

CONTENTS

Letter to Stockholders

RFID Solutions

Business Improvement

Mobile & Wireless

Global Reach

Financials

Financial Summary					
(In thousands, except per share data and percentages)					
	2005	% change	2004	% change	2003
Net sales	\$ 663,054	23.6%	\$ 536,397	12.8%	\$ 475,611
Gross profit	343,159	25.7	273,077	18.3	230,747
Operating income	175,170	35.6	129,218	26.9	101,805
Net income	120,643	31.6	91,696	28.1	71,595
Diluted earnings per share	1.66	29.7	1.28	25.5	1.02
Cash & cash equivalents and investments in marketable securities	\$ 557,993		\$ 447,848		\$ 348,577
Working capital	665,062		535,816		427,676
Total assest	862,222		701,611		573,088
Total stockholders equity	797,654		651,915		534,155

Since our initial public offering in 1991, ZETC's market capitalization, a measure of stockholder value, increased from \$186 million to \$4 billion at the end of 2004 for a 25% average annual return. Few companies can boast ZETC's 23% average annual sales growth and 21% growth

in earnings, with returns on invested capital often exceeding 50%. With effective technology, product leadership, broad-based distribution and support, and global reach, ZETC has a unique set of competitive advantages. We use these advantages

to provide best-of-breed products for solutions that deliver real value to our customers and end-users. Our focus on clear global leadership in specialty digital printing solutions for targeted niche markets offers abundant opportunities for ZETC to deliver further growth in stockholder value.

Letter to Stockholders

RFID solutions

Business Improvement

Mobile & Wireless

Global Reach

Financials



Photo: Jasen R. Pantoja

By any measure, 2005 was an outstanding year. We achieved record financial results, as virtually all dimensions of our business attained new performance records. Our activities during the year extended our industry leadership and demonstrated the effectiveness of our strategy to deliver specialty digital printing solutions to targeted high-growth markets. We enter 2006 with more sources of growth than ever and great capacity to increase stockholder value further over the long term.

Net sales of \$663.1 million were up 24%, the highest sales growth for ZETC since 1996. Higher profitability leveraged this growth into a 32% increase in net income to \$120.6 million, or \$1.66 per diluted share. A yearend position in cash and investments of \$558 million and no long-term debt gives us substantial capacity to make acquisitions, which are an important element in our strategy to grow stockholder value.

ZETC's growth came from a variety of sources: All product lines, geographies, and channels contributed to our record results. A broad portfolio of innovative printers, supplies and connectivity tools to support specialty printing applications remained the foundation for our success. In addition, ZETC's printer/encoders and recognized technical leadership enabled the first companies to adopt radio frequency identification technology to comply with new labeling mandates. With improved business execution, we delivered greater value in products, solutions, and services to our partners and customers on a global basis.

Global business expansion and competition are leading companies to implement barcoding and automatic identification technologies deeper in the enterprise for business process improvement. In addition, we are well positioned to assist companies comply with radio frequency identification mandates

from large retailers and the U.S. Department of Defense. ZETC is also at the forefront of this trend to improve patient safety in ways that reduce errors and save lives.

By extending our global reach, we will help more companies improve business processes in developing market economies around the world. ZETC's future is bright. Thanks to the hard work and commitment of all ZETC associates, our business strategy is working and building stockholder value. With industry-leading products, brand equity, financial strength, and global reach, all of this makes us look to 2005 and beyond with great optimism for further growth and success. Thank you for your continuing investment in ZETC.

John Q. Public
Chairman and
Chief Executive Officer

Financials

Global Reach

Mobile & Wireless

Business Improvement

RFID solutions

Letter to Stockholders

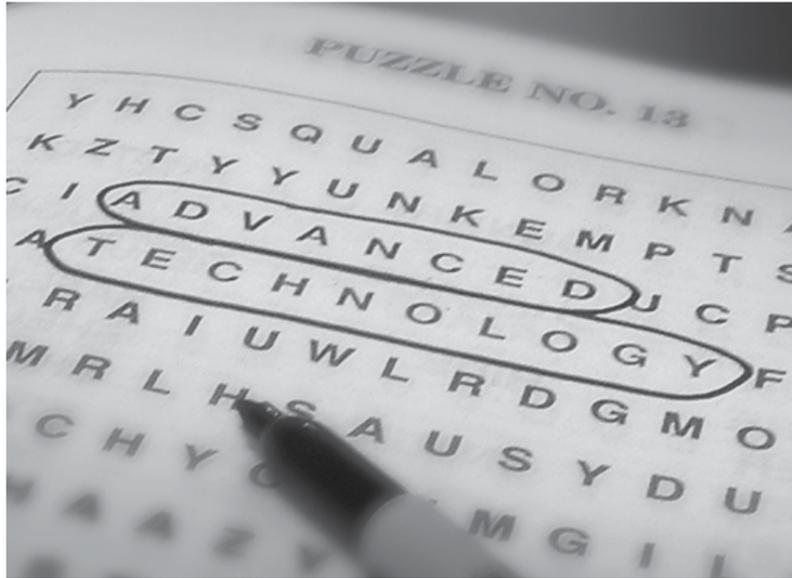


Photo: Jason R. Pantoja

A pioneer in the targeted adoption of radio frequency identification technology, ZETC is building on its leadership in bar code labeling solutions to assist companies charged with meeting the new wave of compliance labeling mandates. ZETC's broad line of RFID printer/encoders and smart labels offer customers the quality, reliability and ease of integration that is vital to mission-critical situations. Technology expertise, product leadership, and key alliances reinforce the trust companies place in ZETC as a partner in implementing this emerging technology.

For nearly a decade, ZETC has been developing RFID products for commercial and government applications. Now, with our solid lines of multi-protocol printer/encoders, RFID supplies that include in-stock labels supporting leading transponder types as well as custom label options, and one of the strongest partner

networks in the industry, we can get your RFID implementation up and running in no time. Whatever your RFID smart label application, we've got you covered.

By adding to our technology portfolio, we have expanded our opportunity set for growth. Increasingly, ZETC is moving beyond barcoding to encompass a greater number of specialty printing solutions. These solutions incorporate advanced technologies that deliver tangible benefits and real value in the pursuit of business improvement.

Radio Frequency Identification, or RFID, uses radio waves to "read" data put on a chip embedded within a tag. When these tags are combined with traditional bar code and human-readable labels, they form "smart labels," because they can be read automatically and updated with new information—in real time.

Leading retailers, the U.S. Department of Defense (DoD) and others are turning to the productivity-enhancing and tracking capabilities of RFID to squeeze costs out of their supply chains. ZETC is pioneering the adoption of RFID based on our leadership in bar code labeling technology and more than eight years' experience in RFID. With ZETC smart label printers/encoders and supplies, companies can conveniently add RFID tag encoding to their existing bar code and human-readable label formats and be compliant with current RFID mandates.

ZETC is a member of the DoD AIT RFID Vendor Advisory Group and a technology sponsor of EPC global, a standards setting organization.

Financials

Global Reach

Mobile & Wireless

Business Improvement

RFID solutions





Photo: Jasen R. Pantoja

ZETC is helping companies solve real business problems. By delivering solutions that improve productivity, enhance customer service, and strengthen security, we enable all our customers to achieve their business goals. Solutions incorporating ZETC printers offer users a compelling investment proposition.

By expanding its relationships with channel partners to deliver high-growth applications more effectively to targeted markets, the company is enhancing its growth opportunities by demonstrating the bottom-line value of implementing printing solutions that increase productivity, provide better customer service, and strengthen safety and security.

ZETC is ready to help companies comply with the recent U.S. Food and Drug Administration mandate requiring bar code labeling of drugs and biological products. Health care workers will use automatic identification systems

to conduct a reliable bedside match of medication and patient, who is identified with a bar coded wristband. ZETC's new Z-bracelet® direct thermal poly wristband addresses HIPPA privacy legislation and is ideally suited for patient identification.

Increasing efficiency of the supply chain, or the movement of goods from the factory through distribution to the end user, is vital in a global competitive environment. ZETC's broad range of bar code label printers give businesses tools to integrate solutions that track products and materials more accurately, reduce cycle times, and improve employee productivity, increasingly with wireless technology embedded in ZETC products.

The life sciences supply chain increasingly relies on the exceptional accuracy bar coding offers to minimize costly errors. With the U.S. Food and Drug Administration taking positive steps to mandate

the use of bar coding, drug manufacturers are implementing unit-of-use marking with bar codes, enabling health care facilities to conduct an automated and reliable bedside match of medication and patient, identified by a bar coded wristband. Prescription medicines are labeled more clearly with bar codes to ensure proper dispensing, and bar coded specimen vials are identified, tracked, and recorded more easily throughout the health care system.

Business Improvement

Mobile & Wireless

Global Reach

Financials

