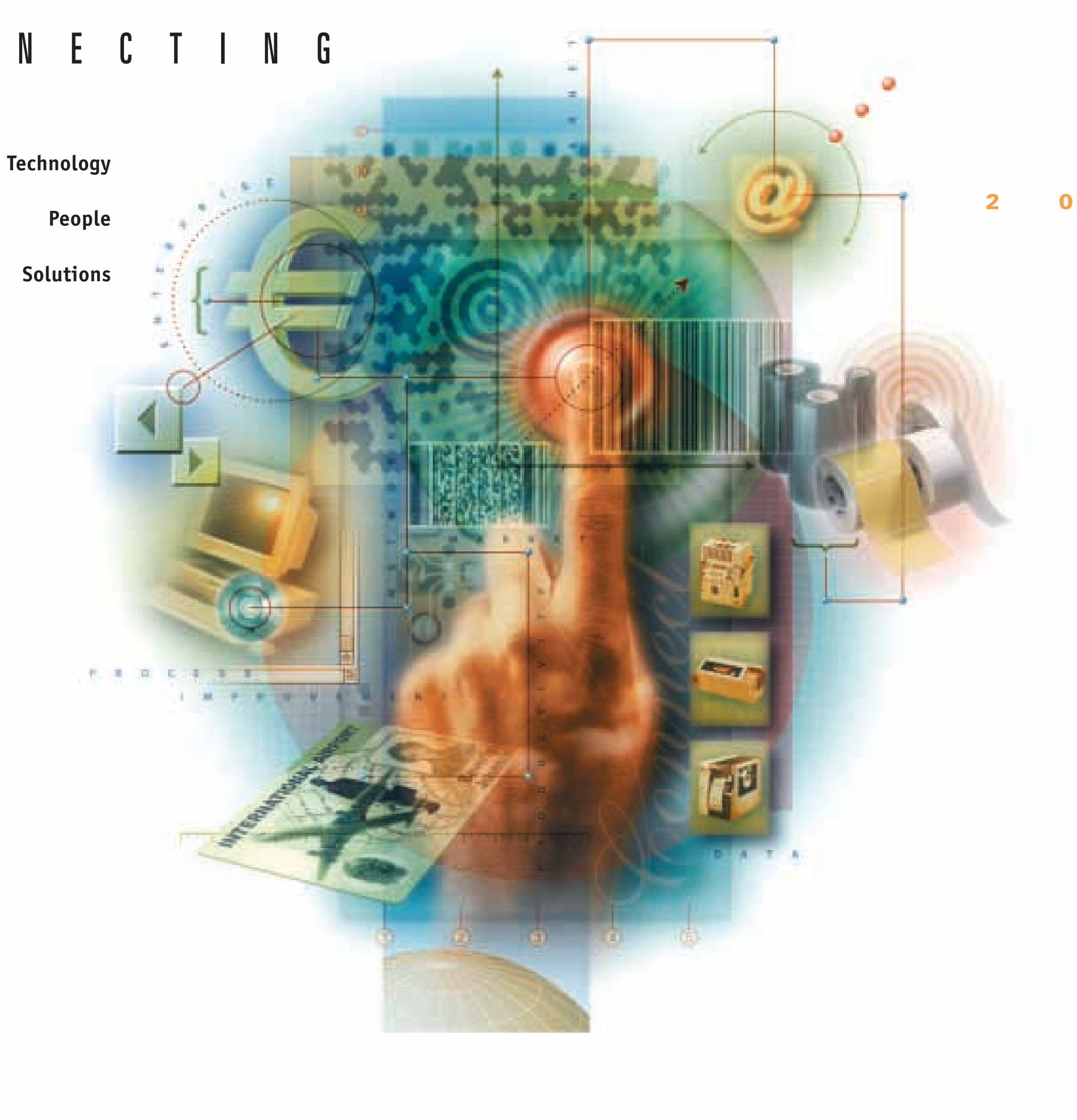
CONNECTING

Technology

People

Solutions



2000

annual report

Zebra Technologies Corporation

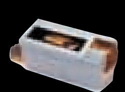
About The Company

Zebra Technologies is the world's leading manufacturer of bar code labeling solutions and instant-issuance plastic card printers. In more than 90 countries our printers, supplies and software are used for high-growth automatic identification applications to help companies improve quality, productivity and customer service.

High Performance Tabletop Bar Code Label and Specialty Printers

Desktop Label and Receipt Printers

Mobile Printing Systems



Instant-Issuance Plastic Card Printers

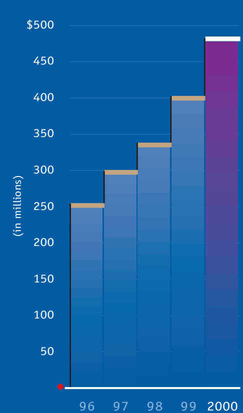
Thermal Printing Supplies

Connectivity and Label Design Software

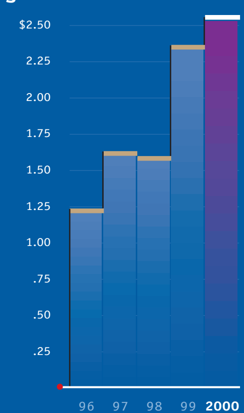
F I N A N C I A L   S U M M A R Y

(In thousands, except per share data and percentages)	2000	% change	1999	% change	1998
Operating Results					
Net sales	**$481,569**	19.7%	$402,213	18.4%	$339,678
Gross profit	**232,428**	14.3	203,271	30.2	156,039
Operating income	**108,670**	4.7	103,784	67.8	61,865
Net income	**71,622**	2.9	69,632	73.8	40,069
Diluted earnings per share	**2.30**	4.1	2.21	71.3	1.29
Capitalization					
Cash and cash equivalents and investments in marketable securities	**$156,714**		$235,568		$162,668
Working capital	**256,799**		302,804		229,688
Total assets	**418,896**		394,643		310,002
Total shareholders' equity	**371,288**		349,307		270,884

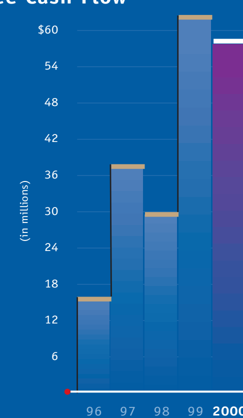
Net Sales



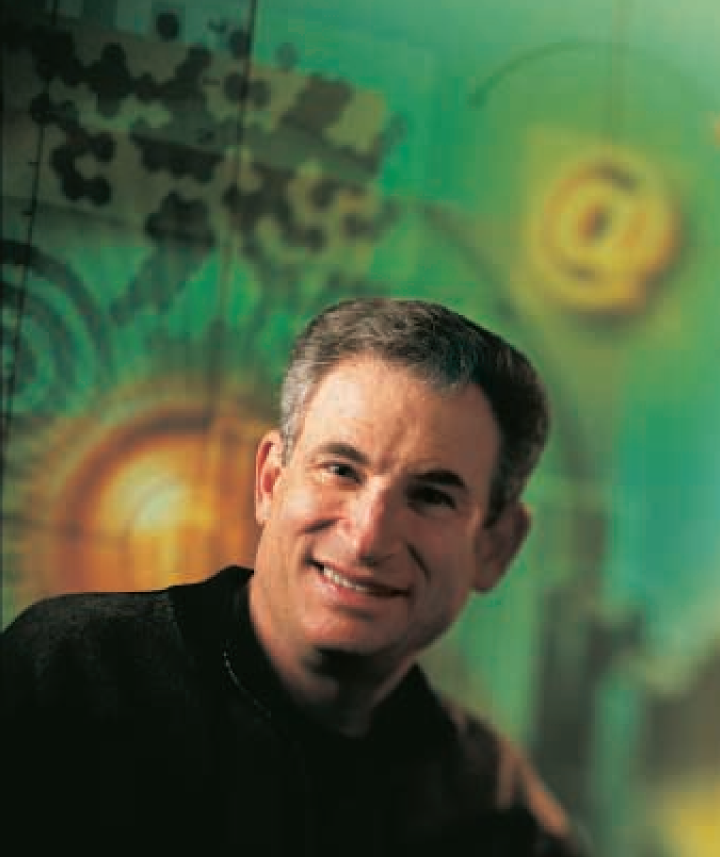
Earnings Per Share*



Free Cash Flow



**Excludes merger costs and other one-time items.*



Edward Kaplan
Chairman and Chief Executive Officer

TO OUR SHAREHOLDERS:

Zebra's enduring success has come from continually extending its leadership in the growth market for bar code labeling solutions. This year was no exception. Our accomplishments in 2000 made us an even stronger company in barcoding and instant-issuance plastic card printing. As important, they positioned Zebra for further growth in exciting new and emerging markets.

Significant new products in all segments helped open markets, serve new applications and gain market share. Notably, we attained the Number One position in the high-growth market for mobile printing solutions by acquiring Comtec in April. Comtec also gave us direct sales capabilities to serve larger companies more effectively and better access to retailers.

Wireless technology, which accompanied the Comtec acquisition, significantly added to the value of our printing solutions. Also in 2000, we introduced industry-leading Internet connectivity for unparalleled global control over Zebra bar code printer networks. Still other advances gave our printers emulation capabilities to displace competing printers and perform low-cost stand-alone operations. In 2000, radio frequency identification became a reality, with the first shipments of our RFID printer/encoders to simultaneously print a bar code and encode the chip embedded in a "smart label."

New offices in South Korea and Hong Kong furthered our international expansion, which continues to offer outstanding growth opportunities. We also added representation in Australia and other countries, and focused more attention on our growing Latin American business.

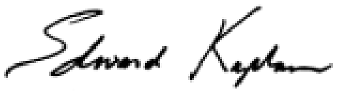
The addition of Comtec, continued high growth in international markets and further share gains in plastic card printing contributed to our tenth consecutive year of growth as a public company. Net sales increased 19.7% to a record $481.6 million, while earnings excluding merger costs increased 8.1% to a record $2.53 per share. We generated $56.1 million in free cash and, at the end of 2000, had $156.7 million in cash and investments available for further acquisitions and other investments.

Our accomplishments in 2000, which strengthened Zebra on many fronts, and the long-term outlook for auto-ID technologies fill us with enthusiasm. The fundamental reasons for adopting barcoding—productivity improvement and quality enhancement—remain firmly intact. The implementation of complementary technologies and growth in new industries add to this favorable outlook.

The global market leadership, unmatched brand and distribution strength, and product depth and breadth that we discuss in the following pages prepare us to capture the outstanding opportunities we see ahead. Leveraging on our tremendous competitive advantages will make us an even greater force than we are today, as we capture market share and growing product volumes drive down manufacturing costs and support profitability.

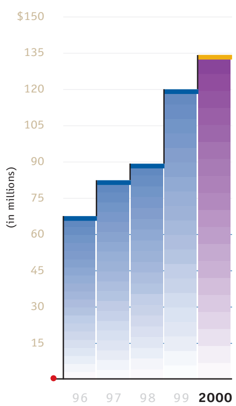
Fueled by our strong cash generation, acquisitions have been enormously successful in strengthening our competitive advantages and vaulting us to the Number One market position. They will continue to play a meaningful role in building value in our core business, as well as diversifying into related high-growth opportunities and technologies.

We enter another year optimistic for further success, as the 2,000 Zebra associates worldwide are building the value of Zebra for all its shareholders.



Edward Kaplan
Chairman and Chief Executive Officer

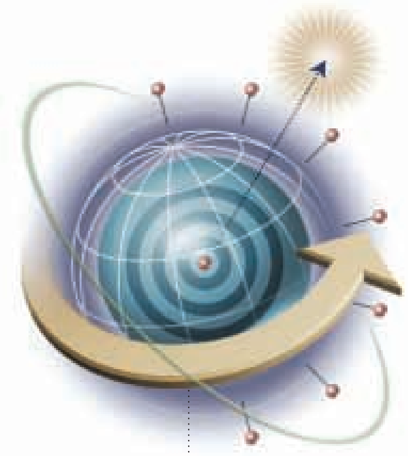
EBITDA*



*Earnings before interest, taxes, depreciation and amortization

Zebra Technologies is well positioned to grow shareholder value. We continue to build on the elements that delivered an impressive record of sales and earnings growth, high profitability and financial strength.

WHY ZEBRA?

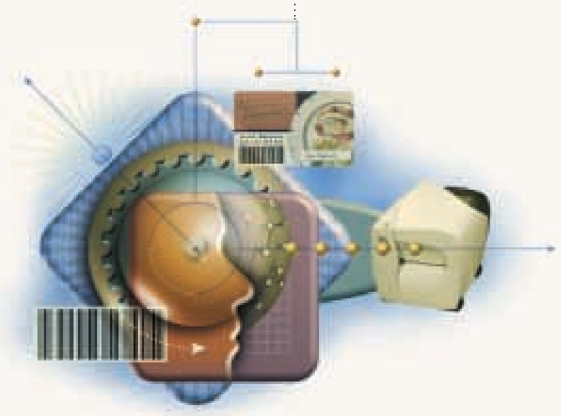


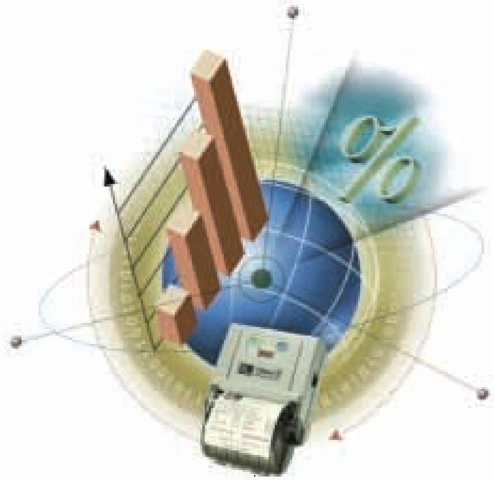
Global Growth

The world is getting smaller, as companies increasingly source products from suppliers worldwide. To deliver their products on time at the lowest possible cost, suppliers are adopting industry bar code labeling standards — making the global supply chain more streamlined and sophisticated. Zebra is ideally positioned to serve this important growth market with a vast network of reseller partners in more than 90 countries. We will continue to expand this network to tap the growth potential of international markets.

Innovative Products

Products that deliver real value are the foundation of Zebra's long-term success. Recent introductions, such as Internet connectivity, radio frequency identification, and wireless communication, improve the performance and flexibility of our printing solutions to meet a growing number of bar code labeling and automatic identification applications. New products help us grow by serving new applications, attracting new customers, and opening new markets.





Growing Markets

Competition drives companies to increase productivity, lower costs, and improve customer service. The continued adoption of barcoding and automatic identification technology is assured with the increasing sophistication of supply chain management, new compliance labeling standards, emerging markets for applying the benefits of barcoding and auto-ID, and the desire for greater customer convenience, personal identification and security.

Zebra is the clear global market leader in thermal bar code label printing with unsurpassed brand strength. No other company brings such depth and breadth of product to the market: from rugged, high-performance printers in mission-critical applications to compact desktop and portable models in offices and on the go. Zebra's leadership offers a material advantage to our valued resellers and end users: best-of-breed printers from a single source.

Market Leadership

New Technologies

What began as a mechanical bar code label printer is now a sophisticated information management tool. Whether it's a bar coded shipping label or magnetically encoded plastic card, Zebra products deliver information on demand in highly useable formats. Real-time links with databases encode labels for accuracy and efficiency. Internet connectivity provides unparalleled control over worldwide label printer networks. Wireless capabilities and other new technologies enable Zebra to deliver more value to the market and open new applications for our printing solutions.

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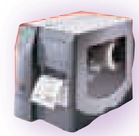

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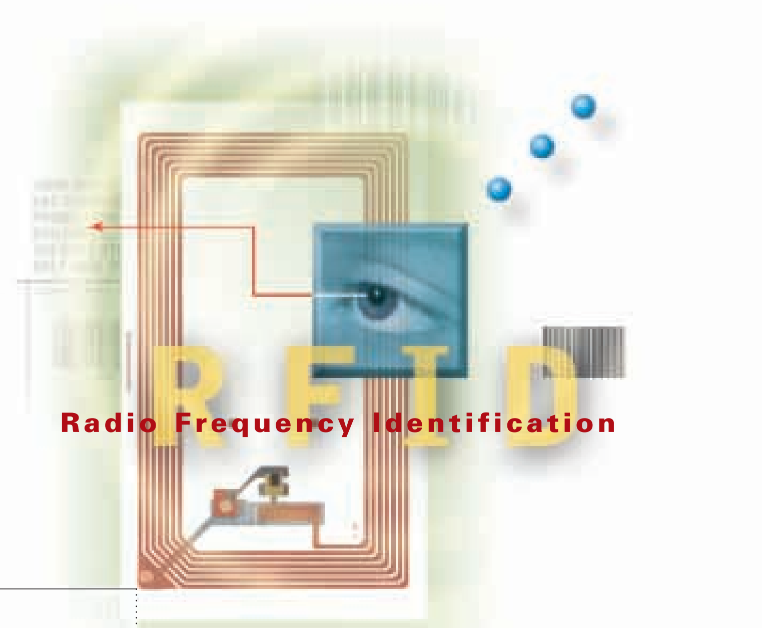


HEALTHCARE

Healthcare providers reduce costly errors with Zebra specialty labels for patient identification, laboratory procedures, and other operations requiring the highest accuracy levels. St. Anthony Central and St. Anthony North hospitals in Denver use Zebra products when conducting glucose scans. The nurse enters an ID number and scans the patient-identifying bar code. Information from the glucose scan is downloaded to the hospital's laboratory database and merged with the patient's billing record.

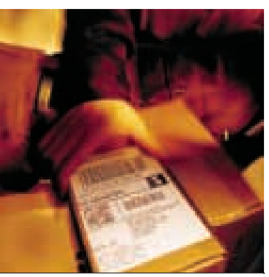
Zebra delivers new **auto-ID capabilities** to its customers with radio frequency identification technology. "Smart labels" from the R-140 printer/encoder combine human-readable and non-line-of-sight reading with the ability to append information on an integrated chip embedded within the label. These features give companies new levels of control over their asset management throughout the supply chain.

Curbside Baggage Check-in

Cameo 3

Zebra products help American Airlines deliver better customer service with curbside airport check-in. Thanks to wireless connectivity and Zebra printers, travelers can check their bags and get their boarding passes right at curbside and bypass the lines inside the terminal.

Supply Chain Logistics



Billions of packages move through the supply chain every year. Around the world, from source to final destination, Zebra's bar code labeling solutions keep packages moving with increasing speed and efficiency.

Instant-Issuance Plastic Card Printing

Personalized digital driver's licenses and identification cards for the State of Ohio and other governmental agencies worldwide are printed on Zebra's instant-issuance plastic card printers. Security and access control are two rapidly growing personal identification applications, which can incorporate magnetic stripe, smart card, bar code, and laminate overlay technologies.

P420 Plastic Card Printer

Toyota de Puerto Rico relies on Zebra mobile printing systems, high-performance tabletop printers and genuine Zebra supplies to track the 26,000 vehicles that arrive annually on the island.

Special Solutions for Extreme Applications

TOYOTA
Maneja Confiado

Because it endures the blazing heat and high humidity of tropical Puerto Rico, a PolyPro 2000 label containing essential information is printed and affixed to each vehicle. Toyota lowers costs, increases accuracy, and improves productivity as its sophisticated system tracks inventory in real time.

NEW ALLIANCES

Strategic partnerships expand the applications for Zebra printers and make it easier for companies to connect their Zebra printers to data networks. Users of SAP® e-business solutions can take advantage of our BAR-ONE for SAP R/3® to enable bar code printing from SAP solutions without additional software or servers, system modification or manual scripting.

Zebra Technologies is a mySAP.com® Software Partner

Entertainment and Leisure

San Diego's Barona Casino builds customer loyalty with personalized membership cards printed on Zebra plastic card printers. Hospitality and entertainment are exciting growth markets for Zebra, as companies provide enhanced services to their customers with digital instant-issuance cards for membership, frequent buying, and event access.

ZebraLink: the power to control and monitor bar code printers from anywhere in the world.

Alert
automatically sends a message to any wire or wireless email-enabled device when a printer runs out of media or other situations arise, minimizing downtime and keeping operations running smoothly.

WebView
offers familiar Web-based tools to adjust printer and network settings, and to download label formats to any or all networked Zebra printers over the Internet.

ZBI™
(Zebra BASIC Interpreter) controls other peripheral devices for stand-alone applications and can emulate non-Zebra printers for easy upgrades to Zebra performance and reliability.

2-D Barcoding

New compliance labeling, such as the General Motors GM1724-A standard, uses high-density, two-dimensional bar codes to pack large amounts of information onto a shipping label. Clear and accurate scanning of these labels is assured with the use of Zebra printers and supplies.

Zebra Technologies is an official compliance-certifying agent for the GM1724-A Common Global Shipping Label.

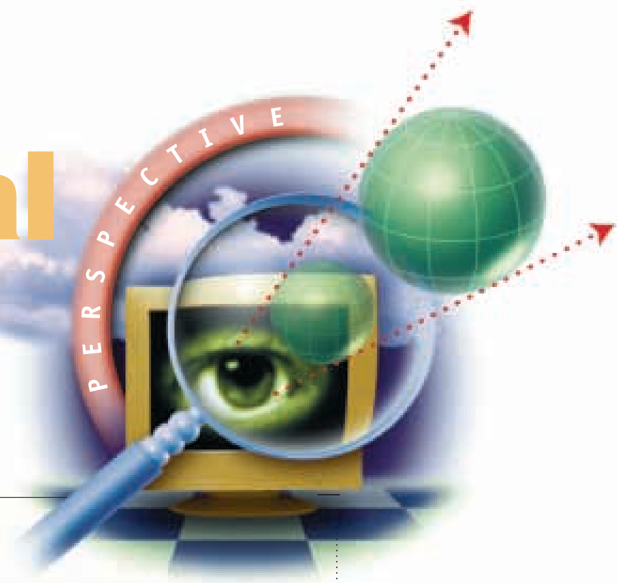
WIRELESS

With the aid of robust wireless connectivity, Wal-Mart and SAM'S Club associates use lightweight Zebra mobile printing systems for several in-store printing functions such as shelf labeling and merchandise re-ticketing. Mobile printing applications are growing rapidly, as companies change the way they do business to improve customer service and take advantage of the productivity enhancements mobile printing delivers.

Automatic Data Capture

Alaska Marine Lines keeps costs low and productivity high in delivering essential food, clothing, and building materials to the people of southeast Alaska. Using Zebra printers and PolyPro™ synthetic labels, AML's automatic data capture system speeds goods from port to port while customers track their orders on the Web.

Global



In 2000, international customers generated 37% of Zebra's total sales. International markets offer abundant growth opportunities for Zebra, as world economies become ever more interdependent. Zebra is well positioned to serve the expanding needs of businesses around the world, with our network of valued reseller partners located in more than 90 countries. We support this vast and effective system, which has sold more than two million Zebra printers, with 16 manufacturing, warehousing, and sales facilities worldwide.

Zebra Locations:

Illinois
California
Florida
Rhode Island
Wisconsin
Denmark
France
Germany
Hong Kong
Italy
Japan
Singapore
South Korea
United Kingdom

Representation in:

Washington, D.C.
Australia
Dubai
The Netherlands
South Africa
Spain

Reseller Locations:

American Samoa
Antigua and Barbuda
Argentina
Australia
Austria
Bahamas
Bahrain
Barbados
Belarus
Belgium
Bermuda
Bolivia
Brazil
Bulgaria
Canada
Cayman Islands
Chile
China
Colombia
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Finland
France
French Polynesia
Germany
Greece
Guam
Guatemala
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kenya
Kuwait
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Macedonia
Malaysia
Malta
Mauritania
Mauritius
Mexico
Morocco
Netherlands
New Zealand
Nigeria
Norway
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Puerto Rico
Romania
Russia
Samoa
Saudi Arabia
Singapore
Slovakia
Slovenia
South Africa
South Korea
Spain
Sri Lanka
Sweden
Switzerland
Syria
Taiwan
Thailand
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Vietnam
Venezuela
Yugoslavia
Zimbabwe

Selected Consolidated Financial Data

(In thousands, except per share amounts)
Year Ended December 31,

Consolidated statements of earnings data

	2000	1999	1998	1997	1996
Net sales	**$481,569**	$ 402,213[5]	$ 339,678[5]	$ 300,071[5]	$ 255,012[5]
Cost of sales	**249,141**	198,942[5]	183,639[5]	153,205[5]	137,754[5]
Gross profit	**232,428**	203,271	156,039	146,866	117,258
Total operating expenses	**123,758**[1]	99,487[2]	94,174[2]	72,446	62,880[4]
Operating income	**108,670**[1]	103,784[2]	61,865[2]	74,420	54,378[4]
Income from continuing operations before income taxes	**111,911**[1]	108,800[2]	65,021[2]	82,225[3]	60,703[4]
Income from continuing operations	**71,622**[1]	69,632[2]	40,069[2]	54,447[3]	37,952[4]
Earnings per share from continuing operations					
Basic	**$ 2.33**[1]	$ 2.23[2]	$ 1.30[2]	$ 1.76[3]	$ 1.24[4]
Diluted	**$ 2.30**[1]	$ 2.21[2]	$ 1.29[2]	$ 1.74[3]	$ 1.21[4]
Weighted average shares outstanding					
Basic	**30,790**	31,175	30,919	30,897	30,696
Diluted	**31,155**	31,521	31,176	31,380	31,269

(In thousands)
December 31,

Consolidated balance sheet data

	2000	1999	1998	1997	1996
Cash and cash equivalents and investments and marketable securities	**$156,714**	$ 235,568	$ 162,668	$ 139,320	$ 103,777
Working capital	**256,799**	302,804	229,688	209,862	164,678
Total assets	**418,896**	394,643	310,002	270,447	218,631
Long-term obligations	**513**	664	36	314	3,137
Shareholders' equity	**371,288**	349,307	270,884	236,220	184,007

(1) Includes pretax charges for merger costs of $11,066 relating to the acquisition of Comtec Information Systems, Inc., and merger with Eltron International, Inc.

(2) Includes a pretax charge for merger costs of $6,341 in 1999 and $8,080 in 1998 relating to the merger with Eltron International, Inc.

(3) Includes a one-time pretax gain of $5,458 from the sale of Zebra's investment in Norand Corporation common stock.

(4) Reflects a pretax charge for acquired in-process technology of $1,117 relating to the Company's acquisition of Fenestra Computer Services and $2,500 relating to the Company's acquisition of Privilege, S.A.

(5) Reflects the adjustment of net sales and cost of sales for EITF Issue No. 00-10, which requires freight billed to customers to be reported as revenue, not as a reduction of freight costs. This adjustment has no impact on net income.

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

On October 28, 1998, the Company merged with Eltron International, Inc. This transaction has been accounted for as a pooling of interests for financial reporting purposes. All financial statements for periods presented prior to the merger have been restated to give effect to the combination.

On April 3, 2000, Zebra acquired all of the outstanding capital stock of Comtec Information Systems, Inc. This acquisition was accounted as a purchase transaction. Accordingly, Zebra's results of operations reflect Comtec's results of operations from the date of acquisition.

During the fourth quarter of 2000, the Company adopted Securities and Exchange Commission Staff Accounting Bulletin No. 101 (SAB 101), *Revenue Recognition in Accounting Statements,* and Emerging Issues Task Force Issue No. 00-10 (EITF 00-10). In accordance with EITF 00-10, the Company adjusted sales for all years reported to include freight billed to customers as freight revenue. Previously, these freight billings were classified as a reduction of freight costs in cost of sales. This change in classification has no effect on previously reported net income.

Comparison of Years Ended December 31, 2000 and 1999

Net sales increased 19.7% in 2000 to a record $481,569,000 from $402,213,000 in 1999. A significant portion of this sales growth was due to the addition of sales derived from the Comtec acquisition. Hardware sales increased 17.6% to $377,842,000 from $321,354,000 and represented 78.5% of net sales, compared with 79.9% of net sales for 1999. Sales of supplies increased 16.8% to $80,703,000 from $69,092,000 to represent 16.8% of net sales in 2000 versus 17.2% in 1999. Because of the higher proportion of service revenue in the portable printer business from the Comtec acquisition, service and software revenue advanced 113.7% to $17,251,000 from $8,071,000 and accounted for 3.6% of net sales in 2000 compared with 2.0% for 1999. Freight revenue for 2000 was $5,773,000, up 56.2% from $3,695,000 for 1999, and accounted for 1.2% of net sales in 2000 and 0.9% in 1999.

Geographically, North American sales increased 25.0% to a record $301,580,000 from $241,320,000. The high concentration of Comtec sales in North America contributed to the sales growth in the region. A slowing U.S. economy, however, restricted sales growth of bar code label printers in North America, as companies reduced expenditures on capital and information technology. This slowdown became more pronounced and evident in the second half of 2000, and has continued into 2001. While management believes that the long-term outlook for bar code label printing remains favorable, North American sales growth is expected to be below historical rates in 2001.

International sales for 2000 were $179,989,000, up 11.9% from $160,893,000 and accounted for 37.4% of net sales in 2000, compared with 40.0% in 1999. All international regions experienced sales increases to record levels, with strong sales growth posted in Asia Pacific and Latin America. Management believes that the Asia Pacific and Latin American regions hold significant growth opportunities for the Company, because it believes that barcoding and other auto-id technologies are not as well adopted in international markets as in North America. The strength of the U.S. dollar versus the British pound and the euro impeded sales growth for the Company's European region. Management estimates that the strong U.S. dollar reduced reported sales for 2000 by approximately $5,400,000, compared with exchange rates that prevailed during 1999. It is difficult for management to forecast the direction of foreign exchange movements, and therefore, the potential impact foreign exchange rates will have on future financial results, either positive or negative.

Gross profit increased 14.3% to $232,428,000 for 2000 from $203,271,000 for 1999. Several factors, however, led to a decline in gross profit margin to 48.3% in 2000 from 50.5% in 1999. Notably, faster growth in portable printers, brought about by the Comtec acquisition, and other lower priced printers contributed to an unfavorable product mix, because these products generally carry lower gross margins than other products in the Company's product line. Foreign exchange rates also negatively affected gross margins, as the strength of the U.S. dollar against the British pound and euro lowered reported sales of products to European customers. Unfavorable variances to standard costs related to higher component costs, increased freight charges and higher labor costs also contributed to the lower gross profit margin. Higher production volumes partially offset these negative factors.

Selling and marketing expenses increased 20.8% to $48,306,000 from $39,990,000. As a percentage of net sales, selling and marketing expenses increased slightly to 10.0% from 9.9%. Lower expenses for business development, including trade show expenses, and outside professional services partially offset higher expenses related to increased staffing levels and other internal operations. These higher expenses derived primarily from the addition of sales-related personnel in connection with the Comtec acquisition.

Research and development expenses for 2000 were $26,746,000, or 5.6% of net sales, up 21.5% from the $22,007,000, or 5.5% of net sales, recorded for 1999. Primarily due to the addition of engineering activities related to the Comtec acquisition, the Company incurred increased personnel-related expenses from higher staffing levels, increased use of outside consulting services, and generally higher costs related to a larger research and development program.

General and administrative expenses increased by 8.9% to $33,594,000 from $30,858,000. As a percentage of net sales, general and administrative expenses declined to 7.0% from 7.7%. During 2000, the Company recorded higher personnel-related expenses from higher staffing levels, as well as costs for expanded operations related to the Comtec acquisition. Lower costs for outside services, notably recruiting, partially offset these higher expenses.

Amortization of intangible assets totaled $4,046,000 for 2000, compared with $291,000 for 1999. The increase was due to the amortization of intangible assets related to the Comtec acquisition.

As part of the Comtec acquisition, the Company acquired printer and wireless technology. A portion of the purchase price was attributed to acquired in-process technology, as the development work associated with the projects had not yet reached technological feasibility and was believed to have no alternative future use. The Company assessed the fair value of the acquired in-process technology using an income approach. During the second quarter of 2000, the Company recorded a $5,953,000 charge to write off this acquired in-process technology. There was no such charge in 1999.

The Company incurred merger costs of $5,113,000 in 2000 and $6,341,000 in 1999. These costs related to Eltron and Comtec transactions and could not be determined for at the time of the transactions. These costs consisted principally of expenditures on information technology infrastructure to integrate Eltron operations into the Company's enterprise-wide resource planning (ERP) system, and on product line rationalization of the Company's expanded portable printer line. In 1999, these costs related to the Eltron merger for consulting fees and personnel-related expenses for relocation, severance and recruitment. The Company substantially completed the integration with Eltron in 2000. Management estimates that merger costs related to the Comtec acquisition will be incurred through the fourth quarter of 2001.

Investment income increased 29.9% to $11,345,000 from $8,732,000. Higher investment returns more than offset lower average invested balances.

Other expense for 2000 totaled $8,104,000, compared with $3,716,000 for 1999. The expense increase was primarily due to losses from foreign currency transactions on the value of euro-denominated cash deposits and receivables from customers and pound sterling-denominated receivables from the Company's U.K. subsidiary. These losses totaled $6,032,000 for 2000, compared with $1,985,000 for 1999. During the second half of 2000, the Company implemented currency hedging strategies to minimize the effects of foreign currency transactions. Higher other expense also resulted from interest expense related to short-term loans related to the Comtec acquisition.

Income before income taxes increased 2.9% to $111,911,000 from $108,800,000. As a percentage of sales, income before income taxes declined to 23.2% from 27.1%. Excluding merger-related charges of $11,066,000 in 2000 and $6,341,000 in 1999, income before income taxes increased 6.8% to $122,977,000, or 25.5% of net sales, from $115,141,000, or 28.6% of net sales, in 1999. The effective income tax rate for the Company was 36.0% in both 2000 and 1999.

Net income for 2000 was $71,622,000, or $2.30 per diluted share, up 2.9% from $69,632,000, or $2.21 per diluted share, for 1999. Excluding the effects of merger expenses, net income for 2000 was $78,704,000, or $2.53 per diluted share, versus $73,691,000, or $2.34 per diluted share, for 1999.

Comparison of Years Ended December 31, 1999 and 1998

Net sales increased 18.4% in 1999 to $402,213,000 from $339,678,000 in 1998. Unit growth in hardware principally drove sales growth. Product mix changes lowered the average unit price for printers, because volume in lower-priced models increased faster than in higher-priced models. Hardware sales increased 21.0% to 80.6% of net sales, and supplies sales increased 10.9% to 17.3% of net sales. Service and software revenue of $8,071,000 accounted for 2.0% of net sales in 1999, and freight revenue of $3,695,000 represented 0.9% of 1999 sales.

North American sales increased 18.3%, while international sales rose 18.6%. International sales increased to $160,893,000 from $135,681,000 and accounted for 40.0% of net sales in 1999 and 39.9% of net sales in 1998.

Gross profit increased 30.3% to $203,271,000 for 1999 from $156,039,000 for 1998. As a percentage of net sales, gross profit increased to 50.5% from 45.9%. Excluding $3,485,000 in one-time adjustments to cost of goods sold related to the Eltron merger, 1998 gross profit would have been $159,524,000, or 47.0% of net sales. Excluding the effect of merger costs on 1998 gross profit, the increase in gross profit margin was primarily due to better overhead utilization and lower product component costs. Average unit costs deteriorated slightly, primarily because of changes in the mix of products sold toward shipments of relatively larger volumes of lower priced printers.

Selling and marketing expenses increased 11.7% to $39,990,000 from $35,816,000. As a percentage of net sales, selling and marketing expenses decreased to 9.9% from 10.5%. Excluding one-time charges of $242,000 related to the Eltron merger, selling and marketing expenses for 1998 would have been $35,574,000, or 10.5% of net sales. Excluding the effect of merger costs, the higher selling and marketing expenses in 1999 resulted from higher co-op and other business development expenses and higher staffing levels to support the increased levels of business.

Research and development expenses for 1999 increased 2.7% to $22,007,000, or 5.5% of net sales, from $21,428,000, or 6.3% of net sales, for 1998. Research and development expenses for 1998 included $175,000 in one-time charges related to the Eltron merger. Excluding these one-time charges, research and development expenses for 1998 would have been $21,253,000, or 6.3% of net sales. For 1999, lower business development expenses partially offset higher expenses for increased staffing levels and outside professional services.

General and administrative expenses increased by 8.3% to $30,858,000 from $28,505,000. As a percentage of net sales, general and administrative expenses decreased to 7.7% from 8.4%. Excluding $1,178,000 in one-time charges related to the Eltron merger, 1998 general and administrative expenses were $27,327,000, or 8.0% of net sales. For 1999, higher expenses related to increased staffing levels and information technology operations were partially offset by lower expenditures for outside consulting and other professional services.

In 1999, the Company incurred $6,341,000 in costs related to the Eltron merger for consulting fees and personnel-related expenses for relocation, severance and recruitment. For 1998, the Company incurred $8,080,000 in merger-related costs for accounting, legal, investment banking, and consulting fees, as well as provisions for facilities consolidation and severance.

Investment income increased to $8,732,000 from $4,005,000. The increase was principally due to higher invested balances and a more normalized return on the Company's investment portfolio during 1999, compared with the loss resulting from the unusually high volatility in the capital markets during the second half of 1998.

Other expense for 1999 totaled $3,716,000, compared with $849,000 for 1998. The expense increase was principally due to one-time items recorded during the third quarter of 1999, including a settlement for claims prior to any litigation that was unrelated to the Company's operations. Other expense also includes a revaluation of the Company's euro- and deutsche mark-denominated receivables and cash balances as a result of the relative strength of the pound sterling versus both the euro and deutsche mark in the fourth quarter of 1999.

Income before income taxes increased 67.3% to $108,800,000 from $65,021,000. Excluding merger-related charges of $6,341,000 in 1999 and $13,161,000 in 1998, income before income taxes increased 47.3% to $115,141,000 in 1999 from $78,182,000 in 1998.

The effective income tax rate for the Company in 1999 was 36.0%, compared with 38.4% for 1998. The provision for income taxes for 1998 includes the effect of $2,875,000 in merger-related costs, which are not deductible for income tax purposes. Excluding these costs, the Company's effective tax rate for 1998 would have been 36.8%.

Net income for 1999 was $69,632,000, or $2.21 per diluted share. For 1998, net income was $40,069,000, or $1.29 per diluted share. Excluding the effects of merger expenses, net income for 1999 was $73,691,000, or $2.34 per diluted share, up 49.1% from $49,420,000, or $1.59 per diluted share, for 1998.

Liquidity and Capital Resources

Internally generated funds from operations are the primary source of liquidity for the Company. As of December 31, 2000, the Company had $156,714,000 in cash and marketable securities, compared with $235,568,000 at the end of 1999. Capital expenditures were $8,948,000 in 2000, $11,349,000 in 1999 and $25,615,000 in 1998. Management believes that existing capital resources and funds generated from operations are sufficient to finance anticipated capital requirements.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities.* It was amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133* and SFAS No. 138, *Accounting for Derivative Instruments and Certain Hedging Activities.* SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS 133 establishes a comprehensive standard for the recognition and measurement of derivative instruments and hedging activities. This pronouncement will require the Company to recognize derivatives on its balance sheet at fair value. Changes in the fair values of derivatives that qualify as cash flow hedges will be recognized in other comprehensive income until the hedged item is recognized in earnings. The Company expects that this new standard will not have a significant effect on its results of operations.

During the fourth quarter of 2000, the Company adopted Securities and Exchange Commission Staff Accounting Bulletin No. 101 (SAB 101), *Revenue Recognition in Accounting Statements,* and EITF 00-10. In accordance with EITF 00-10, the Company restated sales for all years reported to include freight billed to customers as freight revenue. Previously, these freight billings were classified as a reduction of freight costs in cost of sales. This change in classification has no effect on previously reported net income.

Significant Customers

For the years ended December 31, 2000 and 1999, no customer accounted for 10.0% or more of net sales. One customer, United Parcel Service, represented 10.3% of net sales in 1998.

Safe Harbor

Forward-looking statements contained in this annual report are subject to the safe harbor created by the Private Securities Reform Act of 1995 and are highly dependent upon a variety of important factors which could cause actual results to differ materially from those reflected in such forward looking statements. Specifically, the factors that could affect this outlook include market acceptance of the Company's products, including those mentioned in this annual report, and competitors' product offerings. They also include economic conditions in the United States and other countries, the rate of adoption of bar code labeling systems relative to the current outlook, and the success and speed of the Company's integration with Comtec Information Systems. The Company's ability to control manufacturing and operating costs will affect future profitability. Interest rate and financial market conditions will also have an impact on results, because of the Company's large investment portfolio. Foreign exchange rates will affect financial results, because of the large percentage of the Company's international sales, particularly in Europe. When used in this annual report and documents referenced, the words "anticipate," "believe," "estimate," and "expect" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements.

Consolidated Balance Sheets

(Amounts in thousands, except share and per share data)
December 31,

Assets

	2000	1999
Current assets:		
Cash and cash equivalents	**$ 24,815**	$ 38,501
Investments and marketable securities	**131,899**	197,067
Accounts receivable, net of allowance of $1,420 in 2000 and $1,850 in 1999	**83,941**	62,870
Inventories	**56,852**	42,379
Deferred income taxes	**4,601**	3,467
Prepaid expenses	**1,578**	1,614
Total current assets	**303,686**	345,898
Property and equipment at cost, less accumulated depreciation and amortization	**41,587**	41,686
Deferred income taxes	**3,469**	—
Excess of cost over fair value of net assets acquired	**34,529**	189
Other intangibles	**29,281**	—
Other assets	**6,344**	6,870
Total assets	**$418,896**	$394,643

Liabilities and shareholders' equity

	2000	1999
Current liabilities:		
Accounts payable	**$ 23,838**	$ 23,798
Accrued liabilities	**11,910**	11,295
Short-term note payable	**149**	196
Current portion of obligation under capital lease with related party	**77**	264
Income taxes payable	**10,913**	7,541
Total current liabilities	**46,887**	43,094
Obligation under capital lease with related party, less current portion	**513**	571
Long-term liability	**—**	93
Deferred income taxes	**—**	1,473
Other	**208**	105
Total liabilities	**47,608**	45,336
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized, none outstanding	**—**	—
Class A Common Stock, $.01 par value; 50,000,000 shares authorized, 25,610,515 and 24,877,501 shares issued; 24,551,762 and 24,877,501 shares outstanding in 2000 and 1999, respectively	**256**	249
Class B Common Stock, $.01 par value; 28,358,189 shares authorized, 5,936,001 and 6,540,188 shares issued and outstanding in 2000 and 1999, respectively	**59**	65
Additional paid-in capital	**63,491**	60,072
Treasury stock (1,058,753 shares)	**(50,128)**	—
Retained earnings	**361,026**	289,404
Accumulated other comprehensive income	**(3,416)**	(483)
Total shareholders' equity	**371,288**	349,307
Total liabilities and shareholders' equity	**$418,896**	$394,643

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings

(Amounts in thousands, except per share data)
Year Ended December 31,

	2000	1999	1998
Net sales	**$481,569**	$ 402,213	$ 339,678
Cost of sales	**249,141**	198,942	183,639
Gross profit	**232,428**	203,271	156,039
Operating expenses:			
Selling and marketing	**48,306**	39,990	35,816
Research and development	**26,746**	22,007	21,428
General and administrative	**33,594**	30,858	28,505
Amortization of intangible assets	**4,046**	291	345
Acquired in-process technology	**5,953**	—	—
Merger costs	**5,113**	6,341	8,080
Total operating expenses	**123,758**	99,487	94,174
Operating income	**108,670**	103,784	61,865
Operating income (expense):			
Investment income	**11,345**	8,732	4,005
Interest expense	**(1,120)**	(209)	(425)
Other, net	**(6,984)**	(3,507)	(424)
Total other income	**3,241**	5,016	3,156
Income before income taxes	**111,911**	108,800	65,021
Income taxes	**40,289**	39,168	24,952
Net income	**$ 71,622**	$ 69,632	$ 40,069
Basic earnings per share	**$ 2.33**	$ 2.23	$ 1.30
Diluted earnings per share	**$ 2.30**	$ 2.21	$ 1.29
Basic weighted average shares outstanding	**30,790**	31,175	30,919
Diluted weighted average and equivalent shares outstanding	**31,155**	31,521	31,176

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Amounts in thousands)
Year Ended December 31,

	2000	1999	1998
Net income	**$ 71,622**	$ 69,632	$ 40,069
Other comprehensive income (loss):			
Foreign currency translation adjustment	**(1,508)**	(1,432)	659
Unrealized holding losses on investments:			
Net change in unrealized holding loss for the period, net of income tax benefit of $801 for 2000	**(1,425)**	—	—
Comprehensive income	**$ 68,689**	$ 68,200	$ 40,728

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(Dollars in thousands)	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Unrealized Holding Loss on Investments	Accumulated Other Comprehensive Income: Cumulative Translation Adjustment	Total
Balance at December 31, 1997	$ 194	$115	$ 55,918	$ 179,703	—	—	$ 290	$ 236,220
Issuance of 55,578 shares of Class A Common Stock	1	—	946	—	—	—	—	947
Issuance of 229,290 shares of Class B Common Stock	—	3	566	—	—	—	—	569
Conversion of 3,187,641 shares of Class B Common Stock to 3,187,641 shares of Class A Common Stock	32	(32)	—	—	—	—	—	—
Elimination of intercorporate investments in Eltron	(4)	—	(8,088)	—	—	—	—	(8,092)
Tax benefit resulting from exercise of options	—	—	512	—	—	—	—	512
Net income	—	—	—	40,069	—	—	—	40,069
Foreign currency translation adjustment	—	—	—	—	—	—	659	659
Balance at December 31, 1998	223	86	49,854	219,772	—	—	949	270,884
Issuance of 474,676 shares of Class A Common Stock	5	—	9,828	—	—	—	—	9,833
Conversion of 2,079,731 shares of Class B Common Stock to 2,079,731 shares of Class A Common Stock	21	(21)	—	—	—	—	—	—
Tax benefit resulting from exercise of options	—	—	390	—	—	—	—	390
Net income	—	—	—	69,632	—	—	—	69,632
Foreign currency translation adjustment	—	—	—	—	—	—	(1,432)	(1,432)
Balance at December 31, 1999	249	65	60,072	289,404	—	—	(483)	349,307
Issuance of 128,827 shares of Class A Common Stock	1	—	3,227	—	—	—	—	3,228
Conversion of 604,187 shares of Class B Common Stock to 604,187 shares of Class A Common Stock	6	(6)	—	—	—	—	—	—
Repurchase of 1,170,500 shares of Class A Common Stock	—	—	—	—	(55,505)	—	—	(55,505)
Reissuance of 111,747 treasury shares	—	—	(1,952)	—	5,377	—	—	3,425
Tax benefit resulting from exercise of options	—	—	1,505	—	—	—	—	1,505
Gains on put options	—	—	639	—	—	—	—	639
Net income	—	—	—	71,622	—	—	—	71,622
Unrealized holding loss on investments (net of income taxes)	—	—	—	—	—	(1,425)	—	(1,425)
Foreign currency translation adjustment	—	—	—	—	—	—	(1,508)	(1,508)
Balance at December 31, 2000	**$256**	**$59**	**$63,491**	**$361,026**	**$(50,128)**	**$(1,425)**	**$(1,991)**	**$371,288**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Amounts in thousands)
Year Ended December 31,

	2000	1999	1998
Cash flows from operating activities:			
Net income	**$ 71,622**	$ 69,632	$ 40,069
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**14,383**	9,900	10,248
Tax benefit from exercise of options	**1,505**	390	512
Acquired in-process technology	**5,953**	—	—
Depreciation (appreciation) in market value of investments and marketable securities	**2,952**	(936)	1,085
Deferred income taxes	**(6,076)**	1,211	1,995
Changes in assets and liabilities, net of business acquired:			
Accounts receivable, net	**(7,106)**	(5,216)	(6,046)
Inventories	**(7,179)**	(2,695)	4,176
Other assets	**883**	(2,931)	(294)
Accounts payable	**(6,064)**	3,233	3,496
Accrued liabilities	**(810)**	(203)	744
Income taxes payable	**3,372**	3,055	(205)
Other operating activities	**(305)**	(286)	430
Investments and marketable securities	**60,791**	(51,800)	(23,967)
Net cash provided by operating activities	**133,921**	23,354	32,243
Cash flows from investing activities:			
Purchases of property and equipment	**(8,948)**	(11,349)	(25,615)
Acquisition of Comtec Information Systems, net of cash acquired	**(88,476)**	—	—
Sales of investments and marketable securities	**—**	6,946	—
Net cash used in investing activities	**(97,424)**	(4,403)	(25,615)
Cash flows from financing activities:			
Purchase of treasury stock	**(55,505)**	—	—
Reissuance of treasury stock	**3,425**	—	—
Proceeds from exercise of stock options	**3,228**	9,833	1,516
Proceeds from put options	**639**	—	—
Common stock retired in Eltron merger	**—**	—	(8,092)
Issuance (repayment) of notes payable	**(140)**	70	(180)
Payments for obligation under capital lease	**(322)**	(312)	(65)
Net cash provided by (used in) financing activities	**(48,675)**	9,591	(6,821)
Effect of exchange rate changes on cash	**(1,508)**	(1,432)	659
Net increase (decrease) in cash and cash equivalents	**(13,686)**	27,110	466
Cash and cash equivalents at beginning of year	**38,501**	11,391	10,925
Cash and cash equivalents at end of year	**$ 24,815**	$ 38,501	$ 11,391
Supplemental disclosures of cash flow information:			
Interest paid	**$ 1,120**	$ 209	$ 425
Income taxes paid	**44,736**	36,010	22,624
Supplemental disclosures of non-cash transactions:			
Equipment under capital lease obligation	**—**	1,096	—

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Description of Business

Zebra Technologies Corporation and its wholly-owned subsidiaries (the Company) design, manufacture, sell and support a broad line of bar code label and plastic card printers, self-adhesive labeling materials, plastic card supplies, thermal transfer ribbons and bar code label design software. These products are used principally in automatic identification (auto ID), data collection and personal identification applications and are distributed world-wide through a multi-channel network of resellers, distributors and end users representing a wide cross section of industrial, service and government organizations.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying financial statements have been prepared on a consolidated basis to include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts, transactions, and unrealized profit have been eliminated in consolidation.

Cash Equivalents. Cash equivalents consist primarily of short-term treasury securities. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Investments and Marketable Securities. Investments and marketable securities at December 31, 2000 consisted of U.S. government securities, state and municipal bonds, partnership interests and equity securities, which are held indirectly in diversified funds actively managed by investment professionals. The Company classifies its debt and marketable equity securities in one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities that the Company has the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of discounts or premiums. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of shareholders' equity until realized.

Inventories. Inventories are stated at the lower of cost or market, and cost is determined by the first-in, first-out (FIFO) method.

Property and Equipment. Property and equipment is stated at cost. Depreciation and amortization is computed primarily using the straight-line method over the estimated useful lives of the various classes of property and equipment, which are 30 years for buildings and range from 3 to 10 years for other property. Property and equipment held under capital leases is amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Income Taxes. The Company accounts for income taxes under the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Intangible Assets. Excess cost over fair value of net assets acquired represents the unamortized excess of the cost of acquiring a business over the fair values of the net assets received at the date of acquisition. It is being amortized on a straight-line basis over 20 years and is stated net of accumulated amortization of $2,870,000 and $1,355,000 at December 31, 2000 and 1999, respectively.

Other intangible assets consist primarily of customer lists, assembled workforce and current technology. These assets are recorded at cost and amortized on a straight-line basis over periods up to 15 years. Accumulated amortization for these other intangible assets was $2,505,000 at December 31, 2000.

Revenue Recognition. Revenue is recognized at the time of shipping, and includes freight billed to customers.

Research and Development Costs. Research and development costs are expensed as incurred.

Advertising. Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2000, 1999 and 1998 totaled $4,637,000, $4,700,000 and $3,931,000, respectively.

Warranty. The Company provides warranty coverage of up to one year on printers against defects in material and workmanship. A provision for warranty expense is recorded at the time of shipment. To date, the Company has not experienced any significant warranty claims.

Financial instruments. The reported amounts of the Company's financial instruments, which include investments and marketable securities, trade accounts receivable, accounts payable, accrued liabilities, income taxes payable and short-term notes payable, approximate their fair values because of the contractual maturities and short-term nature of these instruments.

Stock-based Compensation. The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees,* and provides the pro forma disclosures required by Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-based Compensation.*

Reclassifications. Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation. In accordance with EITF 00-10, the Company adjusted sales for all years reported to include freight billed to customers as freight revenue. Previously, these freight billings were being classified as a reduction of freight costs in cost of sales. This change in classification has no effect on previously reported net income.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation. The balance sheets of the Company's foreign subsidiaries 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 shareholders' equity as a cumulative translation adjustment, which is a component of accumulated other comprehensive income.

New Accounting Pronouncement. In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities,* as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities–Deferral of the Effective Date of FASB Statement No. 133* and SFAS No. 138, *Accounting for Derivative Instruments and Certain Hedging Activities*. The new statement requires companies to report among other things, the fair market value of derivatives on the balance sheet and record in income or other comprehensive income, as appropriate, any changes in the fair value of the derivative. SFAS No.133 will become effective with respect to the Company on January 1, 2001. The adoption of the new Statement will not have a material effect on the Company's financial position, results of operations, or cash flows.

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 SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. The statement 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 future net cash flows expected to be generated by the asset. If such assets are considered to be 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 of fair value less costs to sell.

Note 3 Business Combinations

Comtec Information Systems, Inc. On April 3, 2000, the Company acquired Comtec Information Systems, Inc. (Comtec), by acquiring all of the outstanding capital stock of Comtec for approximately $88,476,000 in cash. Located in Warwick, Rhode Island, Comtec had been a privately held company. Comtec designs, manufactures and supports mobile printing systems. The acquisition was accounted for under the purchase method. Accordingly, the purchase price has been allocated to identifiable tangible assets and intangible assets acquired and liabilities assumed based on their estimated fair values. Estimated amounts allocated to acquired in-process technology were expensed at the time of the acquisition. The excess of cost over net assets acquired is amortized on a straight-line basis over the expected period to be benefited of 20 years. Other intangible assets are amortized on a straight-line basis over periods up to 15 years. The consolidated statements of operation reflect the results of operations of Comtec since the effective date of the acquisition.

The following summary presents information concerning the purchase price allocation for the Comtec acquisition:

	Amount (in thousands)
Net tangible assets	**$15,235**
Acquired in-process technology	**5,953**
Intangible assets	**31,786**
Excess cost over fair value of net assets acquired	**35,502**
Purchase price	**$88,476**

The following unaudited pro forma information (in thousands, except per-share amounts) presents the combined results of operations of the Company and Comtec as if the acquisition had occurred as of the beginning of 2000 and 1999. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company and Comtec constituted a single entity during such periods.

Years Ended December 31,	2000	1999
Net sales	**$504,107**	$459,869
Net income	**74,360**	69,996
Basic earnings per share	**2.42**	2.25
Diluted earnings per share	**2.39**	2.22

Eltron. On October 28, 1998, the Company acquired all of the outstanding capital stock of Eltron International, Inc. (Eltron), a manufacturer of bar code label and plastic card printers and related accessories, in exchange for 6,916,951 shares of the Company's Class B Common Stock, which had a market value of approximately $201,000,000 at the time of the acquisition.

The acquisition was accounted for as a pooling of interests and, accordingly, the consolidated financial statements have been restated as if the companies had been combined for all periods presented. Merger costs reported in the consolidated statement of earnings for the years ended December 31, 2000, 1999 and 1998 include investment banking and other professional fees, write-downs of certain assets, employee severance, and other acquisition related charges. As of December 31, 2000 and 1999, accrued liabilities related to these costs included $0 and $115,000, respectively.

RJS, Incorporated. In January 1998, Printronix, Inc., a leading manufacturer of computer printers, acquired the assets and rights to the bar code verification business and the RJS name from the Company for approximately $2.8 million. In the first quarter of 1998, the Company recorded a tax-effected gain on the sale of approximately $250,000. The Company retained the rights to the in-line verification technology for use in its line of integrated verified printing systems, as well as the QualaBar and ThermaBar industrial printer lines.

Note 4 Earnings Per Share

For the years ended December 31, 2000, 1999, and 1998, earnings per share were computed as follows (in thousands, except per-share amounts):

	2000	1999	1998
Basic earnings per share:			
Net income	**$71,622**	$69,632	$40,069
Weighted average common shares outstanding	**30,790**	31,175	30,919
Per share amount	**$ 2.33**	$ 2.23	$ 1.30
Diluted earnings per share:			
Net income	**$71,622**	$69,632	$40,069
Weighted average common shares outstanding	**30,790**	31,175	30,919
Add: Effect of dilutive securities – stock options	**365**	346	257
Diluted weighted average and equivalent shares outstanding	**31,155**	31,521	31,176
Per share amount	**$ 2.30**	$ 2.21	$ 1.29

The potentially dilutive securities, which were excluded from the earnings per share calculation, consisted of stock options for which the exercise price was greater than the average market price of the Class A Common Stock. The shares amounted to 267,500, 21,500, and 227,250 for the year ended December 31, 2000, 1999, and 1998, respectively.

Note 5 Investments and Marketable Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value of investment securities at December 31, 2000, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available for sale (including in other assets):				
Equity securities	$ 4,596	$ —	$ (2,226)	$ 2,370
Trading Securities:				
U.S. government and agency securities	11,525	110	(61)	11,574
State and municipal bonds	104,699	326	(816)	104,209
Corporate bonds	5,054	35	—	5,089
Partnership interests	8,614	2,413	—	11,027
	129,892	2,884	(877)	131,899
	$ 134,488	$ 2,884	$ (3,103)	$ 134,269

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and aggregate fair value of investment securities at December 31, 1999, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Trading Securities:				
U.S. government and agency securities	$ 8,191	$ 16	$ (81)	$ 8,126
State and municipal bonds	138,946	90	(426)	138,610
Corporate bonds	5,056	—	(39)	5,017
Equity securities	9,522	32	(903)	8,651
Partnership interests	26,933	6,106	—	33,039
Other	3,428	196	—	3,624
	$ 192,076	$ 6,440	$ (1,449)	$ 197,067

The contractual maturities of debt securities at December 31, 2000, were as follows (in thousands):

	Fair Value
Due within one year	$ 53,647
Due after one year through five years	40,412
Due after five years	26,813
	$ 120,872

Using the specific identification method, the proceeds and realized gains on the sales of available-for-sale securities were as follows (in thousands):

	2000	1999	1998
Proceeds	**$ —**	$ 6,947	$ —
Realized gains	**—**	19	—

Note 6 Related-Party Transactions

Unique Building Corporation (Unique), an entity controlled by certain officers and shareholders of the Company, leases a facility and equipment to the Company under a lease described in Note 11. Management believes that the lease payments are substantially consistent with amounts that could be negotiated with third parties on an arm's-length basis.

Interest expense and lease payments related to the leases were included in the consolidated financial statements as follows (in thousands):

	Unique Operating Lease Payments	Interest Expense on Unique Capital Leases
2000	$ 2,085	$ 0
1999	1,662	1
1998	1,323	4

Note 7 Inventories

The components of inventories are as follows (in thousands):

December 31,	2000	1999
Raw material	**$ 35,907**	$ 23,098
Work in process	**365**	3,744
Finished goods	**20,580**	15,537
Total inventories	**$ 56,852**	$ 42,379

Note 8 Property and Equipment

Property and equipment, which includes assets under capital leases, is comprised of the following (in thousands):

December 31,	2000	1999
Buildings	**$ 11,981**	$ 11,185
Land	**1,910**	1,910
Machinery, equipment and tooling	**31,211**	26,672
Machinery and equipment under capital leases	**1,670**	1,670
Furniture and office equipment	**5,375**	5,310
Computers and software	**27,854**	25,775
Automobiles	**254**	347
Leasehold improvements	**2,516**	2,848
Projects in progress	**1,508**	—
	84,279	75,717
Less accumulated depreciation and amortization	**42,692**	34,031
Net property and equipment	**$ 41,587**	$ 41,686

Note 9 Income Taxes

The geographical sources of earnings before income taxes were as follows (in thousands):

	2000	1999	1998
United States	**$ 101,532**	$ 95,637	$ 62,071
Outside United States	**10,379**	13,163	2,950
Total	**$ 111,911**	$108,800	$ 65,021

The provision for income taxes consists of the following (in thousands):

	2000	1999	1998
Current:			
Federal	**$ 35,362**	$ 27,914	$ 17,194
State	**6,441**	4,489	2,822
Foreign	**3,761**	5,554	2,941
Deferred:			
Federal	**(4,922)**	1,376	2,197
State	**(472)**	(85)	(202)
Foreign	**119**	(80)	—
Total	**$ 40,289**	$ 39,168	$ 24,952

The provision for income taxes differs from the amount computed by applying the U.S. statutory Federal income tax rate of 35%. The reconciliation of statutory and effective income taxes is presented below (in thousands):

	2000	1999	1998
Provision computed at statutory rate	**$ 39,169**	$ 38,080	$ 22,747
State income tax (net of Federal tax benefit)	**3,880**	2,862	2,044
Tax-exempt interest and dividend income	**(1,588)**	(1,677)	(1,369)
Tax benefit of exempt foreign trade income	**(1,035)**	(805)	(1,227)
Acquisition related items	**—**	—	1,006
Other	**(137)**	708	1,751
Provision for income taxes	**$ 40,289**	$ 39,168	$ 24,952

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Based on management's assessment, it is more likely than not that the deferred tax assets will be realized through future taxable earnings.

The Company is litigating a dispute over a 1998 tax assessment in the amount of approximately $2.6 million, including penalties and interest, with the Illinois Department of Revenue for the years 1993 through 1995. The case was filed by the Company on November 1, 2000, in the District Court of Illinois and tried during November 2000. A decision is expected from the court during 2001. The Company believes that it has a strong position and should prevail. The outcome of the litigation, however, cannot be predicted with certainty. Because adequate provisions have been made in the Company's financial statements for any liability arising from this dispute and because of the Company's strong cash position, the Company does not believe that an adverse decision in this matter would have a material adverse effect on its business or financial position.

The Illinois Department of Revenue is currently examining the Company's tax returns for the years 1996 and 1997. Management believes that this examination will not be completed until the outcome of the lawsuit relating to the 1993 through 1995 returns is known. The Company believes that adequate provision has also been made in its financial statements for any liability related to the potential assessments for the years 1996 through 2000.

Temporary differences that give rise to deferred tax assets and liabilities are as follows (in thousands):

December 31,	2000	1999
Deferred tax assets:		
Deferred rent — building	**$ 83**	$ 42
Capital equipment lease	**15**	20
Accrued vacation	**825**	798
Inventory items	**2,354**	2,221
Allowance for doubtful accounts	**152**	405
Other accruals	**2,843**	1,096
Acquisition related items	**2,538**	413
Unrealized loss on securities	**1,235**	—
Total deferred tax assets	**10,045**	4,995
Deferred tax liabilities:		
Unrealized gain on securities	**—**	(1,067)
Depreciation	**(1,975)**	(1,934)
Other	**—**	—
Total deferred tax liabilities	**(1,975)**	(3,001)
Net deferred tax asset	**$ 8,070**	$ 1,994

Note 10 401(k) Savings and Profit Sharing Plans

The Company has a Retirement Savings and Investment Plan (the 401(k) Plan), which is intended to qualify under Section 401(k) of the Internal Revenue Code. Qualified employees may participate in the Company's 401(k) Plan by contributing up to 15% of their gross earnings to the plan subject to certain Internal Revenue Service restrictions. The Company matches each participant's contribution of up to 6% of gross eligible earnings at the rate of 50%. The Company may contribute additional amounts to the 401(k) Plan at the discretion of the Board of Directors, subject to certain legal limits.

The Company has a discretionary profit-sharing plan for qualified employees, to which it contributed 3.1% of eligible earnings for 2000, 4.2% for 1999 and 3.4% for 1998. Participants are not permitted to make contributions under the profit-sharing plan.

Company contributions to these plans, which were charged to operations, approximated the following (in thousands):

	2000	1999	1998
401(k)	**$ 1,287**	$ 740	$ 620
Profit sharing	**877**	820	970
Total	**$ 2,164**	$ 1,560	$ 1,590

Note 11 Commitments and Contingencies

Leases. In September 1989, the Company entered into a lease agreement for its Vernon Hills facility and certain machinery, equipment, furniture and fixtures with Unique Building Corporation. The facility portion of the lease is the only remaining portion in existence as of December 31, 2000, and is treated as an operating lease. An amendment to the lease dated July 1997 added 59,150 square feet and extended the term of the existing lease through June 30, 2014. The lease agreement includes a modification to the base monthly rental, which goes into effect if the prescribed rent payment is less than the aggregate principal and interest payments required to be made by Unique under an Industrial Revenue Bond (IRB).

Minimum future obligations under noncancelable operating leases and future minimum capital lease payments as of December 31, 2000, are as follows (in thousands):

	Capital Lease	Operating Leases
2001	$ 111	$ 4,262
2002	111	3,478
2003	111	2,831
2004	96	2,512
2005	96	2,552
Thereafter	208	22,554
Total minimum lease payments	$ 733	$ 38,189
Less amount representing interest	143	
Present value of minimum payments	590	
Less current portion of obligation under capital lease	77	
Long-term portion of obligation under capital lease	$ 513	

Rent expense for operating leases charged to operations for the years ended December 31, 2000, 1999, and 1998 was $4,833,000, $4,317,000, and $2,898,000, respectively.

Letter of credit. In connection with the lease agreements described above, the Company has guaranteed Unique's full and prompt payment under Unique's letter of credit agreement with a bank. The contingent liability of the Company under this guaranty as of December 31, 2000, is $700,000, which is the limit of the Company's guaranty throughout the term of the IRB.

Derivative Instruments. In the normal course of business, portions of the Company's operations are subject to fluctuations in currency values. The Company addresses these risks through a controlled program of risk management that includes the use of derivative financial instruments.

The Company enters into foreign exchange forward contracts to manage exposure to fluctuations in foreign exchange rates to the funding of its United Kingdom operations. The Company accounts for such contracts by recording any unrealized gains or losses in income each reporting period. At December 31, 2000 and 1999, the notional principal amounts of outstanding forward contracts were $14,085,050, and $0, respectively.

Note 12 Segment Data and Export Sales

The Company operates in one industry segment. Information regarding the Company's operations by geographic area for the years ended December 31, 2000, 1999, and 1998 is contained in the following table. These amounts (in thousands) are reported in the geographic area where the final sale originates.

		Domestic	Europe	Other	Total
2000	Net sales	$ 357,412	$ 124,157	$ —	$ 481,569
	Identifiable assets	369,419	49,284	193	418,896
1999	Net sales	$ 284,462	$ 117,751	$ —	$ 402,213
	Identifiable assets	327,347	67,177	119	394,643
1998	Net sales	$ 241,091	$ 97,355	$ 1,232	$ 339,678
	Identifiable assets	267,470	41,751	781	310,002

Note 13 Shareholders' Equity

Holders of Class A Common Stock are entitled to one vote per share. Holders of Class B Common Stock are entitled to 10 votes per share. Holders of Class A and Class B Common Stock vote together as a single class on all actions submitted to a vote of shareholders, except in certain circumstances. If at any time the number of outstanding shares of Class B Common Stock represents less than 10% of the total number of outstanding shares of both classes of common stock, then at that time such outstanding shares of Class B Common Stock will automatically convert into an equal number of shares of Class A Common Stock.

Class A Common Stock has no conversion rights. A holder of Class B Common Stock may convert the Class B Common Stock into Class A Common Stock, in whole or in part, at any time and from time to time. Shares of Class B Common Stock convert into shares of Class A Common stock on a share-for-share basis.

Holders of Class A and Class B Common Stock are entitled to receive cash dividends equally on a per-share basis, if and when the Company's Board of Directors declares such dividends. In the case of any stock dividend paid, holders of Class A Common Stock are entitled to receive the same percentage dividend (payable in shares of Class A Common Stock) as the holders of Class B Common Stock receive (payable in shares of Class B Common Stock).

Holders of Class A and Class B Common Stock share with each other on a ratable basis as a single class in the net assets of the Company in the event of liquidation.

Note 14 Stock Option and Purchase Plans

As of December 31, 2000, the Company had five stock option and stock purchase plans, described below.

The Board of Directors and shareholders adopted the Zebra Technologies Corporation Stock Option Plan (the 1991 Plan), effective as of August 1, 1991. A total of 400,000 shares of Class A Common Stock have been authorized and reserved for issuance under the 1991 Plan. Under this plan, the Company has granted only nonqualified stock options. As of December 31, 2000, 197,311 shares were available under the plan. These options have an exercise price equal to the closing market price of the Company's stock on the date of grant. Typically, the options vest in annual installments of 15% on the first anniversary, 17.5% on the second anniversary, 20.0% on the third anniversary, 22.5% on the fourth anniversary, and 25.0% on the fifth anniversary of the grant date. Upon vesting, the options have a legal life of two years from the date of vesting. The Board of Directors determines the specific provisions of any grant.

The Board of Directors and shareholders also adopted a Directors' Stock Option Plan, which reserves 80,000 shares of Class A Common Stock for issuance under the plan. As of December 31, 2000, 12,000 shares were available under the plan. All options granted under this plan are exercisable immediately upon grant at a price per share equal to the closing market price of the Company's Class A Common on the date of grant. Options granted to the Board of Directors carry a seven-year expiration period, however, should a member of the board discontinue service on the Board of Directors, they are limited to a two year period to exercise all outstanding options.

The Board of Directors and shareholders adopted an employee stock purchase plan (Stock Purchase Plan) and have reserved 300,000 shares of Class A Common Stock for issuance thereunder. Under this plan, employees who work a minimum of 20 hours per week may elect to withhold up to 10% of their cash compensation through regular payroll deductions to purchase shares of Class A Common Stock from the Company over a period not to exceed 12 months at a purchase price per share equal to the lesser of: (1) 85% of the fair market value of the shares as of the date of the grant, or (2) 85% of the fair market value of the shares as of the date of purchase. As of December 31, 2000, 226,661 shares have been purchased under the plan.

The Company's Board of Directors adopted the 1997 Stock Option Plan, effective February 11, 1997, and reserved 4,250,000 shares of Class A Common Stock for issuance under the plan. The 1997 Stock Option Plan is a flexible plan that provides the Option Committee broad discretion to fashion the terms of the awards to provide eligible participants with stock-based incentives, including: (i) nonqualified and incentive stock options for the purchase of the Company's Class A Common Stock and (ii) dividend equivalents. The persons eligible to participate in the 1997 Stock Option Plan are directors, officers, and employees of the Company or any subsidiary of the Company who, in the opinion of the Option Committee, are in a position to make contributions to the growth, management, protection and success of the Company or its subsidiaries. As of December 31, 2000, 2,090,069 shares were available under the plan.

The options granted under the 1997 Stock Option Plan have an exercise price equal to the closing market price of the Company's stock on the date of grant. The options generally vest over two- to five-year periods and have a legal life of ten years from the date of grant. The Board of Directors determines the specific provisions of any grant.

The Company's Board of Directors adopted the 1997 Director Plan, effective February 11, 1997. The 1997 Director Plan provides for the issuance of options to purchase up to 77,000 shares of Class A Common Stock, which shares are reserved and available for purchase upon the exercise of options granted under the 1997 Director Plan. Only directors who are not employees or officers of the Company are eligible to participate in the 1997 Director Plan. Under the 1997 Director Plan, each non-employee director was granted, on the effective date of the plan, an option to purchase 15,000 shares of Class A Common Stock, and each non-employee director subsequently elected to the Board will be granted an option to purchase shares of Class A Common Stock on the date of his or her election. Options granted under the 1997 Director Plan provide for the purchase of Class A Common Stock at a price equal to the fair market value on the date of grant. If there are not sufficient shares remaining and available to all non-employee directors eligible for an automatic grant at the time at which an automatic grant would otherwise be made, then each eligible non-employee director shall receive an option to purchase a pro rata number of shares. As of December 31, 2000, 24,500 shares were available under the plan.

Unless otherwise provided in an option agreement, options granted under the 1997 Director Plan shall become exercisable in five equal increments beginning on the date of the grant and on each of the first four anniversaries thereof. All options expire on the earlier of (a) ten years following the grant date or (b) the second anniversary of the termination of the non-employee director's directorship for any reason other than due to death or disability (as defined in the 1997 Director Plan).

The Company applies APB No. 25 in accounting for its plans. No compensation cost has been recognized for its fixed stock option plans and its stock purchase plan. Had compensation cost for the Company's stock option and stock purchase plans been determined consistent with SFAS No. 123, the Company's net income and diluted earnings per share would have been as follows:

	2000	1999	1998
Net income:			
As reported	**$ 71,622**	$ 69,632	$ 40,069
Pro forma	**67,613**	66,569	37,785
Basic earnings per share:			
As reported	**$ 2.33**	$ 2.23	$ 1.30
Pro forma	**2.20**	2.14	1.22
Diluted earnings per share:			
As reported	**$ 2.30**	$ 2.21	$ 1.29
Pro forma	**2.17**	2.11	1.21

For purposes of calculating the compensation cost consistent with SFAS No. 123, the fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for stock option grants in 2000, 1999, and 1998, respectively: expected dividend yield of 0% for each period; expected volatility of 58%, 50%, and 55%; risk free interest rate of 5.05%, 6.54%, and 4.75%; and expected weighted-average life of five years. The fair market value of options granted were $24,290,000 in2000, $19,774,000 in 1999 and $12,966,000 in 1998.

The fair value of the employees' purchase rights pursuant to the Stock Purchase Plan are estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions used for purchase rights granted in 2000, 1999, and 1998, respectively: fair market value of $44.62, $30.45, and $28.75; option price of $37.92, $25.88, and $24.44; expected dividend yield of 0% for each period; expected volatility of 71%, 49%, and 51%; risk-free interest rate of 5.85%, 6.11%, and 4.60%; and expected lives of three months to one year.

Stock option activity for the years ended December 31, 2000, 1999, and 1998 was as follows:

	2000		1999		1998	
Fixed Options	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**
Outstanding at beginning of year	**1,390,588**	**$27.88**	1,416,138	$26.55	1,180,293	$23.31
Granted	**436,500**	**55.29**	720,500	27.45	368,550	35.18
Exercised	**(195,369)**	**23.76**	(433,526)	21.28	(66,767)	18.03
Canceled	**(144,466)**	**31.57**	(312,524)	30.03	(65,938)	25.34
Outstanding at end of year	**1,487,253**	**36.10**	1,390,588	27.88	1,416,138	26.55
Options exercisable at end of year	**417,570**	**27.82**	291,485	25.24	604,453	23.10

The following table summarizes information about fixed stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number of Shares**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number of Shares**	**Weighted-Average Exercise Price**
$ 4.31 – $24.50	249,921	5.73 years	$23.57	147,446	$ 23.10
$26.56 – $26.56	473,550	8.17 years	$26.56	92,325	$ 26.56
$29.25 – $38.75	315,282	6.70 years	$33.89	173,074	$ 32.01
$39.50 – $54.69	208,500	9.24 years	$47.93	4,725	$ 46.05
$60.63 – $60.63	240,000	9.13 years	$60.63	0	$ 0.00
	1,487,253			417,570	

Note 15 Quarterly Results of Operations (unaudited)

(Amounts in thousands, except per share data)	First Quarter(1)(2)	Second Quarter(1)(2)	Third Quarter(1)(2)	Fourth Quarter(2)
2000				
Net sales	$ 99,635	$129,995	$129,717	$122,222
Gross profit	49,380	62,312	64,180	56,555
Operating expenses	25,171	37,369	29,325	31,892
Operating income	24,209	24,943	34,855	24,663
Net income	15,228	16,650	22,590	17,154
Basic earnings per share	$ 0.48	$ 0.54	$ 0.74	$ 0.56
Diluted earnings per share	$ 0.48	$ 0.53	$ 0.73	$ 0.56

(Amounts in thousands, except per share data)	First Quarter(1)(2)	Second Quarter(1)(2)	Third Quarter(1)(2)	Fourth Quarter(1)(2)
1999				
Net sales	$ 90,691	$ 98,204	$104,904	$108,414
Gross profit	42,457	48,703	55,616	56,495
Operating expenses	24,526	24,666	24,458	25,837
Operating income	17,931	24,037	31,158	30,658
Net income	12,650	17,122	19,932	19,928
Basic earnings per share	$ 0.41	$ 0.55	$ 0.64	$ 0.64
Diluted earnings per share	$ 0.41	$ 0.55	$ 0.63	$ 0.63

(1) Reflects the adjustment of net sales and cost of sales for EITF Issue No. 00-10, which requires freight billed to customers to be reported as revenue, not as a reduction of freight costs. This adjustment has no impact on net income.

(2) Reflects a pretax charge for merger costs relating to the Company's merger with Eltron International, Inc. and acquisition of Comtec Information Systems, Inc. as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000	$1,009	$1,732	$1,651	$ 721
1999	$1,869	$1,291	$1,581	$1,600

Note 16 Major Customers

No customer accounted for 10% or more of net sales in 2000 or 1999. United Parcel Service represented 10.3% of net sales in 1998.

Independent Auditors' Report

The Board of Directors and Shareholders
Zebra Technologies Corporation:

We have audited the accompanying consolidated balance sheets of Zebra Technologies Corporation and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Zebra Technologies Corporation and Subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois

January 31, 2001

Shareholder Information

Corporate Office

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333 Corporate Woods Parkway
Vernon Hills, Illinois 60061 3109 U.S.A.
Phone: 847-634-6700
Fax: 847-913-8766

Independent Auditors

KPMG LLP
Chicago, Illinois

Corporate Counsel

Katten Muchin Zavis
Chicago, Illinois

Investor Relations

For corporate or product information please contact the Corporate Office.

Form 10-K Report

You may receive a free copy of the Zebra Technologies Corporation Form 10-K Report filed with the Securities and Exchange Commission by contacting the Investor Relations Department at the Corporate Headquarters.

Web Site

Investors are invited to learn more about Zebra Technologies Corporation by accessing the Company's web site at www.zebracorporation.com

Equal Employment Opportunity/Affirmative Action

It is the policy of Zebra Technologies Corporation to provide equal opportunity and affirmative action in all areas of its employment practices without regard to race, color, religion, national origin, sex, age, ancestry, citizenship, disability, veteran status, marital status, sexual orientation or any other reason prohibited by law.

Stock Information: Price Range and Common Stock

The Company's Class A Common Stock is traded on the Nasdaq Stock Market under the symbol ZBRA. The following table shows the high and low trade prices for each quarter in 2000 and 1999, as reported by the Nasdaq Stock Market. No market exists for the Company's Class B Common Stock. The shares of Class B Common Stock are convertible on a one-for-one basis into shares of Class A Common Stock at the option of the holder.

2000	High	Low
First Quarter	$70.88	$39.81
Second Quarter	58.06	42.13
Third Quarter	54.75	41.88
Fourth Quarter	50.50	37.13

1999	High	Low
First Quarter	$37.00	$22.88
Second Quarter	38.50	23.50
Third Quarter	50.38	37.00
Fourth Quarter	64.50	44.19

Source: The Nasdaq Stock Market

At March 12, 2001, the last reported price for the Class A Common Stock was $41.188 per share, and there were 483 registered shareholders of record for the Company's Class A Common Stock and 26 registered shareholders of record for the Company's Class B Common Stock.

Dividend Policy

Since the Company's initial public offering in 1991, the Company has not declared any cash dividends or distributions on its capital stock. The Company intends to retain its earnings to finance future growth and therefore does not anticipate paying any cash dividends in the foreseeable future.

Number of Employees

The Company had approximately 2,000 associates as of March 1, 2001.

Zebra Technologies Corporation

Board of Directors

Edward Kaplan
Chairman and Chief Executive Officer
Zebra Technologies Corporation

Gerhard Cless
Executive Vice President and Secretary
Zebra Technologies Corporation

Donald Skinner
Vice Chairman
Zebra Technologies Corporation

Chairman, President and
Chief Executive Officer, Ceryx, Inc.

Vice Chairman, RF-Code, Inc.

Christopher Knowles (1)
Retired Chief Executive Officer
Insurance Auto Auctions, Inc.

David Riley (1)
Director and Retired President
and Chief Executive Officer
The Middleby Corporation

Michael Smith (1)
Chairman and Chief Executive Officer
FireVision, L.L.C.

(1) Member of Audit Committee

Executive Officers

Edward Kaplan
Chairman and Chief Executive Officer

Gerhard Cless
Executive Vice President and Secretary

Charles Turnbull
President

John Kindsvater
Senior Vice President, Business Development

Charles Whitchurch
Chief Financial Officer and Treasurer

Zebra Technologies Corporation

International Headquarters

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