



Microdrive™



Predator™ CD-RW



Zip® 250 USB



FotoShow™



iomega opens the computer age to everybody...

Join the iVolution



Jaz™



HipZip™



Peerless™



QuikSync™ 3



Join the iVolution...

We're changing the dimensions of lomega.

We're changing everything at lomega. Our ideas are bigger. Our markets are broader. Our performance is better. We're expanding our industry-leading brands like Zip to transform the way consumers access, store and use information. We're transforming ourselves. And soon, we expect to transform your digital life.

To our shareholders:



As we enter 2001, lomega's core Zip technology and brand are a strong foundation on which to build.

DAVID J. DUNN
Chairman

The year 2000 was a turning point in the history of lomega. After two consecutive years of losses, the company returned to profitability. By historic measures of lomega financial performance, the year was mixed. If not for the downturn in the fourth quarter, lomega might have reported its most profitable year in history, but in any event, 2000 was still the second most profitable on a pretax basis. The company's revenues declined for the third straight year, as Zip and Jaz revenue fell.

But those numbers don't begin to tell the story of 2000.

Despite lomega's pretax profit performance in 2000, the company's accomplishments last year will likely be remembered not just for how much money the company made, but also for just how far the organization came. From what was essentially a single-product-line company at the beginning of the year, lomega executed a plan to expand its products to address new markets in optical storage, software and storage services, portable digital audio, home entertainment and go-anywhere computing. These products form the backbone of lomega's efforts to make data storage an active, omnipresent part of everyone's life—and to create a much broader base for profitable revenue growth in the years to come.

lomega ended 2000 a stronger company than when the year began. Besides having a pipeline of new products ready, the company's financial position—\$378 million in cash and no long-term debt—is now stronger, allowing management to invest wisely and aggressively, if needed, in support of its new offerings and creation of long-term shareholder value.

Bruce Albertson and the management of your company, several of whom have been with lomega for less than 18 months, have put a lot of energy into tightening supply chains and engineering quality throughout lomega's operations. Your board continues to be hopeful that this energy will result in growth in overall sales—for both Zip and our newer products.

One of the commitments I share with lomega management is to the Zip platform. Make no mistake, the decline in Zip volume and the resulting revenue loss is disappointing. But Zip is still the core technology of lomega. And it's the enabling technology behind many of the new products lomega has designed for today's most data-rich consumer applications. We believe that with expanded and better-directed product marketing, Zip's decline in sales can be reversed.

Certainly, the landscape for data storage has become more complex, and competitors are vying aggressively to displace Zip as the standard in portable magnetic storage. But as lomega extends its well-known brand to make data storage more relevant to mass audiences, Zip's market presence and reputation are an enviable advantage. Using that advantage to reintroduce profitable top-line growth is management's next assignment, and they are embracing the challenge enthusiastically.

Like Bruce, the board and I have nothing but admiration for the efforts and accomplishments of lomega employees in 2000. Thank you for what you have done—and continue to do—on behalf of lomega's shareholders.

Thanks also to all shareholders for supporting us. Like you, I look forward to realizing lomega's potential.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Dunn". The signature is fluid and cursive, with a large initial "D" and "J".

David J. Dunn
Chairman
March 9, 2001

To our shareholders:



lomega is redefining its business and reinvigorating its value to shareholders. A full year of profitability and breakthrough products illustrate lomega's developing turnaround.

BRUCE R. ALBERTSON
President and Chief Executive Officer

As the richness of dynamic digital content increases, lomega's business is growing to encompass interactive devices, not just storage devices. Where once it simply preserved the past, lomega is now animating the present—and shaping the future—of digital content management. Welcome to the new lomega.

The year 2000 was an exhilarating and decisive year for lomega. In 12 months, we transformed a respected manufacturer of round magnetic storage products into a company whose business encompasses storage, software and consumer electronics—a company focused on reinvigorating its brand, sharpening its operations, sustaining profitability and growing revenues. Today, lomega helps consumers enjoy and protect their unique digital lives in whatever form that takes—data, music, photography, entertainment—and performs profitably for our shareholders.

lomega's financial performance in 2000 is evidence of our progress. Despite an unexpectedly difficult fourth quarter, lomega fulfilled management's goal of delivering four profitable quarters in 2000, marking the first full year of profitability in the past three years. Net income of \$170 million, or \$.61 per diluted share in 2000, compared with a net loss of \$103 million, or (\$.38) per diluted share in 1999. Both 2000 and 1999 results include previously disclosed charges and credits related to restructuring, taxes and other activities. Revenue in 2000 totaled \$1.3 billion, a decrease from \$1.5 billion in 1999, primarily due to lower Zip and Jaz product sales, offset only somewhat by greater lomega CD-RW sales. As you can see, profitability took precedence over revenue growth in 2000.

Look behind the revenue and earnings numbers for 2000 and you'll see gains in virtually every important measurement of financial performance: pretax income of \$162 million; gross margin of 38 percent; positive cash flow of \$167 million; and a cash balance of \$378 million with no long-term debt. Our balance-sheet strength, and our confidence in the future of lomega, led us to announce in September a stock repurchase program of up to \$150 million. We repurchased 1.5 million shares of stock for \$7 million in 2000, and paid down \$46 million in debt.

PLATFORMS FOR NEW GROWTH

One glance at the breadth and depth of lomega's product offerings illustrates that this company has changed radically since the end of 1999. We're smarter. We're faster. We're more productive. And we're more relevant to our customers and consumers. What changed? Our sense of urgency and our strategy—to leverage the lomega brand and channel strength globally to drive Zip business and build a broader portfolio of profitable, customer-driven product and service solutions. In last year's annual report, I introduced six strategic imperatives designed to guide lomega's efforts and to measure our progress. lomega was able to fulfill five of the six imperatives in 2000, and we're focusing our efforts on the sixth—growing revenue. A report card on the status of each follows in this letter.

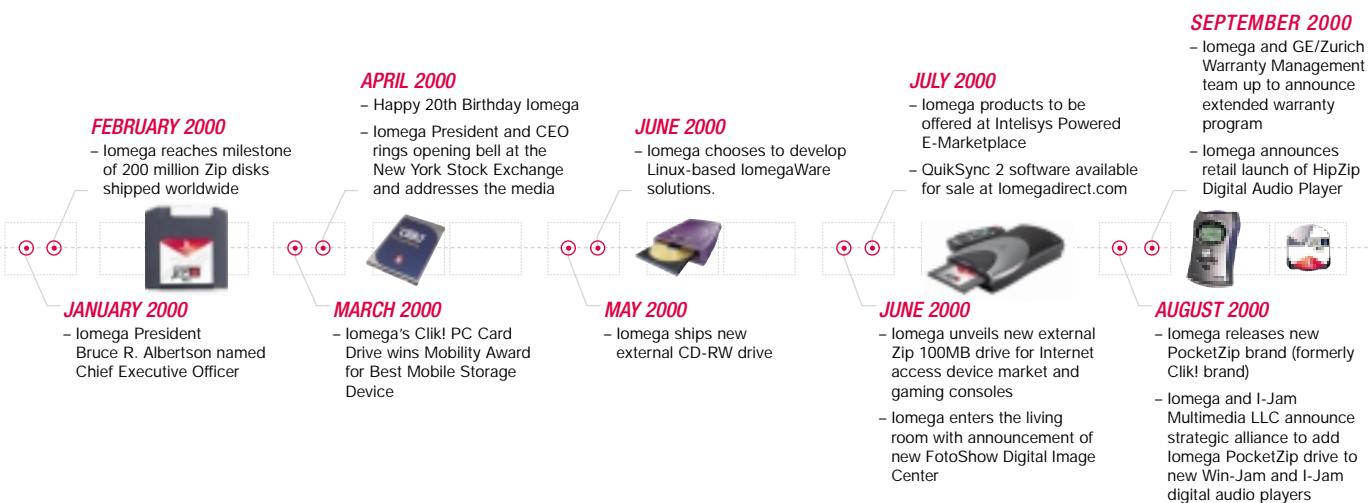
As a more rigorous strategy has taken root in the lomega culture, so too has a new sense of urgency in execution—a new bias for action. The proof is in our new products. Brand extensions, product extensions, and the ramping up of a portfolio of new products and software are helping us demolish old preconceptions about lomega. lomega is truly expanding its presence from the computer room to the living room, the playground and beyond. Here in review are some highlights of what we have accomplished:

Enhanced Zip drives and disks: Although our flagship product lost sales in 2000, we gained a new sense of conviction about its potential. Zip is affordable, it's durable, it's proven, it's flexible, it's accepted and it's everywhere—now with more than 40 million drives and 250 million disks shipped worldwide. Zip is an industry standard for removable storage. We intend to re-emphasize those advantages to consumers in 2001. We are now selling great new Zip products such as the Zip 250MB USB Powered plug-and-play drive (no power cable needed), the lower-cost 100MB USB drive, and the Zip FireWire® adapter. We are moving into the road-warrior segment with various Zip 250MB bay trays for laptop manufacturers representing 70 percent of the fastest-growing segment of the computer market.

Redesigned the Jaz drive: Already a solid margin contributor, Jaz received a makeover in 2000 with a new multi-generation product design (MGPD) and new FireWire and USB adapters.

Introduced the HipZip digital audio player: A breakthrough in affordable digital audio, the HipZip player uses the rebranded PocketZip platform which Iomega previously marketed under the Klik! trademark. The HipZip player began as an idea in April and was shipping by late September for the holiday season, a revolution in speed to market and a major accomplishment for Iomega's HipZip development team. The HipZip player gives consumers the music they want at the price they want to pay on low-cost PocketZip disks. It also functions as a USB drive for their important data. Consumers have responded. By December, the HipZip player was ranked among the best-selling digital audio players in the United States.

Introduced FotoShow digital image center: Based on the Zip 250MB drive, the FotoShow viewer was conceived in March and launched in October, duplicating the speed-to-market achievement of the HipZip team. The FotoShow viewer is a simple solution that



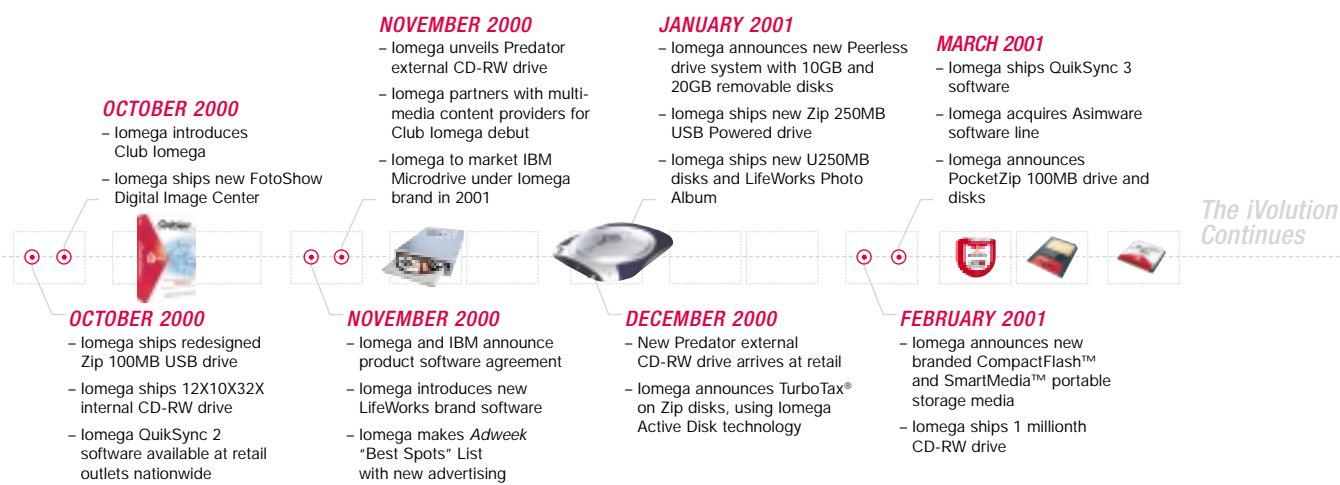
allows consumers to transfer photos from flash memory cards to economical 100MB or 250MB Zip disks. It easily connects to a television so consumers can organize, edit and share their photos without using a computer. It also doubles as a USB drive. Its debut prompted CNN to comment, "This is one gizmo that's long overdue."

Introduced software: Our software products have always made our hardware easy to use; now they also increase disk consumption. Iomega's QuikSync 2 software is a perfect example. It was launched in the third quarter and immediately became the number-one computer backup software at a major retailer, outselling competitors by 3 to 1. The fourth quarter also saw new site licenses, OEM licenses and purchase commitments for QuikSync 2 software from large and small businesses, private agencies, governments, universities and international organizations.

In December our software team introduced Active Disk technology. Active Disk technology allows software developers to create applications that run automatically from a Zip disk, require no installation, and leave no trace on the host PC. Active Disk technology debuted in lomega's LifeWorks™ Photo Album and a co-branded Zip edition of Intuit's Quicken® TurboTax®. We expect to introduce several additional Active Disk applications during 2001. Popular acceptance of this new software will build Zip drive and disk sales.

Expanded CD-RW: From unit sales of 145,000 in 1999 to 711,000 in 2000, lomega drove revenue from \$24 million to \$124 million. In February, we entered a very crowded external CD-RW market; by the third quarter, we had obtained the No. 2 share position in the U.S. retail aftermarket. This validated our ability to successfully do product line extensions, which opens up many new markets to lomega. In December we introduced the award-winning Predator CD-RW drive with leading-edge design and flexibility. We believe that Predator will enable lomega to gain share in the CD-RW market.

Harnessed partnerships: lomega's brand marketing and retailing strength in storage devices led IBM to partner with us in the marketing of its 340MB Microdrive™. The lomega



Microdrive will benefit from lomega's strong distribution channels, providing rapid entry into a new market segment and saving lomega the manufacturing expense. lomega has also licensed our QuikSync 2 software to IBM for sale with IBM's Microdrives.

Announced the Peerless drive system: The wisdom of partnering with IBM is clear in our newest product, the Peerless drive system. The new Peerless drive is based on a high-volume, high-performance drive supplied by IBM and configured by lomega to be as portable as our award-winning Zip drive. Introduced to rave reviews by the electronics industry in January 2001, the award-winning Peerless drive has already generated excitement from retailers and enterprise accounts. We are developing its potential with promising applications in several industries, among them automotive entertainment, DVR-enabled set-top boxes, gaming devices and, through an extension of our new Active Disk technology software, an application we call "PC2Go." The Peerless drive system is expected to begin shipping in mid-year 2001.

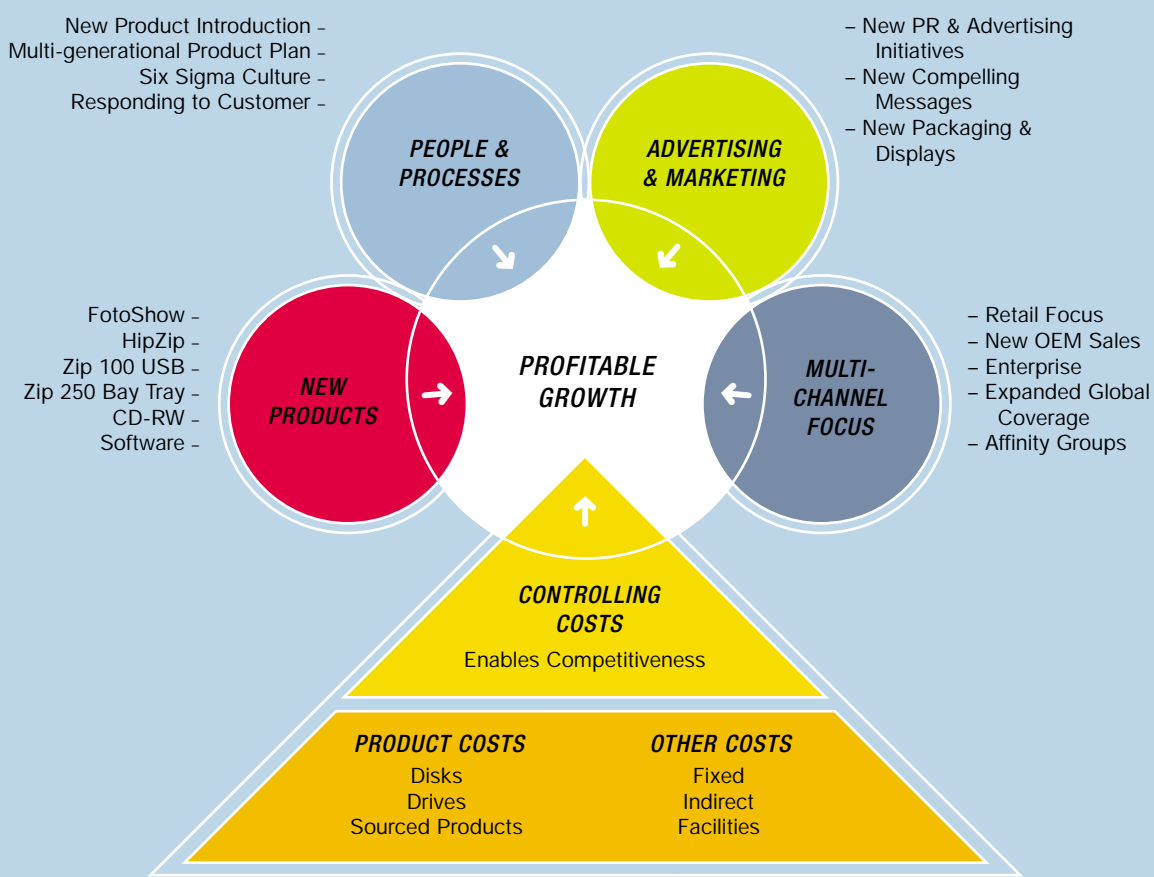
Measuring Our Strategic Imperatives

Our success will be defined by our ability to deliver on the six key imperatives we identified last year. Here's how we measured up in 2000:

<p>1</p>	<p><i>Grow the bottom line.</i></p>	<p>2</p>	<p><i>Achieve operational excellence.</i></p>	<p>3</p>	<p><i>Grow the top line.</i></p>
<p>Discipline in managing costs year-round gave Iomega in 2000 its first full year of profitability since 1997. Strong financial position is a platform for investing in initiatives that will drive revenue growth. Highlights:</p> <ul style="list-style-type: none"> • Pretax income of \$162 million (2nd best in 20-year history) • Net income of \$170 million • Debt repayment of \$46 million • Stock repurchase of \$7 million • Year-end cash balance of \$378 million with no long-term debt 		<p>Throughout 2000, we increasingly operated as a lean, responsive enterprise capable of adjusting to short-term challenges. Six Sigma, the structured methodology for defect-free products, processes and services, is an accepted part of Iomega culture. Highlights:</p> <ul style="list-style-type: none"> • Accelerated speed to market • Reduced manufacturing and operating costs • Achieved Six Sigma savings • Certified 400 green and black belts in Six Sigma to date • 75 percent of software engineers Six Sigma certified • Tightened supply chain • Introduced new purchasing techniques such as reverse auctions 		<p>The only imperative in which we failed to make the grade—and now our top priority. With Zip penetration within and beyond the computer market and new product introductions, we're poised for growth. Highlights:</p> <ul style="list-style-type: none"> • Reinvigorating Zip initiatives • Launched two new products (HipZip & FotoShow) • Launched retail software (QuikSync 2 & Active Disk technologies) • Targeted high-volume e-tailers • Introduced product branding partnerships (IBM Microdrive) • Introduced new CD-RW design (Predator) 	
<p>4</p>	<p><i>Enhance customer focus.</i></p>	<p>5</p>	<p><i>Build brand commitment.</i></p>	<p>6</p>	<p><i>Build a winning team.</i></p>
<p>Iomega is building products for the mainstream, not just the early adopters. With over 40 million Zip drives and more than 250 million Zip disks shipped, we have one of the most ubiquitous computing brands in the industry. Highlights:</p> <ul style="list-style-type: none"> • Introduced extended warranty programs (with GE/Zurich) • Named as RIT/USA Today Quality Cup finalist for customer support • Enhanced e-commerce software • Added to retail presence with larger number and variety of retailers • Introduced Active Disk technology • Improved cross-promotion of Iomega products in packaging • Added content to disks • Instituted Dealer & Enterprise councils 		<p>Iomega customers are already intensely loyal and we want them for life. By adding visibility and desirability to the Iomega name, we're building consumer confidence in their choice by deepening our relationship with them. Highlights:</p> <ul style="list-style-type: none"> • Redesigned packaging and logo • Instituted co-branded sales with Intuit's TurboTax • Increased advertising investment • Developed e-channel presence • Leveraged brand to new categories 		<p>Iomega is a company that believes in itself. As we've developed new products and marketing approaches, we've built a new level of energy and commitment. Highlights:</p> <ul style="list-style-type: none"> • Reduced U.S. turnover by more than 50 percent • Empowered Iomega's workforce • Brought new energy with new product thrust • Instilled Six Sigma culture • Instituted quarterly all-employee meetings with management • Attracted top marketing and sales talent 	

The Structure of the Strategy

lomega is converging new resources and disciplines to fuel the next stage of profitable growth.



LIVING ORGANIZATIONAL EXCELLENCE

The level of execution we achieved in 2000 would have been a stretch for lomega in the past. But not now. Executing effectively and rapidly is what brought our new products to market last year. Faced with an aggressive product development plan, our operations people controlled inventories, improved cash flow and reached world-class customer satisfaction levels on such measures as cost of quality, defects and return rates. At mid-year, when many electronics manufacturers announced that they couldn't buy enough computer chips to meet demand, lomega managers around the world relocated to work on-site with suppliers to ensure a steady flow of components to lomega facilities. It's dedication like this that makes lomega a preferred supplier to our OEM customers—and our quality standards raise our OEMs' own benchmarks for quality.

Six Sigma: These operational accomplishments exemplify the power of the Six Sigma mindset. For lomega and our key suppliers, Six Sigma quality programs are generating savings, contributing to higher quality products, creating smarter employees and producing happier customers. lomega has certified over 400 green and black belts in Six Sigma, and ongoing training involves every area, including marketing, sales and management. Six Sigma is designed to foster an enduring culture of quality throughout our organization. The two-year cumulative savings from Six Sigma are really just the beginning of the story. Six Sigma is truly becoming part of the fabric of the new lomega culture.



"Eating the kid's homework just isn't as much fun now that he backs everything up on a zip drive."

TECHNOLOGY FOR HUMANITY

The highest praise a product can receive is to be accepted into the routine of people's daily lives. lomega aspires to that ideal with the products we are developing today. Instead of thinking only about what our products can do, we now also think in terms of what they mean to the people who use them. Does a potential new product enhance the life of the user? If the answer is no—if the technology has not been clearly shaped to fit the user's needs—then it's not a product that builds the lomega brand and it won't see the light of day.

We're investing strongly to make our products and brand more relevant to consumers, creating an instinctive marketplace link between lomega and valuable digital content, and it's working. Our brand awareness is one of our strongest business assets. As a down-to-earth measure of Zip awareness, the Wall Street Journal cartoon reprinted above shows just how much of a household name our Zip brand has become, and among consumers, unaided awareness of the lomega brand is even higher than that of Zip.

Getting closer to the consumer means getting closer to our own customers. In 2000, we rebuilt our sales organization at the same time we reshaped our products—two accomplishments that sparked attention among our retailers and direct enterprise customers. With distinctive products, newly redesigned packaging, added in-store merchandising, retail channel strength, strong OEMs and strong distributors, lomega is

speaking more effectively to consumers than ever before. During 2000, we significantly increased the number and type of retail locations where lomega products are sold. Our online business, iomegadirect, is also making steady progress as a channel for direct sales. We're also driving direct sales to our enterprise customers in business, education, government and health care.

We know that we can increase the percentage of new computers sold with Zip drives by explaining the benefits of owning a Zip drive either in person or by phone. Such was the case with the American Airlines employee purchase program, where the inclusion rate of Zip drives ranged from 20 to 70 percent of all computers ordered at on-site shows —compared to a normal attach rate of about 5 percent. Our challenge remains how to effectively get these benefits communicated to the mass market.

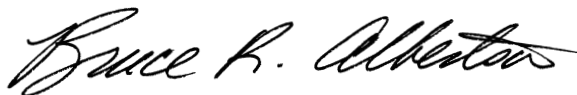
PEOPLE WHO BELIEVE

In a year of sweeping change, it's appropriate to give special thanks to the people of lomega who made their company's transformation possible. You've given much to the company in the past year. The evidence of your sacrifice can be seen by the number of cars in lomega parking lots before hours, after hours and on weekends. Truly you have embraced the spirit of change and are driving lomega's innovation and growth. Personally, and on behalf of all lomega shareholders, please accept my gratitude for your dedication.

I believe the efforts of lomega's people will be reflected in the performance of lomega and in the value of lomega shares. Major investors appear to agree: institutional ownership of lomega stock increased from 7.5 percent at the end of the third quarter of 1999 to 23 percent at the end of 2000. They can see that lomega is an incomparably more vibrant company as it enters 2001 than it was when it closed the books on 1999.

No turnaround is ever completed in the first 12 months. We are still working to duplicate our enterprise success in the consumer world and cross the chasm between early adopters and the mainstream user. We still have to prove that we can grow profitably. But lomega is in the right place at the right time, reaching the right people with the right products. We are participating in a transformation of data storage needs as ordinary consumers begin to recognize that the new digital music, photos and video are simply forms of data which need storage solutions. Data storage is now a mass medium. It's where dynamic entertainment is brought to life. It's where information is becoming interaction. And it's how lomega is being reborn.

The next year, we believe, will confirm the soundness of our strategies and demonstrate the expansion of our core competencies. Thank you for your continued support, and welcome to the new lomega.



Bruce R. Albertson
President and Chief Executive Officer
March 9, 2001

At lomega, we are reinventing ourselves. We are leveraging our core technologies and applying our brand and channel strengths to enter new markets. Our magnetic, optical, solid-state and software products offer one-stop shopping for data management solutions that help people manage, enjoy, share and protect their digital lives.

iVolution: The New Products



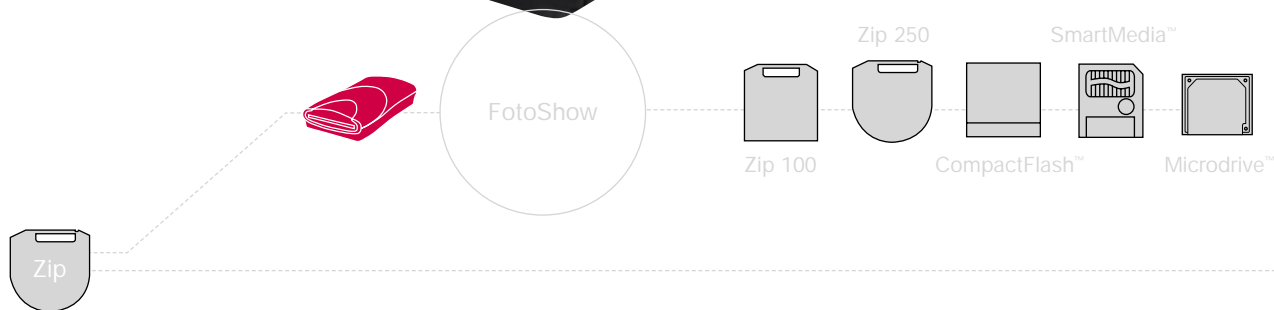
Zip 250MB USB

We're building on our proven technology...



In a world where technology is often obsolete by the time it gets to market, the Zip drive is a rare prize: technology so reliable and versatile that it's a core ingredient in virtually every new lomega product. As the richness of dynamic digital content multiplies and drives consumers' storage needs,

the Zip technology is rapidly moving from the computer room to the family room and beyond. The speed, portability, ubiquity, durability and dependability of the Zip drive make it a product whose time is now—and well into the future.



iomega's FotoShow digital image center gives home and business users an affordable, convenient and portable solution for storing, enhancing and instantly sharing digital photos. The FotoShow viewer connects easily and directly to a television, allowing families and friends to enjoy digital photo albums or scrapbooks. Professional users—from

real estate agents to insurance agents to business people—can take the lightweight FotoShow viewer on the road, for mobile video presentations without a computer. And because a Zip drive is at the heart of the FotoShow viewer, it is a fully functioning Zip 250MB USB storage device—added value for an already rich product.

...to enter new categories.

Redefined around the needs and desires of consumers, the PocketZip platform entered potentially lucrative markets in 2000 with lomega's breakthrough HipZip digital audio player. The palm-sized HipZip player arrived in the digital audio

market in September with its amazing value proposition: at \$10 for a 40MB disk, versus approximately \$60 or more for a 32MB flash memory card, the HipZip player offers consumers the ability to carry the music they want at the price they want to pay.

The Zip family grows.

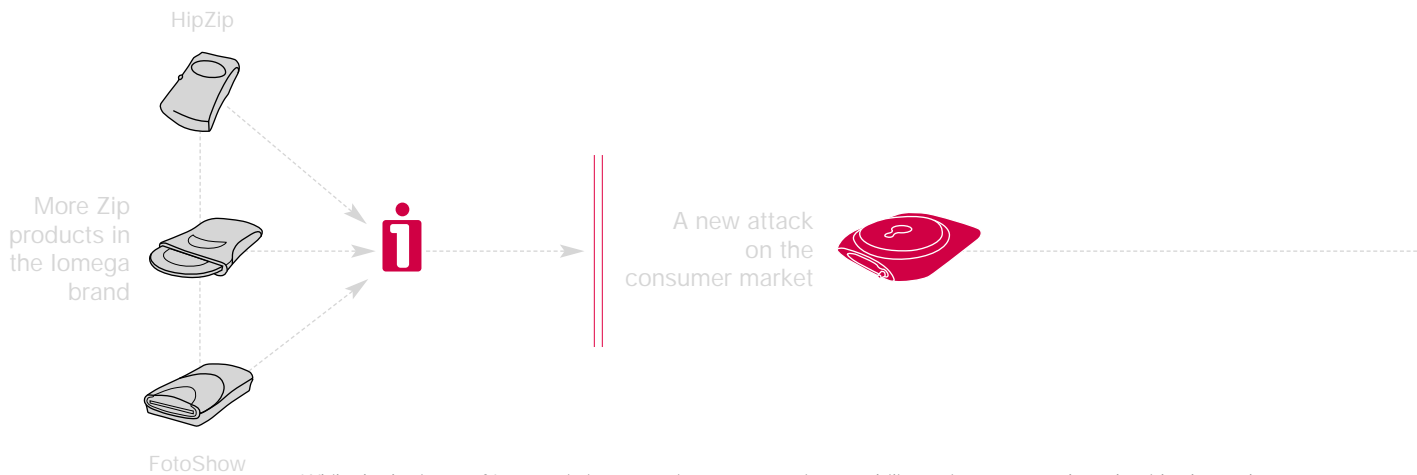


PocketZip

HipZip



We're fashioning new forms of storage...



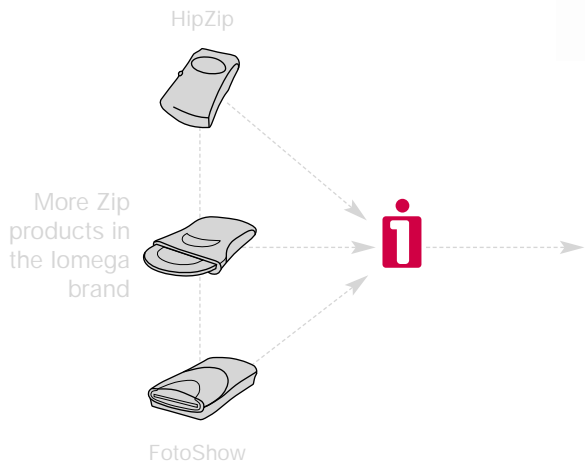
While the heritage of lomega is in magnetic storage, our future is now looking much broader. Instead of competing with other storage technologies, we're now embracing them, with considerable success: In August 1999, we introduced our first CD-RW drive, and since our arrival, lomega's share of this \$2.4 billion category made us No. 2 in U.S. retail aftermarket sales. The strength of the lomega brand is key to this achievement, but so

is our ability to innovate and work with channel partners. The newest generation of lomega CD-RW drives is embodied in the Predator drive, a sleek and stylish product designed to appeal to cool-conscious consumers of music, the principal audience for CD-RWs. In a retail marketplace where CD-RW drives look like boxes and are sold like commodities, the Predator drive has unique appeal.



Predator

*...using
leading-edge
technology
and design...*



Peerless

A quantum leap in go-anywhere computing



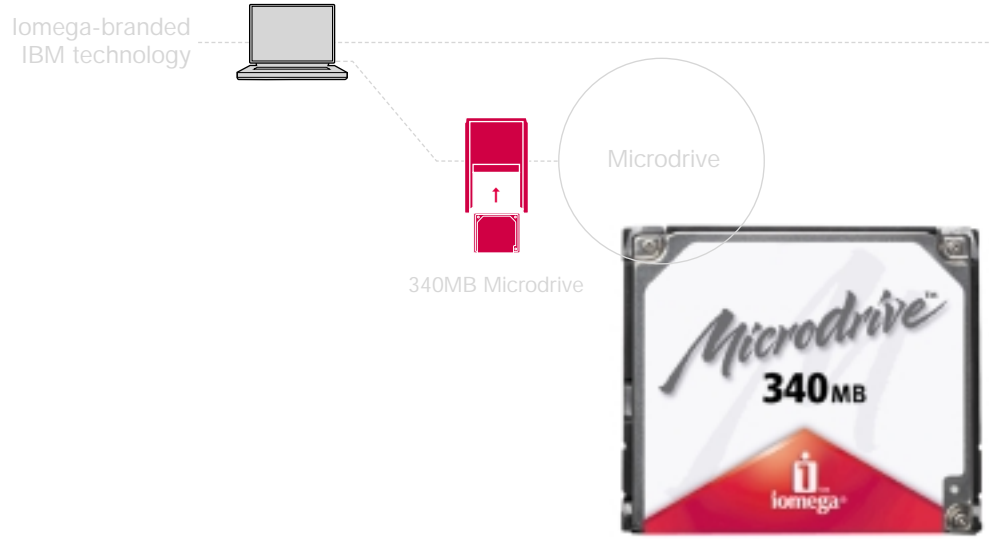
10GB and 20GB removable disks

Peerless...there's nothing else like it.

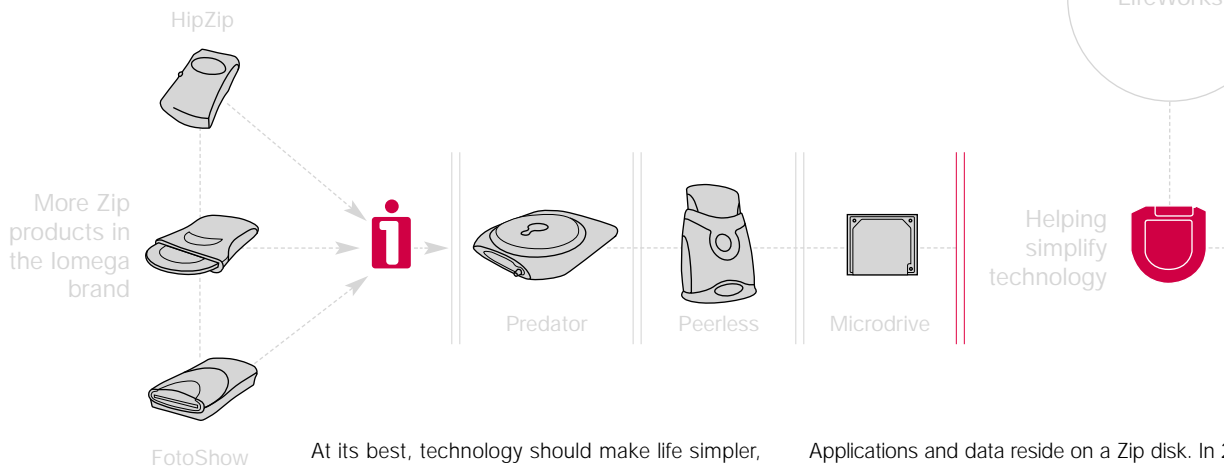
lomega's new Peerless drive system, another breakthrough collaboration in storage with IBM, is expected to begin shipping in mid-year 2001 with 10GB and 20GB removable disks in a consumer-friendly modular package. The Peerless drive's compact size, affordability, flexibility and performance make virtually everyone's software and data portable, for go-anywhere computing. Just days after its conceptual debut in January 2001, the Peerless drive earned an Editor's Choice Award from *Popular Mechanics* at the Annual Consumer Electronics Show and Best of Show honors at Macworld—enthusiastic endorsements of its potential across a wide range of consumer and enterprise applications.

Build markets, not factories.

For many companies, that's easier said than done. But lomega's historic ties to computing and technology leaders are a strategic advantage that help the company launch milestone products without a manufacturing investment on our part. In January 2001, lomega became the first company to brand IBM's Microdrive™ miniaturized hard-disk technology under our own name and market the 340MB drives in North America. The Microdrive collaboration combines IBM's proven technology with lomega's brand and channel strength to give both partners the greatest retail presence possible.



*...to make
it simpler
for ordinary
people...*



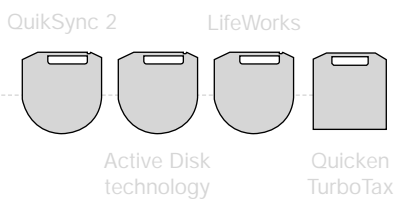
At its best, technology should make life simpler, not more complicated. So to make iomega devices work harder and smarter for consumers—and to create a new revenue stream—we've expanded the role of software at our company. In November we introduced LifeWorks, a software brand of products that uses iomega's patent-pending Active Disk technology to run entirely from a Zip disk. There's no application to install, no clutter on a user's hard drive and no misplacing valuable data.

Applications and data reside on a Zip disk. In 2001, we plan to release additional LifeWorks titles, spurring increased consumption of Zip disks themselves. iomega's ease-of-use, consumer-focused philosophy led to another groundbreaking application in 2000: QuikSync 2 software. Our QuikSync 2 software gives consumers the power to perform automatic on-the-fly backups to any iomega drive (not applicable to Mac CD-RW drives).

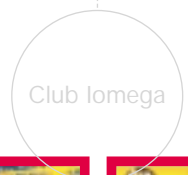
...to enjoy their digital lives.

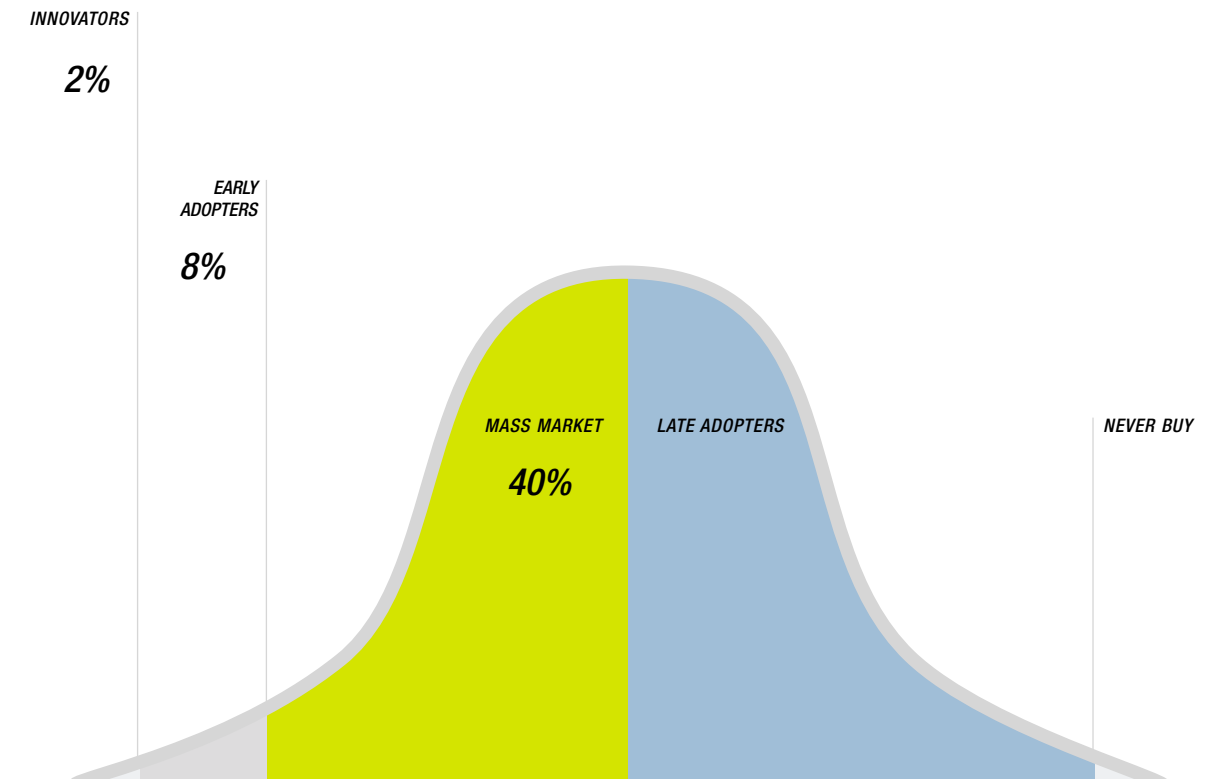
How do you move an entire business toward the consumer? By creating closer customer relationships. That's exactly why lomega has created Club lomega, an Internet site that provides free multimedia content. By visiting Club lomega,

users can fill their lomega Zip products with world-class content from major media companies: movie previews, star interviews, music previews and book excerpts, as well as contests and product promotions.



Brand-building,
Zip-consuming
interactivity





Our challenge: to penetrate mass markets...

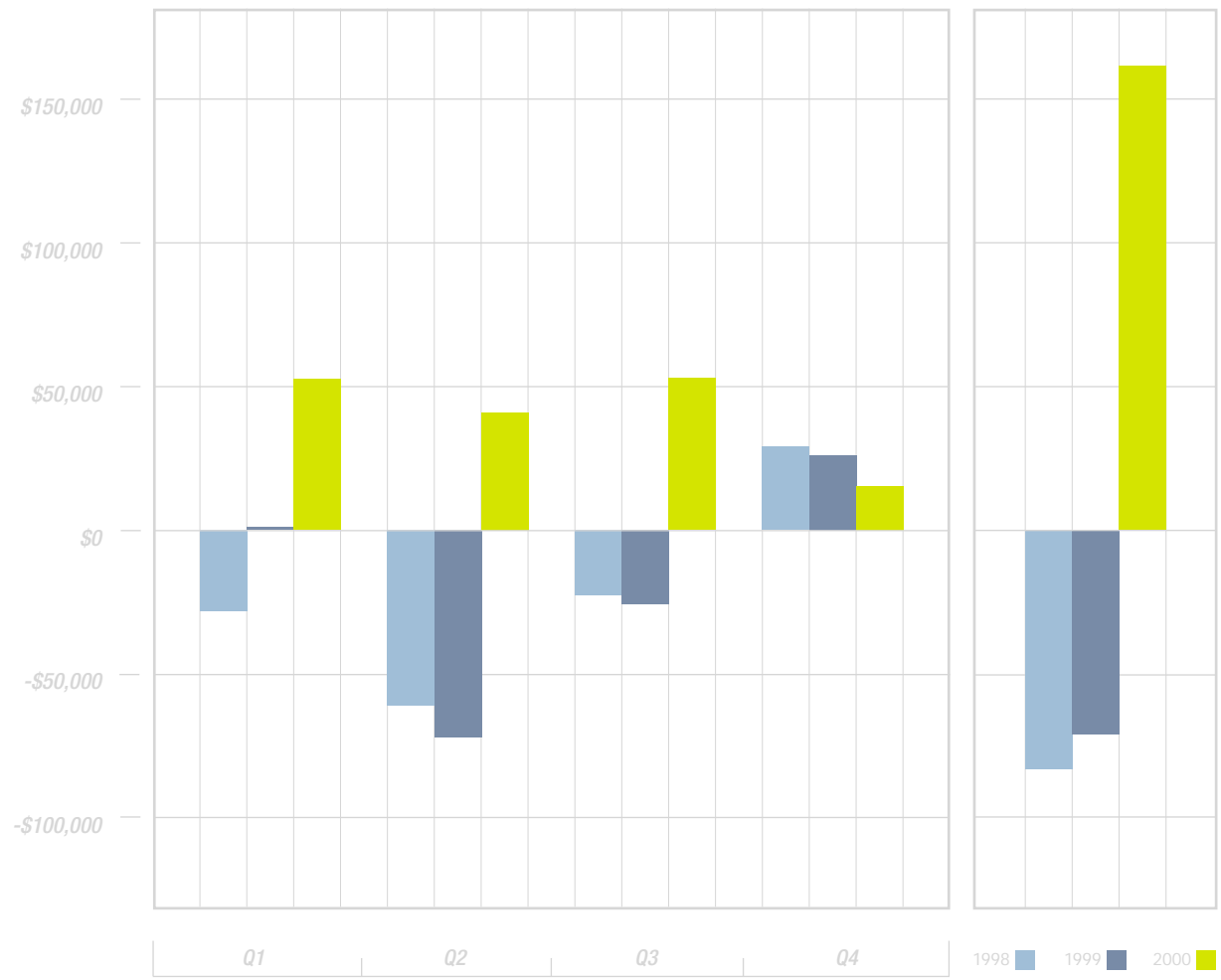
The Market Opportunity

Being a leading-edge technology company sounds great. Until you consider that the leading-edge isn't very deep in terms of market size. Historically, early adopters have

embraced Iomega technology. However, early adopters represent a very small part of the market. Iomega's goal is to penetrate the mass market.

*Net Income (Pre-tax) by quarter
in thousands*

*Net Income (Pre-tax) by year
in thousands*



while maintaining profitable growth.

In 1998 and 1999, lomega earned a meaningful profit in only 2 out of 8 quarters. Sustained profitability in 2000 was one of the primary challenges facing the Company. By improving product margins and controlling costs, the Company has been successful at meeting

that challenge. lomega recognized four quarters of profitability during 2000; in fact, the fourth quarter was the fifth consecutive profitable quarter. lomega continues to focus on sustained profitability as it strives to meet the goal of top line growth.

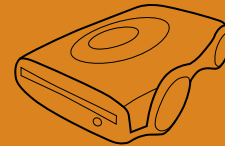
iVolution: The New Consumers

It's a radical idea: What you need more than information storage is an information medium, a place where you can store, protect and share your valuable digital content. From the office to the living room to the playground, a new generation of Iomega products is reaching a new generation of users—people like you, who define their information management needs in terms all their own.



A Leader

ZIP
100MB Drive



As CEO of one of the world's leading superstore retailers, Michael Feuer has seen a few consumer products come and go. But his Zip 100 drive is a keeper.

On a Sunday afternoon in January 1998, Michael Feuer was on his home computer, analyzing his portfolio, when he heard his hard drive start to grind. Disaster. Three years of files gone in nanoseconds. Then he remembered he'd backed everything up to a newly acquired Zip 100 drive, and in an instant his financial life and upset stomach were restored. You don't have to be a business executive to understand the value of investing in Zip drives and disks: they're fast, roomy and proven—especially at crunch time.

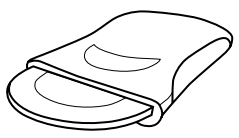
MICHAEL FEUER
Chairman and CEO - OfficeMax
Shaker Heights, Ohio



JILLY SIMONS
Principal and Designer · Concrete Chicago
Chicago, Illinois

An Artist

ZIP
250MB USB Drive



For years, Zip technology has been the gold standard for data storage in the creative world. Graphic designers, architects, photographers and illustrators consider Zip drives an inexpensive and proven investment in risk management.

Chicago-based design-firm principal Jilly Simons was an early adopter of the Zip platform, and she still considers Zip drives integral to what she does every working day: storing, protecting and managing the huge and priceless files that are the digital essence of her business. At lomega, we want to make the business standard a consumer standard.

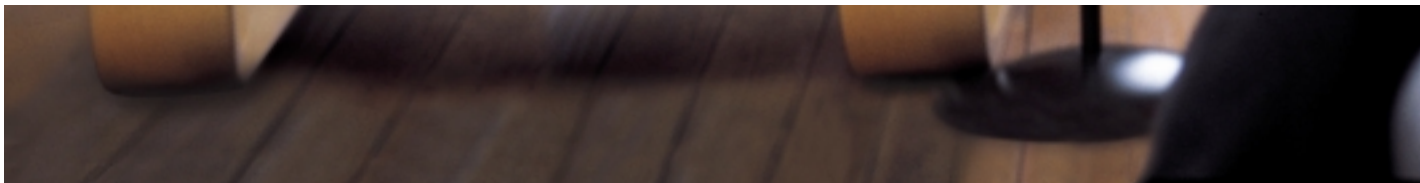


An Innovator

PREDATOR *CD-RW Drive*

Supremely original. Self-contained. And technologically sophisticated. That's a brief definition of Damon Locks, a music pioneer and DJ performing on the Chicago club scene.

Not coincidentally, it's also an apt description of the Predator drive, Iomega's progressively styled CD-RW drive. To Damon, the Predator drive is a solution that can burn his music—but it also matches his creative fire, with styling and performance that make it the coolest, most flexible and portable solution for presenting his demos to club owners and earning a gig. Because an ordinary beige box is no match for Damon's music.

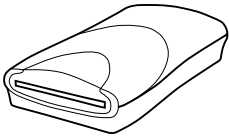




DAMON LOCKS
Digital Musician
Chicago, Illinois

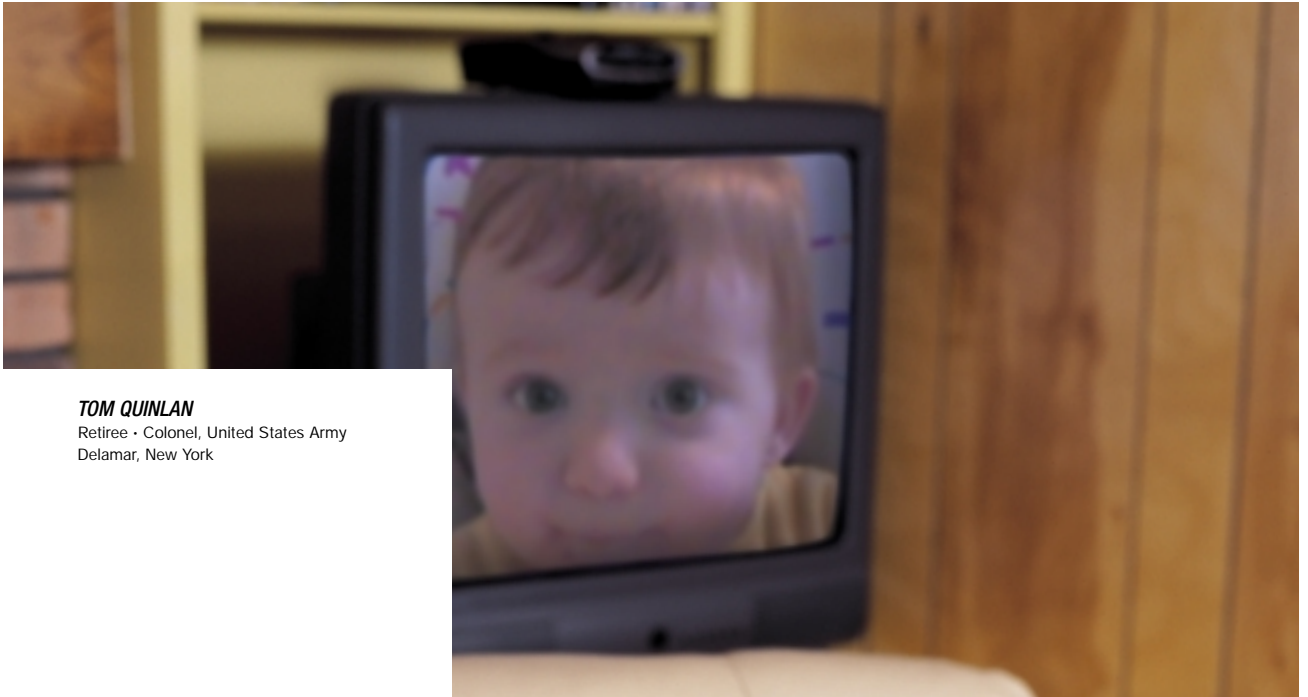
A Grandparent

FOTOSHOW *Digital Image Center*



An estimated 13.9 billion digital images were captured in 2000. Tom Quinlan took more than his share of them. A husband and grandfather, Tom finally has a solution for managing, storing and sharing countless family images: the FotoShow viewer from Iomega.

With the FotoShow viewer, digital camera users can create digital scrapbooks of their photos, crop and edit them, and store them on inexpensive Zip disks—all without a computer. At the office, the FotoShow viewer makes slide-show presentations compact and portable, too. But for Tom, the fun of the FotoShow viewer is all in the family.



TOM QUINLAN

Retiree • Colonel, United States Army
Delamar, New York



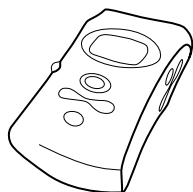


CALVIN GLENN
Creative Director • Skywire Technology
Frisco, Texas



A Runner

HIPZIP
Digital Audio Player



For Calvin Glenn, the HipZip digital audio player is playing the soundtrack of his life. lomega's shock-resistant HipZip player is at his side with music whether he's working out, commuting in his car or working at his desk, where he designs online user interfaces.

The HipZip player was created to make collecting and transporting today's most popular digital audio formats affordable. Using low-cost

PocketZip disks, users of the HipZip player can download music or record from their own CD collection for a fraction of the price of CompactFlash or SmartMedia. And when Calvin realized that his HipZip player was also a fully functioning USB data drive—a way for him to safely move his work files from home to office—well, he got even more attached to it.



REED MARTIN
Independent Film Marketing Director
New York, New York

An Independent

JAZ 2GB DRIVE



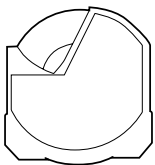
When you're an independent film studio, audiences expect the unexpected from you. That's been the history of Reed Martin, a creative force in both the low-budget and mainstream film worlds and a champion of cutting-edge filmmakers. So when Reed needed to attract a progressive audience to the upcoming movie "The Prime Gig," the correlation between Jaz technology and movie previews snapped into focus, and a partnership was born.

By pre-loading the movie trailer for "The Prime Gig" onto 150,000 blank Jaz disks for retail sale, lomega created a promotional vehicle for Reed that avoids the slow performance and limited length of movie-trailer downloads from studio websites. For lomega's part, the promotion demonstrates the Jaz drive's storage and speed to a highly targeted group of consumers. Call it a double feature.



A Voice

POCKETZIP DISK

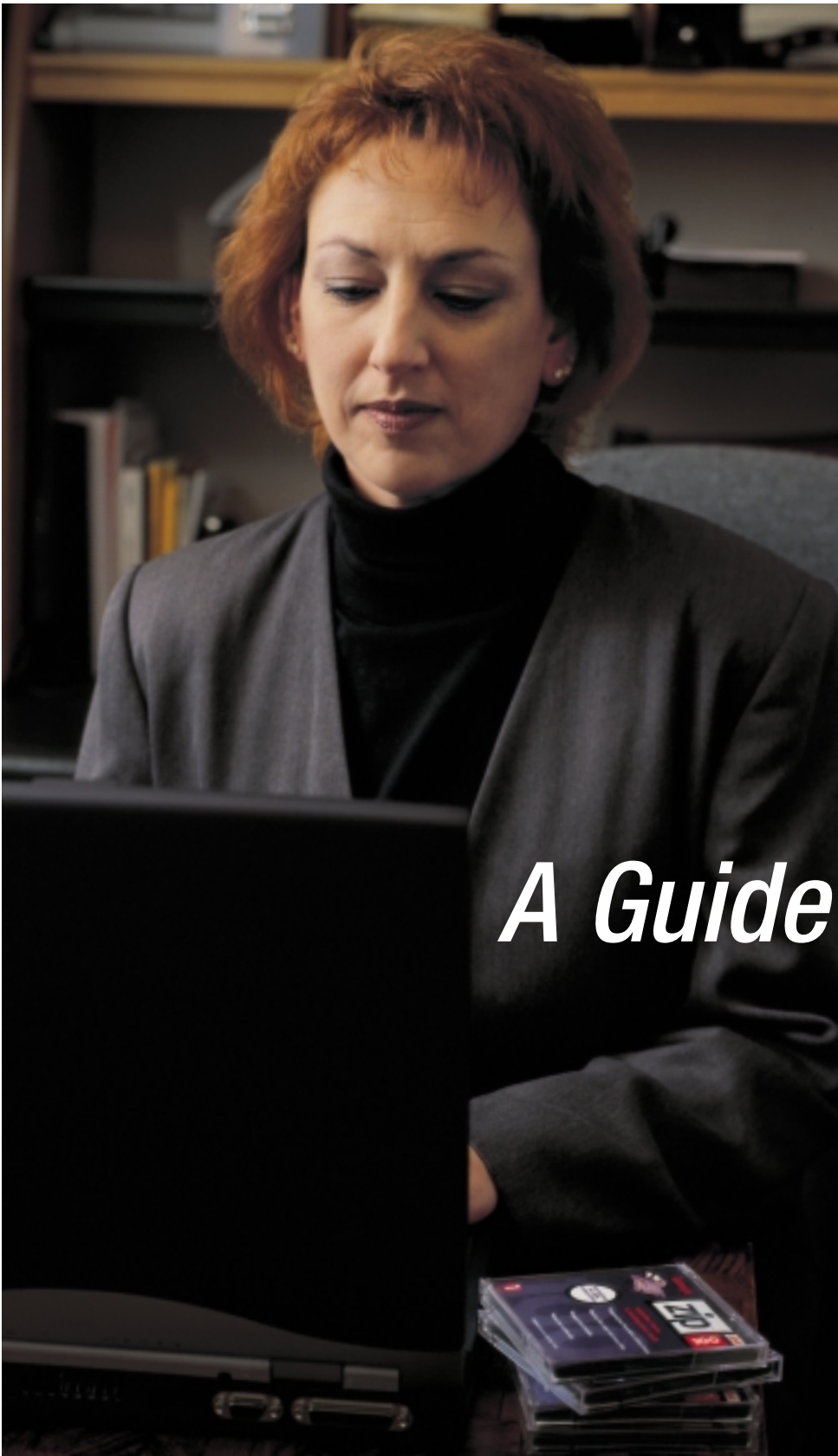


A performer can meet an audience virtually anywhere, and anywhere virtual. For recording artists like 21-year-old Grammy nominee Jaci Velasquez, getting their music heard in the digital world means adopting new technology and new points of distribution.

JACI VELASQUEZ

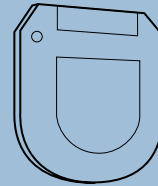
Sony Discos • Word Records Recording Artists
Nashville, Tennessee

The content-rich Club Iomega Web site allows authorized users to download songs from featured artists, including Jaci, straight to PocketZip disks for portable listening. It's a partnership with digital content pioneer I-Jam Multimedia LLC that will also put Iomega PocketZip disks with prerecorded music next to compact discs on retail shelves. The low cost, durability and compact size of the PocketZip disk make it the medium of choice for the next generation of music distribution—and music performers.



A Guide

SOFTWARE



It's a portable world, and no one knows that better than Sandy Mukitarian. From her home office, Sandy markets tourism in the southern United States, encouraging thousands of visits to Quebec each year.

To keep the thousands of names in her database and critical accounting files secure and accessible, she uses QuikSync 2 software to automatically back up data from her two computers every time she saves a file on her hard drives. It's a software solution that makes data accessible anywhere in the world—and always keeps it right at home.

SANDY MUKITARIAN

Director of Tourism • Tourisme Québec
Garland, Texas

lomega's financial standing at the close of 2000 reflects important gains in key performance metrics, including gross margin, pretax income and cash flow. With our first full year of profitability since 1997, cash of \$378 million and no long-term debt, lomega has a strong balance sheet for producing new, profitable growth and sustained shareholder value.

iVolution: The New Performance

***Report of Independent Public Accountants
To Iomega Corporation:***

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheets of Iomega Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000 appearing in Iomega Corporation's December 31, 2000 Annual Report on Form 10-K. In our report dated January 17, 2001, also appearing in the Form 10-K, we expressed an unqualified opinion on those statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements on pages 43 through 46 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

/s/ ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Salt Lake City, Utah
January 17, 2001

A copy of Iomega's Annual Report on Form 10-K for the year ended December 31, 2000, which includes audited financial statements and related footnotes and management's discussion and analysis of financial condition and results of operations, is included as part of this 2000 Annual Report and is incorporated herein by reference.

Iomega Corporation and Subsidiaries / Condensed Consolidated Statements of Operations

(In thousands, except per share data and employee data)

Years ended December 31,	2000	1999	1998
Sales	\$1,300,184	\$1,525,129	\$1,694,385
Cost of sales ¹	810,500	1,169,630	1,271,451
Gross margin	489,684	355,499	422,934
Operating expenses:			
Selling, general and administrative	287,696	292,061	386,304
Research and development	58,577	76,481	101,496
Restructuring (reversals) charges	(4,814)	51,699	—
Purchased in-process technology	—	—	11,100
Total operating expenses	341,459	420,241	498,900
Operating income (loss)	148,225	(64,742)	(75,966)
Interest and other income (expense)	14,093	(6,515)	(7,459)
Income (loss) before income taxes	162,318	(71,257)	(83,425)
Benefit (provision) for income taxes	7,312	(32,232)	29,203
Net income (loss)	\$ 169,630	\$ (103,489)	\$ (54,222)
Net income (loss) per common share:			
Basic	\$ 0.63	\$ (0.38)	\$ (0.20)
Diluted	\$ 0.61	\$ (0.38)	\$ (0.20)
Total employees (unaudited)	3,429	3,907	4,865

¹ Includes \$14,074 of restructuring charges in 1999.

Iomega Corporation and Subsidiaries / Condensed Consolidated Balance Sheets
(In thousands, except share data)

At December 31,	2000	1999
Current assets:		
Cash and cash equivalents	\$255,572	\$172,706
Temporary investments	122,347	38,209
Trade receivables, net	139,461	175,511
Inventories	102,497	103,019
Income taxes receivable	3,758	19,910
Deferred income taxes	43,471	—
Other current assets	15,301	21,585
Total current assets	682,407	530,940
Property, plant and equipment, at cost	317,284	365,036
Less: Accumulated depreciation and amortization	(215,695)	(227,336)
	101,589	137,700
Intangibles, net	29,293	31,743
Other assets	2,150	2,848
	\$815,439	\$703,231
Current liabilities:		
Current portion of notes payable	\$ —	\$ 1,569
Accounts payable	108,168	135,615
Accrued restructuring charges	4,001	17,843
Other current liabilities	177,734	176,572
Current portion of capitalized lease obligations	2,311	3,973
Total current liabilities	292,214	335,572
Capitalized lease obligations, net of current portion	210	1,366
Other long-term liabilities	3,791	—
Deferred income taxes	30,684	—
Convertible subordinated notes, 6.75%, due 2001	—	45,505
Stockholders' equity:		
Preferred Stock, \$0.01 per value; authorized 4,600,000 shares, none issued	—	—
Series A Junior Participating Preferred Stock; authorized 400,000 shares, none issued	—	—
Common Stock, \$0.03 1/3 par value; authorized 400,000,000 shares; issued 272,350,584 and 270,831,769 shares, respectively	9,078	9,027
Additional paid-in capital	298,877	293,627
Less: 2,307,642 and 809,542 Common Stock treasury shares, respectively, at cost	(13,267)	(6,088)
Retained earnings	193,852	24,222
Total stockholders' equity	488,540	320,788
	\$815,439	\$703,231

lomega Corporation and Subsidiaries / Condensed Consolidated Statements of Cash Flows
(In thousands)

Years ended December 31,	2000	1999	1998
Cash flows from operating activities:			
Net income (loss)	\$ 169,630	\$(103,489)	\$(54,222)
Non-cash revenue and expense adjustments:			
Depreciation and amortization	68,043	97,286	68,280
Purchased in-process technology	—	—	11,100
Deferred income tax (benefit) provision	(12,787)	44,924	(7,262)
Restructuring (reversals) charges	(1,517)	34,796	—
Other	4,796	12,260	15,003
	228,165	85,777	32,899
Changes in assets and liabilities:			
Trade receivables, net	38,687	43,362	47,155
Inventories	522	64,676	90,378
Other current assets	6,284	3,254	(6,594)
Accounts payable	(27,447)	(30,585)	(108,324)
Other current liabilities	(12,681)	44,982	(11,488)
Income taxes	16,152	5,064	(47,414)
Net cash provided by (used in) operating activities	249,682	216,530	(3,388)
Cash flows from investing activities:			
Purchase of property, plant and equipment, net of lease proceeds	(28,913)	(46,814)	(94,775)
Purchase of Nomai S.A., net of cash acquired	—	—	(41,902)
Purchase of temporary investments	(227,002)	(38,209)	—
Sale of temporary investments	142,864	—	36,319
Purchase of SyQuest assets	—	(12,093)	—
Net change in other assets/liabilities	(549)	(90)	(2,943)
Net cash used in investing activities	(113,600)	(97,206)	(103,301)
Cash flows from financing activities:			
Proceeds from sales of Common Stock	3,763	5,216	5,283
Proceeds from issuance of related party notes payable	—	—	40,000
Proceeds from issuance of notes payable and capital leases	—	3,532	80,000
Payments on notes payable and capitalized lease obligations	(49,800)	(45,639)	(87,778)
Purchase of Common Stock	(7,179)	—	(465)
Net cash (used in) provided by financing activities	(53,216)	(36,891)	37,040
Net change in cash and cash equivalents	82,866	82,433	(69,649)
Cash and cash equivalents at beginning of year	172,706	90,273	159,922
Cash and cash equivalents at end of year	\$ 255,572	\$ 172,706	\$ 90,273

Iomega Corporation and Subsidiaries / Sales, Units and Profit by Significant Business Segment
(In thousands)

Years ended December 31,	2000	1999	1998
Sales:			
Zip	\$ 987,983	\$1,202,609	\$1,183,020
Jaz	161,819	259,792	416,885
Iomega CD-RW	123,708	23,857	—
PocketZip	20,302	13,126	2,125
Ditto	4,993	18,903	81,074
Other	1,379	6,842	11,281
Total sales	\$1,300,184	\$1,525,129	\$1,694,385
Product profit margin (loss) before restructuring reversals/charges:			
Zip	\$ 295,648	\$ 238,994	\$ 150,702
Jaz	44,088	25,791	4,746
Iomega CD-RW	(1,666)	(8,416)	—
PocketZip	(34,519)	(108,572)	(37,052)
Ditto	(414)	(13,905)	(14,309)
Other	(7,586)	(20,231)	(9,015)
Total product profit margin (PPM)	295,551	113,661	95,072
Common expenses (without restructuring reversals (charges) allocated to PPM):			
General corporate expenses	(152,140)	(112,630)	(159,938)
Restructuring reversals (charges)	4,814	(65,773)	—
Purchased in-process technology	—	—	(11,100)
Interest and other income (expense)	14,093	(6,515)	(7,459)
Income (loss) before income taxes	\$ 162,318	\$ (71,257)	\$ (83,425)
Drive units:		(unaudited)	
Zip	7,011	9,691	8,993
Jaz	276	457	713
Iomega CD-RW	711	145	—
PocketZip	160	91	—
Ditto	6	51	455
Disk units:			
Zip	54,786	64,417	59,054
Jaz	1,368	1,968	3,095
Iomega CD-RW	75	27	—
PocketZip	455	133	—
Ditto	118	452	1,392

Board of Directors

David J. Dunn ^{4,5}
 Chairman of the Board of Directors,
 lomega Corporation
 Managing Partner, Idanta Partners Ltd.

Bruce R. Albertson ⁴
 President and Chief Executive Officer,
 lomega Corporation

Robert P. Berkowitz ¹
 Private Investor

Werner T. Heid ^{3,4}
 Executive Vice President,
 InFocus Corporation

Jonathan S. Huberman ^{1,4}
 Partner, Idanta Partners Ltd.

John R. Myers ^{2,3}
 Chairman and CEO, Tru-Circle Corporation

John E. Nolan, Esq. ^{1,2}
 Partner, Steptoe & Johnson LLP

John M. Seidl ^{3,4,5}
 Chairman, MyHomeKey.com
 Chairman, Language Line Services, Inc.

James E. Sierk ^{1,2}
 Private Consultant

Committees

¹ Audit Committee

² Ethics and Compliance Committee

³ Management Development and
 Compensation Committee

⁴ Strategy Committee

⁵ Nominating and Governance Committee

Key Management

Bruce R. Albertson
 President and Chief Executive Officer

Reed M. Brown
 Vice President, Engineering and
 Acting Chief Technology Officer

David W. Campbell
 Senior Vice President, Marketing Communications

J. Douglas Collier
 Senior Vice President, Marketing and
 Product Management

John L. Conely, Sr.
 Senior Vice President, Operations

Philip G. Husby
 Senior Vice President, Finance and
 Chief Financial Officer

Richard M. Marsh
 Acting General Counsel and Secretary

Charlotte L. Miller
 Senior Vice President, Human Resources

Herbert K. Scales, III
 Senior Vice President, Sales

Germaine M. Ward
 Senior Vice President, Software Solutions
 and e-Business

Corporate Information

Corporate Headquarters

Iomega Corporation
1821 West Iomega Way
Roy, Utah 84067
(801) 332-1000

Stock Exchange Listing

New York Stock Exchange
Ticker Symbol: IOM

Annual Shareholder's Meeting

Iomega's Annual Meeting of Shareholders will convene at 10:00 a.m. local time, on May 2, 2001: Ogden Eccles Conference Center
2415 Washington Boulevard
Ogden, Utah 84401

Stock Transfer Agent and Registrar

American Stock Transfer & Trust Company
40 Wall Street, 46th Floor
New York, New York 10005
(718) 921-8200

Independent Public Accountants

Arthur Andersen LLP
15 West South Temple, Suite 700
Salt Lake City, Utah 84101

Attorneys

Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109

Investor Inquiries

Communications regarding investor records, including duplicate mailings, changes of address or ownership, transfer of shares and lost certificates, should be directed to the Company's stock transfer agent. All other inquiries should be directed to Iomega's Investor Relations department.

If your stock is held in "street name" and you would like to receive information directly from the Company, please send your request to the Iomega Investor Relations department in writing or by calling the Iomega Investor Relations Information Line or by accessing Iomega's website at www.iomega.com.

Iomega Investor and Media Relations

James Recob
Director, Investor Relations
Corporate Headquarters
Iomega's Investor Relations Line:
(801) 332-3585
investorrelations@iomega.com

Chris Romoser
Director, Corporate Communications and Public Relations
Corporate Headquarters
(801) 332-3678
publicrelations@iomega.com

Product Information

Inquiries regarding the Company's products should be addressed to Corporate Communications at Corporate Headquarters. Product descriptions are accurate as of March 9, 2001 and are subject to change.

Iomega, the stylized "I" logo, Zip, Jaz, PocketZip, HipZip, FotoShow, QuikSync, Peerless, LifeWorks, Club Iomega, Predator, Klik! and iomegadirect are either trademarks or registered trademarks of Iomega Corporation in the United States and/or other countries.

IBM and Microdrive are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries or both. Microdrive is used under license by Iomega Corporation. Quicken and TurboTax are registered trademarks of Intuit, Inc. and are used with permission. Certain other product names, brand names and company names may be trademarks or designations of their respective owners.

Form 10-K

A copy of Iomega's Annual Report on Form 10-K for the year ended December 31, 2000, which includes audited financial statements and related footnotes and management's discussion and analysis of financial condition and results of operations, is included as part of this 2000 Annual Report, has been mailed to all stockholders together with the proxy statement for the 2001 Annual Meeting of Stockholders, which is scheduled to be held on May 2, 2001, and is incorporated herein by reference. Additional copies of the Annual Report on Form 10-K are available, without charge, upon written request to: Iomega Corporation, Attn: Investor Relations, 1821 West Iomega Way, Roy, Utah, 84067.



Iomega Corporation
1821 West Iomega Way
Roy, Utah 84067
(801) 332-1000