for a period equal to the Discount Period applicable to such Receivable determined as of two (2) Business Days prior to the applicable Purchase Date for such Receivable; and
- (b) with respect to any Receivable denominated in any other currency, such index rate and manner of determination as agreed to in writing by the relevant Seller and the Purchaser.

“ Applicable Margin ” means for each Approved Obligor, the rate per annum set forth under the heading “Applicable Margin” for such Approved Obligor on Schedule A, as adjusted from time to time as mutually agreed in writing by the Sellers and the Purchaser.

“ Approved Obligor ” means each Obligor listed on Schedule A, as such list may be amended from time to time to add or delete any Obligor as mutually agreed in writing by the Sellers and the Purchaser. “ Approved Obligor Adjustment Rate ” means, for each Approved Obligor, the percentage set forth under the heading “Approved Obligor Adjustment Rate” for such Approved Obligor on Schedule A, as adjusted from time to time, based on the dilution history of the Receivables of such Approved Obligor, as mutually agreed in writing by the applicable Seller and the Purchaser.

“Approved Obligor Buffer Period” means for each Approved Obligor, the number of days mutually agreed to in writing by the Purchaser and the Sellers based on the payment history of the Receivables of such Approved Obligor, as adjusted from time to time, in each case by mutual agreement in writing by the Purchaser and the Sellers. Any such adjustment to the Approved Obligor Buffer Period for any Approved Obligor, once agreed to by the Purchaser and the Sellers, will be applicable for all purchases of Receivables hereunder due from such Approved Obligor made after the time of such adjustment. The initial Approved Obligor Buffer Period for each Approved Obligor is the number of days set forth under the heading “Initial Approved Obligor Buffer Period” for such Approved Obligor on Schedule A as such Schedule A is in effect on the date such Obligor first became an Approved Obligor.

“Approved Obligor Sublimit” means for each Approved Obligor, the amount set forth under the heading “Approved Obligor Sublimit” for such Approved Obligor on Schedule A, as adjusted from time to time as mutually agreed in writing by the Sellers and the Purchaser.

“Business Day” means a day on which banks are open for business in New York, London and Chicago and, with respect to (i) the determination of the Discount Rate with respect to any Receivable denominated in a currency for which the Applicable Cost of Funds is determined in a financial market located in a city other than any of the above cities and (ii) if applicable, the date of the offer to sell such Receivable, the Purchase Date for such Receivable and all dates of payment or repurchase or of turnover of Collections of or with respect to such Receivable, that is also a day on which banks are open for business in such other city (or, in the case of a Receivable denominated in Euro, that is also a TARGET Day).

“Certification of Beneficial Owner(s)” means a certificate in form and substance satisfactory to the Purchaser regarding beneficial ownership of a Seller or the Guarantor as required by the Customer Due Diligence Rule.

“Closing Date” means, subject to Section 8.1, the date of this Agreement.

“Collection Date” means, with respect to any Purchased Receivable, the date, following payment by or on behalf of the applicable Approved Obligor of Collections representing the final balance thereon (reflecting any Actual Adjustment Amount), on which all such Collections with respect to such Purchased Receivable have been received by the Purchaser, including (if applicable) the date on which such Purchased Receivable is repurchased in full pursuant to Section 11.

“Collections” means, with respect to any Purchased Receivable, all payments made on such Purchased Receivable and any other payments, receipts or recoveries received by or on behalf of a Seller with respect to such Purchased Receivable.

“Contract” means, with respect to any Receivable, the applicable contract or purchase order with respect to such Receivable between a Seller and the applicable Approved Obligor, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

“Conversion Date” as defined in Section 13.20.

“Customer Due Diligence Rule” means 31 C.F.R. § 1010.230.

“ Designated Currency ” means (i) with respect to Purchased Receivables of Seller A, Euros and (ii) with respect to Purchased Receivables of any Additional Seller, such currency as shall be agreed to in writing by such Seller and the Purchaser.

“ Discount ” means, with respect to any Receivable, the amount determined as the “Discount” in the calculation of the Purchase Price for such Receivable pursuant to Section 2.2.

“ Discount Period ” means, with respect to any Receivable, the number of days from (and including) the applicable Purchase Date of such Receivable to (but not including) the Settlement Date related to the Settlement Period in which the Maturity Date falls.

“ Discount Rate ” means, with respect to any Receivable, a rate *per annum* equal to the sum of (i) the Applicable Cost of Funds with respect to such Receivable, plus (ii) the Applicable Margin for the Obligor of such Receivable.

“ Dispute ” means, with respect to any Receivable, any Adjustments with respect to such Receivable (other than any Adjustments specifically taken into account in determining the Purchase Price for such Receivable), or any claim, offset, defense, counterclaim, discount, allowance, or warranty issue of any kind between a Seller and the applicable Approved Obligor (or any of their respective affiliates) relating to such Receivable, including, without limitation, any products liability claim arising out of or in connection with such Receivable.

“ Dollar ” and “ \$ ” means the lawful currency of the United States of America.

“ English Law Receivable ” means a Receivable governed by English Law or as to which the related Contract is governed by English Law.

“ EURIBOR ” means, with respect to a Receivable denominated in Euro, the rate (calculated on the basis of actual days elapsed over a 360-day year) equal to the interbank offered rate, as administered by the Banking Federation of the European Union (or any other Person that takes over the administration of such rate) for Euro appearing on the Reuters page that displays such rate (such page currently being the EURIBOR01 page) as of 11:00 a.m. (Brussels time) two (2) Business Days immediately preceding the related Purchase Date with respect to such Receivable for the period matching the Discount Period for such Receivable; provided, however, if the Discount Period for such Receivable does not match an available EURIBOR quotation, then the Purchaser shall determine EURIBOR for the purpose of such Discount Period by linear interpolation of the nearest two EURIBOR rates (one being shorter and the other being longer than such Discount Period). In the event that such rate does not appear on such page or service at such time, “EURIBOR” shall be determined by reference to such other comparable publicly available service for displaying the offered rate for deposits in Euro in the Euro interbank market as may be selected by the Purchaser and, in the absence of availability, such other method to determine such offered rate as may be selected by the Purchaser in consultation with Seller, consistent with then industry practices. Notwithstanding anything in this definition to the contrary, in the event that, pursuant to the above applicable sentence of this definition, EURIBOR with respect to a Receivable would be less than zero, then EURIBOR with respect to such Receivable shall be deemed to be zero for purposes of this Agreement.

“ Euro ” means the single currency of the Participating Member States.

“Final Collection Date” means the Business Day following the termination of purchases under this Agreement on which all amounts to which the Purchaser shall be entitled in respect of Purchased Receivables and all other amounts owing to the Purchaser hereunder and under the other Purchase Documents are paid in full.

“GAAP” means United States generally accepted accounting principles in effect as of the date of determination thereof.

“Goods” means, with respect to any Receivable, those goods sold by a Seller to the applicable Approved Obligor and any related services provided by such Seller to such Approved Obligor pursuant to the applicable Contract.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Guarantor” as defined in the preamble hereto.

“Indemnified Liabilities” as defined in Section 13.1.

“Indemnified Party” as defined in Section 13.1.

“Insolvency Event” means, with respect to any Person, such Person (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); or (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; or (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; or (iv) institutes or has instituted against it a proceeding seeking judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency Law or other similar Law affecting creditor’s rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within thirty (30) days of the institution or presentation thereof; or (v) has a resolution passed for its winding-up, official management or liquidation; or (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets; or (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter; or (viii) causes or is subject to any event with respect to it which, under the applicable Laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) to (vii) (inclusive); or (ix) takes any corporate or other organizational action to authorize any of the foregoing.

“Invoice” means, with respect to any Receivable, the invoice with respect to such Receivable issued by a Seller to the applicable Approved Obligor for the payment for the applicable Goods supplied or related services provided pursuant to the applicable Contract.

“Invoice Date” means, with respect to any Receivable, the date on which the related Invoice was issued.

“Invoice Due Date” means, with respect to any Receivable, the date on which such Receivable becomes due and payable as set forth in the applicable Invoice.

“Judgment Currency” as defined in Section 13.20.

“Late Payment Amount” as defined in Section 3.1.

“Law” means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority.

“Maturity Date” means, with respect to any Receivable, the date that is (a) the Invoice Due Date plus (b) the number of days set forth in the applicable Approved Obligor Buffer Period.

“Maximum Facility Amount” means, at any time, the aggregate of the Approved Obligor Sublimits for all the Approved Obligor at such time. The Maximum Facility Amount on the Closing Date is \$90,000,000.

“Net Face Value” means, with respect to any Receivable, the amount payable by the applicable Approved Obligor under the applicable Invoice, net of any Taxes and any Adjustments (other than the Adjustment Reserve) specifically taken into account in determining the Purchase Price for such Receivable as of the applicable Purchase Date.

“Non-Payment Event” as defined in Section 5.4.

“Non-Payment Report” as defined in Section 5.4.

“Obligor” means, with respect to any Receivable, the Person that is obligated to make payments in respect of such Receivable pursuant to the applicable Contract.

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“Overdue Receivable” as defined in Section 5.4.

“Participating Member States” means any member state of the European Union that has the Euro as its lawful currency in accordance with the legislation of the European Union relating to Economic and Monetary Union.

“PATRIOT Act” as defined in Section 13.17.

“Person” means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Personal Data” means any information relating to an identified or identifiable natural person (‘data subject’); an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.

“Prime Rate” means the rate announced by the Purchaser from time to time as its prime rate in the United States, such rate subject to change as and when such designated rate changes. The Prime Rate is not intended to be the lowest rate of interest charged by the Purchaser in connection with extensions of credit to debtors.

“PrimeRevenue” means PrimeRevenue, Inc. or any successor service provider to the Purchaser.

“PrimeRevenue System” means the Purchaser's communication tool accessible via the internet to enable clients to offer various receivables for sale to the Purchaser and for the loading, approval and monitoring of such receivables on a platform, the terms of use of which are set out in Schedule C.

“Process Agent” as defined in Section 13.15.

“Proposed Repurchase Date” means, with respect to any Purchased Receivable, the date set forth in any notice delivered pursuant to Section 11.2 requiring the repurchase by the applicable Seller of such Purchased Receivable.

“Purchase Date” means, with respect to any Purchased Receivable, the date (which shall be a Business Day during the term of this Agreement) on which such Purchased Receivable was purchased and paid for by the Purchaser in accordance with the terms and conditions hereof.

“Purchase Document” means each of this Agreement, each Account Control Agreement, each Purchase Request, the Seller A Power of Attorney, and each Servicing Report, together with all other documents, instruments or agreements executed and delivered or submitted via the PrimeRevenue System by a Seller to or for the benefit of the Purchaser in connection herewith.

“Purchase Price” means, with respect to any Receivable, the amount determined as the “Purchase Price” pursuant to Section 2.2.

“Purchase Request” means a Purchase Request in the form of Exhibit A, or a request presented by a Seller through the entering of the requisite details of one or more Receivables onto the PrimeRevenue System.

“Purchased Receivable” means a Receivable purchased by the Purchaser in accordance with the terms and conditions hereof; provided that a Receivable purchased hereunder and subsequently repurchased by the applicable Seller pursuant to the terms and conditions hereof shall, upon the Repurchase Date therefor and upon receipt by the Purchaser of the Repurchase Price therefor, cease to be a Purchased Receivable.

“Purchased Receivable Guarantor” means, with respect to any Approved Obligor, any Person guaranteeing payment of all or any portion of a Purchased Receivable owing by such Approved Obligor.

“Purchaser” as defined in the preamble hereto.

“Purchaser's Account” means (i) with respect to payments in Euro, the account of the Purchaser located at: MUFG Bank, Ltd., New York Branch, account number: GB82BOTK60010900001107, SWIFT:

BOTKGB2L, account name: MUFG Bank, Ltd., New York Branch, attention: “TSO-Zebra” and reference number: “TSO-Zebra”, or such other account as notified to the applicable Seller from time to time by the

Purchaser in writing, and (ii) with respect to payments in any other currency, such account of the Purchaser as notified to the applicable Seller from time to time by the Purchaser in writing.

“Receivable” means the monetary obligation of an Obligor to a Seller arising under a Contract which is evidenced by an Invoice (including the right to receive payment of any interest or finance charges or other liabilities of such Obligor under such Contract), all Related Assets with respect thereto, and all Collections and other proceeds with respect to the foregoing.

“Reconciliation Report” means a reconciliation report in the form of Exhibit C, or otherwise in form and substance satisfactory to the Purchaser and the Sellers.

“Related Assets” means, with respect to any Receivable (i) all related rights and remedies under or in connection with the applicable Contract, including bills of lading, bills of exchange, promissory notes and accessions, (ii) all guaranties, suretyships, letters of credit, security, liens and other arrangements supporting payment thereof, (iii) all applicable Sales Records (including electronic records), (iv) all related insurance, and (v) all proceeds of the foregoing.

“Remittance Account” means (i) with respect to Seller A, the account of Seller A located at: Bank of America, N.A. with account number: 600870916021 and account name: Zebra Technologies Europe Limited or such other account as notified to the Purchaser from time to time by Seller A in writing, and (ii) with respect to any Additional Seller, such account or accounts as notified to the Purchaser from time to time by such Seller in writing.

“Repurchase Date” means, with respect to any Purchased Receivable, the date on which such Purchased Receivable is repurchased by the applicable Seller in accordance with the terms and conditions hereof.

“Repurchase Event” means, with respect to any Purchased Receivable: (i) any representation or warranty made by a Seller in Section 9.2 with respect to such Purchased Receivable shall be inaccurate, incorrect or untrue on any date as of which it is made or deemed to be made; (ii) a Dispute shall have occurred with respect to such Purchased Receivable; (iii) an Adverse Claim shall exist with respect to such Purchased Receivable; (iv) a breach by a Seller of its obligations under Section 4.3 with respect to such Purchased Receivable; or (v) the assignment or purported assignment of such Purchased Receivable by the applicable Seller to the Purchaser is or becomes invalid or unenforceable as a matter of Law (whether against the Approved Obligor of such Purchased Receivable or otherwise) for any reason (except to the extent resulting solely from an Insolvency Event of the applicable Approved Obligor or the financial inability of the Obligor to pay such Purchased Receivable on the applicable Invoice Due Date).

“Repurchase Price” means, with respect to any Purchased Receivable, the amount determined as the “Repurchase Price” for such Purchased Receivable pursuant to Section 11.1.

“Retained Obligations” as defined in Section 4.2.

“Sales Records” means, with respect to any Receivable, the accounts, all sales ledgers, purchase and sales day books, sales invoices, supply contracts and other related books and records of a Seller relating to an Approved Obligor and on an individual Receivable basis for the purpose of identifying amounts paid or to be paid in respect of such Receivable.

“ Sanctioned Country ” means a country or territory that is or whose government is subject to a sanctions program that broadly prohibits dealings with that country, territory or government.

“ Sanctioned Person ” means, at any time, any Person (a) that is listed on the Specially Designated Nationals and Blocked Persons list or the Consolidated Sanctions list maintained by OFAC, or any similar list maintained by OFAC, the U.S. Department of State, the European Union, any European Union member state or the United Nations Security Council; (b) that is fifty-percent or more owned, directly or indirectly, in the aggregate by one or more Persons described in clause (a) above; (c) that is operating, organized or resident in a Sanctioned Country or (d) with whom engaging in trade, business or other activities is otherwise prohibited or restricted by Sanctions Laws.

“ Sanctions Laws ” means the laws, rules, regulations and executive orders promulgated or administered to implement economic sanctions or anti-terrorism programs by (a) any U.S. Governmental Authority (including, without limitation, OFAC), including Executive Order 13224, the PATRIOT Act, the Trading with the Enemy Act, the International Emergency Economic Powers Act and the laws, regulations, rules and/or executive orders relating to restrictive measures against Iran; (b) the European Union in pursuit of the Common Foreign and Security Policy objectives set out in the Treaty on European Union; (c) the United Nations Security Council or any other legislative body of the United Nations; and (d) any jurisdiction in which any Seller or any of its Subsidiaries operates or in which the proceeds of any purchase of Receivables under this Agreement will be used.

“ Seller ” and “ Sellers ” as defined in the preamble hereto.

“ Seller A Power of Attorney ” means the Power of Attorney, dated the date hereof, by Seller A in favor of the Purchaser, as amended, restated, supplemented or otherwise modified from time to time.

“ Seller Account ” means (i) with respect to Purchased Receivables of Seller A, the following account located at: Bank of America, N.A. account number: 600870916021 of Seller A, or such other account of Seller A consented to in writing by the Purchaser and which account or accounts shall be subject to an Account Control Agreement, and (ii) with respect to any Additional Seller, such account or accounts of such Seller as notified to the Purchaser by such Seller in writing prior to such Seller becoming a party hereto or such other account or accounts of such Seller consented to in writing by the Purchaser and which account or accounts shall be subject to an Account Control Agreement.

“ Seller Account Collateral ” means collectively, (i) all checks, drafts, instruments, cash and other items at any time received for deposit into a Seller Account, wire transfers of funds, automated clearing house entries, credits from merchant card transactions and other electronic funds transfers or other funds deposited into, credited to, or held for deposit into or credit to, a Seller Account, in each case with respect to a Purchased Receivable, and (ii) each Seller Account.

“ Servicing Report ” means a servicing report in the form of Exhibit B, or otherwise in form and substance satisfactory to the Purchaser and the Sellers.

“ Settlement Date ” means each Wednesday of each week or as otherwise agreed in writing from time to time; provided that if such day is not a Business Day, the next Business Day shall be the Settlement Date.

“ Settlement Period ” means with respect to any Settlement Date, the Monday through Friday, both inclusive, of the immediately preceding calendar week.

“ Subsidiary ” means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which more than 50% of the total voting power of shares of stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Person or Persons (whether directors, managers, trustees or other Persons performing similar functions) having the power to direct or cause the direction of the management and policies thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof; provided, in determining the percentage of ownership interests of any Person controlled by another Person, no ownership interest in the nature of a “qualifying share” of the former Person shall be deemed to be outstanding.

“ TARGET ” means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on 19 November 2007.

“ TARGET Day ” means any day on which TARGET is open for the settlement of payment in Euro.

“ Taxes ” means all present and future income and other taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature imposed by any fiscal authority, together with any interest thereon and any penalties with respect thereto and any payments made on or in respect thereof; and “ Taxation ” and “ Tax ” shall be construed accordingly.

“ Total Outstanding Amount ” means, as of any date of determination, either:

(a) if such amount is being determined for all Purchased Receivables for all Approved Obligor, the result of (i) the sum of the Net Face Values minus Adjustment Reserves of all Receivables of each Approved Obligor that are Purchased Receivables (for each Purchased Receivable, such Net Face Value being determined as of the Purchase Date therefor) in respect of which the Purchaser has not received payment in full, minus (ii) all Collections and payments of Adjustment Reserve Deficit received and deposited in the Purchaser’s Account in connection with such Purchased Receivables; provided, however, that if the Adjustment Reserve of any such Purchased Receivable is greater than \$0, (x) the Net Face Value of such Purchased Receivable shall not be reduced by such Adjustment Reserve for the purpose of clause (i) if an Insolvency Event has occurred with respect to the Approved Obligor thereof, and (y) Collections on such Purchased Receivable in excess of such Purchased Receivable’s Net Face Value minus Adjustment Reserve shall be disregarded for the purpose of clause (ii) unless an Insolvency Event has occurred with respect to the Approved Obligor thereof; or

(b) if such amount is being determined for Purchased Receivables of any particular Approved Obligor, the result of (i) the sum of the Net Face Values minus Adjustment Reserves of all Receivables of such Approved Obligor that are Purchased Receivables (for each Purchased Receivable, such Net Face Value being determined as of the Purchase Date therefor) in respect of which the Purchaser has not received payment in full, minus (ii) all Collections and payments of Adjustment Reserve Deficit received and deposited in the Purchaser’s Account in connection with such Purchased Receivables of such Approved Obligor provided, however, that if the Adjustment Reserve of any such Purchased Receivable is greater than \$0, (x) the Net Face Value of such Purchased Receivable shall not be reduced by such Adjustment Reserve for the purpose of clause (i) if an Insolvency Event has occurred with respect to the Approved Obligor thereof, and (y) Collections on such Purchased Receivable in excess of such Purchased Receivable’s Net Face Value minus Adjustment Reserve shall be disregarded for the purpose of clause (ii) unless an Insolvency Event has occurred with respect to the Approved Obligor thereof.

“ UCC ” means the Uniform Commercial Code as from time to time in effect in the State of New York; provided, if by reason of mandatory provisions of Law, the perfection, the effect of perfection or non-perfection or the priority of the security interests (as such term is defined in such Uniform Commercial Code) of the Purchaser is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, the term “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

“ UCC and Other Perfection Information ” means the information set forth on Schedule B .

“ Usage Fee Calculation Period ” means each calendar quarter (i.e., January 1 through and including March 31, April 1 through and including June 30, July 1, through and including September 30 and October 1 through and including December 31) or, in the event that this Agreement is terminated in accordance with Section 2.5, the then in effect Usage Fee Calculation Period shall be deemed to end on the effective date of such termination.

Section 1.2. Interpretation . In this Agreement, unless otherwise indicated, (a) defined terms may be used in the singular or the plural and the use of any gender includes all genders, (b) the words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” refer to this entire Agreement, (c) all references to particular Sections, Exhibits or Schedules are references to the Sections, Exhibits or Schedules, as the case may be, of this Agreement, (d) all accounting terms not specifically defined herein shall be construed in accordance with GAAP, except as otherwise stated herein, and (e) reference to any Person includes such Person’s successors and legal assigns. For purposes of determining the Total Outstanding Amount at any time or compliance at any time with Dollar monetary thresholds, limits or requirements in this Agreement or any other Purchase Document (including, without limitation, as set forth in Section 2.6, Sections 8.2(b) and (c) and in clauses (ii) and (iii) of the third paragraph of each Purchase Request), any Purchased Receivable or the Net Face Value of a Receivable, in each instance, denominated in a currency other than Dollars will be converted to Dollars using the Purchaser’s spot rate of exchange for conversion of such currency to Dollars at the relevant time.

SECTION 2. PURCHASE AND SALE ; UNCOMMITTED ARRANGEMENT ; TERM .

Section 2.1. Offer to Purchase; Purchase and Sale . On any Business Day during the term of this Agreement, a Seller may deliver to the Purchaser a fully completed Purchase Request with respect to Receivables of such Seller set forth on Schedule A thereto or submit, via the PrimeRevenue System, a Purchase Request with respect to the Receivables of such Seller submitted onto the PrimeRevenue System. The delivery or submission of such Purchase Request shall be, and be deemed for all purposes hereunder as, an offer by the Seller of such Receivables to sell to the Purchaser such Receivables. The Purchaser, in its sole and absolute discretion, may elect to accept or reject the offer to purchase such Receivables, and shall make such election within two (2) Business Days after Seller’s delivery of the applicable Purchase Request. If the Purchaser accepts such offer, the Purchaser shall notify each relevant Seller and shall identify the Receivables that it has agreed to purchase, and on the Purchase Date therefor, subject to the terms and conditions set forth herein, the Purchaser shall purchase from each relevant Seller and pay for the accepted Receivables to be sold by such Seller, and each such Seller shall sell and assign to the Purchaser all of such Seller's right, title and interest in and to such Receivables as absolute owner thereof; provided that the Purchase Date shall be no later than three (3) Business Days after such Seller has delivered or submitted the Purchase Request to the Purchaser.

Section 2.2. Purchase Price; Adjustment Reserve .

(a) On each Purchase Date, the Purchaser shall pay to the applicable Seller a purchase price (the “Purchase Price”) for each Purchased Receivable purchased on such Purchase Date from such Seller calculated as follows:

PP = (NFV – Discount), in which “Discount” = (NFV- Reserve) x DR x (DP / D), in which :

<u>Term</u>	<u>Definition</u>
“ <u>PP</u> ” <i>equals</i>	Purchase Price of such Receivable
“ <u>NFV</u> ” <i>equals</i>	Net Face Value of such Receivable as of such Purchase Date
“ <u>DR</u> ” <i>equals</i>	Discount Rate applicable to such Receivable
“ <u>DP</u> ” <i>equals</i>	Discount Period applicable to such Receivable
“ <u>D</u> ” <i>equals</i>	360 if such Receivable is denominated in Euros, or 360 or 365 (whichever is the market convention for the index rate used in the relevant Applicable Cost of Funds) if such Receivable is denominated in another currency
“ <u>Reserve</u> ” <i>equals</i>	Adjustment Reserve (if any) applicable to such Receivable

For greater clarity, the Purchase Price for each Purchased Receivable sold by a Seller to the Purchaser hereunder includes consideration for the obligations undertaken by such Seller under Section 5.1 with respect to such Purchased Receivable. Such Purchase Price for such Purchased Receivable shall be payable as follows: (i) if the Adjustment Reserve for such Purchased Receivable is \$0, the Purchase Price shall be paid on the Purchase Date, and (ii) if the Adjustment Reserve for such Purchased Receivable is greater than \$0, (x) an initial payment equal to the Purchase Price thereof minus the Adjustment Reserve shall be paid on the Purchase Date and (y) a payment equal to the Adjustment Reserve for such Purchased Receivable (the “Adjustment Reserve Payment”) shall be paid on the Adjustment Reserve Surplus Payment Date in the manner set forth in Section 2.2(c); provided that the Adjustment Reserve Payment shall be reduced by the Actual Adjustment Amount for such Purchased Receivable.

(b) As used herein, “Adjustment Reserve Deficit” of any Purchased Receivable that has an Adjustment Reserve greater than \$0 means the excess, if any, of the Actual Adjustment Amount of such Purchased Receivable minus the Adjustment Reserve of such Purchased Receivable, and “Adjustment Reserve Surplus” of any Purchased Receivable that has an Adjustment Reserve greater than \$0 means the excess, if any, of the Adjustment Reserve of such Purchased Receivable minus the Actual Adjustment Amount of such Purchased Receivable.

(c) On the Adjustment Reserve Deficit Payment Date with respect to a Purchased Receivable for which there is an Adjustment Reserve Deficit, the applicable Seller shall pay to the Purchaser an amount equal to such Adjustment Reserve Deficit for such Purchased Receivable, and such Seller’s obligation to pay the balance of the Actual Adjustment Amount shall be set off against the Purchaser’s obligation to pay the Adjustment Reserve Payment. On the Adjustment Reserve Surplus Payment Date with respect to a Purchased Receivable for which there is an Adjustment Reserve Surplus, the Purchaser shall pay to the applicable Seller an amount equal to such Adjustment Reserve Surplus for such Purchased Receivable (which amount, in the discretion of the Purchaser, may be set off against the Collections delivered to the Purchaser with respect to such Purchased Receivable). The aggregate Adjustment Reserve Deficit and aggregate Adjustment Reserve Surplus payable on any day by or to a Seller may be set off against each other in making the determination as to what payments are required on such day.

Section 2.3. Purchase Request Power of Attorney . The Sellers agree that each Seller shall make its own decisions in regards to making a Purchase Request under this Agreement. Each Seller (other than Seller A) may, in connection therewith, give instructions to Seller A to provide such administrative assistance as such Seller may require in making any such Purchase Request and to do all things necessary or desirable to give effect to such instructions, including to execute and/or deliver (for and on behalf of such Seller) to the Purchaser a Purchase Request with respect to Receivables of such Seller or submit (for and on behalf of such Seller), via the PrimeRevenue System, a Purchase Request with respect to Receivables of such Seller submitted onto the PrimeRevenue System. The Sellers agree that Seller A shall be authorized to rely upon any such instructions given by any Seller to Seller A. In furtherance of the foregoing, Seller A may execute and deliver to the Purchaser Purchase Requests and use or operate the PrimeRevenue System, in each instance, for and on behalf of, and in accordance with the instructions given by, a Seller. Each Seller agrees that any action taken by Seller A as aforesaid shall be as attorney-in-fact for such Seller and shall be binding upon such Seller to the same extent as if directly taken by such Seller. The Sellers agree that the Purchaser may conclusively rely, and shall be fully protected in relying, on any Purchase Request executed and/or delivered by Seller A to the Purchaser or submitted by Seller A via the PrimeRevenue System, in each instance, purportedly on behalf of another Seller and the Purchaser shall have no obligation to make any inquiry or request any confirmation from a Seller as to the binding effect on it of any such execution and/or delivery or submission by Seller A purportedly on such Seller's behalf, including, without limitation, that the Seller gave any instructions to Seller A or requested Seller A to execute and/or deliver or submit on its behalf a Purchase Request. Each Seller agrees that any Purchase Request executed and/or delivered by Seller A to the Purchaser purportedly on its behalf or submitted by Seller A via the PrimeRevenue System purportedly on its behalf shall be binding and enforceable against such Seller as if such Seller itself executed and delivered such Purchase Request to the Purchaser or submitted such Purchase Request via the PrimeRevenue System (and notwithstanding that such execution, delivery or submission was made without authority or instruction by such Seller or in any manner inconsistent with any authority or instruction by such Seller or that such Purchase Request was executed by Seller A in its name or in the name of such Seller with or without an indication as attorney-in-fact for such Seller).

Section 2.4. UNCOMMITTED ARRANGEMENT . EACH SELLER ACKNOWLEDGES THAT THIS IS AN UNCOMMITTED ARRANGEMENT, THAT NO SELLER HAS PAID, OR IS REQUIRED TO PAY, A COMMITMENT FEE OR COMPARABLE FEE TO THE PURCHASER, AND THAT THE PURCHASER HAS NO CONTINUING OBLIGATION TO PURCHASE ANY RECEIVABLE FROM ANY SELLER, REGARDLESS OF WHETHER THE CONDITIONS SET FORTH HEREIN ARE SATISFIED.

Section 2.5. Term . Purchases of Receivables under this Agreement may only be effected during the term of this Agreement, which shall be the period from the Closing Date until December 18, 2019, which date shall be automatically extended for annual 364-day terms unless the Sellers provide written notice to the Purchaser or the Purchaser provides written notice to the Sellers, not less than ten (10) Business Days prior to the expiration of the then applicable term, that the Sellers or the Purchaser, respectively, do not intend to extend the term of this Agreement. In addition, either the Purchaser or the Sellers may terminate this Agreement for convenience at any time after the initial 364day term by not less than thirty (30) days prior written notice to the other. Notwithstanding the foregoing, (i) all covenants, representations and warranties, repurchase obligations and indemnities made herein shall continue in full force and effect so long as any Purchased Receivables remain outstanding and (ii) all purchases of Purchased Receivables hereunder made prior to the termination of this Agreement shall not be affected by such termination.

Section 2.6. Usage Fee . The Sellers jointly and severally agree to pay the Purchaser a usage fee for each Usage Fee Calculation Period in an amount denominated in Dollars equal to the sum of, for all Purchased Receivables related to each Approved Obligor identified in Schedule A as having a “Usage Fee Accrual”, an amount equal to the “Usage Fee Rate” for such Approved Obligor (as set forth in Schedule A) on the positive difference, if any, between (a) the result of (i) the Usage Fee Trigger for such Approved Obligor (as set forth in Schedule A), multiplied by (ii) the average Approved Obligor Sublimit for such Approved Obligor for such Usage Fee Calculation Period and (b) the average daily Total Outstanding Amount of all Purchased Receivables payable by such Approved Obligor during such Usage Fee Calculation Period, which usage fee shall be due and payable on the first Business Day after the completion of the related Usage Fee Calculation Period. The Sellers agree that any such usage fee may, in the sole discretion of the Purchaser, be netted against the Purchase Price payable by the Purchaser to any one or more of the Sellers (determined, if such usage fee and such Purchase Price are not denominated in the same currency, using the Purchaser’s spot rate of exchange for conversion of Dollars to such other currency at the relevant time).

SECTION 3. P A Y M E N T S .

Section 3.1. Late Payment Amount . In the event that any amount payable by any Seller hereunder or under any of the other Purchase Documents remains unpaid for any reason for two (2) Business Days after the Purchaser provides notice to such Seller that such amount is past due, the Purchaser shall charge, and such Seller shall pay, an amount (the “Late Payment Amount”) equal to (x) such unpaid amount due from such Seller to the Purchaser during the period from (and including) the due date thereof to, but excluding the date payment is received by the Purchaser in full, times (y) a rate *per annum* equal to the Prime Rate, computed on the basis of a 360 day year, and for actual days elapsed. Late Payment Amounts shall be payable on demand and, if no prior demand is made, on the last Business Day of each calendar month and shall be payable in the same currency as the currency in which the past due amount is payable.

Section 3.2. Payments Generally. All payments to be made under any Purchase Document or in respect of a Purchased Receivable, shall be made in immediately available funds. Any amounts that would fall due for payment on a day other than a Business Day shall be payable on the succeeding Business Day unless such Business Day would fall into a new calendar month, in which case such payment shall be due on the preceding Business Day, and interest calculations, if any, shall be adjusted accordingly for such later or earlier payment. Any amount to be paid by any Seller to the Purchaser under any Purchase Document shall be paid in full, free and clear of all deductions, set-off or withholdings whatsoever except only as may be required by Law, and shall be paid on the date such amount is due no later than 11:00 a.m. (New York City time) to the Purchaser’s Account. Any amount to be paid by the Purchaser to any Seller under any Purchase Document shall be paid by deposit into the applicable Remittance Account.

SECTION 4. N A T U R E O F F A C I L I T Y .

Section 4.1. True Sale . The parties hereto agree that each purchase and sale of Receivables under this Agreement is intended to be an absolute and irrevocable transfer constituting a “true sale” for bankruptcy law purposes, without recourse by the Purchaser to any Seller for any credit risk or financial inability to pay of any Obligor. The parties hereto have structured the transactions contemplated by this Agreement as a sale, and each party hereto agrees to treat each such transaction as a “true sale” for all purposes under applicable law and accounting principles, including, without limitation, in their respective books, records, computer files, tax returns (federal, state and local), regulatory and governmental filings (and shall reflect such sale in their respective financial statements). Each Seller and the Guarantor will advise all persons inquiring about the ownership of the Receivables that all Purchased Receivables have been sold to the Purchaser.

Against the possibility that, contrary to the mutual intent of the parties, the purchase of any Receivable is not characterized as a sale by any applicable court, each Seller (other than Seller A) hereby grants to the Purchaser a security interest in, and right of setoff with respect to, all of the Purchased Receivables related to such Seller and all proceeds thereof, including the Seller Account Collateral related to such Seller, to secure the payment and performance of the Seller's payment and performance obligations hereunder and under each other Purchase Document. In addition, each Seller hereby grants to the Purchaser a security interest in, and right of setoff with respect to, all of the Seller Account Collateral related to such Seller and all proceeds thereof to secure the payment and performance of such Seller's payment and performance obligations hereunder and under each other Purchase Document. The grant of each security interest herein is a supplemental protection to the Purchaser and is not meant to negate or affect in any way the intended sale of the Purchased Receivables by the Sellers to the Purchaser and the fact that the parties intend for the Purchased Receivables and all Seller Account Collateral to be assets of the Purchaser. The Purchaser is hereby authorized to file UCC financing statements and other equivalent filings and registrations with respect to the transactions contemplated hereunder, including the security interests granted herein, together with any continuations and amendments relating thereto.

Section 4.2. No Purchaser Liability . Notwithstanding anything herein to the contrary, each Seller hereby acknowledges and agrees that the Purchaser shall not be in any way responsible for the performance of any Contract and the Purchaser shall not have any obligation to intervene in any Dispute arising out of the performance of any Contract. All obligations of a Seller as seller of the Goods and provider of any related services, including, without limitation, all obligations of such Seller as seller under the Contracts, all representations and warranty obligations, all servicing obligations, all maintenance obligations, and all delivery, transport and insurance obligations, shall be retained by such Seller (the "Retained Obligations"). Any claim which a Seller may have against an Obligor or any other party, and/or the failure of an Obligor to fulfill its obligations under the applicable Contract, shall not affect the obligations of such Seller to perform its obligations and make payments hereunder, and shall not be used as a defense or as set-off, counterclaim or cross-complaint as against the performance or payment of any of its obligations hereunder.

Section 4.3. Further Assurances . Each Seller agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that the Purchaser may reasonably request in order to perfect, protect or more fully evidence or implement the transactions contemplated hereby, to enable the Purchaser to submit proper claims and related documents to any insurer that has provided insurance with respect to a Purchased Receivable (including, without limitation, providing copies of invoices, purchase orders, and the proof of delivery of products related to such Purchased Receivable), or to enable the Purchaser to exercise or enforce any of its rights with respect to the Purchased Receivables.

SECTION 5. S ERVICER .

Section 5.1. Appointment of each Seller as a Servicer . Each Seller hereby agrees to service and administer the Purchased Receivables sold by it as agent for the Purchaser, all on the terms set out in this Agreement. Each Seller shall use its commercially reasonable efforts to collect each Purchased Receivable sold by it as if such Purchased Receivable had not been purchased by the Purchaser. Each Seller agrees that such Seller shall cooperate with the Purchaser (at such Seller's expense) in taking any and all commercially reasonable actions requested by the Purchaser in collecting all amounts owed by any Approved Obligor with respect to such Purchased Receivable. Without limiting the foregoing, each Seller agrees to devote to the servicing of Purchased Receivables at least the same amount of time and attention, and to exercise at least the same level of skill, care and diligence in such servicing, as if each Seller were servicing Receivables

legally and beneficially owned by it. Each Seller shall perform the obligations under this Section 5.1 in partial consideration for the Purchase Price paid hereunder with respect to each Purchased Receivable. The Purchaser and the Sellers acknowledge and agree that the Purchased Receivables have been sold to the Purchaser on a fully serviced basis, and so long as a Seller remains the servicer with respect to any Purchased Receivable sold by such Seller, no separate servicing fee shall be payable to such Seller as servicer of any Purchased Receivables sold by such Seller.

Section 5.2. Servicing Covenants . Each Seller covenants and agrees, in connection with its servicing obligations pursuant to Section 5.1, (i) that the payment instructions currently in force and provided to each Approved Obligor specify that each such Approved Obligor shall pay all amounts owing under the Receivables that are Purchased Receivables to a Seller Account, (ii) not to change such payment instructions while any Purchased Receivable remains outstanding, (iii) not to give instructions to any other person to pay any amounts into a Seller Account other than the instructions given to an Approved Obligor to make payments on Receivables payable by such Approved Obligor to the Seller and the Purchaser, and (iv) to take any and all other commercially reasonable actions, including such commercially reasonable actions as may be requested by the Purchaser from time to time, to ensure that all amounts owing under the Receivables that are Purchased Receivables will be deposited exclusively to a Seller Account. Each Seller further covenants and agrees that on each Settlement Date, such Seller shall identify and shall transfer all amounts received in a Seller Account on account of Purchased Receivables during the immediately preceding Settlement Period in immediately available funds to the Purchaser's Account. Any payment by an Approved Obligor of any amount owing under any Purchased Receivable that is not paid to a Seller Account and is received by the applicable Seller directly shall be held in trust by such Seller as the Purchaser's exclusive property, such funds shall be safeguarded for the benefit of the Purchaser, and such funds shall promptly, and in any event shall be transferred by wire transfer to the Purchaser's Account on or prior to the next Settlement Date. No Seller shall, directly or indirectly, utilize such funds for its own purposes, nor shall any Seller have any right to pledge such funds as collateral for any obligations of any Seller or any other party. For the avoidance of doubt, Collections shall not be deemed received by the Purchaser for purposes of this Agreement until credited to the Purchaser's Account as immediately available funds or otherwise actually received by the Purchaser.

Section 5.3. Unidentified Collections on Receivables; Return of Collections .

(a) If any payment is received by a Seller from an Approved Obligor, and such payment is not identified by such Approved Obligor as relating to a particular Receivable or Purchased Receivable and cannot otherwise be reasonably identified as relating to a particular Receivable or Purchased Receivable for a period of fifteen (15) days, such payment shall be applied first to the unpaid Receivables that are Purchased Receivables of such Approved Obligor in chronological order (beginning with the oldest unpaid Purchased Receivable of such Approved Obligor), and then to Receivables that are not Purchased Receivables of such Approved Obligor, also in chronological order. To the extent the preceding sentence results in collections received by a Seller being deemed collections on a Purchased Receivable, such Seller shall deposit such collections into the Purchaser's Account on or prior to the next Settlement Date.

(b) If after receipt of any payment by the Purchaser which is (i) deemed to be collections on a Purchased Receivable pursuant to this Section, such payment is identified by the applicable Seller to the reasonable satisfaction of the Purchaser as being payment on a Receivable which is not a Purchased Receivable, or (ii) otherwise identified by the applicable Seller to the reasonable satisfaction of the Purchaser as being payment on a Receivable which is not a Purchased Receivable, then, in any such case, the Purchaser shall promptly, and in any event within five (5) Business Days after such identification,

repay such amount to the applicable Seller, in immediately available funds, to the relevant Seller Account or to the Remittance Account of such Seller. *Section 5.4. Past Due Receivables* .

(a) In the event a Purchased Receivable has not been paid in full on the Maturity Date therefor (an “ Overdue Receivable ”), the applicable Seller shall promptly seek to determine the cause of such payment delay or non-payment, including whether it is due to a Dispute, and it shall deliver to the Purchaser, within five (5) days of request, but no earlier than fifteen (15) days after such Settlement Date, a certification and report (a “ Non-Payment Report ”) identifying the Overdue Receivable and the Approved Obligor thereof and describing in reasonable detail the cause of such non-payment, including whether a Dispute exists with respect to such Overdue Receivable, whether to the applicable Seller’s knowledge an Insolvency Event has occurred with respect to the related Approved Obligor, or certifying that such cause is unknown. In the event (x) the applicable Seller has not delivered to the Purchaser a Non-Payment Report with respect to an Overdue Receivable within ten (10) days of Purchaser’s request therefor or (y) an Insolvency Event has occurred with respect to the related Approved Obligor or a Non-Payment Report so states or (z) the Overdue Receivable remains unpaid forty-five (45) days after the Invoice Due Date therefor (each of clauses (x), (y) and (z), a “ NonPayment Event ”), then the Purchaser may in its sole discretion (A) contact such Approved Obligor by phone or in person to discuss the status of such Overdue Receivable and to inquire whether such payment delay or non-payment is due to a Dispute and when payment can be expected, and/or (B) take any other lawful action to collect such Purchased Receivable directly from such Approved Obligor and/or (C) terminate the appointment of such Seller as its servicer and agent for the servicing of Purchased Receivables of the related Approved Obligor in accordance with Section 5.5 . If the Approved Obligor advises the Purchaser of the existence of a Dispute, the Purchaser shall advise the applicable Seller of such Overdue Receivable that the Approved Obligor has asserted a Dispute.

(b) In the event a Purchased Receivable has not been paid in full by the date that is forty-five (45) days after the Invoice Due Date therefor, the applicable Seller shall deliver to the Purchaser, by no later than fifty (50) days after such Invoice Due Date, a certification and report identifying such Purchased Receivable and the Approved Obligor and certifying the cause of such nonpayment. If such cause is not an Insolvency Event or financial inability to pay of the relevant Approved Obligor, or if such Seller does not deliver such certification and report when due, a Dispute shall be deemed to have occurred with respect to such Purchased Receivable, which Dispute shall constitute a Repurchase Event.

Section 5.5. Termination of Appointment . Upon the occurrence of the earliest to occur of (a) any event, condition, change or effect that has a material adverse effect on (x) the business, assets, property, operations or financial condition of the Sellers and the Guarantor, taken as a whole or (y) the validity or enforceability of this Agreement or any other Purchase Documents as against a Seller or the Guarantor or the rights and remedies of the Purchaser hereunder or thereunder as against a Seller, the Guarantor or any of the Purchased Receivables of a Seller, (b) an Insolvency Event with respect to any Seller or the Guarantor, (c) when the financial institution where the Seller Account(s) are held delivers a notice to Purchaser and any Seller stating that the related Account Control Agreement will terminate or (d) a breach by a Seller or the Guarantor of any of its obligations hereunder or under any other Purchase Document (including any representation or warranty made by any Seller or the Guarantor being inaccurate, incorrect or untrue on any date as of which it is made or deemed to be made), the Purchaser may, in its discretion, (i) take any lawful action to collect any Purchased Receivable purchased from the relevant Seller directly from the respective Approved Obligors, and/or (ii) terminate the appointment of the relevant Seller as its servicer and agent for the servicing of the Purchased Receivables purchased from such Seller and/or (iii) take any steps required

to obtain or exercise exclusive control over any Seller Account. In addition, (i) if a Non-Payment Event occurs with respect to any Approved Obligor, the Purchaser may, in its discretion, take any lawful action to collect any Purchased Receivable directly from such Approved Obligor, and (ii) in the event of an Insolvency Event related to an Approved Obligor, the Purchaser may, in its discretion, terminate the applicable Seller as its servicer and agent for the servicing of the Purchased Receivables of the related Approved Obligor. In the event of any termination of any Seller as servicer with respect to any Purchased Receivable or any Purchased Receivables of any Approved Obligor, (A) the Purchaser may, but shall not be obligated to, notify each Approved Obligor (or, if such termination is related to only Purchased Receivables of a specific Approved Obligor, notify such Approved Obligor) of the transfers hereunder and direct each Approved Obligor (or such Approved Obligor, as applicable) to make payments with respect to such Purchased Receivable or Purchased Receivables as Purchaser may elect or desire and take such other action and enforce such rights and remedies as the Purchaser may deem appropriate, and (B) no Seller shall interfere with such servicing or collection of such Purchased Receivable or attempt to receive or make collection from any Approved Obligor (or, if such termination is related to only Purchased Receivables of a specific Approved Obligor, such Approved Obligor) in respect of such Purchased Receivable or Purchased Receivables. In addition, each Seller hereby grants to the Purchaser an irrevocable power of attorney (coupled with an interest) authorizing and permitting the Purchaser, at its option, with or without notice to any Seller, to do any one of the following upon and after any termination of such Seller as servicer with respect to any Purchased Receivable that are necessary, in the determination of the Purchaser, to collect amounts due with respect to any Purchased Receivable: (I) endorsing the name of such Seller upon any check or other instrument, document or agreement with respect to any Purchased Receivable, (II) endorsing the name of such Seller on any freight or express bill or bill of lading relating to any Purchased Receivable; and (III) taking such other action and enforcing such rights and remedies with respect to such Purchased Receivable as the Purchaser deems appropriate. Each Seller agrees that the Purchaser will not be liable for any acts of commission or omission or for any error of judgment or mistake of fact or Law in connection with the exercise of such power of attorney except to the extent the same constitutes gross negligence or willful misconduct.

Section 5.6. Reserved.

SECTION 6. S ERVICING R EPORTS ; R ECONCILIATION R EPORTS .

Section 6.1. Servicing Reports . Each Seller shall, pursuant to its servicing obligations, be responsible for providing a Servicing Report to the Purchaser concurrently with (a) each transfer of funds by such Seller to the Purchaser's Account pursuant to Section 5.2 or Section 5.3 and (b) each request by such Seller for a transfer of funds from the Purchaser's Account to the Seller on account of collections received in the Purchaser's Account related to a Receivable which is not a Purchased Receivable in accordance with Section 5.3(b).

Section 6.2. Reconciliation Reports . Each Seller shall, pursuant to its servicing obligations, be responsible for providing a Reconciliation Report to the Purchaser one (1) Business Day prior to each Settlement Date.

SECTION 7. O THER I NFORMATION ; S ELLERS ' B OOKS AND R ECORDS ; I NSPECTION ; P URCHASER ' S R ECORDS .

Section 7.1. Other Information . Each Seller will provide the Purchaser with such other reports, information, documents, books and records related to a Purchased Receivable as the Purchaser may reasonably request or any other information that the Purchaser may reasonably require for capital or regulatory

purposes and which may be lawfully disclosed or provided to the Purchaser, including, without limitation, promptly after request by the Purchaser (a) a copy of the purchase order or sales order and Invoices relating to each Purchased Receivable; (b) a copy of the bill of lading and any other shipping document relating to the Purchased Receivable; and (c) all billings, statements, correspondence and memoranda directed to the Obligor in relation to each Purchased Receivable.

Section 7.2. Sellers' Books and Records . Each Seller shall maintain its books and records, including but not limited to any computer files and master data processing records, so that such records that refer to Purchased Receivables sold hereunder shall indicate clearly that such Seller's right, title and interest in such Receivables have been sold to the Purchaser.

Section 7.3. Inspection . Each Seller shall (a) at any time reasonably convenient to such Seller during regular business hours and upon reasonable prior notice, permit the Purchaser or any of its agents or representatives, (i) to examine and make copies of and abstracts from such Seller's Sales Records and the Invoices in respect of Purchased Receivables and permit the Purchaser to take such copies and extracts from the Sales Records and to provide the Purchaser with copies or originals (as required by the Purchaser) of the Invoices relating to Purchased Receivables as it may require and generally allow the Purchaser (at the applicable Seller's expense) to review, check and audit each Seller's credit control procedures, and (ii) to visit the offices and properties of each Seller for the purpose of examining such records and to discuss matters relating to Purchased Receivables and each Seller's performance hereunder with any of the officers or employees of each Seller having knowledge of such matters; provided, however, that unless a Seller is in breach of its obligations hereunder, the Purchaser shall not be entitled to visit each Seller more than twice per calendar year; and (b) without limiting the provisions of clause (a), no more than twice per calendar year (unless a Seller is in breach of its obligations hereunder, in which case the number of visits shall not be limited), upon request of the Purchaser and upon reasonable prior notice and subject to the applicable Seller receiving acceptable confidentiality undertakings thereof, permit certified public accountants or other auditors acceptable to the Purchaser to conduct, at the applicable Seller's expense, a review of each Seller's books and records to the extent related to the Purchased Receivables.

Section 7.4. Purchaser's Records . The Purchaser is irrevocably authorized by each Seller to keep records of all purchases, which records shall be consistent with all information set forth in the Purchase Requests delivered to the Purchaser or submitted to the PrimeRevenue System, and evidence the dates and amounts of purchases and the applicable Discount in effect from time to time.

SECTION 8. C ONDITIONS P RECEDENT .

Section 8.1. Conditions Precedent to the Closing Date . The occurrence of the Closing Date is subject to the satisfaction of the following conditions, each to the satisfaction of the Purchaser in its sole discretion and, as to any agreement, document or instrument specified below, each in form and substance satisfactory to the Purchaser in its sole discretion:

(a) The Purchaser shall have received each of the following:

(i) An executed counterpart of this Agreement.

(ii) Certified copies of resolutions of (A) each Seller authorizing this Agreement and the other Purchase Documents and authorizing a person or persons to sign those documents including any subsequent notices and acknowledgements to be executed,

delivered or submitted pursuant to this Agreement, the other Purchase Documents and any other documents to be executed, delivered or submitted by each Seller pursuant hereto or thereto, and (B) the Guarantor authorizing this Agreement and authorizing a person or persons to sign this Agreement including any subsequent notices and acknowledgements to be executed or delivered pursuant to this Agreement and any other documents to be executed or delivered by the Guarantor pursuant hereto.

- (iii) An officer incumbency and specimen signature certificate for each Seller and the Guarantor.
- (iv) Organizational documents of each Seller and the Guarantor certified by the applicable Governmental Authority (as applicable), and evidence of good standing (as applicable).
- (v) Lien search reports as the Purchaser shall deem advisable with respect to each Seller, and releases of any Adverse Claim on the Receivables that are or will be Purchased Receivables shown in such reports.
- (vi) Acknowledgement copies or other evidence of filing of such UCC financing statements or other filings as are required hereunder.
- (vii) Opinions of counsel to the Sellers and the Guarantor, including opinions with respect to due organization and good standing of each Seller and the Guarantor, due authorization, execution and delivery of this Agreement by each Seller and the Guarantor, validity and enforceability of this Agreement with respect to each Seller and the Guarantor, non-contravention of organizational documents, agreements and law, no consents, creation and perfection of security interests, true sale, and such other matters as Purchaser may reasonably request.
- (viii) Evidence of the establishment of the Seller Accounts.
- (ix) An executed Account Control Agreement with respect to each Seller Account.
- (x) An executed Seller A Power of Attorney.
- (xi) Evidence of acceptance by the Process Agent of its appointment on behalf of Seller A pursuant to Section 13.15.
- (xii) A certification from each Seller that it has instructed each Approved Obligor to pay all amounts owing on Receivables that are or will be Purchased Receivables only to a Seller Account and such Seller shall not instruct any Approved Obligor to pay any amounts owing on Receivables that are or will be Purchased Receivables to any account other than a Seller Account.

Section 8.2. Conditions Precedent to Each Purchase . The Purchaser's purchase of any Receivable on each Purchase Date, including the initial Purchase Date, is subject to the satisfaction of the following conditions, each to the satisfaction of the Purchaser in its sole discretion:

(a) The Purchaser shall have received (either by delivery or submission via the PrimeRevenue System) a fully completed (and, if not submitted via the PrimeRevenue System, executed) Purchase Request from the relevant Seller no later than three (3) Business Days prior to such Purchase Date.

(b) Immediately after giving effect to such purchase, the Total Outstanding Amount of all Purchased Receivables of all Approved Obligor as of such date will not exceed the Maximum Facility Amount.

(c) Immediately after giving effect to such purchase, the Total Outstanding Amount of all Purchased Receivables of any Approved Obligor will not exceed the applicable Approved Obligor Sublimit.

(d) The representations and warranties made by each Seller in Section 9.1 of this Agreement are true and correct in all respects as of such Purchase Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all respects on and as of such earlier date.

(e) The representations and warranties made by each Seller in Section 9.2 of this Agreement with respect to the Purchased Receivables purchased on such Purchase Date are true and correct in all respects as of such Purchase Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all respects on and as of such earlier date.

(f) The representations and warranties made by the Guarantor in Section 9.3 of this Agreement are true and correct in all respects as of such Purchase Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all respects on and as of such earlier date.

(g) For any purchase of a Receivable the Approved Obligor of which is required, pursuant to Schedule A, to provide a guaranty from a related Purchased Receivable Guarantor, there exists (and the Purchaser has been provided with) an executed guaranty by each Purchased Receivable Guarantor for each such Approved Obligor as to which the representation related to such guaranty set forth in Section 9.2(s) is true and correct.

Each delivery of a Purchase Request or submission of a Purchase Request via the PrimeRevenue System by a Seller shall be deemed a representation and warranty by such Seller that the foregoing conditions to the applicable Purchase are satisfied and each of the statements set forth on the form of Purchase Request attached as Exhibit A are true and correct as of the applicable Purchase Date with respect to the Receivables set forth on Schedule A thereto or submitted onto the PrimeRevenue System, as applicable, with respect to such Purchase Request.

SECTION 9. REPRESENTATIONS AND WARRANTIES .

Section 9.1. Generally . Each Seller hereby makes the following representations and warranties for the benefit of the Purchaser as of the Closing Date and on each Purchase Date:

(a) Such Seller is (i) duly organized, validly existing, and, to the extent applicable under the Laws of its jurisdiction of organization, in good standing under the Laws of its jurisdiction of organization and has all organizational powers and all material governmental licenses, authorizations, consents, and approvals required to carry on its business as now conducted and (ii) is qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, except, with respect to clause (ii), to the extent that failure to so qualify would not reasonably be expected to adversely affect its ability to perform its obligations hereunder or under the other Purchase Documents and would not have an adverse effect on the collectability of any Purchased Receivable or on the interests of the Purchaser under the Purchase Documents.

(b) Such Seller has the requisite power and authority to enter into and deliver this Agreement and the other Purchase Documents and to assign and sell the Receivables being sold by it on the applicable Purchase Date in the manner herein contemplated, and it has taken all necessary corporate or other action required to authorize the execution, delivery and performance of this Agreement, the other Purchase Documents and the assignment and sale of such Receivables. This Agreement and the other Purchase Documents to which such Seller is a party have been duly executed and delivered by such Seller.

(c) This Agreement, the other Purchase Documents and the sale, assignment and transfer of the Purchased Receivables hereunder constitutes the legal, valid and binding obligations of such Seller, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other Laws of general application affecting the rights and remedies of creditors and general principles of equity, regardless of whether enforcement is sought in proceedings in equity or at Law. This Agreement creates a valid security interest (as such term is defined in the UCC) in each Purchased Receivable. With respect to any Seller incorporated or formed under the Law of any state of the United States or the District of Columbia, upon the filing of a UCC financing statement in such state of incorporation or formation of such Seller set forth in the UCC and Other Perfection Information, listing such Seller, as debtor, and the Purchaser, as secured party, and covering Purchased Receivables of such Seller from time to time purchased hereunder, the Purchaser shall have a first priority perfected ownership interest in each Purchased Receivable.

(d) The UCC and Other Perfection Information provided by such Seller to the Purchaser is true and correct in all respects. All other data, materials and information provided by it to the Purchaser in connection herewith and with each Contract, each Receivable being sold by it hereunder, each Approved Obligor, the relationship between it and each Approved Obligor, and each Approved Obligor's payment history (including timeliness of payments), is true and correct in all material respects.

(e) Neither the execution nor the delivery of this Agreement, the other Purchase Documents or any of the other documents related hereto or thereto, nor the performance of or compliance with the terms and provisions hereof or thereof will conflict with or result in a breach of or give rise to a default under (i) any Laws, (ii) any indenture, loan agreement, security agreement, instrument or other material agreement binding upon such Seller or any of its properties, or (iii) any provision of such Seller's organizational documents.

(f) No authorization, consent or approval or other action by, and no notice to or filing (other than the UCC financing statements required to be filed hereunder) with, any Governmental Authority is required to be obtained or made by such Seller for the due execution, delivery and performance by it of this Agreement or any other Purchase Document.

(g) No Insolvency Event with respect to such Seller has occurred and is continuing.

(h) There is no pending or, to its knowledge, threatened action, proceeding, investigation or injunction, writ or restraining order affecting such Seller or, to the knowledge of such Seller, any of its Affiliates before any court, governmental entity or arbitrator, which could reasonably be expected to have an adverse effect on the enforceability of this Agreement (including, without limitation, the enforceability of the Purchaser's ownership interest in the Purchased Receivables) or the ability of such Seller to perform its obligations hereunder.

(i) No effective financing statement or other instrument similar in effect covering any Purchased Receivable is on file in any recording office, except those filed in favor of the Purchaser relating to this Agreement, and no competing notice or notice inconsistent with the transactions contemplated in this Agreement remains in effect. Such Seller has not pledged or granted any security interest in any Purchased Receivable to any person except pursuant to this Agreement.

(j) Such Seller is in compliance with all covenants and other agreements contained in this Agreement.

(k) Neither such Seller nor Guarantor nor any of their respective Subsidiaries nor, to the knowledge of such Seller, any Affiliate or any director, officer, agent or other Person acting on behalf of such Seller, Guarantor or any of their respective Subsidiaries (i) is a Sanctioned Person, (ii) has any business affiliation or commercial dealings with, or investments in, any Sanctioned Country or Sanctioned Person or (iii) is the subject of any action or investigation under any Sanctions Laws, AntiCorruption Laws or Anti-Money Laundering Laws.

(l) Neither such Seller nor Guarantor nor any of their respective Subsidiaries nor,

to the knowledge of such Seller, any Affiliate or any director, officer, agent or other Person acting on behalf of such Seller, Guarantor or any of their respective Subsidiaries has taken any action, directly or indirectly, that would result in a violation by such persons of Sanctions Laws, Anti-Corruption Laws or Anti-Money Laundering Laws; and such Seller and Guarantor each instituted and maintains policies and procedures designed to ensure continued compliance therewith.

(m) The information included in the Certification of Beneficial Owner(s) with respect to such Seller or any of its Subsidiaries is true and correct in all respects.

Section 9.2. Purchased Receivables . Each Seller hereby makes the following representations and warranties with respect to each Purchased Receivable sold by it for the benefit of the Purchaser as of the applicable Purchase Date with respect to such Purchased Receivable:

(a) Prior to giving effect to the sale of such Purchased Receivable, such Seller has a valid ownership interest therein, free and clear of any Adverse Claim. Such Purchased Receivable is a valid, current and freely assignable trade account receivable and the assignment of such Purchased Receivable is not subject to a consent requirement by any third party to the sale or other transfer of such Purchased Receivable or the grant of a security interest or other lien in such Purchased Receivable other than consents previously obtained in writing by such Seller and that remain in effect as of the Purchase Date.

(b) Upon purchase by the Purchaser of such Purchased Receivable from such Seller under the Purchase Documents, such Purchased Receivable will have been validly and absolutely assigned, transferred and sold to the Purchaser and the Purchaser shall acquire a legally valid ownership interest in such Purchased Receivable, free and clear of any Adverse Claim without any need on the part of such Seller or the Purchaser to (i) notify the applicable Approved Obligor (other than, in the case of Seller A, if such Purchased Receivable is an English Law Receivable, the giving of notice of assignment to the applicable Approved Obligor), or (ii) file, register or record any Purchase Document or the sale of such Purchased Receivable under the Laws applicable to such Seller (other than those filings, registrations or recordings that have been made). All of such Seller's right, title and interest in and to such Purchased Receivable will have been validly sold and absolutely assigned and transferred to the Purchaser, and the Purchaser will have the legal and beneficial right to be paid the face amount of such Purchased Receivable free of any Adverse Claim. Such Purchased Receivable is sold hereunder in good faith and without actual intent to hinder, delay or defraud present or future creditors of such Seller.

(c) Such Purchased Receivable and the applicable Contract constitutes a bona fide, existing and enforceable legal, valid and binding obligation of the applicable Approved Obligor, arising out of an arm's-length sale by such Seller of Goods and the provision of any related services, in each case, in the ordinary course of its business. The applicable Contract constitutes an existing and enforceable legal, valid and binding obligation of such Seller. Such Purchased Receivable and the related Contract under which it arises comply with, and the Goods with respect thereto have been manufactured in compliance with, and any related services have been provided in compliance with, the requirements of all applicable laws, rules, regulations or orders of any Governmental Authority and do not contravene any agreement binding upon such Seller.

(d) The Goods deliverable to and any related services provided to the applicable Approved Obligor in connection with such Purchased Receivable were received by such Approved Obligor not later than the applicable Purchase Date.

(e) Such Seller has instructed each Approved Obligor in writing to pay all amounts owing on Purchased Receivables only to a Seller Account, which instructions have not been revoked or otherwise modified. Each Seller Account has been established and is in effect, and each Seller Account is the subject of a valid and existing Account Control Agreement.

(f) As of the applicable Purchase Date, such Purchased Receivable is not subject to any Adjustments except to the extent specifically included in the determination of the Net Face Value for the calculation of the applicable Purchase Price.

(g) The applicable Approved Obligor has not in the past twelve (12) months failed to pay without objection or notice of dispute any material sum due and payable to such Seller in circumstances where such Seller did not waive or consent to such failure.

(h) No note, account, instrument, document, contract right, general intangible, chattel paper or other form of obligation other than that which has been assigned to the Purchaser exists which evidences such Purchased Receivable, and such Purchased Receivable is not evidenced by and does not constitute an “instrument” or “chattel paper” as such terms are defined in the UCC.

(i) The applicable Approved Obligor is not an Affiliate or Subsidiary of any Seller and is not a Sanctioned Person, and, if such Approved Obligor is identified on Schedule A as requiring a Purchased Receivable Guarantor, such Purchased Receivable Guarantor is not an Affiliate or Subsidiary of any Seller and is not a Sanctioned Person.

(j) Such Purchased Receivable has not been sold or assigned by such Seller to any Person other than the Purchaser.

(k) Neither such Seller, nor, to the best of such Seller’s knowledge, the applicable Approved Obligor, is in default of the applicable Contract or is in breach of its terms.

(l) Neither such Seller nor the applicable Approved Obligor has asserted any Dispute with respect to such Purchased Receivable.

(m) Such Purchased Receivable is denominated in a Designated Currency.

(n) Such Purchased Receivable does not represent a progress billing or a sale on a

bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment, cash-on-delivery or any other repurchase or return basis, does not relate to payments of interest and has not been invoiced more than once.

(o) The Invoice Due Date for such Purchased Receivable is not more than 90 days after the Invoice Date therefor; provided that notwithstanding the foregoing if such Purchased Receivable is an English Law Receivable, the period of time between the issuance of the related Invoice and the Invoice Due Date for such Purchased Receivable: (a) has been specifically agreed between such Seller and the applicable Approved Obligor, and (b) does not exceed 60 days or, where such period does exceed 60 days: (1) is not a deviation from good commercial practice and has been agreed in good faith and in the course of fair dealing (taking into account the nature of goods and services to which such Invoice relates), and (2) there is a legitimate and objective reason for such period to exceed 60 days.

(p) There are no facts known to such Seller concerning such Approved Obligor, such Purchased Receivable or the applicable Contract which are reasonably likely to have an adverse impact on the ability or willingness of such Approved Obligor to pay the Net Face Value for such Purchased Receivable when due, including information concerning any existing or potential Disputes, except as otherwise previously disclosed to the Purchaser.

(q) No Insolvency Event with respect to the applicable Approved Obligor has occurred and is continuing.

(r) There are no actions, claims or proceedings now pending between such Seller and the applicable Approved Obligor related to or in any way connected to such Purchased Receivable. There are no pending or threatened actions or proceedings before any court or administrative agency related to or in any way connected to such Purchased Receivable.

(s) Such Purchased Receivable, if originated by an Approved Obligor identified on Schedule A as having a Purchased Receivable Guarantor, is the subject of a legal, valid and binding guaranty by a Purchased Receivable Guarantor, which guaranty (i) guarantees the payment of such Purchased Receivable on its Invoice Due Date, and (ii) runs to the benefit of, and is enforceable by, Purchaser. To the extent that additional documentation or notices are required to be prepared, executed and/or delivered to the Purchased Receivable Guarantor or additional steps are required to be undertaken, in order to assign such guaranty to Purchaser, such documentation or notices have been prepared, executed and/or delivered and such additional steps have been undertaken.

(t) If such Seller is Seller A, the applicable Approved Obligor is not a natural person and no Personal Data of any natural person appears in the Invoice with respect to such Purchased Receivable.

Section 9.3. Guarantor Representations . The Guarantor hereby makes the following representations and warranties for the benefit of the Purchaser as of the Closing Date and on each Purchase Date:

(a) The Guarantor is (i) duly organized, validly existing, and, to the extent applicable under the Laws of its jurisdiction of organization, in good standing under the Laws of its jurisdiction of organization and has all organizational powers and all material governmental licenses, authorizations, consents, and approvals required to carry on its business as now conducted and (ii) is qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, except, with respect to clause (ii), to the extent that failure to so qualify would not reasonably be expected to adversely affect its ability to perform its obligations hereunder and would not have an adverse effect on the interests of the Purchaser under the Purchase Documents.

(b) The Guarantor has the requisite power and authority to enter into and deliver this Agreement, and it has taken all necessary corporate or other action required to authorize the execution, delivery and performance of this Agreement. This Agreement has been duly executed and delivered by the Guarantor.

(c) This Agreement constitutes the legal, valid and binding obligations of the Guarantor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other Laws of general application affecting the rights and remedies of creditors and general principles of equity, regardless of whether enforcement is sought in proceedings in equity or at Law.

(d) Neither the execution nor the delivery of this Agreement, nor the performance of or compliance with the terms and provisions hereof will conflict with or result in a breach of or give rise to a default under (i) any Laws, (ii) any indenture, loan agreement, security agreement, instrument or other material agreement binding upon the Guarantor or any of its properties, or (iii) any provision of the Guarantor's organizational documents.

(e) No authorization, consent or approval or other action by, and no notice to or filing with, any Governmental Authority is required to be obtained or made by the Guarantor for the due execution, delivery and performance by it of this Agreement.

(f) No Insolvency Event with respect to the Guarantor has occurred and is continuing.

(g) There is no pending or, to its knowledge, threatened action, proceeding, investigation or injunction, writ or restraining order affecting the Guarantor or, to the knowledge of the Guarantor, any of its affiliates before any court, governmental entity or arbitrator, which could reasonably be expected to have an adverse effect on the enforceability of this Agreement (including, without limitation, the enforceability of the Purchaser's ownership interest in the Purchased Receivables) or the ability of the Guarantor to perform its obligations hereunder.

(h) Neither the Guarantor nor any of its Subsidiaries nor, to the knowledge of the Guarantor, any affiliate or any director, officer, agent or other Person acting on behalf of the Guarantor or any of its Subsidiaries (i) is a Sanctioned Person, (ii) has any business affiliation or commercial dealings with, or investments in, any Sanctioned Country or Sanctioned Person or (iii) is the subject of any action or investigation under any Sanctions Laws, Anti-Corruption Laws and/or Anti-Money Laundering Laws.

(i) Neither the Guarantor nor any of its Subsidiaries nor, to the knowledge of the Guarantor, any affiliate or any director, officer, agent or other person acting on behalf of the Guarantor or any of its Subsidiaries, has taken any action, directly or indirectly, that would result in a violation by such persons of any Sanctions Laws, Anti-Corruption Laws or Anti-Money Laundering Laws; and the Guarantor has instituted and maintains policies and procedures designed to ensure continued compliance therewith.

(j) Neither the Guarantor nor any of its Subsidiaries nor, to the knowledge of the Guarantor, any affiliate or any director, officer, agent or other person acting in any capacity in connection with or directly benefitting from the receivables purchase facility established hereby is engaged, will engage, or will conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in any AntiCorruption Laws, Anti-Money Laundering Laws and/or Sanctions Laws by the Guarantor and any of its Subsidiaries, affiliates, directors, officers, employees, agents or other persons acting on behalf of the Guarantor or any of its Subsidiaries.

(k) As of the Closing Date, the information included in the Certification of Beneficial Owner(s) with respect to the Guarantor is true and correct in all respects.

SECTION 10. COVENANTS .

Section 10.1. Sellers' Covenants . Each Seller hereby agrees, at all times prior to the Final Collection Date:

(a) To take all necessary steps and actions to preserve its corporate (or other organization) existence and comply in all material respects with all Laws applicable to such Seller in the operation of its business.

(b) To duly perform and comply in all material respects with all terms, provisions, and obligations under each Contract and refrain from taking any action or omitting to take any action which might prejudice or limit the Purchaser's rights to payment with respect to the Purchased Receivables.

(c) Promptly to notify the Purchaser in writing of (i) such Seller's knowledge of any material event or occurrence, including, without limitation, any material breach, or default by such Seller or by any Approved Obligor of any of the terms or provisions of any Contract with respect to any Purchased Receivable, any Dispute, or any governmental action affecting the ability of it or such Approved Obligor to perform its obligations under the applicable Contract to which it is a party; or (ii) any change to the UCC and Other Perfection Information within thirty (30) days after such change.

(d) To not modify the terms of any Contract in any manner which would adversely affect the collectability of any Purchased Receivables or rights of the Purchaser as the owner of the Purchased Receivables or would otherwise reduce the amount due thereunder or delay the Invoice Due Date thereof.

(e) To make all disclosures required by any applicable Law with respect to the sale of the Purchased Receivables hereunder to the Purchaser, and account for such sale in accordance with GAAP.

(f) To not create or permit to exist any Adverse Claim over all or any of such Seller's or the Purchaser's rights, title and interest in and to the Purchased Receivables.

(g) To not sell, assign or otherwise transfer the Purchased Receivables, except as specifically provided for herein.

(h) To not close its applicable Seller Account and not to instruct any Approved Obligor to pay any amounts owing under the Purchased Receivables to a bank account other than the applicable Seller Account.

(i) [Reserved].

(j) Promptly following any request therefor, and if any change in the information included in the Certification of Beneficial Owner(s) has occurred, to execute and deliver to the Purchaser an updated Certification of Beneficial Owner(s).

(k) Promptly following any request therefor, to deliver to the Purchaser information and documentation reasonably requested by the Purchaser for purposes of compliance with applicable "know your customer" requirements under the PATRIOT ACT, the Customer Due Diligence Rule or other applicable Anti-Money Laundering Laws.

(l) That it will not, directly or indirectly, use the proceeds of any purchase of Receivables under this Agreement, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Sanctioned Person, or in any Sanctioned Country, (ii) in any other manner that would result in any Seller, the Guarantor or the Purchaser being in violation of Sanctions Laws or Anti-Money Laundering Laws or (iii) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of Anti-Corruption Laws.

(m) That it will maintain in effect policies and procedures designed to promote compliance by such Seller, its Subsidiaries, and their respective directors, officers, employees, and agents with Sanctions Laws, Anti-Corruption Laws and Anti-Money Laundering Laws.

Section 10.2. Guarantors' Covenants . Guarantor hereby agrees, at all times prior to the Final Collection Date:

(a) Promptly following any request therefor, and if any change in the information

included in the Certification of Beneficial Owner(s) has occurred, to execute and deliver to the Purchaser an updated Certification of Beneficial Owner(s).

(b) Promptly following any request therefor, to deliver to the Purchaser information and documentation reasonably requested by the Purchaser for purposes of compliance with applicable “know your customer” requirements under the PATRIOT Act, the Customer Due Diligence Rule or other applicable Anti-Money Laundering Laws.

(c) That it will not, directly or indirectly, use the proceeds of any purchase of Receivables under this Agreement, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Sanctioned Person, or in any Sanctioned Country, (ii) in any other manner that would result in any Seller, the Guarantor or the Purchaser being in violation of Sanctions Laws or Anti-Money Laundering Laws or (iii) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of Anti-Corruption Laws.

(d) That it will maintain in effect policies and procedures designed to promote compliance by the Guarantor, its Subsidiaries, and their respective directors, officers, employees, and agents with Sanctions Laws, Anti-Corruption Laws and Anti-Money Laundering Laws.

SECTION 11. REPURCHASE OF PURCHASED RECEIVABLES ; GUARANTY .

Section 11.1. Repurchase Price . As used herein, the “ Repurchase Price ” with respect to any Purchased Receivable shall be calculated as follows:

RP = PP + AD + AO + I, in which :

<u>Term</u>		<u>Definition</u>
<u>RP</u>	<i>equals</i>	Repurchase Price for such Purchased Receivable as of the applicable Repurchase Date
<u>PP</u>	<i>equals</i>	Purchase Price for such Purchased Receivable, net of (1) any Adjustment Reserve Payment for such Purchased Receivable that has not yet been paid to the Seller and (2) any Collections received by the Purchaser with respect to such Purchased Receivable
<u>AD</u>	<i>equals</i>	Discount applicable to such Receivable and accrued for the period from the applicable Purchase Date to the applicable Repurchase Date
<u>AO</u>	<i>equals</i>	All other amounts then payable by the applicable Seller under the Purchase Documents with respect to such Purchased Receivable as of such Repurchase Date
<u>I</u>	<i>equals</i>	Interest on such Purchased Receivable after the Maturity Date applicable to such Purchased Receivable accruing at the Discount Rate

Section 11.2. Repurchase . Upon the occurrence of a Repurchase Event with respect to any Purchased Receivable, the Purchaser may, upon written notice to the applicable Seller, require such Seller to repurchase such Purchased Receivable on the Proposed Repurchase Date specified in such notice for an amount equal to the Repurchase Price of such Purchased Receivable.

Section 11.3. Repurchase Date . Upon delivery of any notice referred to in Section 11.2, (a) the Repurchase Price together with all other amounts under this Agreement and the other Purchase Documents with respect to the applicable Purchased Receivable shall become due and payable immediately, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Sellers; (b) the applicable Seller shall pay to the Purchaser by deposit in the Purchaser's Account such Repurchase Price on the Proposed Repurchase Date specified in such notice, which, in any event, shall not be sooner than two (2) and not later than five (5) Business Days from the date of the delivery of such notice; (c) on receipt of such Repurchase Price, the Purchaser shall (at the cost and expense of the applicable Seller) execute such documents as may be necessary to re-assign, without recourse, representation or warranty, and at no further cost to the Purchaser, such Purchased Receivable to the applicable Seller; and (d) following receipt of such Repurchase Price by the Purchaser, such Seller shall be entitled to any additional Collections paid with respect to such Purchased Receivable and the Purchaser shall have no further obligation to pay any Adjustment Reserve Payment with respect to such Purchased Receivable.

Section 11.4. Guaranty . The Guarantor, as the indirect ultimate parent of each Seller, acknowledges and agrees that it derives benefit from the purchase of Receivables from each Seller by the Purchaser pursuant to this Agreement. The Guarantor hereby unconditionally and irrevocably guarantees to the Purchaser, as primary obligor and not merely as surety, the complete and timely payment and performance on demand (after notice thereof by the Purchaser) of all obligations of each Seller arising under or pursuant to this Agreement, including, without limitation, the obligations of each Seller to make any payment to the Purchaser required hereby, regardless of the nature of the transactions contemplated hereby, the obligations set forth in Section 5.2 (Servicing Covenants), Section 11.2 (Repurchase), Section 12.1 (Taxes), Section 13.1 (Indemnity) and Section 13.2 (Expenses); provided, however, that the Guarantor shall have no obligations hereunder with respect to any non-payment of any Purchased Receivable resulting solely from an Insolvency Event of the applicable Approved Obligor or the financial inability of the Obligor to pay such Purchased Receivable on the applicable Invoice Due Date. This guaranty is an irrevocable, absolute, present and continuing guaranty of prompt payment and performance, and is in no way conditional or contingent upon any attempt to collect from or bring action against any Seller, or perfect or enforce any security or upon any other action, occurrence or circumstance whatsoever. The liability of the Guarantor hereunder is independent of and not in consideration of or contingent upon the liability of any other person under this or any similar instrument and the release of, or cancellation by, any party to this or a similar instrument shall not act to release or otherwise affect the liability of the Guarantor hereunder. It shall not be necessary for the Purchaser (and the Guarantor hereby waives any rights which the Guarantor may have to require the Purchaser), in order to enforce the obligations of the Guarantor hereunder, first to (i) institute suit or exhaust its remedies against any Seller or any other person, (ii) enforce the Purchaser's rights against any collateral which shall ever have been given to secure performance under this Agreement, (iii) exhaust any remedies available to the Purchaser against any collateral which shall ever have been given to secure performance under this Agreement, or (iv) resort to any other means of obtaining payment of the obligations of any Seller hereunder. The liability of the Guarantor hereunder shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any obligation of any Seller hereunder or of this Agreement or any other Purchase Document as against any Seller; (ii) any amendment or waiver of this Agreement or any other Purchase Document executed by any Seller; or (iii) any challenge to, or lack of validity of, any Seller's ownership interest (immediately prior to each purchase hereunder) in the Purchased Receivables.

SECTION 12. TAXES, ETC.

Section 12.1. Taxes . All payments to be made by any Seller or the Guarantor under this Agreement shall be made free and clear of and without deduction for or on account of all Taxes, except to the extent that such Seller or the Guarantor is required by law to make payment subject to any Taxes. All Taxes required to be deducted or withheld from any amounts paid or payable by a Seller or the Guarantor under this Agreement shall be paid by such Seller or the Guarantor, as applicable, within the time allowed under the relevant law. In addition, if any Taxes or amounts in respect of Taxes must be deducted from any amounts payable by a Seller or the Guarantor under this Agreement, such Seller or the Guarantor shall pay such additional amounts as may be necessary to ensure that the Purchaser receives a net amount equal to the full amount which the Purchaser would have received had payment not been made subject to deduction of Tax by such Seller or the Guarantor. Within 30 days of each payment to the relevant taxation authority by a Seller or the Guarantor under this Section 12.1 of Tax or in respect of Taxes, such Seller or the Guarantor shall deliver to the Purchaser if the same is available an original receipt or other appropriate evidence issued by the authority to whom the payment was made that the Tax has been duly remitted to the appropriate authority. Nothing contained in this Agreement shall interfere with the right of the Purchaser to arrange its Tax affairs in whatever manner it thinks fit and, in particular, the Purchaser shall not be under any obligation to claim credit, relief, remission, repayment or other benefit from or against its corporate profits or similar Tax liability in respect of the amount of any deduction in priority to any other claims, reliefs, credits or deductions available to it, nor shall any Seller or the Guarantor be entitled to make any enquiries of the Purchaser in relation to the Purchaser's Tax affairs. The Purchaser shall (if and to the extent that it is entitled to do so under applicable law) submit in duplicate (i) to any applicable Seller within 21 days after the Closing Date, and, in any event, prior to the date of the first payment by any Seller to the Purchaser, duly completed and signed copies of either Form W-8BEN (relating to the Purchaser and claiming complete or partial exemption from withholding on all amounts (to which such withholding would otherwise apply) to be received by the Purchaser including fees, from such Seller pursuant to this Agreement) or Form W-8ECI (relating to all amounts (to which such withholding would otherwise apply) to be received by the Purchaser, including fees, from such Seller pursuant to this Agreement). In addition and from time to time the Purchaser shall (if and to the extent that it is entitled to do so under applicable law) submit to any applicable Seller such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxation authorities) and any additional information as may be required under then current United States law, regulations or any income tax treaty to which the United States is a party to claim the inapplicability of, or exemption or partial exemption from, United States withholding (including backup withholding) taxes on payments in respect of all amounts (to which such withholding would otherwise apply) to be received by the Purchaser including fees, from such Seller pursuant to this Agreement.

Section 12.2. Duties and Taxes . All stamp, documentary, registration or other like duties or Taxes (excluding Taxes upon or measured by the net income of the Purchaser and any Taxes that are the subject of Section 12.1), including Taxes and any penalties, additions, fines, surcharges or interest relating thereto, or any notarial fees which are imposed or chargeable on or in connection with this Agreement or any other Purchase Document or any other document executed pursuant hereto or thereto shall be paid by the Sellers, it being understood and agreed that the Purchaser shall be entitled but not obligated to pay any such duties or Taxes (whether or not they are its primary responsibility), and the Sellers shall on demand indemnify the Purchaser against those duties or Taxes and against any costs and expenses so incurred by it in discharging them. Without prejudice to the survival of any other provision hereof, the terms of this Section 12.2 shall survive the termination of this Agreement and payment of all other amounts payable hereunder.

SECTION 13. MISCELLANEOUS .

Section 13.1. Indemnity . Each Seller agrees to indemnify, defend and save harmless the Purchaser (including each of its branches) and its affiliates, officers, directors, employees or other agents (each, an “Indemnified Party”), forthwith on demand, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for each Indemnified Party in connection with any investigative, administrative or judicial proceeding or hearing commenced or threatened by any Person, regardless of whether any such Indemnified Party shall be designated as a party or a potential party thereto, and any fees or expenses incurred by each Indemnified Party in enforcing this indemnity), whether direct, indirect, special or consequential and whether based on any federal, state or foreign Laws, on common law or equitable cause or on contract or otherwise, that may be imposed on, incurred by or asserted against any such Indemnified Party, in any manner relating to or arising out of or incurred in connection with this Agreement, the other Purchase Documents, any Purchased Receivable or any of the transactions contemplated hereby or thereby, including, without limitation, with respect to (i) any representation or warranty made or deemed made by such Seller under or in connection with this Agreement or any of the other Purchase Documents which shall have been incorrect as of the date when made or any failure of such Seller to comply with its covenants and other agreements contained in this Agreement or any other Purchase Document (including, without limitation, (x) the failure to deliver a Non-Payment Report with respect to any Overdue Receivable on or prior to the date such report is required to be delivered pursuant to Section 5.4 and (y) a breach of its obligations under Section 4.3 with respect to a Purchased Receivable), (ii) any Retained Obligations of such Seller, and (iii) any payment received by the Purchaser in respect of any obligation hereunder or any recovery (whether pursuant to a claim, proof, judgment, order or otherwise) with respect to any such obligation, in each case under this clause (iii), being made in a currency other than that in which it is due (collectively, the “Indemnified Liabilities”); provided, no Seller shall have any obligation to any Indemnified Party hereunder with respect to (i) any Indemnified Liabilities to the extent such Indemnified Liabilities arise from the gross negligence or willful misconduct of that Indemnified Party, in each case, as determined by a final, non-appealable judgment of a court of competent jurisdiction, or (ii) any non-payment by the applicable Approved Obligor or Purchased Receivable Guarantor of any Purchased Receivable resulting solely from an Insolvency Event of the applicable Approved Obligor or Purchased Receivable Guarantor or the financial inability of the Approved Obligor or Purchased Receivable Guarantor to pay such Purchased Receivable on the applicable Invoice Due Date. Without prejudice to the survival of any other provision hereof, the terms of this Section 13.1 shall survive the termination of this Agreement and payment of all other amounts payable hereunder.

Section 13.2. Expenses . The Sellers agree to pay promptly on demand (a) all actual, out-of-pocket and reasonable costs and expenses (including due diligence expenses) incurred by the Purchaser in connection with the negotiation, preparation and execution of the Purchase Documents and any consents, amendments, waivers or other modifications thereto and the transactions contemplated thereby, including, without limitation, the reasonable fees, expenses and disbursements of counsel to the Purchaser in connection therewith (provided, that the Sellers shall not be obligated hereunder to pay the Purchaser for the Purchaser’s attorneys’ fees (excluding, for the avoidance of doubt, expenses and disbursements of the Purchaser’s counsel) in excess of \$75,000 in connection with the negotiation, preparation and execution of the Purchase Documents delivered on the Closing Date); and (b) all costs and expenses, including reasonable attorneys’ fees and costs of settlement, incurred by the Purchaser in enforcing any obligations of any of the Sellers under any Purchase Document or in collecting any payments due from any Seller hereunder or under the other Purchase Documents or in connection with any refinancing or restructuring of the purchase arrangements provided hereunder in the nature of a “work-out” or pursuant to any insolvency or bankruptcy cases or proceedings.

Without prejudice to the survival of any other provisions hereof, the terms of this Section 13.2 shall survive the termination of this Agreement and payment of all other amounts payable hereunder.

Section 13.3. Setoff. In addition to any rights now or hereafter granted under applicable Law or any other provision of this Agreement and not by way of limitation of any such rights, the Purchaser is hereby authorized by each Seller upon notice to the applicable Seller, to set off and to appropriate and to apply any and all deposits (general or special, including indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other indebtedness at any time held or owing by the Purchaser to or for the credit or the account of any Seller against and on account of any obligations and liabilities of such Seller to the Purchaser hereunder and under the other Purchase Documents, including all claims of any nature or description arising out of or connected hereto or with any other Purchase Document, irrespective of whether or not (a) the Purchaser shall have made any demand hereunder or (b) any amounts payable hereunder shall have become due and payable pursuant hereto and although such obligations and liabilities, or any of them, may be contingent or unmatured.

Section 13.4. Notices, Addresses . All notices, requests and demands given or made under the Purchase Documents shall be given or made in writing using the address as specified below or such other address as the party may designate to the other party in accordance with the provisions of this Section 13.4 :

If to Purchaser :

MUFG Bank, Ltd.
1221 Avenue of the Americas
New York, New York 10020
Attn: Gauri Duggal
Email: gduggal@us.mufg.jp
With a copy to:

Arnold & Porter Kaye Scholer LLP
250 West 55th Street
New York, New York 10019-9710
Attn: Jonathan Arkins
Phone: 212-836-7304
Email: jonathan.arkins@arnoldporter.com

If to Seller A :

Zebra Technologies Europe Limited
Dukes Meadow, Millboard Road, Bourne End
Buckinghamshire, SL85XF, United Kingdom
Attn: General Manager
with a copy to:

Zebra Technologies Corporation
3 Overlook Point
Lincolnshire, IL 60609
Attn: Senior Vice President and General Counsel
Telephone: (847) 634-6700
Facsimile: (847) 913-8766

and to:

Polsinelli
900 W. 48th Place, Suite 900
Kansas City, Missouri 64112-1895
Attn: Kraig Kohring
Phone: 816-360-4163
Email: kkohring@polsinelli.com

If to any Additional Seller :

Such Additional Seller's address and other contact information as notified by such Additional Seller to the Purchaser in writing at or prior to the time such Additional Seller becomes a party hereto

If to the Guarantor:

Zebra Technologies Corporation
3 Overlook Point
Lincolnshire, IL 60609
Attn: Senior Vice President and General Counsel
Telephone: (847) 634-6700
Facsimile: (847) 913-8766

with a copy to:

Polsinelli
900 W. 48th Place, Suite 900
Kansas City, Missouri 64112-1895
Attn: Kraig Kohring
Phone: 816-360-4163
Email: kkohring@polsinelli.com

All notices, requests and demands shall be deemed to have been duly given or made (a) if mailed via a reputable international courier, when it has been delivered to the relevant address with proof of delivery, or

(b) if sent by electronic mail, when the sender has received confirmation that the recipient has received such electronic mail; provided, if any communication is received after a recipient's normal business hours, such communication shall be deemed received upon the opening of the recipient's next Business Day. Each Seller, the Guarantor and the Purchaser shall promptly inform each other of any changes in their respective addresses, email addresses or facsimile numbers specified herein.

Section 13.5. Certificates and Determinations . Any certification or determination by the Purchaser of a rate or amount under any Purchase Document shall be, absent manifest error, conclusive evidence of the matters to which it relates.

Section 13.6. Assignments and Transfers . (a) The Purchaser may at any time participate any of its rights under the Purchase Documents to another bank or financial institution. The Purchaser may at any time assign or transfer any of its rights under the Purchase Documents to another bank or financial institution with the written consent of Seller A which shall not be unreasonably withheld; provided that (i) no such consent shall be required if a Seller is in breach of its obligations hereunder, and (ii) Purchaser may assign or transfer Purchased Receivables to another bank or financial institution without Seller A's prior written consent. Neither the Sellers nor the Guarantor may assign or otherwise transfer its rights, benefits or obligations under the Purchase Documents without the prior written consent of the Purchaser. Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of each party hereto and its successors and assigns.

(b) Notwithstanding anything herein to the contrary, the Purchaser may assign or pledge a security interest in all or any portion of its rights under this Agreement to secure obligations of the Purchaser, including any pledge or assignment to secure obligations to a Federal Reserve Bank or any other central bank. No such assignment and/or pledge shall release the Purchaser from its obligations hereunder.

Section 13.7. Waivers, Remedies Cumulative . No failure to exercise, nor any delay in exercising, on the part of the Purchaser, any right or remedy under the Purchase Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by Law.

Section 13.8. Accounting Treatment; Non-Reliance . Each Seller and the Guarantor agrees and acknowledges that (i) it is a sophisticated party in relation to this Agreement; (ii) it has made its own independent decision to enter into the Agreement, the other Purchase Documents to which it is a party and the transactions contemplated hereby and thereby and, in connection therewith, has obtained such independent accounting, legal, tax, financial and other advice as it deems necessary and appropriate (including, without limitation, as to the appropriate treatment of such transactions for accounting, legal, tax and other purposes) and (iii) it has not relied upon any representation or advice from Purchaser, Purchaser's affiliates or any of their respective directors, officers, employees, contractors, counsel, advisors or other representatives in this regard.

Section 13.9. Third Party Rights . Other than as specifically provided in this Agreement, no Person not a party to this Agreement shall be deemed a third party beneficiary hereof.

Section 13.10. Counterparts . Each Purchase Document may be executed in any number of counterparts, and by the different parties thereto on separate counterparts; each such counterpart shall be deemed an original and all of such counterparts taken together shall be deemed to constitute one and the

same instrument. A facsimile or electronic copy of an executed counterpart of this Agreement shall be effective as an original for all purposes.

Section 13.11. Entire Agreement ; Amendments etc . The Purchase Documents constitute the entire agreement between the parties hereto in relation to the transactions contemplated hereby, and supersede all previous proposals, agreements and other written and oral communications in relation thereto. Except as expressly provided otherwise herein or in the relevant other Purchase Document, neither this Agreement nor any other Purchase Document nor any provision of any of the foregoing may be modified, amended, waived (including, without limitation, a waiver of a breach by a Seller of a representation, warranty or covenant), supplemented, discharged, cancelled or terminated orally or by any course of dealing or by any other manner, in each instance, except by an agreement in writing executed by the Purchaser and the other parties to the relevant Purchase Document.

Section 13.12. Exclusion of Liability . To the extent permitted by applicable Law, none of the Sellers shall assert, and each Seller hereby waives, any claim against the Purchaser and its affiliates, members of the board of directors, employees, attorneys, agents or sub-agents, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) (whether or not the claim therefor is based on contract, tort or duty imposed by any applicable legal requirement) arising out of, in connection with, as a result of, or in any way related to, this Agreement or any other Purchase Document or any agreement or instrument contemplated hereby or thereby or referred to herein or therein, the transactions contemplated hereby or thereby, any purchase or the use of the proceeds thereof or any act or omission or event occurring in connection therewith, and each Seller hereby waives, releases and agrees not to sue upon any such claim or any such damages, whether or not accrued and whether or not known or suspected to exist in its favor. Notwithstanding the foregoing, each Seller shall remain liable for its obligations under Section 13.1 .

Section 13.13. Invalidity . If at any time any provision of the Purchase Documents shall be adjudged by any court or other competent tribunal to be illegal, invalid or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired, and the parties hereto will use their best efforts to revise the invalid provision so as to render it enforceable in accordance with the intention expressed in this Agreement.

Section 13.14. Governing Law . This Agreement shall be governed by and construed in accordance with the Laws of the State of New York without regard to the principles of conflicts of law thereof (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law).

Section 13.15. Consent to Jurisdiction . Any litigation based hereon, or arising out of, under or in connection with this Agreement or any other Purchase Document, may be brought and maintained in the courts of the State of New York sitting in New York County, New York or in the United States district court for the Southern District of New York. Each Seller and the Guarantor hereby expressly and irrevocably submits to the jurisdiction of the courts of the State of New York sitting in New York County, New York and of the United States district court for the Southern District of New York for the purpose of any such litigation. Each Seller and the Guarantor further irrevocably consents to the service of process by registered mail, postage prepaid, to the address specified in Section 13.4 or by personal service within or without the State of New York. Further, each Seller hereby irrevocably and unconditionally appoints Zebra Technologies International LLC, 111 Eighth Avenue, New York, New York, 10011, as its authorized agent (in such capacity with its successors, the “ Process Agent ”) to receive, accept and acknowledge for and on behalf of such Seller and its property, service of any and all legal process, summons, complaints, notices and documents which

may be served in any suit, action or proceeding based on this Agreement or any other Purchase Document. Such appointment shall continue until the appointment and acceptance of a successor process agent pursuant to the provisions of this Section. Each Seller acknowledges and confirms that the Process Agent has agreed to act as said agent for service of process. Each Seller agrees to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment in full force and effect as aforesaid and in the event that for any reason the agent mentioned above shall be unwilling or unable to continue to serve as agent for such Seller as set forth in this paragraph, such Seller shall promptly appoint a successor satisfactory to the Purchaser so to serve, advise the Purchaser of such appointment and deliver to the Purchaser evidence in writing of the successor agent's acceptance of such appointment. Service of process upon the Process Agent shall be deemed, in every respect, effective service of process upon such Seller. The failure of the Process Agent to give a Seller notice of the service of any process shall not affect the validity of any proceeding based on that process or any judgment obtained pursuant to it. Nothing in this Section 13.15 shall affect the right of the Purchaser to serve legal process in any other manner permitted by Law. Each Seller expressly and irrevocably waives, to the fullest extent permitted by Law, any objection which it may now or hereafter have to the laying of venue of any such litigation brought in any such court and any claim that any such litigation has been brought in an inconvenient forum.

Section 13.16. WAIVER OF JURY TRIAL . EACH SELLER, THE GUARANTOR AND THE PURCHASER HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER PURCHASE DOCUMENT OR ANY APPLICATION, INSTRUMENT, DOCUMENT, AMENDMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER PURCHASE DOCUMENTS, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

Section 13.17. USA Patriot Act. The Purchaser hereby notifies each Seller and the Guarantor that pursuant to the requirements of the USA PATRIOT Improvement and Reauthorization Act, Title III of Pub. L. 109-177 (signed into law March 9, 2009), as amended from time to time (the “PATRIOT Act”), it is required to obtain, verify, and record information that identifies each Seller and the Guarantor, which information includes the name and address of each Seller and the Guarantor and other information that will allow the Purchaser to identify each Seller and the Guarantor in accordance with the PATRIOT Act.

Section 13.18. Confidentiality. Each party hereto agrees to hold the Purchase Documents, the transactions contemplated thereby and all non-public information received by it in connection therewith from any other party hereto or its agents or representatives in confidence and agrees not to provide any Person with copies of this Agreement or such non-public information other than (a) to its affiliates and any officers, directors, members, managers or employees of such party or any of its affiliates and then only to the extent this Agreement, any other Purchase Document or such information is required or useful in connection with this Agreement, any other Purchase Document or any of the transactions contemplated thereunder (including, without limitation, the administration, operation, analysis, audit, review or enforcement of any aspect of any of the foregoing), (b) to any outside accountants, auditors or attorneys of such party or any of its affiliates, (c) to any prospective or actual assignee or participant which (in each case) has signed a confidentiality agreement containing provisions substantively identical to this Section 13.18 or has agreed to be subject to the terms of this Section 13.18 or has entered into a confidentiality agreement with one or more of the Sellers or any affiliates thereof with respect to the receivables purchase arrangements

hereunder, (d) to credit support providers if they agree to hold it confidential pursuant to customary commercial terms, (e) to Governmental Authorities with appropriate jurisdiction (including filings required under securities Laws), (f) to the service provider with whom the Purchaser subcontracts use of the PrimeRevenue System provided that such service provider agrees to hold such information confidential pursuant to customary commercial terms, (g) appropriate filings under the UCC and other similar filings or registrations under other applicable Law, and (h) as may be required or advisable under English Law to perfect, assure priority, maintain the perfection or priority of or otherwise protect the Purchaser's interest in Purchased Receivables constituting English Law Receivables. Notwithstanding the above stated obligations, the parties hereto will not be liable for disclosure or use of such information which: (i) was required by Law, including pursuant to a valid subpoena or other legal process, (ii) is disclosed or used in connection with the exercise of any remedies hereunder or any suit or proceeding relating to this Agreement or any other Purchase Document or the enforcement of rights hereunder or thereunder, or (iii) is, at the time of the disclosure, generally known to the public (without breach of any of such Person's obligations hereunder).

Section 13.19. Communication Through the PrimeRevenue System . Each party hereto consents to the communication and delivery of offers, acceptances, Purchase Requests and other communications and the creation of binding contracts through the PrimeRevenue System, although such communications are by electronic means rather than in writing on paper. Each party hereto waives any claim or defense that any such offers, acceptances, Purchase Requests or other communications and any contracts arising therefrom are not binding or enforceable as a result of their being communicated electronically rather than in writing on paper.

Section 13.20. Judgment Currency . If, for the purposes of obtaining or enforcing judgment in any court in any jurisdiction, it becomes necessary to convert into the currency of the country in which such court is located (the "Judgment Currency") any obligation denominated in another currency, then the date on which the rate of exchange for conversion is selected by the court is referred to herein as the "Conversion Date". If there is a change in the rate of exchange between the Judgment Currency and the other currency between the Conversion Date and the actual receipt by the Purchaser of the amount of such obligation or under any such judgment, the relevant Seller will, notwithstanding any such judgment, pay all such additional amounts as may be necessary to ensure that the amount received by the Purchaser in the Judgment Currency, when converted at the rate of exchange prevailing on the date of receipt, will produce the amount due in the other currency. Each Seller's liability hereunder constitutes a separate and independent liability which shall not merge with any judgment or any partial payment or enforcement of payment of sums due under this Agreement or any other Purchase Document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement by their undersigned, duly authorized officers on the date first above written:

SELLER A:

ZEBRA TECHNOLOGIES EUROPE LIMITED

By: Colleen O'Sullivan
Name: Colleen O'Sullivan
Title: Director

GUARANTOR:

ZEBRA TECHNOLOGIES CORPORATION

By: Michael Dennen
Name: Michael Dennen
Title: Authorized Officer

PURCHASER:

MUFG BANK, LTD.

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties have executed this Agreement by their undersigned, duly authorized officers on the date first above written:

SELLER A:

ZEBRA TECHNOLOGIES EUROPE LIMITED

By:

Name: Colleen O'Sullivan

Title: Director

GUARANTOR:

ZEBRA TECHNOLOGIES CORPORATION

By:

Name: Michael Dennen

Title: Authorized Officer

PURCHASER:

MUFG BANK, LTD.

By:

Name:

Title: Richard Gregory Hurst
Managing Director

SCHEDULE A TO

MASTER ACCOUNTS RECEIVABLE PURCHASE AGREEMENT **Approved Obligors**

<u>Approved Obligor</u>	<u>Approved Obligor Sublimit (USD)</u>	<u>Initial Approved Obligor Buffer Period</u>	<u>Approved Obligor Adjustment Rate</u>	<u>Applicable Margin (per annum)</u>	<u>Purchased Receivables Guarantor Required</u>	<u>Usage Fee Accrual</u>	<u>Usage Fee Trigger</u>	<u>Usage Fee Rate (per annum)</u>
Ingram Micro Pan Europe GMBH	\$50,000,000	6 days	29%	1.50%	Yes	Yes	50%	0.75%
ScanSource Europe SPRL	\$40,000,000	6 days	40%	1.35%	Yes	No	n/a	n/a

Schedule A - I 163908148

UCC and Other Perfection Information

- (a) Name: Zebra Technologies Europe Limited
- (b) Chief Executive Office: Dukes Meadow, Millboard Road, Bourne End
SL85XF, United Kingdom
Attn: General Manager
- (c) Jurisdiction of Organization: United Kingdom
- (d) Organizational Number: 02881068
- (e) Changes in Location, Name
and Corporate Organization in
the last 5 years: None

SCHEDULE C T O
M A S T E R A C C O U N T S R E C E I V A B L E P U R C H A S E A G R E E M E N T

Electronic Services Schedule

This Electronic Services Schedule (this “Schedule”) is attached and made a part of the Agreement (as defined herein). In the event of any conflict between the terms and conditions of the Agreement and the terms and conditions of this Schedule, the terms and conditions of this Schedule shall control. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Agreement.

Section 1. As used herein:

“Agreement” means the Master Accounts Receivable Purchase Agreement, dated as of December 19, 2018, among Zebra Technologies Europe Limited, an English private company limited by shares (“Seller A”), each affiliate of Seller A that becomes a party thereto as a seller in the sole and absolute discretion of the Bank (as hereinafter defined) (each, an “Additional Seller”; and, together with Seller A, each, a “Seller”, and collectively, the “Sellers”), Zebra Technologies Corporation, a Delaware corporation (the “Guarantor”) and MUFG Bank, Ltd., (“Bank”), including this Schedule, as such agreement may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

“Message” means all messages or other information sent or received by a Seller in connection with the Agreement using the Program web portal.

“PrimeRevenue” means PrimeRevenue, Inc., which is a Service Provider hereunder.

“Program web portal” means the system interface of the Service Provider to be used by Bank and each Seller so as to operate this Agreement or any updated or replacement system from time to time.

“Service Provider” means any person with whom an agreement has been entered into by Bank and to whom the performance of certain obligations or exercise of certain rights in respect of the giving and receiving of Messages, and not in respect of any purchase of Receivables, is from time to time subcontracted by Bank.

Section 2. Service Provider

The parties to the Agreement agree that the Service Provider is and will be the service provider solely for Bank and not the subcontractor or agent of any Seller. Each Seller consents to Bank outsourcing to the Service Provider the management of certain administrative functions under the Agreement, it being understood that only the rights and obligations issuing from this Schedule shall be outsourced.

Section 3. Service Provider’s Systems and Platform

3.1. To operate this Agreement, each Seller and Bank shall use the Program web portal, subject to Section 4.9 below.

- 3.2. Program related data will be updated and available for view access by each Seller and Bank on a day to day basis in the Program web portal.
- 3.3. Each Seller will upload and download information pertaining to Purchase Requests from the Program web portal.
- 3.4. As of the date of this Schedule, the Service Provider means PrimeRevenue. Bank may replace the Service Provider at any time or terminate this Schedule, and will give written notice thereof to the Sellers.

Section 4. Use of Service Provider's Systems and Platform

- 4.1. Each Seller shall have the right to use the content of the Program web portal to print and use reports downloaded from the Program web portal, and to save reasonable copies to its hard drive, in each case solely for the purposes contemplated by the Agreement. Any copying, distribution, or commercial use of any of the content of the Program web portal not in furtherance of or related to the commercial purposes of the Agreement is strictly forbidden. Notwithstanding the foregoing, each Seller is entitled to share any such content with its Affiliates and its and such Affiliates' attorneys, accountants, and tax advisors, or any Governmental Authority.
- 4.2. Service Provider retains all right, title, and interest in and to its Program web portal, including all software and other intellectual property underlying the Program web portal and associated therewith, all derivative works thereof, and in all media, but specifically excluding any materials, intellectual property or information provided by any Seller or Bank (collectively, "Member Content"), all of which shall remain the property of the contributing party. Other than a royalty-free license to use the Program web portal during the term of this Schedule, nothing contained herein shall be construed as the grant of a license or other right by Service Provider to the Sellers of the Program web portal or any intellectual property underlying or associated with the Program web portal. Each Seller grants to Service Provider for the term of this Schedule a royalty free, non-exclusive license to use, reproduce, display and modify such Seller's Member Content for the purpose of allowing Service Provider to render the contractedfor services to Bank.
- 4.3. All of the design, text, graphics and the selection and arrangement thereof included in the Program web portal are protected by the copyright laws of the United States and foreign countries. The Program web portal and all associated intellectual property rights are owned by Service Provider and its licensors. All rights not expressly granted to the Sellers are reserved to Service Provider and its licensors. Each Seller acknowledges that (a) the Program web portal incorporates confidential and proprietary information developed or acquired by Service Provider, including the software underlying the Program web portal; (b) it shall use such information solely for the purposes set forth herein; and (c) it shall not disclose any such information to third parties except to its Affiliates, and its and their employees, officers, legal counsel, financial advisors and auditors, so long as such parties are bound by written or fiduciary obligations no less stringent than those set forth herein, and such Seller remains primarily responsible for any unauthorized use or disclosure of the information by such third parties. This Section 4.3 shall survive the termination of this Schedule for a period of one year.
- 4.4. Service Provider may access and use the non-public financial, transactional and other information that is processed under this Agreement or otherwise acquired by Service Provider in connection with the Program web portal ("Seller Data") for the purposes of providing and operating the Program web portal. In addition, Service Provider may access and use Seller Data on an aggregate basis for

the purpose of preparing statistical analyses, reports, and benchmarking statistics for Service Provider's own use and for general marketing purposes related to trends and overall use of the Program web portal and related services. Each Seller represents that it has the right to permit Service Provider to use Seller Data as described in this Agreement and that such use will not violate any third person's rights.

- 4.5. Each Seller acknowledges that Service Provider may transfer Seller Data to a third person, in connection with: (a) any assignment arising from the acquisition of all or substantially all of its assets or equity interests; or (b) a delegation of hosting or other duties, provided that such third party service provider agrees to abide by appropriate confidentiality obligations.
- 4.6. The parties may disclose Seller Data if required by applicable law to any government body, or duly authorized representatives thereof, upon an audit or other inspection by any of the same of the records or facilities of Service Provider. The applicable Seller will be notified promptly upon receipt of any order and upon the implementation of any change in laws which requires disclosure of Seller Data.
- 4.7. Each Seller hereby acknowledges that Service Provider reserves the right to: (a) terminate such Seller's access to and use of the Program web portal if such Seller permits any unauthorized third person or entity to access and use the Program web portal; and (b) interrupt or disable access to and use of all or any part of the Program web portal if necessary to prevent or protect against fraud, hacking, or illegal conduct or otherwise protect Service Provider's personnel or the Program web portal, in Service Provider's sole discretion and without notice.
- 4.8. EACH SELLER ACKNOWLEDGES THAT NO WARRANTIES OR CONDITIONS, WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE MADE BY SERVICE PROVIDER WITH RESPECT TO THE PROGRAM WEB PORTAL, THE UNDERLYING SOFTWARE, OR ANY SERVICES PROVIDED BY SERVICE PROVIDER, AND SUCH PROGRAM WEB PORTAL, SOFTWARE, AND SERVICES ARE PROVIDED ON AN "AS IS, WHERE IS, AND AS AVAILABLE" BASIS. SERVICE PROVIDER EXPRESSLY DISCLAIMS LIABILITY AND SPECIFICALLY DENIES ANY RESPONSIBILITY FOR (A) THE COMPLETENESS, ACCURACY OR QUALITY OF INFORMATION OR ANY MEMBER CONTENT OBTAINED THROUGH THE PROGRAM WEB PORTAL, AND (B) ANY SELLER'S USE OF OR INABILITY TO USE THE PROGRAM WEB PORTAL. THE USE OF THE PROGRAM WEB PORTAL, AND ANY MEMBER CONTENT OR INFORMATION OBTAINED VIA THE PROGRAM WEB PORTAL, IS AT EACH SELLER'S OWN RISK.
- 4.9. Bank has the obligation to view the Messages sent in accordance with this Schedule and to act upon them under the terms of the Agreement, and, during any unavailability of the Program web portal for the purposes hereof, or following the change of Service Provider, accept or receive Purchase Requests and other notices as otherwise provided in the Agreement.

Section 5. Security. Each Seller agrees that:

- 5.1. Such Seller's authorized employees may access the Program web portal using a unique user ID and password issued by Service Provider. Such Seller and each authorized employee shall not allow any other individual to use such employee's unique user ID and password to access the Program web portal. Such Seller and each authorized employee shall remain responsible for maintaining

the strict confidentiality of the user IDs and passwords created for such Seller's authorized employees;

- 5.2. it will not intentionally or knowingly interfere with, defeat, disrupt, circumvent or tamper with or attempt to gain unauthorized access to the Program web portal or other information or instruction that is, by the terms of the Agreement to be transmitted through the Program web portal, or with the restrictions on use of functionality or access to information on any portion of the Program web portal, or attempt to do so; and
- 5.3. it will not intentionally or knowingly introduce into any portion of the Program web portal any device, software or routine, including but not limited to viruses, Trojan horses, worms, time bombs and cancelbots or other data or code that harms, or may adversely affect, the operation of the Program web portal.

Section 6. Representations, Warranties and Covenants of the Sellers. Each Seller hereby represents, warrants and covenants to and with Bank as follows:

- 6.1. Such Seller's use of the Program web portal is solely to settle genuine and lawful commercial trade transactions, arising in the ordinary course of business, for the purchase or sale of goods (including Receivables as defined under the Agreement) and/or services by or to such Seller from or to Bank or other third parties. Such Seller shall not use the Program web portal for investment or arbitrage functions or purposes, or for any money laundering purpose, or in contravention of any law or regulation, and any activity undertaken via the Program web portal shall not be used in furtherance of any of the foregoing.
- 6.2. Information provided by such Seller to Bank or Service Provider from time to time in connection with this Schedule is and shall be true and accurate in all material respects at the time given.

Section 7. No Implied Duties. Without limiting the liabilities of Bank under the Agreement, Bank shall be obliged to perform such duties and only such duties as are specifically set forth herein, and no implied duties or responsibilities shall be read or implied into this Schedule against Bank. Bank shall have no duties or obligations under this Schedule to any person or entity other than the Sellers and, without limiting the foregoing, does not assume any obligation or relationship of agency or trust under this Schedule for, or with any other person or entity.

Section 8. Third Party Beneficiary Rights. Each Seller and Bank agree that Service Provider is an intended third party beneficiary of, and entitled to rely on Sections 2, 4, 5, and 6 of this Schedule and Section 13.18 (Confidentiality) of the Agreement.

_____, 20__

[Bank]
[Address] Attn:

Ladies and Gentlemen:

Purchase Request

We refer to the Master Accounts Receivable Purchase Agreement, dated as of December 19, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the “Purchase Agreement”), among Zebra Technologies Europe Limited, an English private company limited by shares (“Seller A”), each affiliate of Seller A that becomes a party thereto as a seller in the sole and absolute discretion of the Bank (as hereinafter defined) (each, an “Additional Seller”; and, together with Seller A, each, a “Seller”, and collectively, the “Sellers”), Zebra Technologies Corporation, a Delaware corporation (the “Guarantor”) and MUFG Bank, Ltd., (the “Purchaser”). Terms defined in the Purchase Agreement shall have the same meaning herein as defined in such Purchase Agreement.

[Insert Name of Seller] (the “Purchase Request Seller”) hereby requests that the Purchaser purchase on _____, 20__, the Receivables of the Purchase Request Seller set forth on Schedule A attached hereto (the “Proposed Receivables”), in accordance with, and subject to, the terms and provisions of the Purchase Agreement.

The Purchase Request Seller hereby represents and warrants to the Purchaser that the following statements are true and correct as of the applicable Purchase Date for such Proposed Receivables:

- (i) Each of the conditions precedent set forth in Section 8 of the Purchase Agreement has been satisfied or otherwise waived by the Purchaser.
- (ii) Immediately after giving effect to the purchase of such Proposed Receivables, the Total Outstanding Amount of all Purchased Receivables of all Approved Obligor as of such date will not exceed the Maximum Facility Amount.
- (iii) Immediately after giving effect to the purchase of such Proposed Receivables, the Total Outstanding Amount of all Purchased Receivables of any Approved Obligor will not exceed any applicable Approved Obligor Sublimit.
- (iv) The representations and warranties made by the Sellers in Section 9.1 of the Purchase Agreement are true and correct in all respects to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all respects on and as of such earlier date.

- (v) The representations and warranties made by the Purchase Request Seller in Section 9.2 of the Purchase Agreement with respect to the Proposed Receivables are true and correct in all respects to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all respects on and as of such earlier date.
- (vi) The representations and warranties made by the Guarantor in Section 9.3 of the Purchase Agreement are true and correct in all respects to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all respects on and as of such earlier date.

Executed and delivered by the Purchase Request Seller as of the date first above written.

[INSERT NAME OF PURCHASE REQUEST SELLER]

By: _____ Name:
Title:

Exhibit B - 2

	[Name of Purchase Request Seller]	Approved Obligor	Invoice Number	Invoice Amount	Invoice Date	Invoice Due Date	Maturity Date	Purchase Date
1.								
2.								
3.								

**E XHIBIT B TO
M A S T E R A C C O U N T S R E C E I V A B L E P U R C H A S E A G R E E M E N T**

_____, 20__

[Bank]
[Address] Attn:

Ladies and Gentlemen:

Servicing Report

We refer to the Master Accounts Receivable Purchase Agreement, dated as of December 19, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the “Purchase Agreement”), among Zebra Technologies Europe Limited, an English private company limited by shares (“Seller A”), each affiliate of Seller A that becomes a party thereto as a seller in the sole and absolute discretion of the Purchaser (as hereinafter defined) (each, an “Additional Seller”; and, together with Seller A, each, a “Seller”, and collectively, the “Sellers”), Zebra Technologies Corporation, a Delaware corporation (the “Guarantor”) and MUFG Bank, Ltd., (the “Purchaser”). Terms defined in the Purchase Agreement shall have the same meaning herein as defined in such Purchase Agreement.

Please find attached hereto the latest Servicing Report.

Executed and delivered by [Insert name of applicable Seller] as of the date first above written.

[INSERT NAME OF SELLER]

By:

Name:
Title:

**E XHIBIT C TO
M A S T E R A C C O U N T S R E C E I V A B L E P U R C H A S E A G R E E M E N T**

_____, 20__

[Bank]
[Address] Attn:

Ladies and Gentlemen:

Reconciliation Report

We refer to the Master Accounts Receivable Purchase Agreement, dated as of December 19, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the “Purchase Agreement”), among Zebra Technologies Europe Limited, an English private company limited by shares (“Seller A”), each affiliate of Seller A that becomes a party thereto as a seller in the sole and absolute discretion of the Purchaser (as hereinafter defined) (each, an “Additional Seller”; and, together with Seller A, each, a “Seller”, and collectively, the “Sellers”), Zebra Technologies Corporation, a Delaware corporation (the “Guarantor”) and MUFG Bank, Ltd., (the “Purchaser”). Terms defined in the Purchase Agreement shall have the same meaning herein as defined in such Purchase Agreement.

Please find attached hereto the latest Reconciliation Report.

Executed and delivered by [Insert name of applicable Seller] as of the date first above written.

[INSERT NAME OF SELLER]

By:

Name:
Title:

[Form of Reconciliation Report]

Exhibit C - 1

Subsidiaries of Registrant

Zebra Technologies Corporation – a Delaware corporation (NASDAQ listing: ZBRA)
 Genuine Zebra Technologies Trading (Shanghai) Co., Ltd. – a PRC limited liability company
 Laser Band, LLC – a Missouri limited liability company
 Psion (Shanghai) Wireless Technologies Co., Ltd. – a PRC limited liability company
 Psion (UK) Limited – a UK limited private company
 Psion Africa (Proprietary) Limited – a South African private company
 Psion ApS – a Danish private limited company
 Psion de Argentina S.A. – an Argentinean limited private company
 Psion Digital Limited – a UK limited private company
 Psion Holdings Limited – a UK limited private company
 Psion Investments Canada – a UK company unlimited with shares
 Psion Investments Limited – a UK limited private company
 Psion SARL – a Swiss limited liability company
 Psion Shared Services Limited – a UK limited private company
 Psion Systems India Private Limited – an Indian private limited company
 Psion Teklogix do Brasil Ltda – a Brazilian limited liability company
 Psion Teklogix, S.A. de C.V. – a Mexican limited liability company
 Symbol Technologies Africa, LLC – a Delaware limited liability company
 Symbol Technologies Do Brasil S.A. – a Brazilian limited liability company
 Symbol Technologies Holdings Do Brasil Ltda. – a Brazilian limited liability company
 SYMBOL TECHNOLOGIES INDIA PRIVATE LIMITED – an Indian private limited company
 Symbol Technologies International, LLC – a Delaware limited liability company
 Symbol Technologies Latin America, LLC – a Delaware limited liability company
 Symbol Technologies, LLC – a Delaware limited liability company
 Telxon Corporation – a Delaware corporation
 Xplore Technologies Corp. – a Delaware corporation
 Xplore Technologies Corporation of America – a Delaware corporation
 Xplore Technologies International Corp. – a Delaware corporation
 Zebra Diamond Holdings Limited – a UK private limited company
 Zebra Enterprise Israel Ltd. – an Israeli private limited company
 Zebra Jersey Holdings I Limited – a Jersey private limited company
 Zebra Jersey Holdings II Limited – a Jersey private limited company
 Zebra Luxco I S.a r.l. – a Luxembourg limited liability company
 Zebra Luxco II S.a r.l. – a Luxembourg limited liability company
 Zebra Luxco III S.a r.l. – a Luxembourg limited liability company
 Zebra Luxco IV S.a r.l. – a Luxembourg limited liability company
 Zebra Retail Solutions, LLC – a Delaware limited liability company
 Zebra Retail Solutions, UK Limited – a UK limited private company
 Zebra Technical Services (Guangzhou) Co., Ltd. – a PRC limited liability company
 Zebra Technologies (Barbados) FinCo SRL, a Barbados international society with restricted liability
 Zebra Technologies (Hong Kong) Limited – a Hong Kong limited company
 Zebra Technologies (New Zealand) Limited – a New Zealand limited company
 Zebra Technologies (Thailand) Ltd. – a Bangkok private limited company
 Zebra Technologies AB – a Swedish limited liability company
 Zebra Technologies Asia Holding Limited – a Mauritius private company limited by shares
 Zebra Technologies Asia Pacific Pte. Ltd. – a Singapore private company limited by shares
 Zebra Technologies Australia Pty Ltd – a Victoria private company limited by shares
 Zebra Technologies Austria GmbH – an Austrian limited liability company
 Zebra Technologies B.V. – a Netherlands limited liability company
 Zebra Technologies Belgium BVBA – a Belgian limited liability company
 Zebra Technologies Brazil, LLC – a Delaware limited liability company
 Zebra Technologies Canada, ULC – a Canadian unlimited liability company
 Zebra Technologies Colombia S.A.S. – a Colombian simplified trading stock company
 Zebra Technologies Colombia, LLC – a Delaware limited liability company
 Zebra Technologies CZ s.r.o. – a Czech limited liability company

Zebra Technologies d.o.o. Beograd – a Serbian limited liability company
Zebra Technologies de Juarez, S. de R.L. de C.V. – a Mexican limited liability company
Zebra Technologies de Reynosa, S. de R.L. de C.V. – a Mexican limited liability company
Zebra Technologies do Brasil – Comércio de Produtos de Informática Ltda. – a Brazilian limited liability company
Zebra Technologies Enterprise Company, LLC – a Delaware limited liability company
Zebra Technologies Enterprise de Mexico, S. de R.L. de C.V. – a Mexican limited liability company
Zebra Technologies Europe Limited – a private UK company limited by shares
Zebra Technologies France S.A.S. – a French limited liability company
Zebra Technologies Germany GmbH – a German limited liability company
Zebra Technologies Hellas Single Member IKE – a Greek private limited company
Zebra Technologies India Private Ltd. – an Indian private limited company
Zebra Technologies International, LLC – an Illinois limited liability company
Zebra Technologies Italy S.R.L. – an Italian limited liability company
Zebra Technologies Japan Co. Ltd. – a Japanese joint stock company
Zebra Technologies Korea YCH – a Korean limited liability company
Zebra Technologies Lanka (Private) Limited – a Sri Lanka private limited company
Zebra Technologies Magyarország Kft. – a Hungarian limited liability company
Zebra Technologies Malaysia Sdn. Bhd. – a Malaysian private limited company
Zebra Technologies Mexico, LLC – a Delaware limited liability company
Zebra Technologies MS Holdings, LLC – a Delaware limited liability company
Zebra Technologies Netherlands B.V. – a Netherlands limited liability company
Zebra Technologies Norway AS – a Norweigan limited company
Zebra Technologies RSC, LLC – a Delaware limited liability company
Zebra Technologies Russia OOO – a Russian limited liability company
Zebra Technologies Spain, S.L. – a Spanish limited liability company
Zebra Technologies Sp. z.o.o. – a Polish limited liability company
Zebra Technologies Taiwan Co., Ltd. – a Taiwanese limited liability company
Zebra Technologies Thailand LLC – a Delaware limited liability company
Zebra Technologies UK Limited – a UK private limited company
Zebra Teknolojileri Sistem Cozumleri Anonim Sirketa – a Turkish joint stock company
ZTP Portugal, Unipessoal, Lda – a Portuguese private limited company

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-135179, 333-174616, 333-204296 and 333-225337) pertaining to the Long Term Incentive Plans of Zebra Technologies Corporation of our reports dated February 14, 2019, with respect to the consolidated financial statements and schedule listed at Item 15 of Zebra Technologies Corporation, and the effectiveness of internal control over financial reporting of Zebra Technologies Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2018.

/s/ Ernst & Young LLP

Chicago, Illinois
February 14, 2019

CERTIFICATION

I, Anders Gustafsson, certify that:

1. I have reviewed this report on Form 10-K of Zebra Technologies Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2019

By: /s/ Anders Gustafsson

Anders Gustafsson

Chief Executive Officer

CERTIFICATION

I, Olivier Leonetti, certify that:

1. I have reviewed this report on Form 10-K of Zebra Technologies Corporation (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2019

By: /s/ Olivier Leonetti

Olivier Leonetti

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Zebra Technologies Corporation (the “Company”) on Form 10-K for the period that ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof, I, Anders Gustafsson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2019

By: /s/ Anders Gustafsson

Anders Gustafsson

Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Zebra Technologies Corporation (the “Company”) on Form 10-K for the period that ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof, I, Olivier Leonetti, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2019

By: /s/ Olivier Leonetti
Olivier Leonetti
Chief Financial Officer