



## Zebra Technologies International, LLC

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Dear Valued Zebra Partner,

Our industry continues to face raw material price inflation. While the US economy has improved, new capacity to match the increased demand has not kept pace, creating shortages of key ingredients that go into adhesives and film resins. There have also been global events which have created additional shortages of the components that go into paper liner and facestocks. Here is a more detailed look at what is driving the raw material increases:

### Paper and Pulp Cost Increases

- Paper and Pulp has increased by 57% in the past year to a record high of over \$1000/ton for NBSK due to increased demand and declining supply
  - Chilean earthquake in February 2010 took 8% of the world's pulp capacity offline for several months
  - Labor strikes in Europe taking additional capacity offline
  - Increased global demand for China
  - Decline in North American paper capacity (2008-2009)
- Platinum costs up 17% YTD, Silicon metal up 30% YTD – these are key ingredients in making silicone release liners
- Continuing impact of elimination of “black liquor” tax credits

### Films and Adhesives Cost Increases

- Propylene monomer (a key component in adhesives) up 33% YTD
- Strong global demand putting adhesive components on allocation from key chemical suppliers BASF, Dow, etc.
- Polyester film shortage expected with the shutdown of DuPont's Florence facility

Due to these cost increases, Zebra will increase pricing on most Zip Ship catalog items **4%** on **August 2, 2010**. New costs on custom media quotes will be phased in as they take effect in **June and July**.

With adhesive and film shortages on the horizon, Zebra has aligned with suppliers who can support our customer's requirements for the long term. We have also made investments in turrets and magnetic die cylinders to increase operational efficiency, to offset some of the raw material price increases.

Best Regards,

*Mike Weinhammer*

Mike Weinhammer

Product Manager - Aftermarkets, Supplies, and Services

