

NUR MACROPRINTERS

5 1996 1997 1998 1999 **2001** 2002

ANNUAL REPORT

# Embracing the vision

NUR Macroprinters Ltd. (Nasdaq: NURM) is a leading supplier of wide and superwide digital printing systems for the out-of-home advertising market. The company designs, develops, manufactures and markets wide and superwide format digital printers and companion consumables that are used by commercial printers, sign printers, screen printers, commercial photo labs, billboard and media companies and digital printing service providers throughout the world. From its photo realistic printers to its high throughput digital production presses, NUR's complete line of digital products addresses the full range of wide and superwide format printing requirements – today and into the future.



# focused on the goal



Bleacher back graphic printed on NLR Blueboard™ HQ superwide digital printing system. Courtesy of Vision International, Salt Lake City, UT.

Mesh covering (measuring 32 ft. x 105 ft.) for bleacher back at downhill ski racing venue at XIX Winter Olympics in Salt Lake City, UT. Printed by Vision International on one of its four NLR Blueboard™ HQ superwide digital printing systems.

One of eight giant mesh coverings for back of bleacher seating at XIX Winter Olympics in Salt Lake City, UT. Printed by Vision International on a NLR Blueboard™ HQ superwide digital printing system. The project encompassed a total of almost 200,000 sq. ft. printed in about 55 pieces.

Mesh covering for bleacher back at luge run venue at XIX Winter Olympics in Salt Lake City, UT. Printed by Vision International on a NLR Blueboard™ HQ superwide digital printing system.



VISION, COMMITMENT, PERFORMANCE AND FOCUS. THAT'S WHAT IT TAKES TO MAKE IT BIG. THAT'S NUR MACROPRINTERS. AT THE WINTER OLYMPICS IN SALT LAKE CITY. AND EVERY DAY ALL ACROSS THE GLOBE.

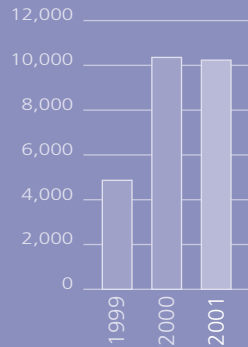


OUR MARKETS ARE IN THE MIDST OF A DIGITAL REVOLUTION WHERE CONVENTIONAL PRINTING METHODS ARE BEING REPLACED BY DIGITAL PRINTING TECHNOLOGIES.

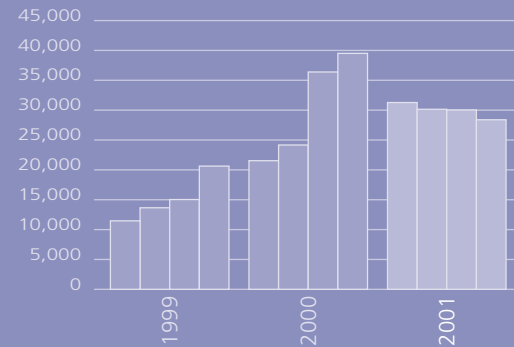


## FINANCIAL HIGHLIGHTS

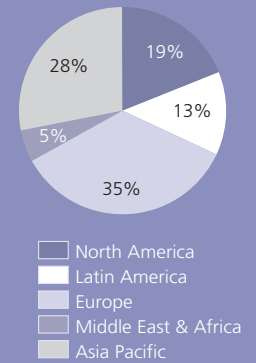
Annual R&D Expenses - Net  
US\$ in Millions

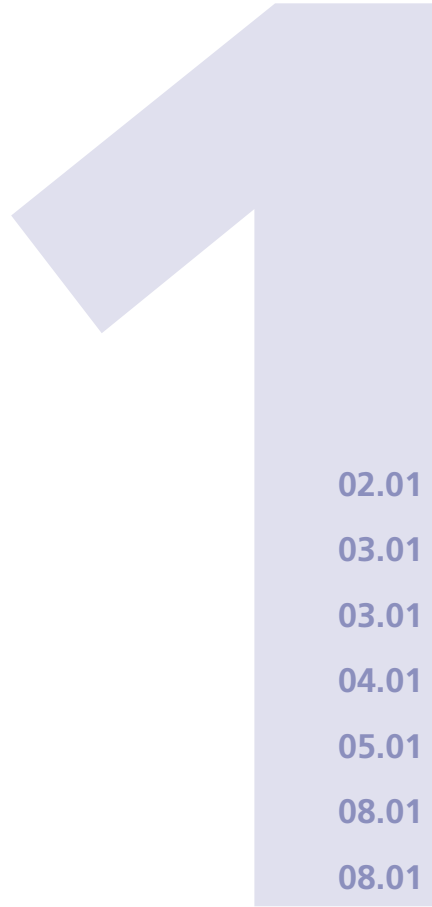
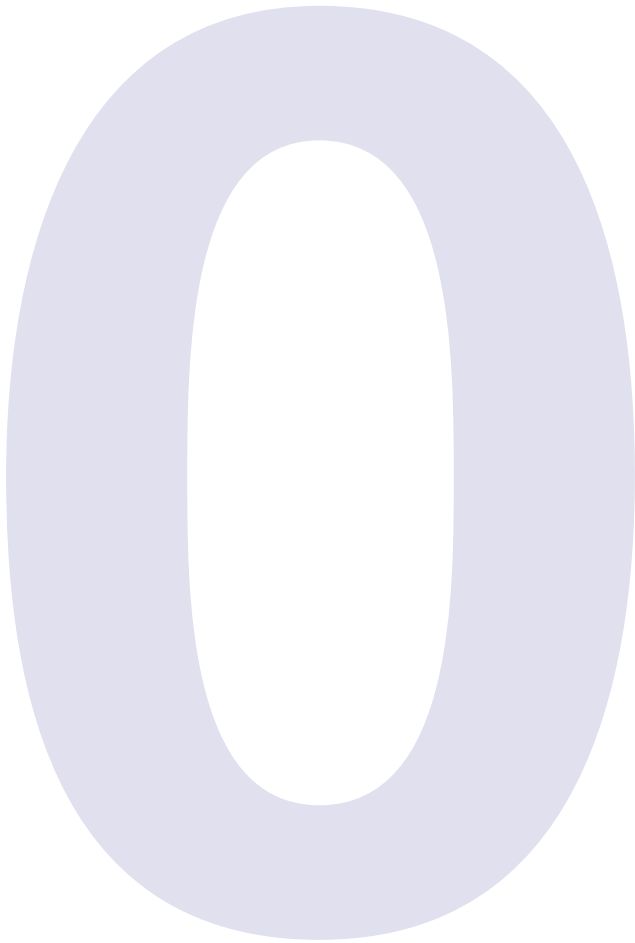


Quarterly Revenues  
US\$ in Millions



Revenues by Region





# HIGHLIGHTS

- 02.01** Move to new corporate headquarters
- 03.01** Launch of NUR Salsa™ Ultima series
- 03.01** Launch of NUR Fresco™ 3200
- 04.01** Eli Shalev appointed COO
- 05.01** Consolidation of NUR America and NUR Engineering
- 08.01** NUR Capital program launched in U.S.
- 08.01** Customer Service Programs introduced
- 09.01** Launch of NUR Fresco™ HiQ
- 11.01** NUR FabriGraph™ enters beta testing
- 12.01** NUR Fresco™ HiQ shipments begin
- 12.01** Remote operation software option for NUR Blueboard™ becomes available

We at NUR Macroprinters are building both the technological and organizational base we believe will position our Company as the leading supplier of full digital printing solutions for out-of-home advertising.

## DEAR SHAREHOLDERS

2001 was a challenging year. While revenues remained relatively stable compared to the previous year, first quarter results for 2002 were disappointing, and we are in the process of formulating strategic efforts to reverse this trend. However, our strategy to bolster the consumables side of our business resulted in an increase in consumables sales as a percentage of total revenues. Many of the challenges we face are directly related to declining capital expenditures in our markets, due, in part, to the worldwide economic slowdown. Other challenges are directly related to the phenomenal growth NUR Macroprinters experienced in recent years, which required us to embark on significant investments in organizational infrastructure.

Recognizing the challenges we faced in 2001, we undertook rapid and precise actions to strengthen the Company. The most outstanding of these are the following:

- Reducing operational expenses by approximately \$3.5 million per quarter.
- Building global IT systems to fit the Company's size and complex global operations.
- Restructuring our customer support organization, processes and management capabilities to prepare for expected growth in our installed base.
- Revamping our digital printer offerings, with the introduction of new and improved models in all major product lines.

Our products and organizational capabilities have significantly improved over the course of the year, and we have exploited this pause in our growth to ensure that we will be even better equipped to handle the growth we expect in years to come.

We believe that our market is on the verge of a structural change, in which conventional printing technologies, primarily screen-printing used for printing the vast majority of out-of-home advertising, will be replaced by digital printing technologies. These digital printing technologies, in fact brought to market by NUR Macroprinters and others, enable printing the same applications in similar qualities—but better, faster and for less money. We are still in the early stages of this replacement process.

We believe that our future growth will far exceed that of the past, and we are fully prepared for the resumption of investment activity and growth in our markets. With this, it is clear that the global economic slowdown has adversely affected capital equipment manufacturers such as NUR Macroprinters, and this trend may well continue for some time.

# Building in

We believe our upgraded product line will deliver improved performance and reliability.

The infusion of \$7 million in a private placement in the first quarter of 2002, and the rescheduling of most of the Company's long-term debt payments to the end of 2005, are providing the financial resources to enable the Company to realize its long-term strategic plans.

#### **Internal Growth and Consolidation**

The economic slowdown came upon us as our Company was in the midst of vital infrastructure changes and investments aimed at growing our company from within. The goal of these infrastructure changes and investments was to establish and formalize the processes and procedures to become the leading global player in our industry. Like any company that experiences exponential growth, we needed to "catch up" in 2001 and our strategic plan was to stabilize the company and strengthen our infrastructure. This was highlighted by our move to the new corporate headquarters in January 2001, the global implementation of a new ERP system completed at the end of 2001, the consolidation of operations in North America, the consolidation of ink production facilities and the implementation of a project to vertically integrate the company's global consumable activities into a single profit center. In the field, these investments became evident in streamlined, efficient customer support systems, as well as new programs, such as the NUR Capital Business & Finance Programs in the U.S. for capital leasing of NUR equipment through Citigroup, the NUR Customer Service Program, and the NUR Ink Partnership Program.

#### **Innovative Product Development for All Applications**

The investments we made in our company can also be seen in the product development area. We believe our upgraded product line will deliver improved performance and reliability. In March 2001, we launched the NUR Salsa Ultima™ series, the first wide format digital printer to incorporate the design synergies of both NUR Macroprinters and the former Salsa Digital, which we acquired in 2000. We implemented important product upgrades on the NUR Fresco™ line, as part of our continued efforts to position the NUR Fresco as the premier series of wide format digital production printers. First, the NUR Fresco 3200 was introduced followed by the NUR Fresco HiQ for improved quality and productivity in both 1.8 and 3.2-meter formats. Significant

# Poised fo

improvements were also made to the NUR Blueboard™ series, with the launch of the new remote operations software option in the fourth quarter.

We continued to take a proactive approach to application-driven product development with the introduction of the NUR FabriGraph™ dye sublimation printers, designed specifically for digital printing on textiles at production speeds. Beta site testing was completed in the fourth quarter of 2001, and the series became commercially available in February 2002. Initial feedback from customers has been extremely positive and we have ambitious plans for the new line.

We invested heavily in new product development, which we believe will boost the Company's growth in 2002 and beyond. Several new products are slated to be unveiled later in 2002 and 2003.

#### **Strengthening Financial Position**

2001 began as our company was under significant financial strain, in the aftermath of so many quarters of rapid growth and on the verge of a significant economic slowdown. The infusion of \$7 million in a private placement in the first quarter of 2002, and the rescheduling of most of the company's long-term debt payments to the end of 2005, are providing the financial resources to enable the Company to realize its long-term strategic plans.

# Infrastructure





NUR substrates



NUR Fresco™ series



NUR Salsa™ series



NUR Blueboard™



NUR FabriGraph™ series



NUR Inks

# or the future

One of the most dramatic changes made to increase profitability and to establish more streamlined operations was the vertical integration of the Company's entire consumables line under the umbrella of NUR Media Solutions.

### Consumables – A Global Approach for Increased Profitability

One of the most dramatic changes made to increase profitability and to establish more streamlined operations was the vertical integration of the Company's entire consumables line under the umbrella of NUR Media Solutions (NMS). This vertical integration of all consumables activity represents an important milestone. As unit sales of consumables increased exponentially, we recognized the need for a focused marketing approach.

By vertically integrating our consumables line under NMS, we believe that we are more responsive to our customers' needs. In the long-term, we believe that NMS will emerge as a leading player in the wide format and superwide digital consumables market—for all types of applications and equipment, including the equipment of other manufacturers.

### An Optimistic Look Toward the Future

Despite the global economic slowdown and declining capital expenditures, it is important to remember that NUR Macroprinters embraces a vision that remains unchanged. Our markets are still only in the initial stages of a digital revolution. We are seeing new entrants, such as service bureaus and commercial photo labs jumping on the digital bandwagon, as well as more traditional screen-printing applications for out-of-home advertising being produced on digital equipment. But like all shifts in technology, markets must undergo an educational process,

often with steep learning curves. NUR's strategy is to retain its leadership position in order to realize the full potential of our vision of a digital future.

We made several additions to our executive staff during 2001 and more recently in the first quarter of 2002. Mr. Eli Shalev was appointed Chief Operating Officer in April 2001. Mr. Alon Avnon was appointed Corporate Vice President of Sales in February 2002, and will spearhead efforts to strengthen NUR's worldwide sales capabilities and infrastructure. Mr. Michael Dayan was appointed Vice President of Operations in early 2002, responsible for company-wide operation processes and implementation. Mr. Gadi Anshel has taken over as Director of International Customer Support as of April 1, 2002. We are confident that adding such depth to our management team will help us to meet the business challenges of fiscal 2002 and onward.

We would like to take this opportunity to thank our employees—old and new—for their loyal and steadfast commitment, and to thank our shareholders and partners for their patient confidence and dedication.

Erez Shachar  
President and Chief Executive Officer

Dan Purjes  
Chairman of the Board