



## Johan Volckaerts Letter to the shareholders

The announcement in April 2005 that the Company had been working with Microsoft for the previous two years to provide consultancy and proof of concept development services for their new document and print format called XPS (XML Paper Specification) was of great significance to Global Graphics' digital print strategy. The details behind the announcement are described by Jim Freidah, Chief Operating Officer, in his Operational Overview (p.8).

The disclosure of this news underlined the Company's position as an expert in technology for interpreting page description languages and places it at the forefront of a completely new document and print format that will have a major impact on all segments of the digital print industry. Our unique expertise in XPS will accelerate opportunities for new revenues as printer and copier manufacturers look to incorporate XPS RIP technology into their products ready for launch during 2007. Our strategy in 2005 has been to position the Company to maximise these growth opportunities whilst maintaining revenues from our traditional graphic arts market which continues to steadily decline year on year.

Our 2005 sales of Euro 19.6 million (19.6 million at 2004 exchange rates) demonstrate the success of this strategy. EBITA margin improved to Euro 7.2 million or 36.8% of 2005 sales, compared with the 2004 figure of Euro 6.5 million (or 34.0% of sales). We reported a tax benefit for the year of Euro 3.1 million which contributed to our net profit of Euro 6.2 million. Pro forma EPS was Euro 0.96 per share compared with Euro 0.81 per share for the previous year. Operating expenses amounted to Euro 11.8 million entirely in line with our goal of keeping operating expenses under Euro 12.0 million, a target we have attained for three consecutive years.

### Cash flow

We achieved our debt repayment obligations in 2005 and by year-end total net debt stood at Euro 0.2 million compared with Euro 6.6 million at the end of 2004, or a reduction of Euro 6.4 million over the year 2005. We expect to repay all of the outstanding long-term debt, which amounts to Euro 4.4 million, during the course of 2006 ahead of the contractual obligations laid out in our debt rescheduling agreement signed in December 2002.

### Outlook for 2006

The business has been gearing up to meet the demand for XPS compatible RIP technology and continues to provide innovative solutions to our graphic arts customers. We have laid the plans for a solid performance in 2006 which will be a transition year for the digital print market as players join the race to offer XPS compatible solutions. We expect to see limited growth in sales over 2005 because of this transition combined with the steady erosion of revenues from our traditional segment of business and a decline in revenues from electronic documents (boxed products)

In 2006 we will be investing in additional resource to meet the increased royalties we expect to see from XPS from 2007 onwards. Plans are advanced to open a Global Graphics test and quality assurance facility in India and to increase headcount in the US and Japan within our Technical Services Consulting group. Consequently, we plan to increase operating expenses to approximately Euro 14.0 million in 2006. Accordingly, we project that EBITA margin will represent around 27% of sales and that pro forma pre-tax income should stand at around Euro 0.50 per share.

We closed 2005 on an optimistic note, seeing the results of our hard work and commitment to our financial and business plan over the past three years delivering fruit. 2006 will be an exciting year for Global Graphics and with our sure foundations for growth we are confident about our capability of delivering shareholder value.



Johan Volckaerts,  
Chairman of the Board and  
Chief Executive Officer

**Our 2005 performance saw us successfully position ourselves to capture an increased share of revenues from digital print as well as maximise sales from the graphics arts market**