

ZEBRA TECHNOLOGIES CORP/DE  
Form 11-K  
June 28, 2006

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 11-K**

**X Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934**

**For the year ended December 31, 2005**

**Zebra Technologies Corporation Profit Sharing and Savings Plan**

(Full title of the Plan)

**Zebra Technologies Corporation**

(Exact name of issuer of securities pursuant to the Plan)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**333 Corporate Woods Parkway, Vernon Hills, IL 60061**  
(Address of principal executive offices) (Zip Code)  
**(847) 634-6700**

(Registrant's telephone number, including area code)

**Report of Independent Registered Public Accounting Firm**

The Plan's Trustees

Zebra Technologies Corporation Profit Sharing and Savings Plan:

We have audited the accompanying statement of net assets available for benefits of the Zebra Technologies Corporation Profit Sharing and Savings Plan (the Plan) as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Chicago, Illinois

June 16, 2006

**ZEBRA TECHNOLOGIES CORPORATION**

**PROFIT SHARING AND SAVINGS PLAN**

Statements of Net Assets Available for Benefits

December 31, 2005 and 2004

	<b>2005</b>	<b>2004</b>
<b>Assets:</b>		
Investments, at fair value:		
Mutual funds	\$ 72,243,109	\$ 63,696,076
Zebra Technologies Corporation common stock	6,063,469	7,140,535
Loans to participants	2,236,660	2,102,003
Total investments	80,543,238	72,938,614
Receivables:		
Employer contributions	1,904,352	2,327,610
Participant contributions	211,365	189,749
Total receivables	2,115,717	2,517,359
Cash	1	1
Net assets available for benefits	\$ 82,658,956	\$ 75,455,974

See accompanying notes to the financial statements.

**ZEBRA TECHNOLOGIES CORPORATION****PROFIT SHARING AND SAVINGS PLAN**

## Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2005 and 2004

	2005	2004
<b>Additions:</b>		
Additions to assets attributed to:		
<b>Contributions:</b>		
Participant	\$ 6,393,816	\$ 5,757,500
Employer matching	1,891,117	1,747,963
Employer profit sharing	1,771,578	2,272,012
Participant rollovers	1,460,032	848,113
	11,516,543	10,625,588
<b>Earnings:</b>		
Interest income	102,857	91,874
Dividend income	2,462,332	1,154,173
Net (depreciation) appreciation in the fair value of investments	(547,998)	5,956,846
	2,017,191	7,202,893
<b>Other:</b>		
Transfer from Atlantek Incorporated 401(k) Plan		1,235,149
Total additions	13,533,734	19,063,630
<b>Deductions:</b>		
Deductions from net assets attributed to:		
Benefit payments to participants	6,330,752	3,332,428
Net increase	7,202,982	15,731,202
<b>Net assets available for benefits:</b>		
Beginning of year	75,455,974	59,724,772
End of year	\$ 82,658,956	\$ 75,455,974

See accompanying notes to the financial statements.

**ZEBRA TECHNOLOGIES CORPORATION**

**PROFIT SHARING AND SAVINGS PLAN**

Notes to the Financial Statements

December 31, 2005 and 2004

**(1) Description of Plan**

The following description of the Zebra Technologies Corporation Profit Sharing and Savings Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

***General***

The Plan is a defined contribution plan covering eligible employees of Zebra Technologies Corporation (the Company) and its affiliated companies that have adopted the Plan subject to certain service requirements. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

***Contributions***

Each year, non-highly compensated participants may contribute 1% to 75% (15% prior to August 1, 2004) of eligible compensation on a pretax basis within certain specified limitations. Highly compensated participants are limited to 15% of eligible compensation. In addition to the discretionary Company match of 50% of the participants first 6% of eligible compensation, the Plan permits discretionary profit sharing contributions by the Company, which were made by the Company in both 2005 and 2004 as reported in the statements of changes in net assets available for benefits. Participants are eligible for Company matching and profit sharing contributions after completion of one year of service. Employer profit sharing contributions are allocated to participants based upon participants' earnings.

The Plan permits eligible employees to make additional elective deferrals to the Plan known as "catch-up" contributions, as permitted by the Economic Growth and Tax Relief Reconciliation Act of 2001. Such contributions are excluded from the Company's matching contribution. The Plan currently offers 22 mutual funds and Zebra Technologies Corporation common stock as investment options for participants.

On December 19, 2005, the Board of Directors of Zebra Technologies Corporation effectively amended the Plan to include a true-up provision on the Company match contribution. This true-up provision ensures that participants who are contributing to the Plan receive the maximum Company contribution allowed regardless of their savings strategy. True-up contributions are made during the first quarter, after the end of the Plan year. There was no effect on Plan assets related to this amendment.

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**ZEBRA TECHNOLOGIES CORPORATION**

**PROFIT SHARING AND SAVINGS PLAN**

Notes to the Financial Statements

December 31, 2005 and 2004

***Transfers***

On July 27, 2004, the Board of Directors of Zebra Technologies Corporation effectively amended the Plan in order to merge the employees under the Atlantek Inc. 401(k) Plan into the Plan. All participants of the subsidiary plan became participants of the Plan on that date.

***Participant Accounts***

Each participant's account is credited with the participant's contribution and allocations of the Company's matching and discretionary profit sharing contributions and plan earnings, and charged with an allocation of administrative expenses. Allocations are based on a participant's earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

***Vesting***

Participant contributions and the related earnings on those contributions vest immediately. Employer matching and discretionary profit sharing contributions for all employees and related earnings vest ratably over five years based on the participant's years of service, as follows:

	<b>Percent vested</b>
Less than one year	0%
One year	20
Two years	40
Three years	60
Four years	80
Five years or more	100

The Atlantek Plan had a three-year vesting schedule. Participants who were fully vested under the Atlantek Plan continue to be fully vested in all past and present contributions and earnings. The five-year vesting schedule in the Zebra Plan applies to the account balances of all participants not fully vested under the Atlantek Plan (i.e., participants with less than three years of service as of July 24, 2004).

***Payment of Benefits***

Benefits are recorded when paid. Payments of benefits are in the form of lump sum distributions.

***Hardship/Withdrawals***

Participants may withdraw funds from their savings contribution account after meeting certain criteria as defined in the Plan. The minimum hardship distribution is \$1,000.

**ZEBRA TECHNOLOGIES CORPORATION**

**PROFIT SHARING AND SAVINGS PLAN**

Notes to the Financial Statements

December 31, 2005 and 2004

***Loans to Participants***

Loans are available to plan participants at the prime interest rate plus 1% (as published by the Wall Street Journal), under circumstances as described in the Plan. Loans to plan participants are secured by their vested balance and may not exceed the lesser of 50% of their vested balance or \$50,000. Participant loans are repaid through payroll deductions and bear interest at rates ranging from 4.0% to 9.50%.

***Termination of the Plan***

Although the Company has not expressed any intent to terminate the Plan, it may do so at any time, subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in their employer contributions and related earnings.

**(2) Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting.

***Investment Valuation and Income Recognition***

Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. The Company's common stock is valued at its quoted market price. Participant loans are valued at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. The cost of investments is determined on an average cost basis. Dividends are recorded on the ex-dividend date.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes in net assets available for benefits and accompanying notes. Actual results could differ from those estimates.

**(3) Income Taxes**

The Plan has received a determination letter from the Internal Revenue Service dated September 11, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.



**ZEBRA TECHNOLOGIES CORPORATION**

**PROFIT SHARING AND SAVINGS PLAN**

Notes to the Financial Statements

December 31, 2005 and 2004

**(4) Administrative Expenses**

Amounts forfeited by participants are used to offset administrative expenses of the Plan. To the extent administrative expenses exceed forfeitures such expenses are paid by the Company. The Company paid expenses in the amount of \$0 and \$3,750 for the years ended December 31, 2005 and 2004, respectively. It is not the intention of the Company to obtain reimbursements from the Plan for these payments. The forfeiture balance as of December 31, 2005 totaled \$400,524.

**ZEBRA TECHNOLOGIES CORPORATION****PROFIT SHARING AND SAVINGS PLAN**

Notes to the Financial Statements

December 31, 2005 and 2004

**(5) Investments**

The following table presents the fair value of individual investments that represent 5% or more of the Plan's net assets at December 31, 2005 and 2004, respectively:

	<b>2005</b>	<b>2004</b>
Pimco Total Return Admin	\$ *	\$ 6,514,633
Pimco Total Return Institutional Fund	7,280,996	**
T. Rowe Price Equity Index Trust	6,265,168	5,707,897
T. Rowe Price Growth Stock Fund	8,569,965	**
T. Rowe Price Personal Strategy - Balanced	*	4,149,621
TCW Galileo Select Equities	*	8,639,639
T. Rowe Price Prime Reserve Fund	8,113,950	7,262,691
Royce Opportunity Fund	7,000,304	6,591,449
T. Rowe Price Dividend Growth Fund	14,258,775	13,494,040
Zebra Technologies Corporation Common Stock	6,063,469	7,140,535

\* Asset does not exceed 5% of Plan's net assets at December 31, 2005.

\*\* Asset does not exceed 5% of Plan's net assets at December 31, 2004.

During 2005 and 2004, the Plan's investments, including gains and losses on investments bought and sold as well as held during the year, (depreciated)/appreciated in value as follows:

	<b>2005</b>	<b>2004</b>
Mutual funds	\$ 1,545,391	\$ 3,821,611
Common stock of Zebra Technologies Corporation	(2,093,389)	2,135,235
	\$ (547,998)	\$ 5,956,846

**(6) Transactions with Related Parties**

The shares and fair value of the common stock of Zebra Technologies Corporation included in the Plan were as follows:

	<b>2005</b>	<b>2004</b>
Shares	141,505	126,875
Fair value	\$ 6,063,469	\$ 7,140,535

**(7) Risks and Uncertainties**

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The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

**ZEBRA TECHNOLOGIES CORPORATION****PROFIT SHARING AND SAVINGS PLAN**

Schedule H, Line 4i Schedule of Assets (Held at end of year)

December 31, 2005

**(c) Description of investment including maturity date,  
rate**

(a)	(b) Identity of issuer, borrower, lessor, similar party	of interest, collateral, par or maturity value	(d) Current value
*	T. Rowe Price Retirement 2010 Fund	Mutual fund, 55,415 shares	\$ 807,399
*	T. Rowe Price Retirement 2020 Fund	Mutual fund, 132,255 shares	2,067,151
*	T. Rowe Price Retirement 2005 Fund	Mutual fund, 57,613 shares	626,250
*	T. Rowe Price Retirement 2015 Fund	Mutual fund, 117,987 shares	1,323,812
*	T. Rowe Price Retirement 2025 Fund	Mutual fund, 229,500 shares	2,632,361
*	T. Rowe Price Retirement 2035 Fund	Mutual fund, 128,261 shares	1,490,398
*	T. Rowe Price Retirement 2045 Fund	Mutual fund, 32,044 shares	347,354
*	T. Rowe Price Retirement 2030 Fund	Mutual fund, 98,999 shares	1,632,491
*	T. Rowe Price Retirement 2040 Fund	Mutual fund, 29,197 shares	483,794
*	T. Rowe Price Retirement Income Fund	Mutual fund, 10,599 shares	132,069
	LSV Value Equity Fund Strategy	Mutual fund, 19,229 shares	311,507
	American Europacific Growth Fund	Mutual fund, 97,081 shares	3,944,417
	Hartford Global Leaders Fund	Mutual fund, 25 shares	463
	Vanguard Small Cap Growth Index Fund	Mutual fund, 102,597 shares	1,685,663
	Tradelink Self-directed Brokerage Account	Self-directed brokerage account (of mutual funds), 270,486 shares	270,486
	Pimco Total Return Institutional Fund	Mutual fund, 693,428 shares	7,280,996
*	T. Rowe Price Equity Index Trust	Mutual fund, 174,956 shares	6,265,168
*	T. Rowe Price International Discovery	Mutual fund 72,494 shares	2,998,336
*	T. Rowe Price Growth Stock Fund	Mutual fund 301,759 shares	8,569,965
*	T. Rowe Price Prime Reserve Fund	Mutual fund 8,113,950 shares	8,113,950
	Royce Opportunity Fund	Mutual fund, 577,107 shares	7,000,304
*	T. Rowe Price Dividend Growth Fund	Mutual fund, 625,934 shares	14,258,775
*	Zebra Stock Fund	Common stock of Zebra Technologies Corporation, 141,505 shares	6,063,469
*	Plan Participants	636 participant loans, interest ranging from 4.0% - 9.5%, maturing January 2006 through June 2020	2,236,660
			\$ 80,543,238

\* Denotes party-in-interest

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan's trustees have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Zebra Technologies Corporation  
Profit Sharing and Savings Plan

June 26, 2006

By: /s/ Edward Kaplan

Edward Kaplan  
Plan Trustee