

NUR MACROPRINTERS 1999 ANNUAL REPORT

# EVOLUTION THROUGH TECHNOLOGY

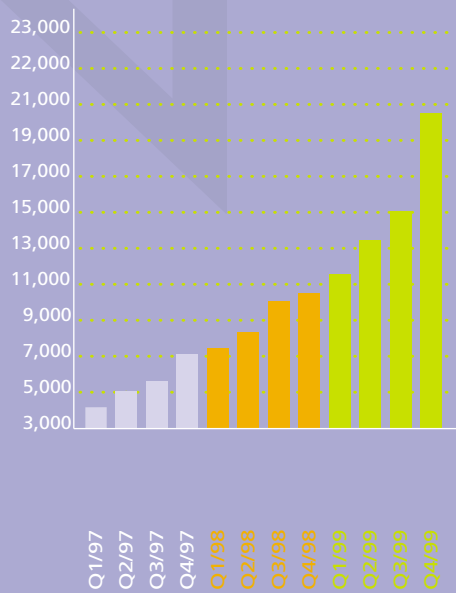


EVO LUTIO

# FINANCIAL HIGHLIGHTS

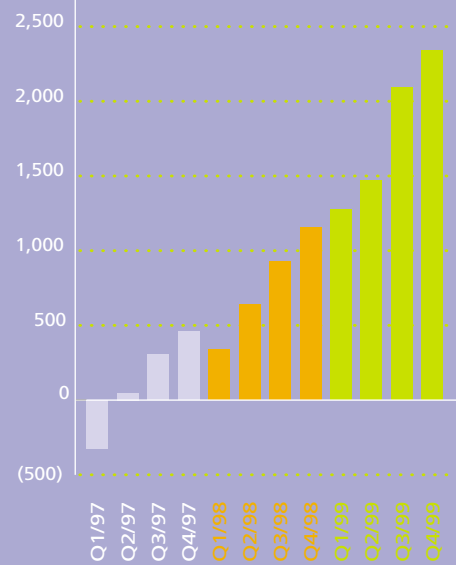
## Revenues Q1/97-Q4/99

\$ US in thousands



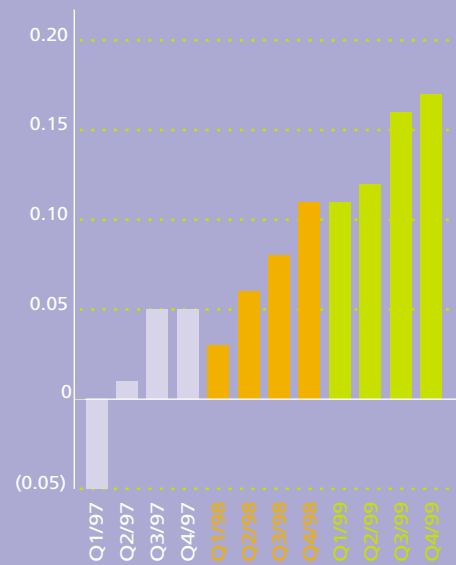
## Net Income Q1/97-Q4/99

\$ US in thousands



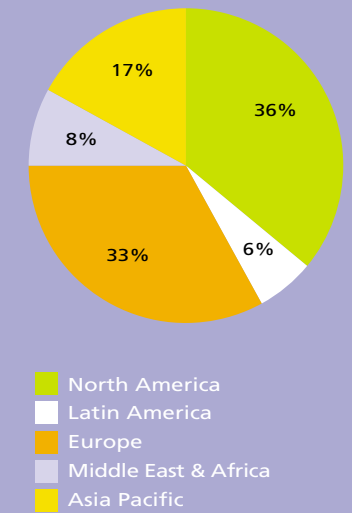
## Earnings per Share Q1/97-Q4/99

\$ US



## Revenues by Region - Full Year 1999

\$ US







# TO LEAD THE MARKET IN DIGITAL-BASED TOTAL PRINTING SOLUTIONS FOR OUT-OF-HOME ADVERTISING

**N**UR Macroprinters enters the new millennium as one of the industry's leading technology-driven companies, fueled by strong, consecutive growth and innovative market leadership. Ranked among Israel's top ten high-tech companies in share performance for 1999, NUR Macroprinters is delivering on its promise to customers, shareholders and employees to provide maximum value and leading application-driven digital printing solutions for the out-of-home advertising market.

NUR Macroprinters continues to be an undisputed leader in superwide digital printing solutions, and is expected to grow stronger as a global force with the latest generation of the NUR Blueboard™ line. NUR Macroprinters is committed to initiating creative original concepts to strengthen its vertical market penetration with innovative application-driven solutions for this diverse market and its evolving needs. These solutions encompass the entire gamut of digital printing, from digital printers to specialized, high-quality consumables.

Leveraging our experience and reputation in the market for superwide printers and printing solutions, NUR Macroprinters' introduction of the NUR Fresco™ is a pioneering breakthrough in the emerging market for wide-format screenless printing solutions for production environments. Bringing digital printing to the electronic marketplace, eNUR™ is leading the way for the world's first virtual superwide and wide-format digital printing communities, innovating new models for global printing projects and on-line procurement of consumables. NUR Macroprinters proprietary technologies and market-driven strategy are creating the signs of our time. As the world of out-of-home advertising takes off in directions that today seem impossible, NUR Macroprinters is committed to making it possible to translate imagination into images that are bigger than life.

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## DEAR SHAREHOLDERS:



1999 was a banner year for NUR Macroprinters, completing eleven consecutive quarters of record results.

1999 was a banner year for NUR Macroprinters, completing eleven consecutive quarters of record results. Our management team has focused on completing the turnaround begun in 1997, and creating real added-value for the NUR Group. Our share price increased 350% over the last twelve months, making NUR Macroprinters one of Israel's top-ten performing stocks on the Nasdaq securities exchange. The confidence of our shareholders and the capital market was evident throughout the course of the year. We are committed to continuing on the path of value creation and will build on our strong performance over the last three years, which has galvanized our position as a market leader in our core businesses – superwide and wide-format digital printing solutions. Strong earnings and performance enabled NUR Macroprinters to evolve as a comprehensive global solutions provider, uniquely qualified to integrate the multi-disciplinary expertise required to achieve success in this industry. Driven by new applications, our continued penetration into vertical markets has had a very positive effect on financial performance as well.

NUR Macroprinters far exceeded forecasts for 1999, particularly in the areas of revenue and earnings growth. Operating income increased by 253%, from \$2.4 million to \$8.4 million. Net income increased 390%, from \$1.5 million in 1998 to \$7.1 million in 1999, or from \$0.13 per share in 1998 to \$0.56 per share in 1999 on a fully diluted basis, a 331% increase. Annual revenues grew from \$36.4 million in 1998 to \$60.7 million in 1999, an increase of 67%. Revenues from continuing operations (excluding the sale of M. NUR Marketing & Communication GmbH) grew 83% from \$31.9 million to \$58.3 million. We are continuing our aggressive investments in R&D. Gross R&D expenditure (before grants) reached \$5.3 million, or 9% of sales of continuing operations in 1999. Further aggressive investments in R&D are planned for the coming year, in order to continue our strategy of leading the introduction of application-driven solutions.

1999 witnessed the complete assimilation of a high-caliber professional management team. NUR Macroprinters' senior management all have previous experience in leading multi-national technology firms. This is yet another factor behind the Group's consistently strong financial performance. Our management team is firmly in place and confidently leading the Group toward achieving its strategic goals.

### From Products to Full Application-driven Solutions

Much of our growth can be attributed to internal expansion and diversification. NUR Media Solutions S.A., our wholly owned subsidiary marketing substrates, inks and other ancillary products and consumables, rallied record results. With 35% of consolidated revenues derived from the sale of consumables, our core businesses are sufficiently diversified to reduce the inherent risks of volatile equipment sales and ensure the company a solid recurring revenue base. This solutions-based approach extends the capabilities of our customers to expand their offerings. Specifiers can request a "NUR Macroprinters job" from start to finish, and be confident they are getting a superior solution down to the last detail.

Our strategy of vertical integration has delivered admirable results. Consumable sales increased by 116% from \$9.9 million in 1998 to \$21.3 million in 1999. The establishment and success of NUR Media Solutions is testimony to this well-thought out policy, as is the establishment of Stillachem S.A.

### From Strength to Strength

NUR Macroprinters continues to emerge as an undisputed industry leader in the superwide printer market. The introduction of the NUR Blueboard HiQ™ in the first quarter of 1999 was met with resounding success and with an increase in new orders. Responding to market demand for higher resolution and improved optical density, NUR incorporated its proprietary HiQ technology to improve the NUR Blueboard line and offered comprehensive upgrades for existing NUR Blueboard and NUR Blueboard 2 users. Our markets, particularly the superwide market, are currently in a strong growth cycle. NUR Macroprinters is riding the wave of this cycle from the peak, and is playing an important role in the direction this expansion is taking. Focused strategy on core businesses has enabled us to set off in new directions, stimulating market growth through the development of new superwide print applications. The NURFLEET™ solution for fleet graphics, introduced in 1999, is an excellent example of this.

leader



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**Expanding into New Markets**

Leveraging its reputation, experience and technological expertise in the superwide market, in February 1999 NUR Macroprinters introduced the NUR Fresco™ – our pioneering wide-format screenless production press. The NUR Fresco is a true digital alternative to traditional screen printing for wide-format printing in production environments, and is expected to play a leading role in the digital revolution taking place in the market for cost-effective short and medium run digital solutions. We are forging important strategic partnerships, and are working with our existing customers as well, to bring this new business model to market.

**Strengthening Our Global Presence**

NUR Macroprinters has completed its move to direct distribution networks across the globe with the establishment of two new subsidiaries in 1999 – NUR Asia & Pacific Ltd., headquartered in Shanghai, China, and NUR Middle East & Africa, headquartered in Belgium. The new subsidiaries serve as support centers for customers and have direct sales responsibility for the Group’s products in these regions.

**Strategic Partnerships for Growth and Diversity**

During 1999 two additional subsidiaries were established within the NUR Group, both the result of strategic joint ventures. NUR Macroprinters joined forces with Ogen Dialogix Ltd. to form NUR Pro Engineering Ltd., a joint venture to manufacture and assemble the NUR Blueboard HiQ and NUR Fresco digital printers. Ogen brings to the Group a wealth of expertise in mechanical engineering and assembly, and experience assembling NUR Macroprinters products on a subcontract basis. Stillachem S.A., a manufacturer of specialized inks for digital printing, was also established in 1999 as a result of a joint venture for ink production.

NUR Macroprinters also divested its interest in a German affiliate engaged in superwide printing. This divestiture was part of the company’s strategy of focusing on core businesses.

**Emerging into the World of e-Business**

Demonstrating its commitment to developing e-business, NUR Macroprinters entered the world of e-commerce in 1999 with the introduction of eNUR™,

a unique web-based platform for business-to-business on-line ordering of NUR consumables. eNUR also enables customers to check product availability, prices and track shipments. eNUR will strengthen the service infrastructure of local subsidiaries and decrease delivery lead-time. In addition, eNUR provides a vital network for NUR users across the globe that will soon form the first superwide and wide-format virtual community. Through eNUR, this community will share technological data and a wealth of digital printing information.

**Raising Capital for Growth**

During the course of the year, Isal Amlat Investment (1993) Ltd. and Dovrat & Co. Ltd. expressed their confidence in NUR Macroprinters via an investment of \$3.3 million. Plans for the future include a significant increase in capital to support the Group throughout the inevitable consolidation the digital printer market will undergo over the next several years. NUR Macroprinters intends to take a proactive role, and will use the increased capital to take advantage of timely business opportunities. In addition, NUR Macroprinters intends to bolster its marketing efforts with innovative customer financing programs.

**Signs for the Future**

As we plan for the coming year, we recognize the fact that applications in superwide and wide-format printing are changing as fast as the technology that makes them possible. NUR Macroprinters’ strategy of vertical integration is working to keep the Group a step ahead. In a market that is driven by innovation, creativity and technology, NUR Macroprinters has emerged a pioneer.

For our achievements and performance over the last three years, and for the creativity that drives us toward the future, we would like to take this opportunity to thank our employees. Our ambitious plans in the new millennium are based on their outstanding loyalty, performance and commitment. On behalf of the entire Board of Directors, we would also like to thank our shareholders and business partners for their continued support and confidence.

Erez Shachar  
President and Chief Executive Officer

Dan Purjes  
Chairman of the Board



YESTERDAY'S COMMUNICATIONS  
ARE THE WINDOW TO OUR PAST...  
AND TECHNOLOGY IS THE WINDOW TO OUR FUTURE

# TECHNOLOGY

for High

Prehistoric cave paintings

Computer pre-press station





**W**ith an approximately 50 percent market share worldwide, the NUR Blueboard™ is an undisputed global leader in superwide digital printing solutions for out-of-home advertising and the company's flagship product line. It is the only system designed and developed exclusively for the superwide graphics market.

NUR Blueboard's unique patented continuous inkjet technology delivers superior image quality, reliability and unmatched throughput. The NUR Blueboard line produces output up to 16.4 feet wide, reaches unsurpassed speed of over 650 square feet per hour and offers maximum flexibility – critical factors in this highly competitive, performance-driven industry.

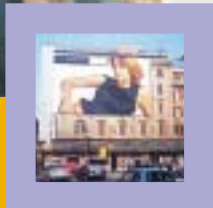
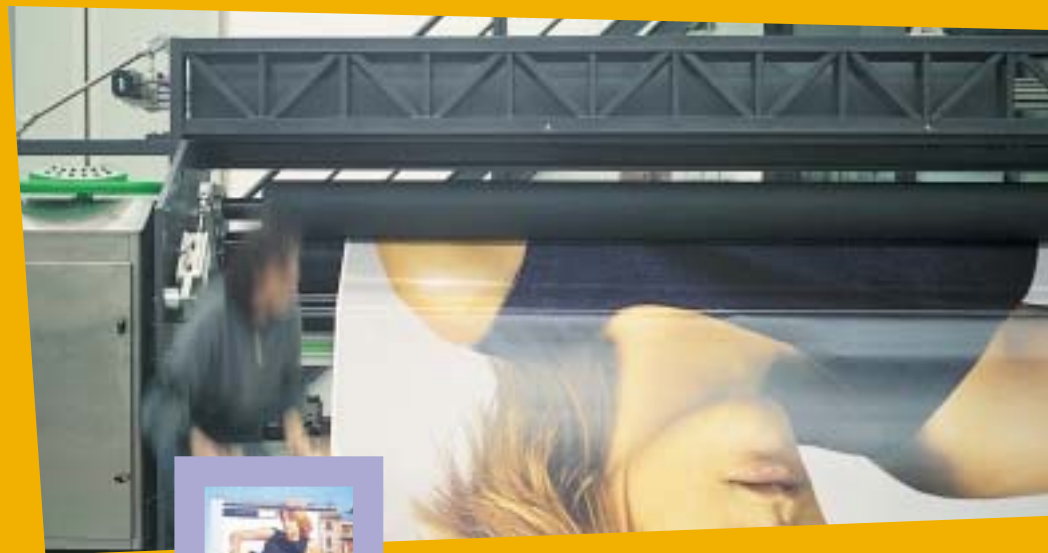
NUR Macroprinters' technological expertise enables us to work with our customers to create new market applications. As such, we are uniquely poised to offer comprehensive solutions for the entire gamut of superwide printing needs. Our customers are backed with a guarantee covering the

# Impact

complete superwide graphic solution. We are meeting the demands of a market that is growing exponentially – growth that is fueled by many of the new applications NUR Macroprinters helped introduce.

Throughput. Image quality. Reliability. NUR Blueboard installation sites deliver uniform, reliable and comprehensive solutions for the largest, most challenging superwide printing tasks.

SUPERWIDE Digital Printing Solutions		
NUR BLUEBOARD HiQ		
Digital Output Device	Inks	Substrates
NUR Blueboard HiQ™	NUR CIJ inks	NURFLEX™, NURTEX™, NURFLEET™ and others



**NUR Macroprinters provides its customers with complete superwide format printing solutions through a unique combination of NUR Macroprinters printing systems, NUR inks and NUR Media Solutions substrates.**





**N**UR Macroprinters is ushering in the digital era in wide-format production printing. Rolled out for commercial delivery in January 2000, the NUR Fresco™ offers the technology to deliver wide-format digital printing for out-of-home advertising.

With conventional screen printing methods, many applications are not implemented because they are not cost-effective for short and medium runs. The NUR Fresco, a continuous drop-on-demand digital production press, is the perfect solution for wide-format jobs requiring fast turnaround. The NUR Fresco is designed specifically for the evolving needs of wide-format production environments.

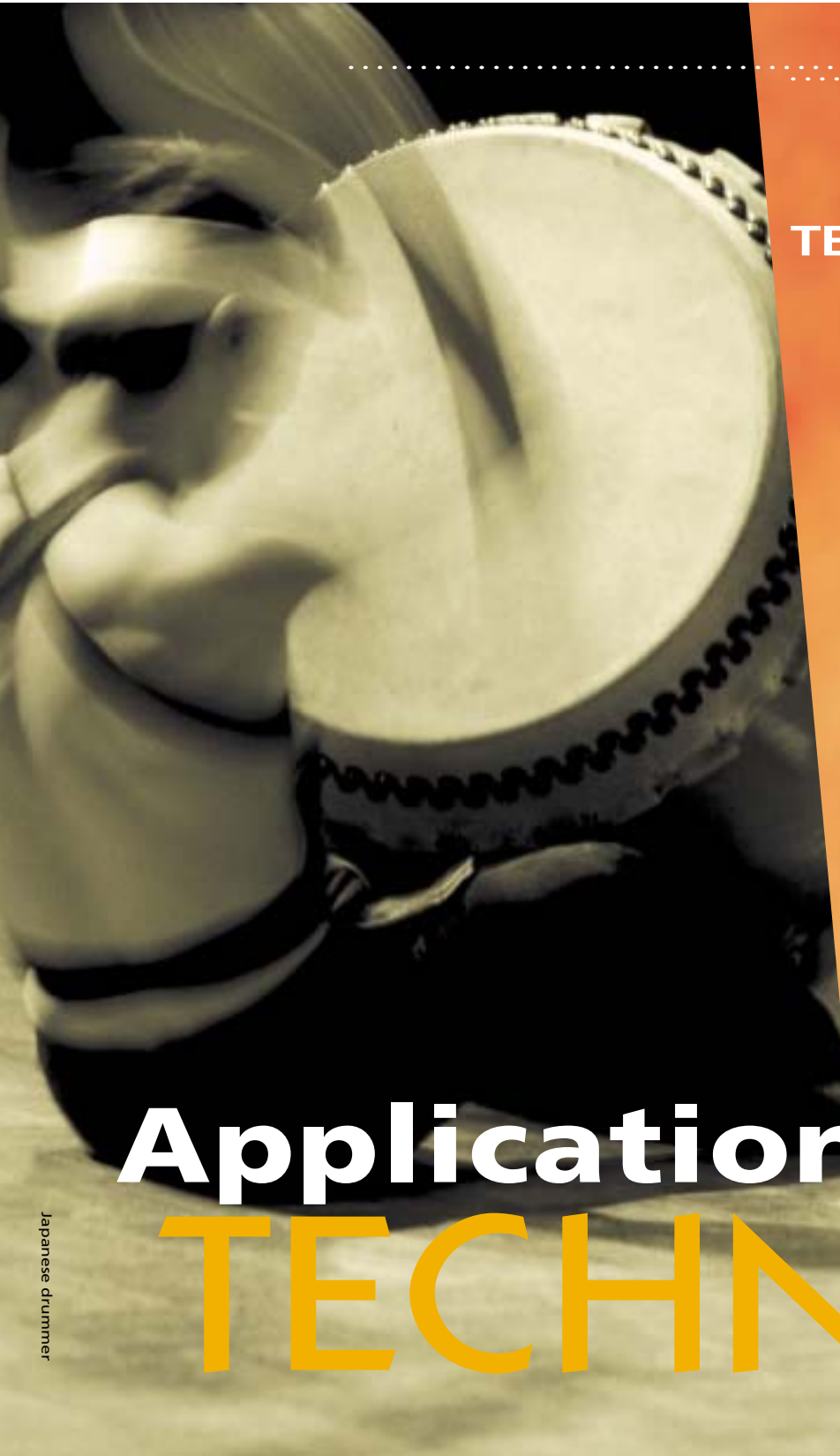
The NUR Fresco is the core element in a comprehensive solution that delivers everything from A to Z. The unique NUR Fresco Media Program certifies substrates for optimal output quality with the NUR Fresco digital press. These substrates are backed by a joint warranty with our commercial partners. All elements of the solution are backed by NUR Macroprinters' global technical support and service.

Throughput. Image quality. Reliability. At a speed of up to 900-square feet per hour, the NUR Fresco is an unmatched technological revolution. In a class all its own.

<b>WIDE-FORMAT Digital Printing Solutions</b>		
<b>NUR FRESCO™</b>		
<b>Digital Output Device</b>	<b>Inks</b>	<b>Substrates</b>
NUR Fresco™	NUR DOD inks	NUR Fresco Media Program and others



**NUR Macroprinters provides a true digital alternative to wide-format screen printing for short and medium-run jobs. The NUR Fresco wide-format digital press was designed specifically for production environments.**

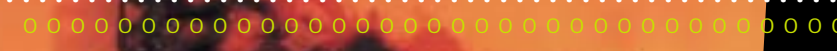


TECHNOLOGY IN PERPETUAL MOTION...  
EVOLVING INTO NEW MODES  
OF COMMUNICATION

Cellular telephone communication

# Application-driven TECHNOLOGY

Japanese drummer







**A**pplications are changing as fast as the technologies available to fuel them. NUR Macroprinters leverages its technological expertise to develop a never-ending array of new applications for communicating ideas, like NURFLEET™, a new and exciting solution for the diverse and growing market of bold advertising messages in motion. NURFLEET offers the entire range of required components for producing total fleet advertising solutions for different markets across the globe.

Creating new market applications is at the core of our strategy to propel market growth and create value for our company. We place significant strategic importance to continued development of a wide range of consumable products that are optimally compatible with our digital printing equipment. NUR Media Solutions, a wholly owned subsidiary, is entrusted not only with marketing substrates and other consumables, but also with the development of entirely new applications for our digital printers. As we work with our partners and specifiers to develop new and exciting applications for superwide printing, we are ensuring our growth in the new millennium.

Today NUR Macroprinters wraps buildings. Covers truck fleets. Prints on hot-air balloons, walls and scaffolding. Even on carpets. Who knows what tomorrow will bring?

Whatever it is, NUR Macroprinters will help develop the wide and superwide-format digital printing solutions and business models of tomorrow, creating application-driven growth and increasing value to the company, its markets and its partners.

New Application Solutions			
NURFLEET™ FOR TRUCKSIDE ADVERTISING			
<b>Digital Output Device</b>	<b>Inks</b>	<b>Other Consumables</b>	<b>Ancillary equipment</b>
NUR Blueboard HiQ™	NUR CIJ inks	NURFLEET™ Tarpaulin NURFLEET™ Tarpaulin Light NURFLEET™ Vinyl NURFLEET™ Clear Coat	NUR Tego™ spray varnishing system NUR-endorsed framing system



**NUR Macroprinters develops wide and superwide-format digital printing solutions, creating application-driven growth and increasing value to the company, its markets and its partners.**