2 0 0 1 Annual Report

We Enable

Zebra Technologies Corporation

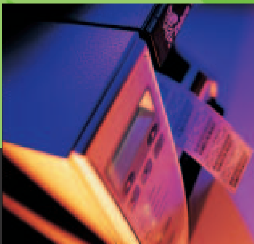
Zebra Technologies Corporation provides innovative and reliable on-demand printing solutions to businesses and governments in nearly 100 countries around the world. Zebra® thermal bar code label and receipt printers and Eltron® card printers encode and deliver information, which enables users to strengthen security, increase productivity, enhance quality, lower costs and improve customer service.

ncrease inventory accuracy - Ensure quality - Eliminate packing errors - Lower labor costs - Shorten cycle time - Prevent theft - Avert tampering - Avoid misplaced goods -

A vertical markets focus:

- Small package delivery
- Specialty retailing
- Food service distribution
- Auto parts manufacturing
- Lodging
- Entertainment
- Department store retailing
- Vehicle rental
- Third-party logistics
- Drug manufacturing
- High-security access
- Driver's licenses
- National ID
- Transportation
- Electronics manufacturing
- Warehousing

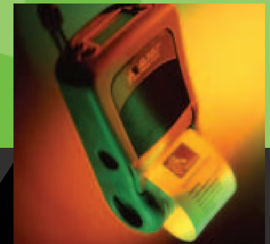
High-performance bar code label and specialty printers



Industrial and commercial bar code label printers

Desktop label, ticket and receipt printers

Mobile printing systems



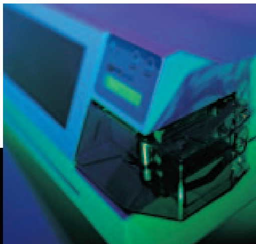
FINANCIAL SUMMARY

(In thousands, except per share data and percentages)

		2001	% change	2000	% change	1999
Operating Results	Net sales	**$450,008**	-6.6%	$481,569	19.7%	$402,213
	Gross profit	**209,893**	-9.7	232,428	14.3	203,271
	Operating income	**92,459**	-14.9	108,670	4.7	103,784
	Net income	**61,529**	-14.0	71,622	2.8	69,632
	Diluted earnings per share	**1.99**	-13.4	2.30	4.0	2.21
Capitalization	Cash and cash equivalents and investments in marketable securities	**$249,349**		$156,714		$235,568
	Working capital	**329,789**		256,799		302,804
	Total assets	**479,556**		418,896		394,643
	Total shareholders' equity	**445,007**		371,288		349,307

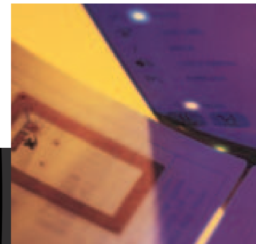
Certify documentation - Authenticate merchandise - Collect customer data - Enhance customer service - Speed customer checkout - Control access - Secure assets - Verify personnel

Card printers



Thermal printing supplies

Radio Frequency Identification (RFID)



Connectivity and label design software

LETTER TO STOCKHOLDERS

Edward Kaplan
Chairman and Chief Executive Officer

Early in 2001, as the U.S. economy slowed, Zebra made important strategic investments to strengthen its position for long-term success. Facing an expected sales decline, but with substantial resources and high profitability, we decided to trade current earnings for the opportunity for much larger gains in the following years.

We focused on demand-generating activities. We introduced new products that enable businesses and governments to improve security, productivity, quality, and customer service. We expanded our global presence and introduced high-growth mobile printing solutions to new territories. We also began implementing new channel and marketing programs targeting vertical markets with high-growth opportunities. Our pursuit of acquisitions yielded increased deal flow and, regrettably, a transaction that we were unable to complete. Against a backdrop of weak manufacturing and technology sectors, we materially strengthened our financial condition and generated record free cash flow.

As expected, net sales for 2001 declined for the first time in Zebra's history, down 6.6% to $450 million. Net income before merger expenses amounted to $2.03 per share, compared with $2.53 per share in 2000. At the same time, continued high profitability and the success of better working capital management

helped generate $84 million in free cash. Operating profit margins exceeded 21% for the year. Inventories declined 30%, and receivables fell 20%. Cash and investments at the end of 2001 totaled $249 million, which can be used for acquisitions.

We believe our performance was quite respectable relative to Corporate America in general and technology companies in particular. More important, we enhanced our ability to grow and deliver stockholder value over the long term.

Certainly our accomplishments in 2001 underscore our commitment to long-term growth. In Europe, we established a mobile printing systems business. In a few short months, our associates captured some important contract awards. Our investments in geographic expansion with in-country representation helped us win more business opportunities as well. On the strength of our product offerings, we increased sales with national postal organizations, banking systems, and hospitality and travel providers.

Major leaps forward in connectivity and wireless communications enhanced the value of Zebra's products in 2001. Our products became easier to integrate into IT networks. We introduced the first wireless tabletop printers. The introduction of Bluetooth and other important wireless technologies also broadened the connectivity of Zebra printers.

Record sales and product-line expansion were the high points for Zebra's card printers. Heightened awareness of safety and security following the tragedy of September 11 supported growth of these products. Related to our growth in card printers and our commitment to building stockholder value was our agreement to acquire Fargo Electronics. We devoted significant resources over eight months to bring the transaction to a successful conclusion. Ultimately, the Federal Trade Commission Staff indicated that it was unlikely to clear the transaction in its proposed form. After carefully considering the time and uncertainty in making selective product divestitures outlined by the FTC Staff, Zebra and Fargo determined that continued pursuit of the transaction was not in the best interests of the companies and their stockholders. Accordingly, we agreed to terminate the acquisition.

We have a sharper focus on high-growth vertical markets and applications where we deliver real value for our customers.

No doubt, we are disappointed that we were unable to complete the acquisition. Zebra, however, remains committed to the attractive market for card personalization systems. The opportunities for personal identification, access control and security are excellent, and Zebra's card printer business unit is very well positioned for continued growth.

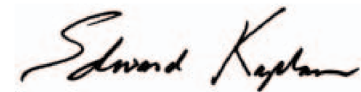
We are working with law enforcement agencies on developing card personalization systems that meet higher security needs, as governments, defense agencies and military contractors, and global corporations are upgrading their card personalization programs and showing greater interest in higher-value identification technologies. Our new P720 performance printer is targeted at high-security applications, including driver's licenses and national ID cards. In addition, new entry-level P200 series printers are perfect for loyalty cards, employee badges, and membership cards. During 2002, we intend to expand our card printer line further, with new features and price points to increase the number of potential applications and deliver better value in card personalization solutions.

Advances in wireless technology are expanding the applications for mobile printing systems. The latest addition to Zebra's leading line of mobile printers is the QL320, which offers modular wireless connectivity options in a lightweight ergonomic design for applications such as shelf labeling, in-store pricing and mobile receipt printing. We intend to expand this exciting mobile platform in 2002.

Internationally, our plans call for expanding our presence in Eastern Europe with more sales representatives and for accelerating penetration of mobile applications from the outstanding base we built last year. In Asia Pacific and Latin America, our in-country representatives are working to generate more business in these regions, which offer excellent long-term growth opportunities.

In 2001, we devoted additional resources to executing our acquisition strategy. The goal of this strategy is to strengthen Zebra's technological base, diversify into related businesses, and add products to address new printing applications. We believe this is the best way to use our cash to grow stockholder value.

It is clear to me that the decision to invest in 2001, rather than cut spending, was the right decision for Zebra. We distanced ourselves from the competition, extended our customer reach and expanded our product line. We have a sharper focus on high-growth vertical markets and applications where we deliver real value for our customers. Zebra is very well positioned to capitalize on the demand that we anticipate will emerge in 2002. We look forward to sharing our progress with you as the year unfolds.



Edward Kaplan
Chairman and Chief Executive Officer

SEEING THE BIG PICTURE

Over years of innovation, Zebra Technologies has achieved a clear view of the entire industrial supply chain and how it can add value at each link. Zebra now enables its customers to achieve their business goals more quickly, more safely, more accurately and more efficiently.

Component Tracking *The accuracy of barcoding enables companies to track individual parts, certify documentation, ensure procedural compliance and prevent tampering.*

Connectivity - Component manufacturing - Product identification - Quality assurance - Inventory tracking - Compliance labeling - WIP management - Warehouse management -

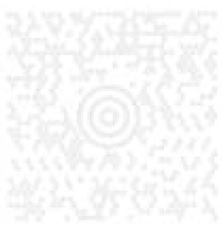
Commerce today demands ever-increasing speed and efficiency in the delivery of goods and services. Zebra's key enabling technologies automate information exchange to maximize efficiencies at every step of a company's operations, from production to inventory, to shipping, receiving and tracking, and ultimately, to sale and delivery to the customer.

ZebraLink *maximizes uptime and gives users unparalleled control over their bar code printer networks.* **Alert** *instantly sends a message to any email-enabled device when a printer runs out of ribbon or labels, or other situations arise.*

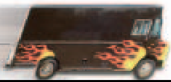
With **WebView**, *network administrators download label formats and configure a printer to optimize performance and meet customer needs quickly.*

The **ZBI**™ *basic interpreter can control other peripheral devices for cost-effective stand-alone operations, as well as interpret non-Zebra data streams.*

Connectivity *Direct connections to enterprise, warehouse management and other data networks add value to Zebra printers. Web and wireless connectivity increases printer flexibility by eliminating costly hard wiring.*



Package Labeling Barcoding speeds shipping and makes it possible to track the billions of packages sent each year. Better tracking reduces losses and helps ensure on-time deliveries, especially in time-critical business operations.



QL320

On-Demand Shelf Labeling

Pricing updates are handled quickly and accurately thanks to networked mobile printing solutions for scanning and printing right on the selling floor.

The Zebra Portable Radio (ZPR) clips onto handheld devices for short-range wireless communication with Zebra mobile printers to add functionality and flexibility.

Package labeling - Cross-docking - Receiving and stocking - In-store pricing - On-demand shelf labeling - Self-serve kiosk printing - Point-of-sale receipts and coupons - Mobile POS/queue busting - Customer loyalty cards

Mobile POS/Queue Busting With magnetic stripe and smart card readers on Zebra mobile printers, retailers can add wireless, point-of-sale locations during peak times for instant improvement in productivity and customer service. Economical mobile POS solutions shorten checkout lines, increase customer satisfaction and prevent lost sales. They also maximize selling space by eliminating the need for additional fixed POS stations.

Cameo 2SC

A VIEW OF TOMORROW

As the world becomes more complex and interconnected, the need for fast and accurate identification, tracking and transactions processing provides Zebra outstanding avenues for growth.

Specialty Labeling *Zebra teams specialty ribbon, adhesive and face stock to meet unique labeling requirements. Companies value Zebra's UL/CSA-approved Color Match Labels for applications requiring extreme durability, superior adhesion and chemical resistance, plus the aesthetics of color matching.*

Driver's licenses - Asset tracking - Keyless entry - Personnel identification - Child safety - Specialty labeling - National ID cards -

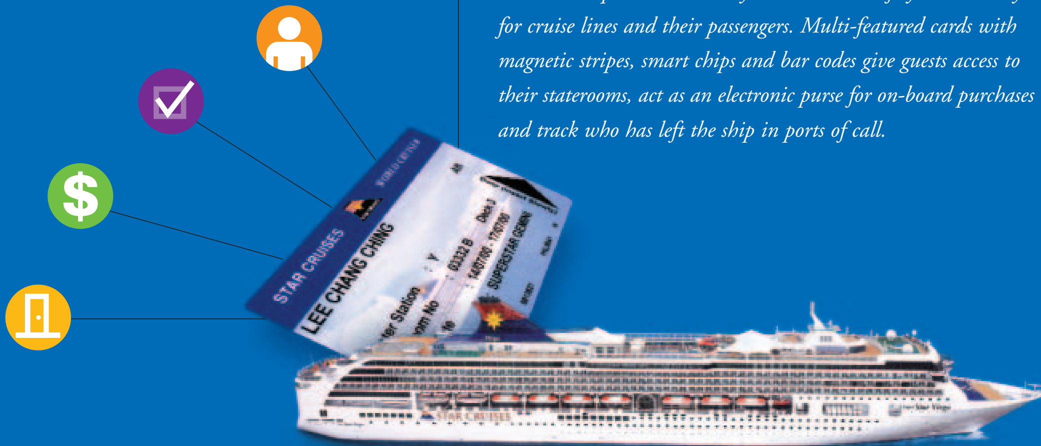
Child Safety *Municipalities are implementing child safety programs with Zebra card printers. Identification cards containing a child's vital information, including a thumbprint, let parents provide police with the key facts needed to start a search immediately if their child is missing.*

Identifying, tracking and protecting people and their property give rise to an expanding array of applications that are benefiting from Zebra's innovations in label, receipt and card printing. Greater safety and security, a reduction in medical errors and an improvement in customer service can all be achieved with solutions that incorporate Zebra printers and supplies. Wireless connectivity and radio frequency identification (RFID) technology further enhance the value of Zebra products.

Passenger Tracking
Applications in transportation incorporate Zebra printers with wireless connectivity for issuing tickets and boarding passes, upgrading ticket fares, printing timetables and route maps, and taking payment for refreshments all while increasing passenger satisfaction.

Passenger tracking - Biometrics - Electronic purse - Access control - Law enforcement ticketing - Evidence tracking - Luggage identification and tracking

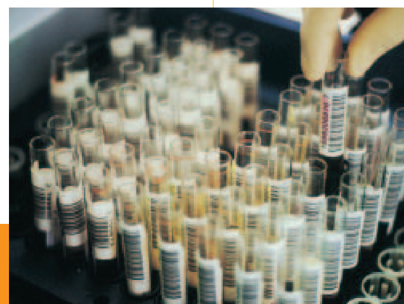
Access Control
Zebra's card personalization systems enhance safety and security for cruise lines and their passengers. Multi-featured cards with magnetic stripes, smart chips and bar codes give guests access to their staterooms, act as an electronic purse for on-board purchases and track who has left the ship in ports of call.



"Smart" Labels with embedded radio frequency identification (RFID) chips can enhance security by matching baggage with passenger manifests. Zebra RFID printer/encoders simultaneously print a label and encode the embedded chip. The ability to append information to smart labels and read the chip's RF signals where there is no line of sight expands Zebra's applications opportunities.

Patient Identification
Healthcare professionals increasingly depend on the accuracy that bar codes provide to reduce potentially life-threatening errors. Barcoded ID bracelets match patients with their records, test results and lab samples. Scanning wristbands when delivering medications verifies that the correct medication is dispensed to each patient and reduces health risk and legal liability.

Ht-146



Specimen Tracking *Barcoding specimens with labels from a desktop or wireless mobile printer at the same time they are obtained from a patient ensures proper labeling and tracking, averts misplacing and tampering, makes certain that procedures are followed, and avoids rework.*

Patient identification - Patient billing - Blood bag identification - Regulatory compliance - Specimen tracking - Procedure tracking - Instrument and tracking - Pharmacy management

H E A L T H C A R E

Patient Billing
Barcoding reduces billing errors by cutting paper-work and increasing records management accuracy. Barcoded items are scanned when removed from inventory, and the patient's chart is scanned to show utilization and adjust the bill.

Pharmacy Management *Barcoding helps drug manufacturers comply with regulatory mandates, minimize production errors, and ensure security of company assets. Pharmacists can help the visually impaired take their proper medication by labeling pill bottles with Zebra-encoded smart labels that "speak" in a synthesized voice with the aid of a handheld reader.*

Selected Consolidated Financial Data

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

Consolidated statements of earnings data

	2001	2000	1999	1998	1997
Net sales	**$450,008**	$ 481,569	$ 402,213[4]	$ 339,678[4]	$ 300,071[4]
Cost of sales	**240,115**	249,141	198,942[4]	183,639[4]	153,205[4]
Gross profit	**209,893**	232,428	203,271	156,039	146,866
Total operating expenses	**117,434**[1]	123,758[1]	99,487[2]	94,174[2]	72,446
Operating income	**92,459**[1]	108,670[1]	103,784[2]	61,865[2]	74,420
Income before income taxes	**96,139**[1]	111,911[1]	108,800[2]	65,021[2]	85,225[3]
Net income	**61,529**[1]	71,622[1]	69,632[2]	40,069[2]	54,447[3]
Earnings per share					
Basic	**$ 2.01**[1]	$ 2.33[1]	$ 2.23[2]	$ 1.30[2]	$ 1.76[3]
Diluted	**$ 1.99**[1]	$ 2.30[1]	$ 2.21[2]	$ 1.29[2]	$ 1.74[3]
Weighted average shares outstanding					
Basic	**30,645**	30,790	31,175	30,919	30,897
Diluted	**30,881**	31,155	31,521	31,176	31,380

(In thousands)
December 31,

Consolidated balance sheet data

	2001	2000	1999	1998	1997
Cash and cash equivalents and investments and marketable securities	**$249,349**	$ 156,714	$ 235,568	$ 162,668	$ 139,320
Working capital	**330,510**	256,799	302,804	229,688	209,862
Total assets	**479,556**	418,896	394,643	310,002	270,447
Long-term obligations	**408**	513	664	36	314
Shareholders' equity	**445,007**	371,288	349,307	270,884	236,220

(1) Includes pretax charges for merger costs relating to the acquisition of Comtec Information Systems, Inc., and merger with Eltron International, Inc. of $1,838 in 2001 and $11,066 in 2000.

(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 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.

Discussion

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

General

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 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 had no effect on previously reported net income.

Comparison of Years Ended December 31, 2001 and 2000

Net sales of $450,008,000 declined 6.6% from $481,569,000 in 2000. The decline was primarily related to softness in sales of bar code label and receipt printers in North America from deteriorating economic conditions in the U. S., specifically in the manufacturing and technology sectors. A full year's sales of mobile printing systems as a result of the Comtec acquisition, compared with only three quarters in 2000, partially offset the decline from this weakness. Hardware sales decreased 10.0% to $339,886,000 from $377,500,000 and represented 75.5% of net sales, compared with 78.4% of net sales for 2000. Sales of supplies increased 5.2% to $85,266,000 from $81,045,000 to represent 18.9% of net sales versus 16.8% of net sales in 2000. Service and software revenue was $19,345,000 in 2001, up 12.1% from $17,251,000 to account for 4.3% of net sales compared with 3.6% for 2000. Freight revenue was $5,511,000 for 2001, compared with $5,773,000 for 2000, representing a 4.5% decline. Freight revenue accounted for 1.2% of net sales in both 2001 and 2000.

North American sales declined 10.5% to $269,955,000 for 2001 from $301,580,000 for 2000, as the slowing U.S. economy restricted sales of bar code label and receipt printers in North America. This slowdown began in 2000 and became more severe in 2001. Management believes that the long-term outlook for bar code label and receipt printing remains favorable but is unable to determine at this time when growth might return to historical levels.

International sales for 2001 of $180,053,000 showed virtually no growth from the $179,989,000 recorded in 2000. Because of the overall decline in net sales, international sales increased to 40.0% of net sales in 2001 from 37.4% of net sales in 2000. Growth in the Company's European region to a record level resulted from the formation of a team dedicated to the sale of mobile printing systems and sales expansion in Eastern Europe. This growth was offset by sales declines in Latin America and Asia Pacific. Management continues to believe that the Asia Pacific and Latin American regions hold significant growth opportunities, because it believes that barcoding and other auto-id technologies are not as well adopted in these international markets as in North America. The strength of the U.S. dollar versus the British pound and the euro reduced sales for the Company's European region by approximately $2,976,000, compared with exchange rates that prevailed during 2000. It is difficult for management to accurately forecast the direction of foreign exchange movements, and therefore, to estimate the impact of foreign exchange rates on future financial results, either positive or negative.

Gross profit was $209,893,000 for 2001, down 9.7% from $232,428,000 for 2000. In addition, gross profit margin declined to 46.6% from 48.3%. Lower production volumes and the resulting decline in manufacturing capacity utilization had the predominant effect on the gross profit and gross profit margin declines. Management calculates that changes in foreign exchange rates reduced gross profit by $2,287,000. Positive variances to standard costs related to lower component costs and a favorable mix of products sold had a positive effect on gross profit margin.

Selling and marketing expenses increased 2.9% to $49,688,000, or 11.0% of net sales, from $48,306,000, or 10.0% of net sales. During 2001, the Company continued to invest in demand-generating activities

to support long-term growth. For 2001, higher expenditures for personnel, market research and co-op activities were partially offset by declines in travel and entertainment and other expenses.

Research and development expenses for 2001 were $28,184,000, up 5.4% from $26,746,000 for 2000, and represented 6.3% of net sales in 2001 versus 5.6% in 2000. Lower project expenses partially offset higher expenditures related to engineering personnel and consulting services.

General and administrative expenses declined 3.3% to $32,491,000 from $33,594,000. As a percentage of net sales, general and administrative expenses increased to 7.2% from 7.0%. Higher expenditures on information systems were partially offset by expense declines for personnel-related expenses from benefits and taxes, as well as lower expenditures on outside services for recruiting and consulting.

Amortization of intangible assets totaled $5,233,000, compared with $4,046,000 for 2000. The increase was due to a full year's amortization of intangible assets related to the Comtec acquisition, compared with three quarters in 2000. Management expects the impact of adopting SFAS No. 142, *Goodwill and Other Intangible Assets,* to eliminate approximately $5,000,000 in amortization of goodwill and other intangible assets during 2002.

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 2001.

The Company incurred merger costs of $1,838,000 in 2001 and $5,113,000 in 2000. These costs related to the merger with Eltron International, Inc. in October 1998, which was accounted for as pooling-of-interests, and the Comtec acquisition. These costs exclude certain direct costs of the Comtec acquisition, which were not included as a portion of the purchase price or recorded at the time of the transaction. In 2001, these costs primarily consisted of expenditures on information technology infrastructure to integrate the Comtec and Eltron operations.

Investment income was $5,419,000 for 2001, a decrease of 52.2% from $11,345,000 for 2000. Lower investment returns on invested balances contributed to the decline. In addition, in the third quarter of 2001, the Company recorded a $2,242,000 pre-tax write-down of a long-term investment, in which the decline in value was viewed as other than temporary. This write-down reduced 2001 diluted earnings by $0.05 per share.

Interest expense and other expense, net, for 2001 totaled $1,739,000, compared with $8,104,000. The 78.5% decline was primarily attributable to the effectiveness of currency hedging strategies to minimize the effects of foreign currency transactions, which the Company implemented during the second half of 2000. In 2001, 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 totaled $896,000, compared with $6,032,000 for 2000.

Income before income taxes decreased 14.1% to $96,139,000 from $111,911,000. As a percentage of net sales, income before income taxes declined to 21.4% from 23.2%. Excluding merger-related charges and acquired in-process technology of $1,838,000 in 2001 and $11,066,000 in 2000, income before income taxes declined to $97,977,000,or 21.8% of net sales, from $122,977,000, or 25.5% of net sales. The effective income tax rate was 36.0% in both 2001 and 2000.

Net income of $61,529,000, or $1.99 per diluted share, for 2001 was down 14.1% from $71,622,000, or $2.30

per diluted share, for 2000. Excluding the effects of merger expenses, net income for 2001 was $62,706,000, or $2.03 per diluted share, compared with $78,704,000, or $2.53 per diluted share, for 2000.

Comparison of Years Ended December 31, 2000 and 1999

Net sales increased 19.7% to $481,569,000 from $402,213,000. 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 $377,500,000 from $321,354,000 and represented 78.4% of net sales, compared with 79.9% of net sales. Sales of supplies increased 17.3% to $81,045,000 from $69,092,000 to represent 16.8% of net sales in 2000 versus 17.2% in 1999. 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 was $5,773,000, up 56.2% from $3,695,000, and accounted for 1.2% of net sales in 2000 and 0.9% in 1999.

North American sales increased 25.0% to $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 restricted sales growth of bar code label printers in North America in 2000, as companies reduced expenditures on capital and information technology.

International sales were $179,989,000, up 11.9% from $160,893,000 and accounted for 37.4% of net sales, 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. The strength of the U.S. dollar versus the British pound and the euro reduced reported sales growth for the Company's European region in 2000.

Gross profit increased 14.3% to $232,428,000 from $203,271,000. Gross profit margin declined to 48.3% from 50.5%. Faster growth in portable printers, brought about by the Comtec acquisition, and other lower priced printers contributed to an unfavorable product mix. 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.

Research and development expenses were $26,746,000, or 5.6% of net sales, up 21.5% from the $22,007,000, or 5.5% of net sales. The Company incurred increased personnel-related expenses from higher staffing levels, increased use of outside consulting services, and higher costs related to activities in the research and development of new products.

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. The increase was due to the amortization of intangible assets related to the Comtec acquisition.

As part of the Comtec acquisition, the Company acquired mobile 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 the Eltron and Comtec transactions and 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.

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. 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 and acquired in-process technology 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.

Critical Accounting Policies and Estimates

Management prepared the consolidated financial statements of Zebra Technologies Corporation in conformity with accounting principles generally accepted in the United States of America. Accordingly, certain required estimates, judgments and assumptions are believed to be reasonable, based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the periods presented. The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results.

Valuation of Long-Lived and Intangible Assets and Goodwill

Management assesses the impairment of identifiable intangibles, long-lived assets and related goodwill and enterprise-level goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important to possibly trigger an impairment review consist of:

- significant underperformance relative to expected historical or projected future operating results
- significant changes in the manner of use of the acquired assets or the strategy for the overall business

- significant negative industry or economic trends
- significant decline in Zebra's stock price for a sustained period
- significant decline in market capitalization relative to net book value

When it is determined that the carrying value of intangibles, long-lived assets and related goodwill and enterprise level goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, management measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Net intangible assets, long-lived assets, and goodwill amounted to $114,317,000 as of December 31, 2001.

In 2002, SFAS No. 142, *Goodwill and Other Intangible Assets,* became effective. As a result, the Company will cease to amortize approximately $54,455,000 of goodwill, including existing intangible assets that are not considered identifiable under SFAS No. 142. The Company recorded approximately $5,134,000 of amortization on these amounts during 2001 and would have recorded approximately $5,134,000 of amortization during 2002. In lieu of amortization, the Company is required to perform an initial impairment review of its goodwill in 2002 and an annual impairment review thereafter. The Company expects to complete its initial review during the first quarter of 2002.

The Company currently does not expect to record an impairment charge upon completion of the initial impairment review. There can be no assurance, however, that when the review is completed a material impairment charge will not be recorded.

Revenue Recognition

Zebra recognizes revenue from product sales at the time of shipment and passage of title. Certain customers have the right to return products that do not function properly within a limited time after delivery. The Company regularly monitors and tracks product returns and records a provision for the estimated amount of such future returns, based on historical experience and any notification received of pending returns. While such returns have historically been within expectations and the provisions established, the Company cannot guarantee that it will continue to experience return rates consistent with historical patterns. Any significant increase in product failure rates and the resulting credit returns could have a material adverse effect on operating results for the periods in which such returns materialize.

Accounts Receivable

The Company performs ongoing credit evaluations of customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by a review of current credit information. Management monitors customer collections and payments and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues. While such credit losses have historically been within expectations and the provisions established, management cannot guarantee that the Company will continue to experience credit loss consistent with historical experience. Since accounts receivable are not concentrated in a few number of customers, a significant change in the liquidity or financial position of any one customer would not have a material adverse effect on the collectability of accounts receivables and future operating results.

Inventories

The Company values its inventories at the lower of the actual cost to purchase or manufacture, or the current estimated market value. Management regularly reviews inventory quantities on hand and records a provision for excess and obsolete inventory based primarily on estimated forecasts of product demand and production requirements for the subsequent twelve months. A significant increase in the demand for Zebra's products could result in a short-term increase in the cost of inventory purchases, while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on hand. Additionally, the Company's estimates of future product demand may prove to be inaccurate,

in which case the provision required for excess and obsolete inventory may be understated or overstated. In the future, if inventories are determined to be overvalued, the Company would be required to recognize such costs in cost of goods sold at the time of such determination. Likewise, if inventories are determined to be undervalued, the Company may have overreported cost of goods sold in prior periods and would be required to recognize such additional operating income at the time of sale. The Company makes every effort to ensure the accuracy of its forecasts of future product demand; however any significant unanticipated changes in demand or technological developments could have a significant impact on the value of inventories and reported operating results.

Reserve for Tax Litigation and Tax Audits

The Company has recorded the estimated liability related to certain pending tax litigation and tax audits based on management's estimates of the probable range of loss. As additional information becomes available, management will assess the potential liability related to pending litigation and tax audits, and revise estimates. Such revisions in the estimates of potential future liabilities could materially affect the results of operation and financial position.

For additional information on the Company's significant accounting policies, see Note 2 to the accompanying consolidated financial statements.

Liquidity and Capital Resources

Internally generated funds from operations are the primary source of liquidity for the Company, largely as a result of the Company's sales and profitability, control over working capital and relatively low requirements for purchases of property and equipment. As of December 31, 2001, the Company had $249,349,000 in cash and cash equivalents and investments and marketable securities, including approximately $100,000,000 earmarked for the Fargo acquisition, compared with $156,714,000 at the end of 2000. Capital expenditures totaled $9,613,000 in 2001, $8,947,000 in 2000, and $11,349,000 in 1999. Management believes that existing capital resources and funds generated from operations are sufficient to finance anticipated capital requirements.

For 2001, net cash provided by operating activities was $14,076,000, which included an increase of $78,874,000 in investments and marketable securities and relatively significant declines of $16,223,000, or 19.3%, in accounts receivable and $17,284,000, or 30.4%, in inventories. Both declines exclude the effect of exchange rates on cash. Depreciation and amortization totaled $15,691,000. Net cash used in investing activities was used exclusively for $9,613,000 in purchases of property and equipment, and $8,863,000 in net cash provided by financing activities was substantially generated by proceeds from the exercise of stock options. Cash and cash equivalents increased by $12,552,000 for the year.

Net cash provided by operating activities totaled $132,565,000 in 2000. During the year, the Company reduced its investments and marketable securities by $60,860,000 as partial funding for the Comtec acquisition. The Company also recorded increases of $7,106,000 in accounts receivable and $7,179,000 in inventories. Depreciation and amortization totaled $14,383,000. Acquired in-process technology related to the Comtec acquisition had a $5,953,000 positive effect on cash flow, while deferred income taxes used $6,076,000 in cash during the year. Investing activities used $97,423,000 in cash in 2000. In addition to the $8,947,000 used for purchases of property and equipment, the Company used $88,476,000 for the Comtec acquisition, net of cash acquired. For 2000, the Company used $48,675,000 for financing activities, including $55,505,000 for the purchase of treasury stock. Proceeds of $6,653,000 from the exercise of stock options had a positive effect on net cash used in financing activities. For 2000, cash and cash equivalents declined by $15,041,000.

For 1999, operating activities provided $15,683,000, including an increase in investments and marketable securities of $59,471,000. In addition, accounts receivable increased by $5,216,000 and inventories increased $2,695,000. Offsetting these uses of cash,

accounts payable increased by $3,233,000 and income taxes payable increased $3,055,000. Depreciation and amortization totaled $9,900,000 for the year. Investing activities used $4,403,000. Sales of investments and marketable securities of $6,946,000 partially offset the $11,349,000 in purchases of property and equipment. Financing activities provided $9,591,000, almost entirely from proceeds from exercise of stock options. For the year, the Company recorded a net increase of $19,439,000 in cash and cash equivalents.

On July 31, 2001, the Company signed a definitive agreement, through its wholly owned subsidiary Rushmore Acquisition Corp., to acquire all of the outstanding common stock (including associated rights to purchase preferred stock) of Fargo Electronics, Inc., for $7.25 per share in cash, or approximately $86,000,000, plus debt. This debt will become due on consummation of the tender offer. Management will fund the acquisition with existing cash and investment resources. The Company believes that existing capital resources and funds generated from operations are also sufficient to finance anticipated capital requirements, as well as potential future acquisitions and related integration costs. As of December 31, 2001, the Company had $1,395,000 in capitalized acquisition costs related to the Fargo transaction. If the agreement is terminated, the capitalized acquisition costs and other acquisition costs that would otherwise be capitalized will be expensed in the period in which the termination occurs. The Company expects to incur as yet unquantified additional merger integration costs related to the Fargo acquisition, if consummated. See Note 3 of Notes to Consolidated Financial Statements and the Company's Form 8-K dated July 31, 2001 for a more thorough description of the Fargo acquisition. In addition, see the Acquisition Agreement, Amendment No. 1 to the Acquisition Agreement, Amendment No. 2 to the Acquisition Agreement and Amendment No. 3 to the Acquisition Agreement, all of which are on file with the SEC.

On March 22, 2002, the tender offer was extended to 5:00 PM, New York City time, on April 5, 2002. The extension is necessary, because the applicable Hart-Scott-Rodino antitrust review waiting period has not expired or been terminated. Because clearance under the Hart-Scott-Rodino Antitrust Improvements Act has not been received, Fargo has the right under the acquisition agreement to terminate the acquisition at any time during the period beginning at 5:00 PM, New York City time, on March 22, 2002 and ending at 12:00 midnight, New York City time, on March 29, 2002.

Recently Issued Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets,* which supersedes APB Opinion No. 17, *Intangible Assets.* SFAS 142 replaces the requirements to amortize intangible assets with indefinite lives and goodwill with a requirement for an impairment test. SFAS 142 also requires an evaluation of intangible assets and their useful lives and a transitional impairment test for goodwill and certain intangible assets upon adoption. After transition, the impairment test will be performed annually. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Management is currently evaluating the impact of adopting SFAS 142 on the Company's consolidated financial statements.

As of the date of adoption, the Company expects to have unamortized goodwill in the amount of $54,455,000, which includes existing intangible assets that are not considered identifiable under SFAS No. 142. Amortization expense related to goodwill was $5,134,000 and $1,283,000 for the year ended December 31, 2001 and three months ended December 31, 2001, respectively. Because of the extensive effort needed to comply with adopting SFAS 142, it is not practical to reasonably estimate the impact of adopting this Statement on the Company's financial statements at the date of this report, including whether it will be required to recognize any transitional impairment losses as the cumulative effect of a change in accounting principle.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations.* SFAS 143 addresses financial accounting and reporting for obligations

associated with the retirement of tangible long-lived assets and for the associated asset retirement costs. SFAS 143 must be applied starting with fiscal years beginning after June 15, 2002. Management is currently evaluating the impact that the adoption of SFAS 143 will have on the consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal for Long-Lived Assets.* SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,* it retains many of the fundamental provisions of that Statement. SFAS No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions,* for the disposal of a segment of a business. It retains, however, the requirement in APB Opinion No. 30 to report separately discontinued operations, and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company is in the process of evaluating the impact that adoption of SFAS No. 144 may have on the financial statements; however, such impact, if any, is not known or reasonably estimable at this time.

Safe Harbor

Forward-looking statements contained in this report are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and are highly dependent upon a variety of important factors. These factors could cause actual results to differ materially from those reflected in such forward-looking statements. These factors include those described below. When used in this document, the words "anticipate," believe," "estimate," "will" and "expect," and similar expressions as they relate to the company or its management, are intended to identify such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this annual report.

Risk Factors

Investors should carefully consider the risks, uncertainties and other factors described below, as well as other disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations, because they could have a material adverse effect on the Company's business, financial condition, operating results, and growth prospects.

The Company could encounter difficulties in any acquisition it undertakes, including unanticipated integration problems and business disruption. Acquisitions could also dilute stockholder value and adversely affect operating results.
The Company agreed to acquire Fargo Electronics, Inc., and may acquire or make investments in other businesses, technologies, services or products. The process of integrating any acquired business, technology, service or product into operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired company also may consume considerable management time and attention, which could otherwise be available for ongoing development of the business. The expected benefits of any acquisition may not be realized. Moreover, the Company may be unable to identify, negotiate or finance future acquisitions successfully. Future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities or amortization expenses.

The Company may not be able to continue to develop products to address user needs effectively in an industry characterized by rapid technological change.
To be successful, Zebra must adapt to rapidly changing technological and application needs, by continually improving its products as well as introducing new products and services to address user demands.

Zebra's industry is characterized by:

- rapidly changing technology
- evolving industry standards
- frequent new product and service introductions
- evolving distribution channels
- changing customer demands

Future success will depend on the Company's ability to adapt in this rapidly evolving environment. The Company could incur substantial costs if it has to modify its business to adapt to these changes, and may even be unable to adapt to these changes.

The Company competes in a highly competitive market, which is likely to become more competitive. Competitors may be able to respond more quickly to new or emerging technology and changes in customer requirements.

Zebra faces significant competition in developing and selling its systems. Principal competitors have substantial marketing, financial, development and personnel resources. To remain competitive, the Company believes it must continue to provide:

- technologically advanced systems that satisfy the user demands;
- superior customer service;
- high levels of quality and reliability, and
- dependable and efficient distribution networks

Zebra cannot assure it will be able to compete successfully against current or future competitors. Increased competition in printers or supplies may result in price reductions, lower gross profit margins and loss of market share, and could require increased spending on research and development, sales and marketing and customer support. Some competitors may make strategic acquisitions or establish cooperative relationships with suppliers or companies that produce complementary products. Any of these factors could reduce our earnings.

The inability to protect intellectual property could harm the Company's reputation, and competitive position may be materially damaged.

Zebra's intellectual property is important to its success. Copyrights, patents, trade secrets and contracts are used to protect these proprietary rights. Despite these precautions, it may be possible for third parties to copy aspects of the Company's products or, without authorization, to obtain and use information which Zebra regards as trade secrets.

Zebra sells a significant portion of its products internationally and purchases important components from foreign suppliers. These circumstances create a number of risks.

The Company sells a significant amount of its products to customers outside the United States. Shipments to international customers are expected to continue to account for a material portion of net sales. Risks associated with sales and purchases outside the United States include:

- Fluctuating foreign currency rates could restrict sales, or increase costs of purchasing, in foreign countries.
- Foreign governments may impose burdensome tariffs, quotas and taxes or other trade barriers.
- Political and economic instability may reduce demand for our products, or put our foreign assets at risk.
- Restrictions on the export or import of technology may reduce or eliminate the ability to sell in or purchase from certain markets.
- Potentially limited intellectual property protection in certain countries, such as China, may limit recourse against infringing products or cause the Company to refrain from selling in certain geographic territories.
- Staffing and managing international operations may be unusually difficult.
- The Company may not be able to control international distributors working on its behalf.

Economic factors, which are outside the Company's control, could lead to a deterioration in the quality of the Company's accounts receivable.

The Company sells its products to customers in the United States and several other countries around the world. Sales are typically made on unsecured credit terms, which are generally consistent with the prevailing business practices in a given country. A deterioration of economic or political conditions in a country could impair Zebra's ability to collect on receivables in the affected country.

Infringement on the proprietary rights of others could put the company at a competitive disadvantage, and any related litigation could be time consuming and costly.
Third parties may claim that Zebra violated their intellectual property rights. To the extent of a violation of a third party's patent or other intellectual property right, the Company may be prevented from operating its business as planned, and may be required to pay damages, to obtain a license, if available, or to use a non-infringing method, if possible, to accomplish its objectives. Any of these claims, with or without merit, could result in costly litigation and divert the attention of key personnel.

The Company depends on the ongoing service of its senior management and ability to attract and retain other key personnel.
Future success is substantially dependent on the continued service and continuing contributions of senior management and other key personnel. The loss of the service of any of executive officer or other key employees could adversely affect business. The Company neither has long-term employment agreements with key personnel, nor maintains key man life insurance policies on any of its key employees.

The ability to attract, retain and motivate highly skilled employees is important to Zebra's long-term success. Competition for personnel in the Company's industry is intense, and the Company may be unable to retain key employees or attract, assimilate or retain other highly qualified employees in the future.

Terrorist attacks such as the attacks that occurred in New York City and Washington, D.C., on September 11, 2001, and other attacks or acts of war may adversely affect the market for the Company's stock, its operations and profitability.
On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope. These attacks caused periodic major instability in the U.S. and other financial markets. Possible further acts of terrorism in the United States or elsewhere could have a similar impact. Leaders of the U.S. government announced their intention to actively pursue and take military and other action against those behind the September 11 attacks and to initiate broader action against global terrorism. Armed hostilities or further acts of terrorism would cause further instability in financial markets and could directly, or indirectly through reduced demand, negatively affect the Company's facilities and operations or those of its customers or suppliers.

Taxing authority challenges may lead to tax payments exceeding current reserves.
The Company operates in multiple tax jurisdictions worldwide and uses strategies to minimize its tax exposure. Local tax authorities may challenge these tax positions from time to time. Adverse outcomes in these situations may exceed the Company's reserves for tax payments.

The Company operates in many markets around the world and in the ordinary course of business, is subjected to many external influences that may affect the Company's operations and financial position. Management believes that adequate provision has been made for any such existing matters. Further events, however, including and in addition to those enumerated above may occur.

Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

The Company is exposed to the impact of changes in interest rates because of its large investment portfolio. As stated in the Company's written investment policy, the Company's investment portfolio is viewed as a strategic resource that will be managed to achieve above market rates of return in exchange for accepting a prudent amount of incremental risk, which includes the risk of interest rate movements. Risk tolerance is constrained by an overriding

objective to preserve capital across each quarterly reporting cycle.

The Company mitigates interest rate risk with an investment policy that requires the use of outside professional investment managers, investment liquidity and broad diversification across investment strategies, and which limits the types of investments that may be made. Moreover, the policy requires due diligence of each investment manager both before employment and on an ongoing basis.

Foreign Exchange Risk

The Company conducts business in more than 90 countries throughout the world and, therefore, is exposed to risk based on movements in foreign exchange rates. Currency exposures are related to the U.S. dollar/U.K. pound sterling, U.S. dollar/euro, and the U.K. pound sterling/euro exchange rates arising from invoicing European customers in pounds sterling and euros from the Company's U.K. office. The U.S. dollar/Japanese yen exchange rate arises from invoicing customers. The yen foreign currency exposure averages less than $200,000. There is no foreign exchange risk associated with the Company's investment portfolio.

The Company manages its foreign exchange exposure through a policy of selective hedging. This policy involves selling forward up to 120 days projected remittances in euros from the Company's U.K. subsidiary. Currency swaps that are net settled every month mitigate the U.S. dollar to U.K. pound sterling net exposure. This policy mitigates, but does not eliminate, the impact of exchange movements on the value of future cash flows. Thus, adverse movements in either the pound or the euro in relation to the dollar can directly affect the Company's financial results. The corporate treasury department executes all foreign exchange contracts with major financial institutions only. Under no circumstances does the Company enter into any type of foreign exchange contract for trading or speculative purposes.

Equity Price Risk

From time to time, the Company has taken direct equity positions in companies. These investments relate to potential acquisitions and other strategic business opportunities. To the extent that it has a direct investment in the equity securities of another company, the Company is exposed to the risks associated with such investments.

The Company currently employs three investment managers, two of which manage portfolios of investment funds (i.e. fund of funds). These investment funds use a variety of investment strategies, some of which involve the use of equity securities. Each investment manager's portfolio is designed to be market neutral, although an individual fund within a portfolio may be exposed to market risk. By policy, management limits the amount of the Company's investments in alternative investment strategies to a maximum of 20% of the total investment portfolio, with no single investment exceeding $10,000,000.

The Company utilizes a "Value-at-Risk" (VaR) model to determine the maximum potential one-day loss in the fair value of its interest rate, foreign exchange and equity price sensitive instruments.

The following table sets forth the impact of a 1% movement in interest rates on the value of the Company's investment portfolio as of December 31, 2001. Similarly, the impact of a 1% change in the value of all equity positions held by the Company's investment managers is tabulated. The impact of a 1% movement in the dollar/pound and dollar/euro rates is measured as if the Company did not engage in the selective hedging practices described above. It is based on the dollar/euro and dollar/pound exchange rates and euro- and pound-denominated assets and liabilities as of December 31, 2001.

Interest rate sensitive instruments	
+1% movement	$(2,044,747)
-1% movement	$ 2,044,747
Foreign exchange	
Dollar/pound	$ 87,360
Dollar/euro	$ 196,130
Equity price sensitive instruments	N/A

Balance Sheets

Consolidated Balance Sheets

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

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	**$ 26,328**	$ 13,776
Investments and marketable securities	**223,021**	142,938
Accounts receivable, net of allowance of $1,975 in 2001 and $1,420 in 2000	**67,160**	83,941
Inventories	**39,923**	56,852
Deferred income taxes	**4,295**	4,601
Prepaid expenses	**3,611**	1,578
Total current assets	**364,338**	303,686
Property and equipment at cost, less accumulated depreciation and amortization	**40,742**	41,587
Deferred income taxes	**902**	3,469
Excess of cost over fair value of net assets acquired	**32,735**	34,529
Other intangibles	**26,693**	29,281
Other assets	**14,146**	6,344
Total assets	**$479,556**	$418,896
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	**$ 14,414**	$ 23,838
Accrued liabilities	**14,993**	11,910
Short-term note payable	**221**	149
Current portion of obligation under capital lease with related party	**79**	77
Income taxes payable	**4,121**	10,913
Total current liabilities	**33,828**	46,887
Obligation under capital lease with related party, less current portion	**408**	513
Deferred rent	**313**	208
Total liabilities	**34,549**	47,608
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, 26,018,743 and 25,610,515 shares issued; 25,256,380 and 24,551,762 shares outstanding in 2001 and 2000, respectively	**260**	256
Class B Common Stock, $.01 par value; 28,358,189 shares authorized, 5,527,773 and 5,936,001 shares issued and outstanding in 2001 and 2000, respectively	**55**	59
Additional paid-in capital	**59,012**	63,491
Treasure stock, at cost (762,363 shares and 1,058,753 shares, respectively)	**(35,482)**	(50,128)
Retained earnings	**422,555**	361,026
Accumulated other comprehensive loss	**(1,393)**	(3,416)
Total shareholders' equity	**445,007**	371,288
Total liabilities and shareholders' equity	**$479,556**	$418,896

See accompanying notes to consolidated financial statements.

Earnings

Consolidated Statements of Earnings

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

	2001	2000	1999
Net sales	**$450,008**	$ 481,569	$ 402,213
Cost of sales	**240,115**	249,141	198,942
Gross profit	**209,893**	232,428	203,271
Operating expenses:			
Selling and marketing	**49,688**	48,306	39,990
Research and development	**28,184**	26,746	22,007
General and administrative	**32,491**	33,594	30,858
Amortization of intangible assets	**5,233**	4,046	291
Acquired in-process technology	**—**	5,953	—
Merger costs	**1,838**	5,113	6,341
Total operating expenses	**117,434**	123,758	99,487
Operating income	**92,459**	108,670	103,784
Operating income (expense):			
Investment income	**5,419**	11,345	8,732
Interest expense	**(231)**	(1,120)	(209)
Other, net	**(1,508)**	(6,984)	(3,507)
Total other income	**3,680**	3,241	5,016
Income before income taxes	**96,139**	111,911	108,800
Income taxes	**34,610**	40,289	39,168
Net income	**$ 61,529**	$ 71,622	$ 69,632
Basic earnings per share	**$ 2.01**	$ 2.33	$ 2.23
Diluted earnings per share	**$ 1.99**	$ 2.30	$ 2.21
Basic weighted average shares outstanding	**30,645**	30,790	31,175
Diluted weighted average and equivalent shares outstanding	**30,881**	31,155	31,521

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Amounts in thousands)
Year Ended December 31,

	2001	2000	1999
Net income	**$ 61,529**	$ 71,622	$ 69,632
Other comprehensive income (loss):			
Foreign currency translation adjustment	**(977)**	(1,508)	(1,432)
Unrealized holding gains (losses) on investments:			
Net change in unrealized holding gain (loss) for the period, net of income tax expense (benefit) of $1,687 for 2001 and of ($801) for 2000	**3,000**	(1,425)	—
Comprehensive income	**$ 63,552**	$ 68,689	$ 68,200

See accompanying notes to consolidated financial statements.

Shareholders' Equity

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, 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 upon exercise of stock options	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 upon exercise of stock options	—	—	(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
Conversion of 408,228 shares of Class B Common Stock to 408,228 shares of Class A Common Stock	4	(4)	—	—	—	—	—	—
Reissuance of 296,390 treasury shares upon exercise of stock options	—	—	(5,751)	—	14,646	—	—	8,895
Tax benefit resulting from exercise of options	—	—	1,273	—	—	—	—	1,273
Loss on put options	—	—	(1)	—	—	—	—	(1)
Net income	—	—	—	61,529	—	—	—	61,529
Unrealized holding gain on investments (net of income taxes)	—	—	—	—	—	3,000	—	3,000
Foreign currency translation adjustment	—	—	—	—	—	—	(977)	(977)
Balance at December 31, 2001	**$260**	**$55**	**$59,012**	**$422,555**	**$(35,482)**	**$1,575**	**$(2,968)**	**$445,007**

See accompanying notes to consolidated financial statements.

Cash Flows

Consolidated Statements of Cash Flows

(Amounts in thousands)
Year Ended December 31,

	2001	2000	1999
Cash flows from operating activities:			
Net income	**$ 61,529**	$ 71,622	$ 69,632
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**15,691**	14,383	9,900
Tax benefit from exercise of options	**1,273**	1,505	390
Acquired in-process technology	**—**	5,953	—
Depreciation (appreciation) in market value of investments and marketable securities	**(1,209)**	2,952	(936)
Write-down of long-term investment	**2,242**	—	—
Deferred income taxes	**2,873**	(6,076)	1,211
Changes in assets and liabilities, net of business acquired:			
Accounts receivable, net	**16,223**	(7,106)	(5,216)
Inventories	**17,284**	(7,179)	(2,695)
Other assets	**(7,895)**	(542)	(2,931)
Accounts payable	**(9,424)**	(6,064)	3,233
Accrued expenses	**3,083**	(810)	(203)
Income taxes payable	**(6,792)**	3,372	3,055
Other operating activities	**(1,928)**	(305)	(286)
Investments and marketable securities	**(78,874)**	60,860	(59,471)
Net cash provided by operating activities	**14,076**	132,565	15,683
Cash flows from investing activities:			
Purchases of property and equipment	**(9,613)**	(8,947)	(11,349)
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	**(9,613)**	(97,423)	(4,403)
Cash flows from financing activities:			
Purchase of treasury stock	—	(55,505)	—
Proceeds from exercise of stock options	**8,895**	6,653	9,833
Proceeds from (cost of) put options	**(1)**	639	—
Issuance (repayment) of notes payable	**72**	(140)	70
Payments for obligation under capital lease, with related party	**(103)**	(322)	(312)
Net cash provided by (used in) financing activities	**8,863**	(48,675)	9,591
Effect of exchange rate changes on cash	**(774)**	(1,508)	(1,432)
Net increase (decrease) in cash and cash equivalents	**12,552**	(15,041)	19,439
Cash and cash equivalents at beginning of year	**13,776**	28,817	9,378
Cash and cash equivalents at end of year	**$ 26,328**	$ 13,776	$ 28,817
Supplemental disclosures of cash flow information:			
Interest paid	**$ 231**	$ 1,120	$ 209
Income taxes paid	**38,604**	44,736	36,010
Supplemental disclosures of non-cash financing activity:			
Conversion of Class B Common Stock to Class A Common Stock	**4**	6	21

See accompanying notes to consolidated financial statements.

Notes

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 receipt printers and card printers, self-adhesive labeling materials, 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 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 inter-company accounts, transactions, and unrealized profit have been eliminated in consolidation.

Cash Equivalents. Cash consists primarily of deposits with banks. In addition, the Company considers highly liquid short-term investments with original maturities of less than seven days to be cash equivalents. Previously, the Company considered highly liquid instruments with original maturities of less than three months to be cash equivalents. Those instruments with original maturities of seven to 119 days that were considered cash equivalents are now included in investments and marketable securities. The financial statements for all periods presented have been reclassified to reflect this change.

Investments and Marketable Securities. Investments and marketable securities at December 31, 2001, 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. This excess cost is being amortized on a straight-line basis over 20 years and is stated net of accumulated amortization of $4,648,000 and $2,870,000 at December 31, 2001 and 2000, 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 $5,944,000 and $2,505,000 at December 31, 2001 and 2000, respectively.

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, 2001, 2000 and 1999 totaled $4,405,000, $4,637,000 and $4,700,000, 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.*

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated 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 consolidated 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 loss.

Capitalized Software. The Company's investment in software development consists primarily of enhancements to its existing E-commerce web-based application, which will include the automation of current business activities. Specifically, the activities include the processing of customer orders; the acknowledgement of customer orders and delivery; and the financial invoicing for all of Zebra's products and will aid in enabling the Company to create new business efficiencies.

Costs associated with the planning and design phases of web-based development, including coding and testing activities necessary to establish technological feasibility of the functionality of the website, are charged to research and development as incurred. Once technological feasibility has been determined, costs incurred in the construction phase of software development including coding, testing, and product quality assurance are capitalized.

Amortization commences at the time of capitalization or, in the case of a new service offering, at the time the service becomes available for use. Unamortized capitalized costs determined to be in excess of the net realizable value of the product are expensed at the date of such determination. The Company assesses the recoverability of its software development costs against estimated future undiscounted cash flows.

Given the highly competitive environment and technological changes, it is reasonably possible that those estimates of anticipated future gross revenue, the remaining estimated economic life of the product, or both may be reduced significantly.

Funded Engineering Arrangement. The Company is part of an arrangement with a third party, whereby the Company will be reimbursed for certain engineering services performed on behalf of the third party. The arrangement has a term of three years. The arrangement also provides that the Company will be the exclusive manufacturer of the products resulting from the engineering agreement. The products will be distributed under the third party's brand name. During 2001, the Company incurred approximately $2,800,000 of reimbursable expenses under the agreement. As of December 31, 2001, the Company had an accounts receivable of approximately $2,600,000, including an unbilled portion of $1,100,000 related to the arrangement.

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 or fair value less costs to sell.

Recently Issued Accounting Pronouncements. In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets, which supersedes APB Opinion No. 17, Intangible Assets. SFAS 142 replaces the requirements to amortize intangible assets with indefinite lives and goodwill with a requirement for an impairment test. SFAS 142 also requires an evaluation of intangible assets and their useful lives and a transitional impairment test for goodwill and certain intangible assets upon adoption. After transition, the impairment test will be performed annually. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Management is currently evaluating the impact of adopting SFAS 142 on the Company's consolidated financial statements.

As of the date of adoption, the Company expects to have unamortized goodwill in the amount of $54,455,000, which includes existing intangible assets that are not considered identifiable under SFAS No. 142. Amortization expense related to goodwill was $5,134,000 and $1,283,000 for the year ended December 31, 2001 and three months ended December 31, 2001, respectively. Because of the extensive effort needed to comply with adopting SFAS 142, it is not practical to reasonably estimate the impact of adopting this Statement on the Company's financial statements at the date of this report, including whether it will be required to recognize any transitional impairment losses as the cumulative effect of a change in accounting principle.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and for the associated asset retirement costs. SFAS 143 must be applied starting with fiscal years beginning after June 15, 2002. Management is currently evaluating the impact that the adoption of SFAS 143 will have on the consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal for Long-Lived Assets. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, it retains many of the fundamental provisions of that Statement. SFAS No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. It retains, however, the requirement in APB Opinion No. 30 to report separately discontinued operations, and extends that reporting to a component of an entity that either has

been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. The Company is in the process of evaluating the impact that adoption of SFAS No. 144 may have on the financial statements; however, such impact, if any, is not known or reasonably estimable at this time.

Reclassifications. Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

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 earnings 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**

Pending Transaction. On July 31, 2001, the Company announced that it signed a definitive agreement to acquire all of the outstanding common stock (including associated rights to purchase preferred stock) of Fargo Electronics, Inc., for $7.25 per share in cash, or approximately $86,000,000, plus approximately $16,500,000 in debt. This debt will become due upon consummation of the tender offer. On August 3, 2001, Zebra, through its Rushmore Acquisition Corporation wholly owned subsidiary, commenced a cash tender offer for Fargo Electronics common stock. The tender offer is subject to certain conditions, including successful termination of Hart-Scott-Rodino antitrust review, and at least a majority of the outstanding shares of Fargo's common stock on a fully diluted basis being tendered without withdrawal before expiration of the offer.

The applicable Hart-Scott-Rodino antitrust review waiting period has yet to expire or be terminated. Zebra intends to extend the offer at least until expiration or termination of the Hart-Scott-Rodino antitrust review waiting period, subject to the provisions of the acquisition agreement. Pursuant to the acquisition agreement signed by Zebra and Fargo, the tender offer will generally be extended in increments of 10 business days.

See Zebra's Form 8-K dated July 31, 2001, for additional information regarding the Fargo transaction. In addition, see the Acquisition Agreement, Amendment No. 1 to the Acquisition Agreement, Amendment No. 2 to the Acquisition Agreement, and Amendment No. 3 to the Acquisition Agreement, all of which have been filed with the SEC.

Fargo Electronics, Inc. designs and manufactures desktop plastic card personalization systems. Fargo printing systems create personalized plastic identification cards complete with digital images and text, lamination, and electronically encoded information. On a combined basis, sales of instant-issuance plastic card printers and related supplies and accessories would represent approximately 20% of Zebra's net sales for the twelve-month period that ended December 31, 2001.

Note 4 Earnings Per Share

For the years ended December 31, 2001, 2000, and 1999, earnings per share were computed as follows (in thousands, except per-share amounts):

	2001	2000	1999
Basic earnings per share:			
Net income	**$61,529**	$71,622	$69,632
Weighted average common shares outstanding	**30,645**	30,790	31,175
Per share amount	**$ 2.01**	$ 2.33	$ 2.23
Diluted earnings per share:			
Net income	**$61,529**	$71,622	$69,632
Weighted average common shares outstanding	**30,645**	30,790	31,175
Add: Effect of dilutive securities – stock options	**236**	365	346
Diluted weighted average and equivalent shares outstanding	**30,881**	31,155	31,521
Per share amount	**$ 1.99**	$ 2.30	$ 2.21

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. For the years ended December 31, the shares amounted to 436,325 in 2001, 267,500 in 2000, and 21,500 in 1999.

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 (included in other assets):				
Equity securities	$ 1,804	$2,462	$ —	$ 4,266
Trading Securities:				
U.S. government and agency securities	118,825	42	(53)	118,814
State and municipal bonds	76,576	286	(222)	76,640
Corporate bonds	5,077	89	—	5,166
Partnership interests	17,326	3,104	(29)	20,401
Other	2,000	—	—	2,000
	219,804	3,521	(304)	223,021
	$221,608	$5,983	$(304)	$227,287

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 (included in other assets):				
Equity securities	$ 4,596	$ —	$(2,226)	$ 2,370
Trading Securities:				
U.S. government and agency securities	22,564	110	(61)	22,613
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
	140,931	2,884	(877)	142,938
	$145,527	$2,884	$(3,103)	$145,308

The Company is a limited partner in two non-registered partnerships. The partnerships seek to provide returns to its partners by making strategic investments in a diversified portfolio of investment funds. Zebra's investment as a limited partner allows it to have liability protection limited to the amount of its investments in the funds.

The contractual maturities of debt securities at December 31, 2001, were as follows (in thousands):

	Fair Value
Due within one year	$131,583
Due after one year through five years	25,067
Due after five years	45,970
	$202,620

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

	2001	2000	1999
Proceeds	—	$ —	$6,947
Realized gains (losses)	($2,242)	—	19

The realized loss of $2,242,000 in 2001 is the result of a write-down of an available-for-sale security whose decline in value was determined to be other than temporary.

Note 6 Related-Party Transactions

Unique Building Corporation (Unique), an entity controlled by certain officers and stockholders 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.

Lease payments related to the leases were included in the consolidated financial statements as follows (in thousands):

	Unique Operating Lease Payments
2001	$2,085
2000	2,085
1999	1,662

Note 7 Inventories

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

December 31,	2001	2000
Raw material	**$ 25,410**	$ 35,907
Work in process	**1,360**	365
Finished goods	**13,153**	20,580
Total inventories	**$ 39,923**	$ 56,852

Note 8 Property and Equipment

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

December 31,	2001	2000
Buildings	**$ 12,029**	$ 11,981
Land	**1,910**	1,910
Machinery, equipment and tooling	**35,507**	31,211
Machinery and equipment under capital leases	**1,670**	1,670
Furniture and office equipment	**5,681**	5,375
Computers and software	**28,951**	27,854
Automobiles	**183**	254
Leasehold improvements	**2,997**	2,516
Projects in progress	**2,705**	1,508
	91,633	84,279
Less accumulated depreciation and amortization	**50,891**	42,692
Net property and equipment	**$ 40,742**	$ 41,587

Amortization of capitalized software was $1,834,000 in 2001, $1,797,000 in 2000, and $2,129,000 in 1999.

Note 9 Income Taxes

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

	2001	2000	1999
United States	**$ 90,272**	$101,532	$ 95,637
Outside United States	**5,867**	10,379	13,163
Total	**$ 96,139**	$111,911	$108,800

The Company does not provide for deferred income taxes on undistributed earnings of foreign subsidiaries, which totaled approximately $8,700,000 at December 31, 2001 and $6,500,000 at December 31, 2000. Management expects such earnings to be permanently reinvested in these companies. Should such earnings be remitted to the Company, foreign tax credits would be available to substantially offset the U.S. income taxes due upon repatriation.

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

	2001	2000	1999
Current:			
Federal	**$ 25,998**	$35,362	$27,914
State	**5,319**	6,441	4,489
Foreign	**2,107**	3,761	5,554
Deferred:			
Federal	**1,132**	(4,922)	1,376
State	**152**	(472)	(85)
Foreign	**(98)**	119	(80)
Total	**$ 34,610**	$40,289	$39,168

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):

	2001	2000	1999
Provision computed at statutory rate	**$ 33,649**	$39,169	$38,080
State income tax (net of Federal tax benefit)	**3,556**	3,880	2,862
Tax-exempt interest and dividend income	**(1,524)**	(1,588)	(1,677)
Tax benefit of exempt foreign trade income	**(1,438)**	(1,035)	(805)
Other	**367**	(137)	708
Provision for income taxes	**$ 34,610**	$40,289	$39,168

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 $2,600,000, 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. The decision from the court was unfavorable to the Company but has been appealed. Management believes that adequate provisions have been made in the Company's financial statements for the estimated liability arising from this dispute.

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 provisions have also been made in its financial statements related to the potential assessments for the years 1996 through 2000.

Tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows (in thousands):

December 31,	2001	2000
Deferred tax assets:		
Deferred rent — building	**$ 124**	$ 83
Capital equipment lease	**11**	15
Accrued vacation	**576**	825
Inventory items	**2,193**	2,354
Allowance for doubtful accounts	**259**	152
Other accruals	**3,102**	2,843
Acquisition related items	**2,321**	2,538
Unrealized loss on securities	**—**	1,235
Total deferred tax assets	**8,586**	10,045
Deferred tax liabilities:		
Unrealized gain on securities	**(1,717)**	—
Depreciation	**(1,672)**	(1,975)
Total deferred tax liabilities	**(3,389)**	(1,975)
Net deferred tax asset	**$ 5,197**	$ 8,070

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 1.9% of eligible earnings for 2001, 3.1% for 2000 and 4.2% for 1999. 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):

	2001	2000	1999
401(k)	**$ 1,374**	$ 1,287	$ 740
Profit sharing	**1,178**	877	820
Total	**$ 2,552**	$ 2,164	$ 1,560

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, 2001, 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, 2001, are as follows (in thousands):

	Capital Lease	Operating Leases
2002	$ 106	$ 3,742
2003	106	3,107
2004	91	2,643
2005	91	2,636
2006	91	2,604
Thereafter	105	19,972
Total minimum lease payments	$ 590	$ 34,704
Less amount representing interest	(103)	
Present value of minimum payments	487	
Less current portion of obligation under capital lease	(79)	
Long-term portion of obligation under capital lease	$ 408	

Rent expense for operating leases charged to operations for the years ended December 31, 2001, 2000, and 1999 was $4,917,000, $4,833,000, and $4,317,000, 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, 2001, 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. The notional principal amounts of outstanding forward contracts were €16,391,000 and £6,019,000 at December 31, 2001, and €15,000,000 at December 31, 2000. The realized loss was $661,000 in 2001 and the realized gain was $367,000 in 2000.

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, 2001, 2000, and 1999 is contained in the following table. These amounts (in thousands) are reported in the geographic area where the final sale originates.

		United States	United Kingdom	Other	Total
2001	Net sales	$325,003	$111,577	$13,428	$450,008
	Long-lived assets	107,491	5,755	1,071	114,317
2000	Net sales	$357,412	$100,988	$23,169	$481,569
	Long-lived assets	103,957	6,526	1,258	111,741
1999	Net sales	$284,462	$ 97,426	$20,325	$402,213
	Long-lived assets	39,370	6,799	1,695	47,864

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, 2001, the Company had four active stock option and stock purchase plans, described below.

The Board of Directors and stockholders 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 was authorized and reserved for issuance under the 1991 Plan. Under this plan, the Company has granted only nonqualified stock options. During 2001, all options expired, and thus, no shares are available under the plan.

The Board of Directors and stockholders also adopted a Directors' Stock Option Plan, which reserved 80,000 shares of Class A Common Stock for issuance under the plan. During 2001, all options expired, and thus, no shares are available under the plan.

The Board of Directors and stockholders adopted an employee stock purchase plan (Stock Purchase Plan) and 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. A total of 248,411 shares were purchased under this plan, which terminated on July 11, 2001.

The 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 committee that administers the Plan 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 committee administering the plan, are in a position to make contributions to the growth, management, protection and success of the Company or its subsidiaries. As of December 31, 2001, 1,916,098 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. A committee of 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, 2001, 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 Board of Directors and stockholders adopted the 2001 Stock Purchase Plan and reserved 500,000 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, 2001, 27,547 shares have been purchased under the 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:

	2001	2000	1999
Net income:			
As reported	**$ 61,529**	$ 71,622	$ 69,632
Pro forma	**57,971**	67,613	66,569
Basic earnings per share:			
As reported	**$ 2.01**	$ 2.33	$ 2.23
Pro forma	**1.89**	2.20	2.14
Diluted earnings per share:			
As reported	**$ 1.99**	$ 2.30	$ 2.21
Pro forma	**1.88**	2.17	2.11

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 2001, 2000, and 1999, respectively: expected dividend yield of 0% for each period; expected volatility of 59%, 58%, and 50%; risk free interest rate of 4.38%, 5.05%, and 6.54%; and expected weighted-average life of five years. The fair market value of options granted were $11,930,000 in 2001, $24,290,000 in 2000 and $19,774,000 in 1999.

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 2001, 2000, and 1999, respectively: fair market value of $38.18, $44.62, and $30.45; option price of $32.45, $37.92, and $25.88; expected dividend yield of 0% for each period; expected volatility of 54%, 71%, and 49%; risk-free interest rate of 2.17%, 5.85%, and 6.11%; and expected lives of three months to one year.

Stock option activity for the years ended December 31, 2001, 2000, and 1999 was as follows:

	2001		2000		1999	
Fixed Options	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**
Outstanding at beginning of year	**1,487,277**	**$36.08**	1,390,588	$27.88	1,416,138	$26.55
Granted	**287,500**	**41.49**	440,000	55.29	720,500	27.45
Exercised	**(247,838)**	**28.38**	(195,369)	23.76	(433,526)	21.28
Canceled	**(113,554)**	**38.02**	(147,942)	31.57	(312,524)	30.03
Outstanding at end of year	**1,413,385**	**38.38**	1,487,277	36.10	1,390,588	27.88
Options exercisable at end of year	**477,385**	**31.22**	417,570	27.82	291,485	25.24

The following table summarizes information about fixed stock options outstanding at December 31, 2001:

	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	4,500	2.52 years	$ 4.31	4,500	$ 4.31
$17.38 – $26.56	514,377	6.50 years	$25.88	266,302	$ 25.58
$29.25 – $40.88	445,183	7.79 years	$37.26	137,758	$ 31.51
$43.13 – $54.69	229,825	8.41 years	$47.92	34,625	$ 47.76
$60.63	219,500	8.13 years	$60.63	34,200	$ 60.63
	1,413,385			477,385	

Note 15 Quarterly Results of Operations (unaudited)

(Amounts in thousands, except per share data)	First Quarter(1)	Second Quarter(1)	Third Quarter(1)	Fourth Quarter(1)
2001				
Net sales	$115,144	$112,935	$110,318	$111,611
Gross profit	54,022	52,334	52,037	51,500
Operating expenses	29,339	31,069	28,317	28,709
Operating income	24,683	21,265	23,720	22,791
Net income	16,930	14,471	14,882	15,246
Basic earnings per share	$ 0.55	$ 0.47	$ 0.49	$ 0.50
Diluted earnings per share	$ 0.55	$ 0.47	$ 0.48	$ 0.49

(Amounts in thousands, except per share data)	First Quarter(1)	Second Quarter(1)	Third Quarter(1)	Fourth Quarter(1)
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

(1) Reflects pretax charges for merger costs and acquired in-process technology 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
2001	$ 832	$ 532	$ 305	$169
2000	$1,009	$7,685	$1,651	$721

Note 16 Major Customers

No customer accounted for 10% or more of net sales in 2001, 2000 or 1999.

Note 17 Subsequent Event

On March 13, 2002, the Company's Board of Directors established a Stockholder Rights Plan under which stockholders will receive one Class A Right for each share of the Company's Class A Common Stock they own and one Class B Right for each share of the Company's Class B Common Stock they own on March 15, 2002 (collectively, the "Rights"). Each Class A Right entitles the holder to purchase from the Company one ten-thousandth of a share of the Company's Series A Junior Participating Preferred Stock and each Class B Right entitles the holder to purchase from the Company one ten-thousandth of a share of the Company's Series B Junior Participating Preferred Stock, each at an exercise price of $300 per one ten-thousandth of a Preferred Share, subject to adjustment. The Rights will only be exercisable if a person or group (excluding certain grandfathered persons) acquires, has the right to acquire, or has commenced a tender offer for 15% or more of the Company's outstanding common stock. If any person or group acquires 15% or more of the Company's outstanding common stock, each Right not owned by that person or group or related parties will enable its holder to either purchase, at the Right's exercise price, common stock (or, in certain circumstances, cash, property or other securities of the Company) having double the value of the exercise price, or if so determined by the Board of Directors, exchange each Right for one share of Common Stock. In the event of certain merger or asset sale transactions with another party, the Rights would entitle their holders to purchase that party's common stock on similar terms.

Upon approval by the Board of Directors, the Rights may be redeemed for $0.001 per Right at any time prior to the time a person or group has acquired 15% of the Company's outstanding common stock. The Rights are nonvoting, pay no dividends and expire on March 14, 2012, unless earlier redeemed or terminated. A committee of the Board of Directors comprised of the independent directors will review the Rights Agreement at least every three years and may recommend a modification or termination of the Rights Agreement.

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, 2001 and 2000, 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, 2001. These consolidated financial statements and the consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the consolidated financial statement schedule 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
February 1, 2002, except as to Note 17, which is as of March 13, 2002

Stockholder Information

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

Annual Meeting
Zebra's Annual Meeting of Stockholders will be held on May 15, 2002, 10:30 A.M. (Central Time), at The University of Chicago Gleacher Center, 450 North CityFront Plaza Drive, Chicago, Illinois.

Independent Auditors
KPMG LLP
Chicago, Illinois

Corporate Counsel
Katten Muchin Zavis Rosenman
Chicago, Illinois

Transfer Agent and Registrar
Mellon Investor Services
85 Challenger Road
Ridgefield, New Jersey 07660
Phone: 877-870-2368
www.mellon-investor.com

Investor Relations
For corporate or product information, please contact the Corporate Headquarters.

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, 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 2001 and 2000, 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.

2001	High	Low
First Quarter	$57.00	$35.50
Second Quarter	52.06	34.13
Third Quarter	49.95	35.15
Fourth Quarter	56.50	36.00
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

Source: The Nasdaq Stock Market

At March 19, 2002, the last reported price for the Class A Common Stock was $57.97 per share, and there were 440 registered shareholders of record for the Company's Class A Common Stock and 31 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 20, 2002.

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

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

John Paxton
President, Bar Code Business Unit
Zebra Technologies Corporation

David Riley (1)
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

Officers

Edward Kaplan
Chairman and Chief Executive Officer

Gerhard Cless
Executive Vice President and Secretary

Veraje Anjargolian
Vice President, General Manager
Card Printer Business Unit

Michael Edicola
Vice President, Human Resources

John Kindsvater
Senior Vice President,
Business Development

Todd Naughton
Vice President, Controller

John Paxton
President, Bar Code Business Unit

Charles Whitchurch
Chief Financial Officer and Treasurer

International Headquarters

333 Corporate Woods Parkway | Vernon Hills, IL | 60061-3109 U.S.A.

847-634-6700 | www.zebracorporation.com