

# letter to the shareholders

Johan Volckaerts

After a strong start to the year, which saw our listing on Euronext, it had become apparent by the end of the first quarter that mid-term visibility was decreasing as our major customers were unable to reliably forecast future demand. A few months later we experienced a severe slow down in hardware equipment and software purchases by our traditional high-end graphic arts customers based in all regions, with the exception of Japan.

The Hardware division was hit particularly hard since its customers were reluctant to invest in high value capital purchases. Its sales decreased by approximately 19% below the previous year.

So, the tough economic conditions of 2001 within the graphic arts market led to some tough decisions being taken by the Global Graphics board in order to retain value for the shareholder.

## **SALE OF HARDWARE DIVISION AND XANALYS**

With little prospect of an improvement in the Hardware division's position in 2002, its ability to contribute to earnings per share remained uncertain. Therefore, on February 22, 2002 the Board decided that it would be in the best interests of the Company and its shareholders to sell the entire Hardware division in order to fully unlock the Company's real shareholder value. This transaction was completed in early May and its effect has been assessed in our 2001 year-end accounts. Gary Jones, who led his senior management team in the management buy-out resigned from the Global Graphics board on February 22, 2002 to avoid any potential conflict of interest.

The Company also sold an 80.1% equity stake in the information specialists Xanalis to Andlinger Capital X LLC in January 2002. We have retained a 19.9% shareholding in the new company but will not participate in its future funding.



**SOFTWARE DIVISION ON TRACK FOR GROWTH**

Global Graphics Software presented an encouraging picture in 2001 by maintaining sales to the same level as 2000 despite the tough climate, and achieving EBITA in excess of 32% for the year. A sales decline in its traditional market was compensated for by growth in new segments – the middle market and PDF technologies. This division is firmly established as a world leader in the design and development of printing software solutions - high performance RIPs, PDF document, workflow and color technologies – aimed at Original Equipment Manufacturers, system integrators and resellers.

In becoming a pure play software business, Global Graphics is able to put its full resource squarely behind the attractive growth opportunities that exist for this division in the middle market and PDF segments as well as within its traditional customer base to which it is bringing the benefits of an expanded product range.

Indeed during the year the division began to market its software solutions in five consolidated technology areas (see page 11 for details). This suite of printing software solutions, combined with the Company's track record and expertise, is proving attractive for Original Equipment Manufacturers in all segments.

In addition to the strategic relationship previously announced with Motorola®, 2001 saw the Software division sign a technology agreement with the Destiny Technology Corporation of Taiwan to embed its RIP technology onto Destiny's proprietary controller boards, shortening development cycles for manufacturers of digital printers and copiers and increasing our share of the middle market. This collaboration has resulted in our first contract with a major Japanese printer manufacturer which will begin to ship in 2003.

'Print-on-demand' is another fast growing segment of the middle market. Our recent agreement with Hewlett-Packard to supply printing software technology for HP digital publishing solutions propels us further into this arena. In an initial application, our high performance Harlequin® RIP consumes print jobs fast enough to run HP Indigo digital presses at full speed even when processing large or complex files where the content may vary page by page.

**OUTLOOK**

So whilst building on relationships with key customers serving the high end of the graphic arts market, the Software division has successfully opened up opportunities in new markets. The exceptional growth expected from mass market printing devices and the Internet combined with the increasing demand for PDF-based products is expected to strengthen the Company's position.

Through the Software division Global Graphics is operating in market segments where it can demonstrate considerable advantages over its competitors and where its technology portfolio and consulting expertise are widely respected. Our divestiture of the Hardware division and withdrawal from the funding of Xanalys mean that we can aggressively pursue opportunities that are emerging in the middle market and PDF segments by putting our full resource and effort into these areas. Our substantial research and development resource will also be deployed to ensure that new generations of product are developed to meet the changing needs of our core customer base as, in turn, their customers demand more from their printing and publishing solutions.

**Johan Volckaerts,**  
Chairman of the Board  
and Chief Executive Officer

**business strategy**

Increase revenues from high-margin printing and document management software solutions

Further penetrate the market potential of the existing Software division client base

Continue to forge strategic partnerships with major industry players

Continue to explore potential for the application of our software technology within photocopiers and desktop printers

Continue to grow the market for sales of our PDF technologies into large corporations worldwide