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**SHAREHOLDER
LETTER**

**TO OUR SHAREHOLDERS, PARTNERS,
CUSTOMERS AND EMPLOYEES**

As we conclude 2003, I'm pleased to report that the company's financial well-being and our technology offerings have never been stronger.

Through listening to our partners and customers, we streamlined our business, positioning ourselves as a leading provider of Business Information Delivery solutions. We now have a broader addressable market, as literally any organization has quantities of information that need to be exchanged, in the form of hard-copy documents, electronic data or both.

In addition, critical business information exchange is, almost invariably, part of a multistep business process. Very often, discrete steps of a process are managed by different operating units within a business. As a result, the data needed to complete the various steps may be stored in separate systems or incompatible formats.

Captaris is an ideal provider of robust technology that bridges disparate back-office systems and translates between various application formats. We can improve efficiencies, by automating a single step—or the entire process.

Strong financial performance helps us to leverage our technology and provides a stable foundation for future growth. As the year concluded, we had more than \$90 million in cash and no debt outstanding. Therefore, we have the resources to present our solutions to a much larger market and to provide the level of service that enterprise customers demand.

Throughout our 21-year history, we've protected and extended a large customer install base. Captaris has distribution in more than 40 countries. We carefully select our distribution partners and have over 1,000 of the best in the world. Through them, and our own direct efforts, our customers include 93 of the Fortune 100, with more than 80,000 systems installed for business customers worldwide.

With our financial strength and technology leadership, we have assembled an impressive list of strategic partners, including Microsoft, SAP, Oracle, Siebel, IBM Lotus, Hewlett-Packard, FileNet, Xerox and many others. We believe the integration to their enterprise systems has become seamless with the Captaris e-Business Information Delivery engine.

Moreover, the dynamics of the market are clearly in our favor. Many businesses today have powerful enterprise back-office systems in place. Quite often, these systems have untapped potential for extending productivity throughout the business. Investing in next-generation technology simply does not make fiscal sense or presents the risk of impacting critical business processes. In the current economic environment, companies need solutions that easily connect with existing infrastructure, optimizing their functionality. Even better is a complete solution that provides a migration path to Business Information Delivery with a clear return on investment.



AREAS OF FOCUS

We expect the growth of Captaris to come from three principal areas. First, our core business of RightFax installations continues to baffle industry observers—but not us—with its consistent growth. RightFax gives us a large installed base and hard-earned credibility. These are the essential anchors for our second key growth focus: Business Information Delivery, which is built on RightFax e-document delivery and Teamplate business process workflow. Our third area of growth will come from expanded service initiatives, as our relationships with clients deepen and lengthen in tenure.

We facilitate the critical transfer and routing of documents and data to and from virtually any system or device—but it's only the beginning. What Gartner refers to as “content/process fusion,” Captaris has translated and implemented by combining its technologies for Business Information Delivery with business process automation. Thus, Captaris enables customers to achieve long-term productivity gains, even with their current generation of enterprise technology.

Rapid change is the norm in the technology industry. Yet, even by industry standards, 2003 was an exceptionally dynamic year at Captaris. Configuring ourselves to expand our market opportunities required significant restructuring. CallXpress and MediaLinq, the unified messaging product line and broadcast fax and e-mail services business we sold, were both solid performers in their respective spaces for many years, but no longer fit with our strategic vision—to be the leader in Business Information Delivery.

Our core technology in enterprise fax and e-document delivery powered by RightFax does much more than distribute fax documents to individual desktop computers. It is sophisticated integration technology, optimized for virtually all of the major enterprise systems in use today. We have configured e-document delivery capabilities for users of SAP solutions, Siebel 7.5 multichannel eBusiness applications, the Oracle E-Business Suite and other Oracle technology products. In each case, we improve business performance by automating the flow of information and documents. For example, our clients can use RightFax to pull data from their systems to create invoices and then distribute them to their customers. This is the automation of a basic process—the first stage in Business

Information Delivery. In addition, we've introduced new offerings that address the specific document delivery needs in the financial services and healthcare markets. These products help companies achieve compliance with important initiatives such as Sarbanes-Oxley, HIPAA and other regulatory measures worldwide.

In our vision, clients will be able to automate intricate, multistep interactive processes through our business process workflow solution powered by Teamplate. This solution offers the resources needed to automate and create new efficiencies in the most complex business processes—from screening, hiring and training new employees to Sarbanes-Oxley compliance. And, with our mobility solution powered by Infinite, we can implement our solutions for companies with a dispersed workforce, whether it's the local utility company or a global enterprise.

A good example is our deep and growing relationship with Bank of America (BoA). Currently, BoA uses RightFax to integrate the flow of information to and from its SAP, Microsoft Exchange and mainframe systems. The tight integration with Captaris solutions is a key driver in their efforts to standardize processes and network all of their locations worldwide. Captaris has created vertical solutions for users in data-intensive industries such as financial services and healthcare. Government entities are also in a position to benefit substantially. Already, these industry-specific initiatives have resulted in significant new business, with companies such as Ameriquest Mortgage, American Express, J.P. Morgan Chase & Co. and CitiGroup in the financial services sector; Sentara Healthcare, a family of nationally recognized award-winning hospitals and

healthcare facilities; and government entities such as the Defense Advanced Research Projects Agency (DARPA) and the Federal Deposit Insurance Corporation (FDIC).

We posted net income in 2003, particularly important given the costs of transitioning to our new business model. We believe we now have a much larger and potentially more profitable market to pursue. And significantly, we have the ability to deepen our relationships with existing customers and partners. As Captaris solutions become more comprehensive, our ability to provide customized service is essential. Going forward, we will offer an improved or expanded maintenance package as part of every installation. As a result, we plan to generate a larger share of recurring and predictable revenues that, in turn, will be used to fund our continued investments in support and product innovation. And to address large enterprises with sophisticated information delivery needs, our solutions team will work closely with our partners and customers on an ongoing basis.

In essence, Captaris has extended its value proposition. We are offering solutions to more customers and more comprehensive solutions to each individual customer. Our strategy for growth is solidly in place. We are very excited to see how far our vision will take us.

Respectfully,



David P. Anastasi
President and Chief Executive Officer
Captaris, Inc.

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COMMON STOCK

The company's common stock
is traded on the NASDAQ® under
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WEB SITE

www.Captaris.com

