To Our Fellow Shareholders,

Delivering the printing industry's most comprehensive and compelling range of high performance printing solutions while generating both revenue and market growth was EFI's number one goal in 2004. We successfully extended beyond EFI's traditional digital printing market to become a major player in delivering end to end solutions to the commercial print market.

We also expanded our direct sales and sales through channels and dealers, thus increasing revenue opportunities beyond our traditional OEM business. While we experienced challenges in our server and controller business in the second half of 2004, our strategic move into Professional Printing Applications delivered record revenues in our software business and introduced thousands of new customers to EFI's productivity-enhancing, integrated solutions

Certainly, we are dissatisfied with our performance in the second half of 2004. Following is a brief overview of the situation and the remedies taken to resolve it. As noted above, we delivered strong growth in the first half of 2004. However, during Q3, we learned that our OEM business results would be significantly below expectations and that this trend would continue through the end of 2004 and into early 2005. One of the main driving forces for equipment sales in the printing business is a continuing release of new print engines by our OEMs providing an upgrade path for their existing customers. The large majority of new print engines released by our OEM's last year focused only on lower end office multi-function printers (<24 PPM color). Because EFI's market share in these slower devices is low, our revenue was negatively impacted.

The underlying issue is EFI's susceptibility to the business decisions of our OEM partners. This susceptibility is precisely the reason for our ongoing strategy of expanding EFI's markets and product lines to reduce reliance on our OEM business and expanding our revenue sources. But we also took steps to improve our revenue and profitability from the OEM part of our business.

For example, in the low end, we took measures to ensure that EFI is more competitive with OEM "home grown" technology by developing new office-centric features that are highly compelling from both cost and functionality standpoints. In the high-end server business, we expect to see a rebound in 2005 as new OEM products are launched with the latest Fiery technology. These new products will provide customers with our latest innovations and powerful functionality, including strong variable data printing capabilities, increased speed and EFI's signature high performance and color precision.

Although EFI's server and controller business will continue to be subject to the seasonal variations resulting from the long lifecycle of new product introductions, and the business decisions of our OEM partners, we are confident that our expansion into software solutions and further product diversification will help reduce their impact in the future. As our business continues to evolve from a highly OEM-centric model to an integrated solutions provider with an array of high margin, direct sales offerings, we will gain

greater control of our revenue growth potential and our business destiny. We are strategically evolving to take advantage of the leverage of our server and controller business while adding new revenue streams and increased direct sales to minimize volatility.

Given the business challenges at the end of 2004, we also undertook some cost-cutting measures to more appropriately align our expenses with revenues. We have always managed the company for maximum profit, which led us to reduce our employee headcount by 5% in early 2005 and to reallocate resources to areas of our business with the greatest potential for profitable growth.   Anticipating continued high growth in our Professional Print Applications business, we concentrated further effort on innovative product development in areas such as Print MIS, Proofing, Workflow and a Web StoreFront. We continue to maintain a strong R&D effort in our core server and controller businesses to assure our continued technology leadership.

Our Growing Software Business

Early in 2004, the company quickly re-defined itself in the marketplace as a major commercial print provider by changing our brand name from Electronics For Imaging to EFI. This was more than just a cosmetic change; it conveyed the expanded scope of our product portfolio beyond "controllers." EFI now offers comprehensive software solutions ranging from Print MIS, Workflow, Proofing and Web StoreFront as well as continuing as the industry's leading server and controller technology provider. Our new name, EFI, and our tagline   –"Essential to Print"– enabled us to rapidly and effectively reposition ourselves in the marketplace.

Our software solutions, called Professional Printing Applications (PPA), enabled EFI to win more business and increase its penetration of the commercial print market in 2004. In fact, our Print Management Information Systems software helped the PPA category deliver 33 percent year over year growth. These solutions are succeeding by giving print service providers the ability to grow their profits and their competitive advantage by increasing productivity through automation.

Despite the challenges discussed earlier, EFI's traditional server business, which includes our flagship Fiery servers, embedded controllers and design license offerings, continued to provide our OEM customers with a range of high performance digital printing solutions to fit their business objectives. For example, our design license deals allow OEMs to offer Fiery output quality to office customers seeking lower-cost devices with great performance and output quality. Our high end standalone Fiery servers give OEMs a strategic market advantage by providing cutting edge functionality, precision color controls and the industry's fastest output speeds for their multi-function and production printers. In fact, the manufacturing economies enabled by our design license business as well as the strong returns generated by our growing software business allowed EFI to deliver its 16th successive quarter of gross margin improvements in 2004.

Two significant events in 2004 showcased the breadth and value of EFI's end to end solutions. First, the drupa international printing conference in April provided a global stage for demonstrating EFI's best of breed, connected software and server solutions to the commercial print marketplace. Whether it is a fully digital shop, a hybrid of digital and offset, or a large offset facility, EFI demonstrated how it can provide print management and workflow solutions to automate and enhance a print service provider's production processes and improve profitability. Moreover, our high speed Fiery servers received strong interest at drupa as commercial printers increasingly understand that the transition from analog to digital printing is both a reality and a real competitive advantage and that EFI is the leading choice for digital printing innovation and quality.

In June 2004, EFI held its first Connect Users' Conference—the fifth annual meeting for users of the former Printcafe MIS systems—and the largest users' conference in the printing industry. Nearly 800 customers attended to learn how to get more out of their MIS systems and to discover how EFI can help them improve their businesses. Connect 2004 offered over 150 user sessions, a lab showcasing EFI's integrated solutions, keynote addresses from industry leaders, and individual user group meetings. This user-centered event was also a great opportunity for EFI to hear first hand how our customers are using our solutions to improve their businesses and to gain insight into future   product opportunities.

2005 Directions

In 2005, we continue to aggressively pursue market and product diversification. We continue to actively explore a range of acquisition opportunities. The successful integration of recent acquisitions gave us confidence that we can absorb and grow profitable new businesses.

Today, we are actively investigating a number of acquisition targets that would add significant new revenues to our business while furthering our market reach. Printing is our core competency and we are committed to finding and growing synergistic businesses to help us achieve the kind of profit growth EFI has traditionally delivered to its shareholders. We have a solid balance sheet and a great team that will enable us to move quickly on the right opportunities. Moreover, EFI will continue to invest in its own people and technology. We have a strong pipeline of new products being developed internally that will continue to attract and grow our valued OEM relationships as well as expand our direct selling opportunities.

It is important to recognize the contribution of our OEM partners to EFI's past success and to our future. While we are aggressively moving to reduce the variability in our revenues, we believe that EFI's technology leadership will continue to provide our OEM partners and ourselves with strong profit opportunities. EFI's Fiery controllers now drive the world's fastest digital printers at speeds of up to 2000 pages per minute of full color, variable data printing. Our long term relationships with Xerox, Canon, Konica Minolta

and others will continue to result in breakthrough new products that shape the marketplace.

We have an exciting year ahead with many cutting edge product launches across the breadth of EFI's expanding solutions portfolio. We thank all of our customers, partners and shareholders around the world for their support and loyalty in 2004. And we thank our employees across the globe for their tireless dedication to innovation, quality and customer service as their continued commitment makes our success possible.

Guy Gecht
CEO and Chairman of the Board

Fred Rosenzweig
President
.