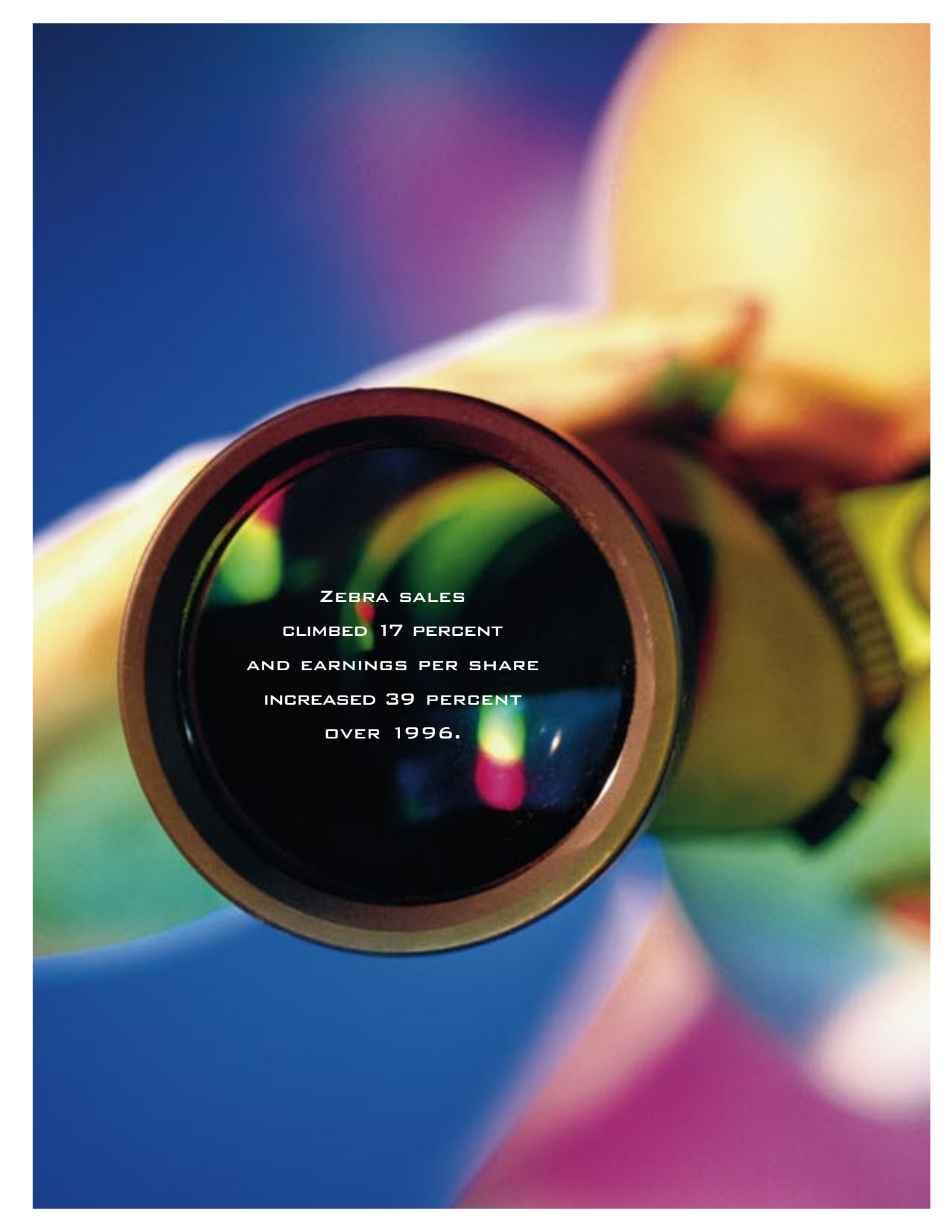


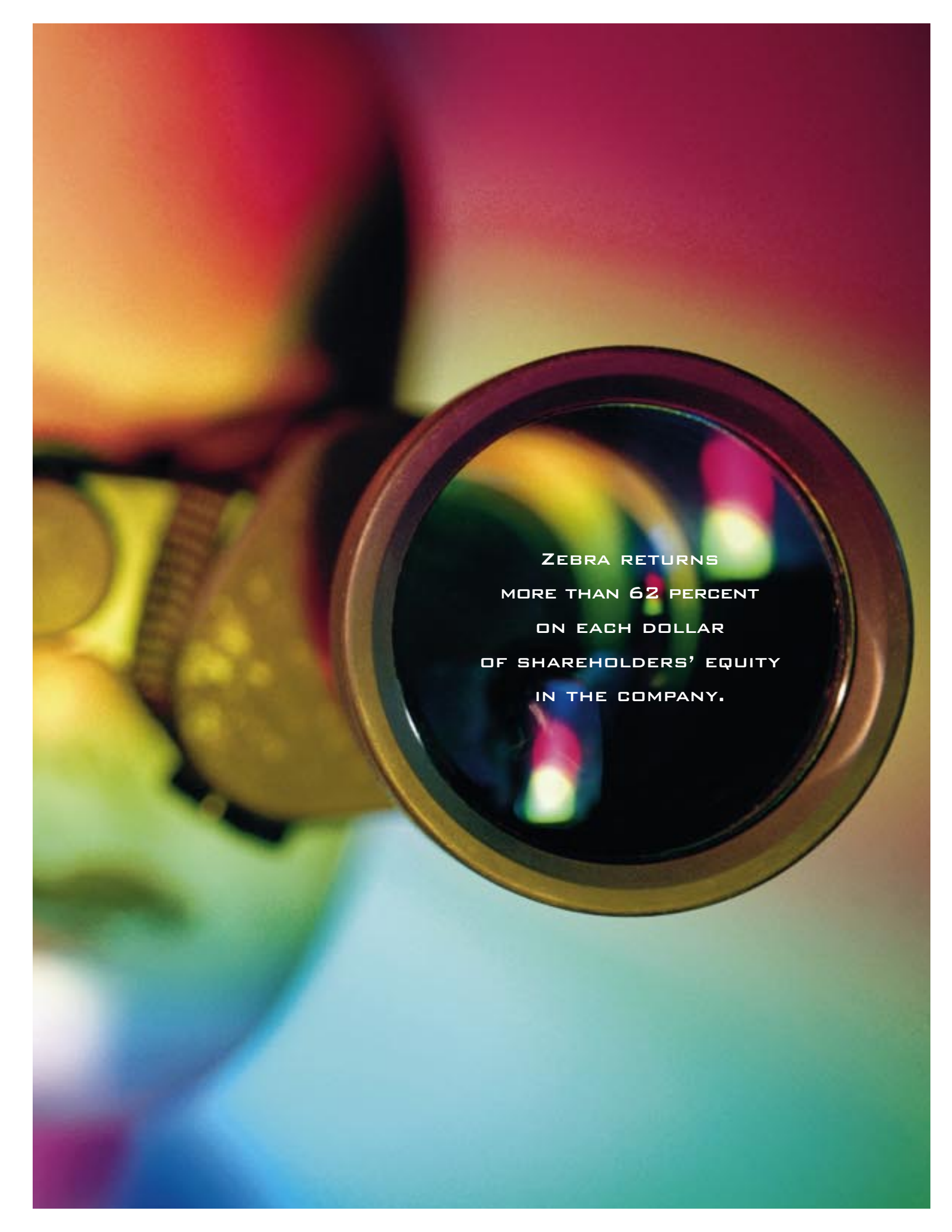
IN A WORLD OF BLACK & WHITE,  
ZEBRA ENJOYS THE FULL SPECTRUM OF SUCCESS.





ZEBRA SALES  
CLIMBED 17 PERCENT  
AND EARNINGS PER SHARE  
INCREASED 39 PERCENT  
OVER 1996.



A magnifying glass with a dark, metallic frame is positioned in the lower right quadrant of the image. The lens is focused on a small, glowing, abstract object that appears to be a tiny, colorful flame or a cluster of light particles in shades of green, yellow, and magenta. The background is a soft, out-of-focus gradient of warm colors, including red, orange, and yellow, with some darker, shadowed areas. The overall composition is centered around the magnifying glass, which acts as a metaphor for focusing on a specific detail or achievement.

ZEBRA RETURNS  
MORE THAN 62 PERCENT  
ON EACH DOLLAR  
OF SHAREHOLDERS' EQUITY  
IN THE COMPANY.

## TO OUR SHAREHOLDERS

By any measurement, 1997 was an outstanding year. Virtually every measure of financial performance reflected significant growth. Our position in the market, both domestically and internationally, grew stronger. Our commitment to delivering value to our customers and value to our shareholders has again delivered results.

This year Zebra continued to strengthen its position as a dominant player in an industry experiencing rapid growth. We are succeeding because we have superior products, a talented and committed management team, and the financial strength and stability to capitalize on every available opportunity and advantage.

## A YEAR OF RECORD RESULTS. AGAIN.

In 1997 Zebra continued its trend of record setting financial performance. Sales increased 17 percent over 1996 to \$192.1 million. Our earnings per share also climbed dramatically, finishing 39 percent higher than the previous year at \$1.77 per share. In addition, our gross margins, operating margins and operating profits all made significant gains over 1996. One

under-appreciated measurement of our success, return on equity, continued impressive growth. Excluding the effect of investment income and cash reserves, Zebra returned more than 62 percent on each dollar of shareholders' equity in the company.

Zebra's sales figures are even more impressive than the 17 percent growth because business with our largest customer, Peak Technologies, was actually down this year. Sales to all other customers climbed 26 percent.

Consistent performance at an exceptionally high level attracts attention. In 1997 *Forbes* magazine named Zebra Technologies one of the Best Small Companies in America, the fifth time we have been named to this distinguished list. We are one of only 14 companies named by *Forbes* five or more times.

## THE LEADER IN AN EXCEPTIONAL INDUSTRY.

Bar coding is an essential tool in the new global economy. Competitive pressures on companies to reduce costs and improve quality are greater than ever. Bar code technology continues to deliver substantial benefits in improved productivity and

## INVESTMENT HIGHLIGHTS

### *Financial Summary*

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	1988	1989	1990	1991
NET SALES	\$ 17,726	\$ 29,963	\$ 37,982	\$ 45,623
GROSS PROFIT	7,572	13,509	18,064	22,102
OPERATING INCOME	3,622	8,278	10,548	12,690
NET INCOME FROM CONTINUING OPERATIONS	2,329	5,534	6,630	8,487
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (PRO FORMA 1988-1991)	0.10	0.24	0.30	0.38
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (PRO FORMA 1988-1991)	0.10	0.24	0.30	0.38
TOTAL-ASSETS	8,863	16,705	16,235	48,901
LONG-TERM OBLIGATIONS	—	495	448	399



improved quality for nearly every industry; consequently, the automatic identification industry continues steady and impressive growth.

Research by the Venture Development Corporation indicates that the Auto ID market will continue to grow between 18 and 19 percent a year through the year 2000. At Zebra, we focus exclusively on the fastest growing parts of this exciting industry: the industrial/service sectors and international. Both have low penetration of bar code technology and huge growth potential.

Zebra is a dominant player in the industrial/service market. With over 30 percent of the market for thermal transfer printers, we have nearly 1.5 times the share of our nearest competitor.

Internationally, where bar coding is an emerging technology, we have even greater opportunities for growth. Zebra is positioned, through the strength of our distribution system and product offerings, to be the leader in providing bar code printers and supplies to the world. During the past five years, international sales have grown at a 31 percent compounded annual rate. In 1997 they reached \$87.4 million, representing

<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>
\$ 58,711	\$ 87,456	\$ 107,103	\$ 145,348	\$ 163,980	\$ 192,071
28,992	43,567	52,023	69,107	78,678	98,200
15,407	24,897	30,343	39,981	41,031	52,775
11,843	18,255	21,073	29,574	30,853	42,810
0.50	0.76	0.88	1.23	1.27	1.77
0.49	0.76	0.87	1.22	1.27	1.76
54,845	76,697	95,043	131,071	164,386	203,584
347	293	236	2,177	2,326	263

46 percent of our total sales. With offices in Singapore, Frankfurt, the U.K. and Miami, Zebra now occupies a significant presence in all of the world's key markets. Including the Miami office, which covers Central and South America, Zebra now has more than 100 people dedicated to increasing our market share in the international market.

#### NEW PRODUCTS

Zebra's success has always been fueled by product innovations. Historically, new product platforms have led to tremendous incremental growth in revenue as customers created new applications for bar code technology. For example, Zebra's revenue jumped 49 percent following the introduction of our Stripe™ printers in 1993; our revenues grew 38 percent after the introduction of our Xi Series™ printers in 1995. Last year, products introduced over the last 18 months accounted for 45 percent of total printer sales.

In 1997 Zebra introduced a significant new product platform, the Z Series™ printers. We invested more money on the development of this product platform than any other product in our history. The result is a revolutionary printer. The Z Series are the first modular printers; all options can be field installed. This innovation greatly simplifies both the distribution and the purchase of bar code printers, making it easier on both our channel partners and the end-user.

The Z Series is the fourth new platform Zebra has introduced in the past 18 months; that rate is equal to the number of new product platforms we've introduced in the past 10 years combined. We expect this accelerated rate of product introductions will be reflected in our 1998 performance.

Including the Z Series Zebra now has an unequaled offering of bar code printers. We have products for virtually every price and performance segment of the market, from the \$395 A100™ to the high performance 220XiII™ for \$7,495.

#### OTHER EVENTS

Consolidation was the theme for a tumultuous year in the Auto ID industry. Paxar acquired Iimak and Western Atlas acquired Norand and UBI. Perhaps of greatest importance to Zebra was Moore's acquisition of Peak Technologies, our largest customer. The short term effect of this merger was a decline in our sales to Peak. Longer term, however, Moore offers excellent opportunities for increased printer sales through their extensive customer base. We expect the net result of Peak Technologies' acquisition to be positive for Zebra.

Zebra, with cash reserves in excess of \$125 million, continues to seek suitable companies for acquisition, either in products or technologies.


During the second quarter of 1997, Zebra closed Zebra Technologies VTI in Utah; we took a one time pretax charge of \$2.4 million. We decided that further investment in developing the small business user through the retail channel was a poor use of our management resources. Instead, we will focus the talents of our software development personnel at the Utah Technical Center on products that help sell Zebra printers. Our alliance with JetForm Corporation is an example of this focus. By integrating JetForm software with our Bar-One® label design package, Zebra printers can now accept output directly from virtually all of the popular enterprise resource planning packages currently on the market.

## THE VIEW AHEAD

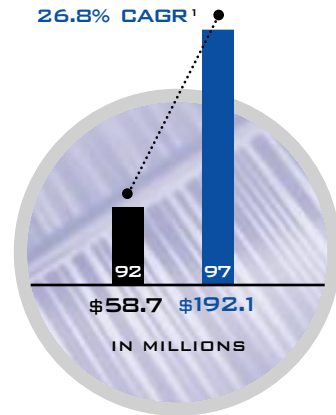
We expect 1998 will be another record year for Zebra with improved sales and earnings growth. Zebra is currently growing faster than the industry, a trend we expect to continue. We expect substantial sales from the new ZSeries printers. We have a significant presence in all of the key international markets; we will continue to expand our international investment, as Europe and Latin America look to be particularly strong growth markets. While growth in the Asian market is uncertain due to the recent currency crisis, our exposure to the weakest economies is small.

Ultimately our success comes down to these simple factors: Zebra has the broadest printer product offering with the highest quality and reliability in the industry; we have the highest brand recognition and market share; we have the strongest collection of channel partners; and we have the strongest presence in the international market. Zebra currently has significant cash reserves, in excess of \$125 million, and a market capitalization greater than \$700 million. In the coming years, we will continue to draw from our considerable resources to invest in each area critical to our growth, while capitalizing on every available new opportunity.

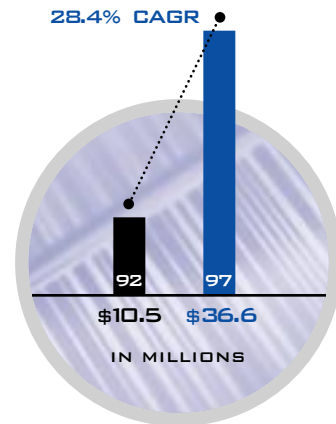
1997 was a great year. We are eager for the challenges the future holds, and look forward to even greater success.



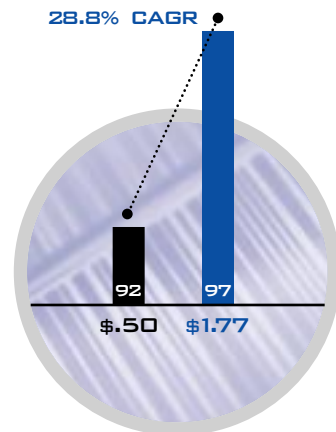
Edward Kaplan  
Chairman and Chief Executive Officer



NET SALES



FREE CASH FLOW



BASIC EARNINGS PER SHARE

1. COMPOUNDED ANNUAL GROWTH RATE



A close-up, blue-tinted photograph of a fabric surface. A large, dark blue arrow points upwards and to the right. Below the arrow, the word "Forward" is printed in a bold, sans-serif font. The fabric has a fine, woven texture. The overall image conveys a sense of progress and forward movement.

Forward

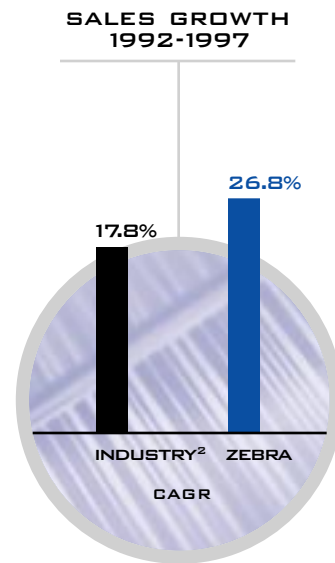


# *Focused expansion—targeted growth.*

The \$8.5 billion automatic identification industry is clearly a growth market. Venture Development Corporation, an independent research firm, predicts the Auto ID market will grow between 18 and 19 percent a year through the year 2000. Zebra's prospects, however, will continue to outpace industry predictions for one simple reason: Zebra focuses its entire business on the two segments of the market with the highest growth potential, the industrial/service sector and the international market.

Analysts estimate that bar code technology has penetrated only 30 percent of the industrial/service sector, in comparison to more than 90 percent penetration of the retail market. Zebra, with a full spectrum of products and a reputation for meeting the most demanding requirements, is uniquely positioned to take advantage of the industrial/service market's growth potential.

The international market offers additional opportunities for growth, particularly in Europe, Asia, Central and South America, where industries are in the earliest stages of adopting bar code technology. With sales offices in place to cover all the world's major markets, Zebra is positioned to be a dominant player in the international market.





220.X7II™



170.X7II™



140.X7II™



90.X7II™

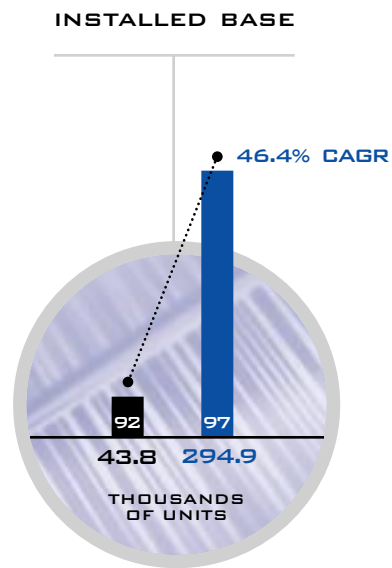


X7II SERIES™

# Zebra leads while all others follow.

Zebra has installed over 290,000 printers in 80 countries around the world. To support this broad collection of international customers, Zebra implemented the industry's first Internet-based technical support system to supplement its traditional tech support group. This new, interactive system uses case-based logic to provide support in real time, 24 hours-a-day, 7 days-a-week, to customers around the world. Zebra is the first bar code printer company to incorporate leading Internet technology into its customer service and technical support systems.

For the industrial market, Zebra has by far the largest selection of printers, supplies and software of any bar code printer manufacturer. Zebra has products to fit virtually every industry, from low volume desktop applications to high performance print engines used in automatic label applicator systems. Whatever the requirements, from the smallest sized label, to the fastest output, to labels that withstand the harshest conditions, Zebra has a product to meet the spec. Each Zebra product shares a common reputation for innovation, performance, quality and reliability.







170PAX™



PC470



Z6000™



Z4000™

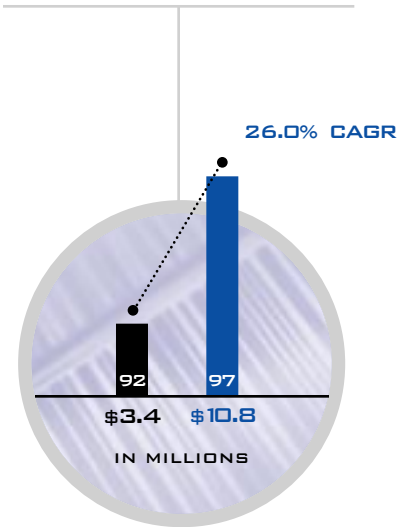


# *New product platforms drive growth.*

Historically, new product platforms have fueled Zebra's record growth in revenue. Zebra has introduced as many new product platforms in the past 18 months as in the past 10 years combined. This accelerated rate of product development comes in response to the market as industries find new applications for bar code technology. Zebra consistently invests more in new product development than any company in our industry. This past year products introduced during the past 18 months accounted for 45 percent of total printer sales and more than half of all units sold.

In 1997 Zebra introduced the Z Series printers. The Z Series is the result of extensive research and represents the largest investment in new product development Zebra has ever made. The Z Series most significant innovation is its modular design. Options on both the Z4000™ and the Z6000™ can be field installed, making these two models the most flexible bar code printers in the industry. With revolutionary performance and pricing, the Z Series redefines value in the bar code printer industry.

## PRODUCT DEVELOPMENT SPENDING





**BOEING**®

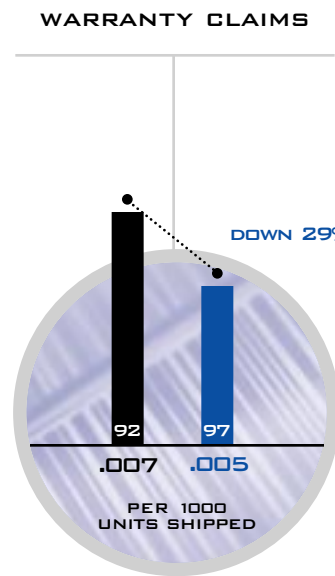




# *Zebra's reputation is built on reliability.*

The world's leading companies choose Zebra printers for mission-critical applications for one simple reason: Zebra printers deliver results. Day after day. Year after year. For more than 15 years, Zebra has earned its reputation for quality and reliability under the most demanding circumstances. And customer satisfaction remains central to Zebra's success today.

In an industrial or manufacturing environment, bar code data systems are essential components of the entire production and communications network. At the heart of the system is the bar code label, which contains every piece of critical information associated with the item labeled. Most companies cannot afford for the label to fail. Zebra can create labels that adhere to virtually any surface, enabling our customers to adapt bar code technology into practically every industry. Zebra labels perform flawlessly, even under the harshest conditions—from exposure to chemical baths used in the manufacturing of circuit boards to the extreme temperatures of a steel mill. Zebra's on-demand printers print literally billions of labels each month for customers around the world.



Serial No.  
8476346700



ROTATED BAR CODES

# THE RESELLER IS THE ARCHITECT OF THE DATA COLLECTION PROCESS

**HARDWARE**  
ZEBRA BARCODE PRINTERS  
SCANNERS & WANDS  
ZEBRA APPLICATORS

**SOFTWARE**  
BAR-ONE LABEL DESIGN  
DATA COLLECTION  
MANAGEMENT INFORMATION

**MEDIA**  
ADHESIVE LABELS  
CARD TAGS/TICKETS  
ENVIRONMENTALLY RESISTANT

**RESELLER = PARTNER**



ZEBRA SOLUTIONS CAN  
GENERATE ALL TYPES  
OF LABELS WITH:  
BAR CODES, LOGOS,  
TEXT, AND GRAPHICS



**MADE IN USA**



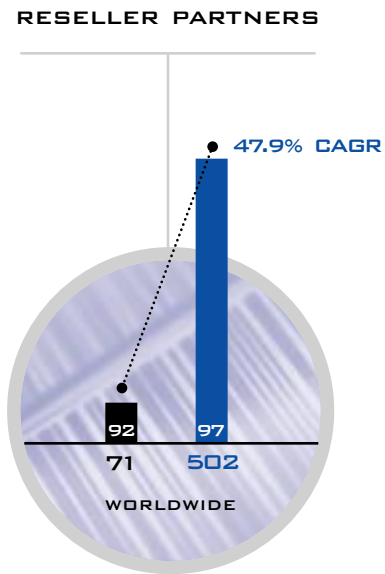
2-D BAR CODES



# *Experts in the field.*

Unquestionably, Zebra's indirect channel network is among its strongest assets. Zebra has relationships with more than 500 reseller partners worldwide. Among these are "two tier" distributors who sell to thousands of small value-added resellers with specific industry or application expertise. The breadth and diversity of this network leverages Zebra's resources and provides a highly flexible and cost-effective way to deliver products to the end-user.

Zebra's channel partners deliver value to the end-user because they build the optimal bar code system by selecting from the leading manufacturers of each system component: printers, scanners and data collection equipment. Zebra also works with its channel partners to provide application expertise for the end-user, to integrate bar code technology with the customer's existing information systems. The breadth of Zebra's distribution channels provides the end-user far more choices, from the full services of a national systems integrator like Peak Technologies to the specialized services provided by industry-specific value-added resellers. Zebra is clearly the preferred brand of bar code printer among its channel partners. Zebra will continue to invest in these valuable relationships.





SIMON TANG  
GENERAL MANAGER, ASIA PACIFIC



# *A key player in the global market.*

The international market, where bar coding is an emerging technology, is Zebra's greatest opportunity for long term growth. Zebra is positioned to be the world leader in bar code printer technology for the same reasons it dominates the domestic market: product quality, product diversity and the strength of its distribution network.

International sales have risen from 37 percent of total sales in 1993 to 46 percent, almost \$90 million, in 1997. International sales grew more than 18 percent over 1996. Zebra printers are currently providing bar code labeling solutions in 80 countries around the world.

Zebra has a strong sales position in all of the world's key markets with offices in High Wycombe and Preston (U.K.), Frankfurt, Singapore and Miami; the Miami office manages sales in both Central and South America. In three years the number of employees devoted to international sales has doubled to 108. Zebra also offers technical support in seven languages: English, German, French, Spanish, Portuguese, Japanese and Mandarin.

