



1998 ANNUAL REPORT ZEBRA TECHNOLOGIES CORPORATION



FINANCIAL SUMMARY*DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA*

	1998	1997	1996	1995	1994
NET SALES	\$335,983	\$297,100	\$252,487	\$200,319	\$136,379
GROSS PROFIT	155,810	143,708	117,013	93,954	65,046
INCOME FROM OPERATIONS	61,636	71,262	54,133	50,626	35,678
INCOME FROM CONTINUING OPERATIONS	40,069	54,447	37,952	36,693	24,696
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	1.29	1.74	1.21	1.19	0.83
CASH AND CASH EQUIVALENTS AND INVESTMENTS AND MARKETABLE SECURITIES	162,668	139,320	103,777	88,139	60,053
WORKING CAPITAL	229,688	209,862	164,678	131,369	86,704
TOTAL ASSETS	310,002	270,447	218,631	176,695	114,537
SHAREHOLDERS' EQUITY	270,884	236,220	184,007	144,391	93,812

On October 28, 1998, Zebra Technologies merged with Eltron International.

Separately, each company was preeminent in its bar code label market. United, we set the standard by which the entire industry is measured.

A union of strength. Accelerating growth.

Welcome to the new Zebra.



WHEN YOU THINK OF BAR CODES, THINK ZEBRA. TOGETHER, ZEBRA AND ELTRON ARE REDEFINING

LEADERSHIP IN ONE OF THE WORLD'S FASTEST GROWING INDUSTRIES.



The new standard for

On October 28, 1998, Zebra Technologies merged with Eltron International, a leading manufacturer of desktop bar code printers and plastic card printers. The merger has created a company that sets new standards for excellence, product quality and customer service in the high growth bar code labeling and plastic card printer industries. Today Zebra is the undisputed leader in our industry, with the largest installed base and strongest distribution. The merger greatly fortifies Zebra's competitive position by enhancing our ability to serve our customers, by giving us a stronger product line, by expanding our markets and by strengthening our organization. We have more resources and more capabilities devoted to bar code labeling solutions than any company in our industry. The ultimate benefit of the merger, though, will be its positive effect on long-term shareholder value.

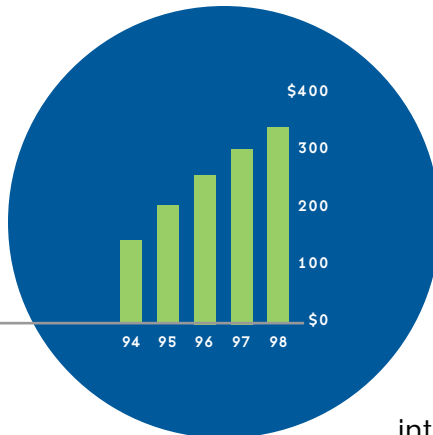
The New Zebra. The merger of Zebra and Eltron into the new Zebra gives us five primary benefits: focused leadership, accelerated sales, synergy, diversification, and scale. Each provides Zebra with specific strategic gains that enhance our competitive position and our ability to serve our customers. **Focused Leadership.** Perhaps the single greatest benefit of the new Zebra is the larger pool of talent at all levels of our organization. With this talent, we have organized our operations into two business units: Bar Code Labeling Solutions and Plastic Card Printing. Each unit has its own sales, marketing, research and development, engineering and



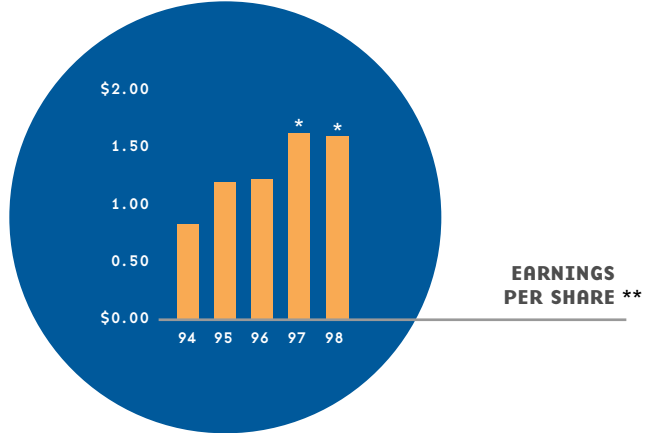
success.

manufacturing functions. With separate business units, we can provide our customers better service, sharpen our product focus and increase the efficiency of our own personnel. This structure allows the people in each unit to deliver the products and services that meet the needs of these distinct markets. Accelerated Sales. By consistently creating the leading products in their respective markets, Zebra and Eltron have developed valuable brand equity and an enviable record of sales growth. We will continue to capitalize on that brand equity by selling products under the Zebra and Eltron names, using a two-brand strategy. The increased breadth of our product line, the organization of our sales and marketing staffs, the diversity of our complementary markets and our refocused R&D all work to enhance Zebra's sales potential. • Complementary distribution channels offer several new cross-selling opportunities. Eltron brand channel partners are enhancing their lines with the addition of Zebra brand products. Similarly, Zebra's traditional channel partners are carrying more Eltron products. Eltron's strength in direct key account relationships balances Zebra's well-developed distribution on international fronts. We are also making new product categories available to our customers by offering plastic card printers to select Zebra resellers who previously did not have access to this technology. Synergy. The merger achieves cost synergy in several critical areas. We have eliminated the duplicated expenses of running two public companies by consolidating boards of directors and eliminating redundant administrative costs. More important, the greatly increased size of our organization also helps us achieve greater business economies by centralizing purchasing; we see significant opportunities to lower manufacturing costs. Our increased production capacity also allows us to grow without adding significantly to our facilities or staff. The merger is also allowing us to redeploy R&D by redirecting overlapping resources into additional projects to help us bring more new products to the market faster. • In 1998, we implemented a global Enterprise Resource Planning (ERP) system at our headquarters in Vernon Hills and in the U.K. In 1999, we will begin deploying this system

to other facilities around the world. Because Zebra has already invested in the technology, the cost of extending the ERP system to our other facilities is reduced. When fully deployed, this global system will enable us to improve the efficiency of our business processes, reduce costs and improve the quality of the services we deliver to our customers. ● In 1999, we will consolidate duplicate offices to streamline service to our customers in more than 90 countries. Duplicate offices will be merged in the U.K., Singapore and Miami. We will also consolidate European warehousing and distribution into our new U.K. facility in Preston. Diversification. Historically, Zebra has owned the largest market share in the high and mid-range segments of the thermal bar code printer market;



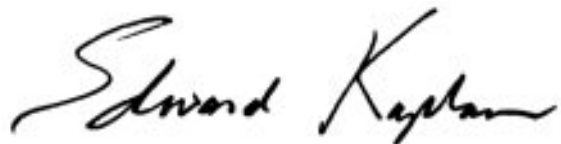
Eltron has been first in the lower-priced desktop segment of the market. Our complementary product lines mean we now have the broadest product offering and highest market share in all three segments of the bar code printer market, far surpassing our nearest competitor. Also, outstanding product offerings in portable printers and label applicator print engines strengthen our market position by giving us a product line that is unsurpassed by any company in our industry. Plastic card printers, acquired in the merger with Eltron, offer tremendous opportunities in a new high-growth segment. ● The merger also unites Eltron's and Zebra's complementary markets. Where Eltron has expertise in small package delivery, health care and point of sale, Zebra sells primarily in manufacturing, warehousing and distribution applications. The combined applications give the new Zebra far greater reach and diversity. Scale. Zebra's installed base has nearly tripled. Today, we have more than one million units in the field, far more than our closest competitor. This base creates new sales opportunities, since the purchase of a new printer are greatly influenced by the brand of printer currently in use. ● We have nearly doubled the number of our facilities, greatly increasing our capacity and resources. This size enables us to successfully complete and fulfill significantly larger orders and increases the comfort large customers have in doing business with us.



* Excluding merger related costs and one-time items
 ** Diluted earnings per share from continuing operations

A Year of Growth and Transition. Financial results for 1998 reflect Zebra's much larger size and scope. Sales hit a record \$336 million, which combines results for Zebra and Eltron for the entire year. Continued growth in bar code printer products accompanied exceptional growth in our new plastic card printer business. Sales growth to North American customers increased 16.4% for the year, accelerating from the growth experienced in 1997. Because of economic conditions in Asia Pacific, which restricted sales to this region, international sales increased 8.5% for the year. The year was also a period of major transition for Zebra, as the two companies completed the merger and began the complex integration process. Our financial results include \$13.2 million in merger-related costs. Excluding these one-time charges, Zebra recorded income from continuing operations of \$1.59 per share. These results were down slightly from the \$1.61 per share for 1997, excluding a one-time gain on the sale of an investment. • Even with these merger-related charges, Zebra's financial strength remained firmly intact. Zebra had \$163 million in cash and investments and no long-term debt at the end of the year. Excluding the investment portfolio, return on average equity was a robust 32.1%. Free cash flow amounted to \$0.98 per share.

The View Ahead. Zebra Technologies is clearly stronger now than at any point in its history and strategically positioned to capture a growing share of the global bar code and plastic card printer markets. Successful integration is Zebra's Number One priority in 1999, and integration teams are hard at work leveraging the potential that the merger affords to accelerate sales and profit growth. We are extending into new markets and new territories at every opportunity with the strongest, most developed group of channel partners in the industry. We are driving new product development further and faster than ever before. And we are identifying and seizing the cost opportunities to make us a more efficient manufacturer. In 1998, we strengthened the foundation from which we expect to build even greater success in the future.

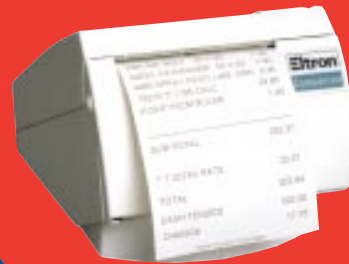
A handwritten signature in black ink that reads "Edward Kaplan". The signature is written in a cursive, flowing style.

Edward Kaplan
Chairman and Chief Executive Officer

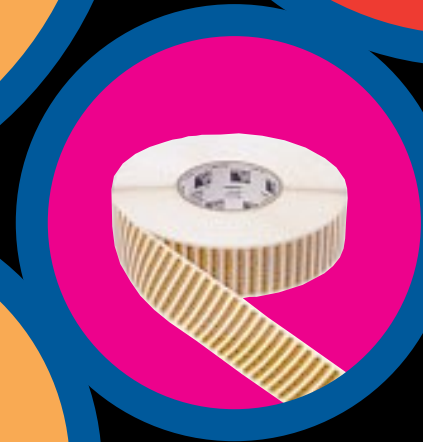
Solutions for ever



ry business. Tabletop. D



Desktop. Portable. Print



engine. Photo ID.



Invest with the team

Zebra leads the thermal bar code printer market for one simple reason: our people built the industry. As separate companies, Zebra and Eltron led their respective markets because of the depth of talent within each organization. Our union creates the new Zebra, with a pool of talent and experience unmatched in the industry. It also marries the complementary expertise of Eltron and Zebra in all segments of on-demand thermal bar code printing technology and photo ID card printing. With the merger, Zebra is directing its



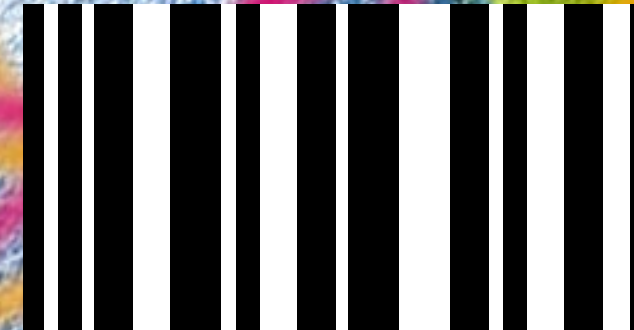
who built the industry.

resources to develop new products that meet evolving market needs, including new bar code connectivity solutions for growing enterprise-wide resource planning systems, wireless networks, and new radio frequency technologies. All of this is made possible by Zebra's 1,500 people around the world. They are problem solvers. And they are constantly inventing new tools to help bring the benefits of bar code technology to new industries.



The technology th

Every business wants to increase productivity; for companies competing on a global level, it is essential for survival. Zebra, with its distribution partners, takes bar code technology and adapts it to the specific processes and needs of each customer. This collaboration of technology and expertise helps each customer realize the gains in productivity that bar coding affords. For manufacturers, that means more accurate and timely management information. For health care providers, that means ensuring accuracy of patient records and specimen handling. For small package delivery services, that means tracking each of the millions of packages daily, while simultaneously providing timely status of





What businesses want.

a customer's shipment. • An installed base of more than one million units, spread throughout more than 90 countries, is a unique asset for Zebra. This base, which far exceeds that of the nearest competitor, gives Zebra and its distribution partners a notable advantage for future product and supply sales. Zebra has outstanding long-term growth opportunities because of its international presence and strong channel partner relationships. Global commerce and the drive to achieve greater efficiency is creating increased demand for bar code technology. Zebra is ready to meet these market needs and capture the opportunity.

Applications as varied

The limits of auto identification technology are set only by the imagination. A key component of every bar code data system is the label. The success of the entire system hinges on the label's performance. Every day, Zebra printers reliably produce millions of bar code labels for businesses in countless industries. Zebra is the proven leader in developing products for new applications. The merger of Zebra and Eltron has created the broadest thermal bar code printer product line available from one company. From high-performance and



MANUFACTURING

THE DEPENDABILITY OF ZEBRA PRINTERS MAKE THEM THE LEADING CHOICE FOR MISSION CRITICAL APPLICATIONS. THIS INCLUDES LABELING CONTAINERS WITH TOXIC OR CORROSIVE SUBSTANCES.



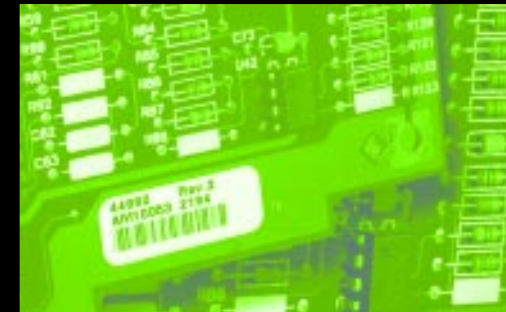
LABORATORY

BAR CODE LABELS ORGANIZE CRITICAL INFORMATION IN SCIENTIFIC LABORATORIES AND RESEARCH ORGANIZATIONS, WHILE PROTECTING CONFIDENTIAL INFORMATION IN HEALTH CARE APPLICATIONS.



PLASTIC CARD

USERS RELY ON ZEBRA PLASTIC CARD PRINTERS TO MAKE INSTANT ID CARDS WITH PHOTO-QUALITY IMAGES FOR ACCESS CONTROL, MEMBERSHIPS, AND PERSONAL IDENTIFICATION.

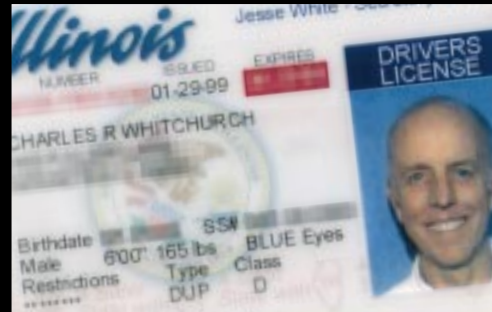


ELECTRONICS

LABELS PLACED DIRECTLY ON CIRCUIT BOARDS WITHSTAND THE HIGH HEAT OF SOLDER BATHS AND OVENS DURING MANUFACTURING. ZEBRA PRINTERS AND LABELS MEET THESE DEMANDING NEEDS.

as business itself.

mid-range models to desktop printers, to high-volume label applicator print engines and portable printers, Zebra manufactures more products for more applications than any other company in its industry. Zebra is moving aggressively into the high-growth market for plastic card printers. From photo identification cards to drivers' licenses, Zebra manufactures plastic card printers to meet practically any specification. Around the world people are discovering that there are as many uses for auto ID technology today as there are businesses.



WAREHOUSE

BAR CODE TECHNOLOGY REVOLUTIONIZED WAREHOUSING OPERATIONS; ZEBRA PORTABLE PRINTERS SIMPLIFY LABELING ITEMS ON DEMAND, THROUGHOUT THE WAREHOUSE.

COMPLEX INVENTORY

A GREENHOUSE CAN TRACK THE SCIENTIFIC AS WELL AS THE COMMON NAMES FOR PLANTS. OTHER INFORMATION LIKE THE DATE OF GERMINATION AND CARE REQUIREMENTS CAN ALSO BE INCLUDED.

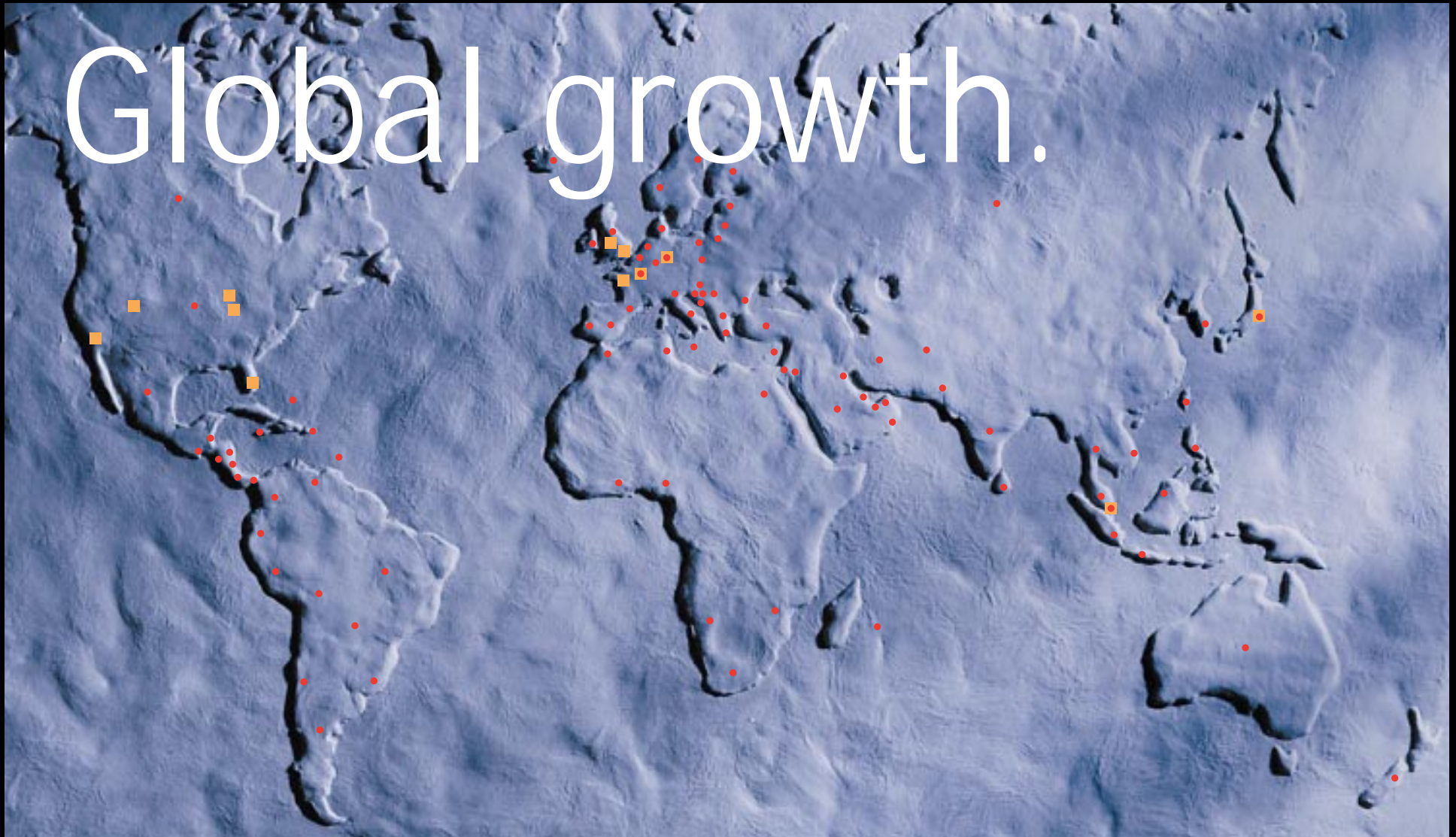
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FOR THE STATE OF ILLINOIS, PRODUCING DRIVERS' LICENSES IS A HIGH-VOLUME APPLICATION. THEY, AS WELL AS A GROWING LIST OF GOVERNMENT AGENCIES AROUND THE WORLD, ARE TURNING TO ZEBRA'S SECURE ID PRINTERS TO MANAGE THE JOB.

SMALL PACKAGE DELIVERY

BAR CODE TECHNOLOGY HAS HELPED REVOLUTIONIZE PACKAGE DELIVERY. LABELS PRODUCED ON ZEBRA PRINTERS HELP ENSURE ACCURATE TRACKING AND TIMELY DELIVERY OF PACKAGES AROUND THE WORLD.

Global growth.



ZEBRA LOCATIONS

CAMARILLO, CALIFORNIA	VERNON HILLS, ILLINOIS	APPLETON, WISCONSIN	HIGH WYCOMBE, ENGLAND	VARADES, FRANCE	TOKYO, JAPAN
MIAMI, FLORIDA	SANDY, UTAH	PRESTON, ENGLAND	PARIS, FRANCE	FRANKFURT, GERMANY	SINGAPORE

INSTALLED BASE

AFGHANISTAN	BELGIUM	CROATIA	FRANCE	INDONESIA	LATVIA	NETHERLANDS	PERU	SINGAPORE	TAIWAN	VENEZUELA
ANDORRA	BELIZE	CYPRUS	GERMANY	IRAN	LITHUANIA	NEW ZEALAND	PHILIPPINES	SLOVAK REPUBLIC	THAILAND	VIETNAM
ARGENTINA	BOLIVIA	CZECH REPUBLIC	GHANA	IRELAND	LUXEMBOURG	NICARAGUA	POLAND	SLOVENIA	TUNISIA	YUGOSLAVIA
BAHRAIN	BRAZIL	DENMARK	GREECE	ISRAEL	MALAYSIA	NIGERIA	PORTUGAL	SOUTH AFRICA	TURKEY	ZIMBABWE
BARBADOS	CANADA	ECUADOR	GUATEMALA	ITALY	MALTA	NORWAY	PUERTO RICO	SOUTH KOREA	UNITED ARAB	
	CHILE	EGYPT	HONDURAS	JAMAICA	MAURITIUS	OMAN	QATAR	SPAIN	EMIRATES	
	CHINA	EL SALVADOR	HUNGARY	JAPAN	MEXICO	PAKISTAN	ROMANIA	SRI LANKA	UNITED KINGDOM	
	COLOMBIA	ESTONIA	ICELAND	JORDAN	MOROCCO	PANAMA	RUSSIA	SWEDEN	URUGUAY	
	COSTA RICA	FINLAND	INDIA	KUWAIT	NAMIBIA	PARAGUAY	SAUDI ARABIA	SWITZERLAND	UNITED STATES	