

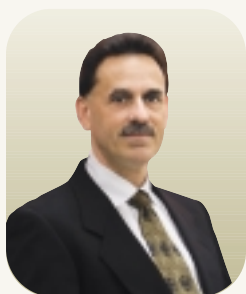
R E W A R D I N G P A R T N E R S H I P S



2001 Ennis Annual Report

National Channels of Distribution





Keith S. Walters
Chairman, CEO & President

Ennis has been actively engaged with acquisition and major organization change this past year. The Company is now divided into three operating groups: Forms Solutions, Promotional Solutions, and Financial Solutions. Over the past two years, we built a network of Ennis Forms facilities that grew beyond their original local market influence. By developing this ability through our electronic infrastructure, we give our customers a local source of supply, and national production capabilities when needed. We further applied that technology to cross-selling among our various businesses. The result has been a continuing stability in our Forms business, which distinguishes Ennis from the industry trends. These favorable trends are continuing into the new fiscal year, but the market for traditional forms is flat, even the best forms company will eventually need to diversify. Our new structure recognizes this reality. Ennis remains committed to our core business, and we have expanded into related printing products and services.

The past year produced mixed results for Ennis Business Forms. Our sales grew by 29.8 percent for the year, a new record for growth, but our profits declined in the fourth quarter. The disappointment in profits came from two primary areas: the consolidation of the Louisville operation into the Promotional Solutions Group and lower than expected sales in our Promotional Solutions and Financial Solutions Groups.

The Promotional Solutions Group was created from a combination of a new acquisition (Adams McClure) and previous Ennis plants whose customer base showed more opportunity in this market segment. One of those facilities was the Louisville operation. This business had not been operating profitably. The plant was closed and its activities were consolidated into the Denver facilities. The consolidation into our Denver operations was the largest contributor to our shortfall in profit. The main factors were hiring problems in Denver, equipment damage from the move, excessive waste and obsolescence problems from the Louisville inventory. Also, a new customer contract significantly increased the volume unexpectedly during the move, complicating the process. Currently, we have reorganized the production process and are satisfied that the problems are behind us. We believe that the Promotional Solutions Group will be a significant growth area and profit contributor to Ennis in the future.

“At a time when many in the printing industry have chosen to distance themselves from business forms, Ennis has not only embraced this market, but has provided new vision and leadership.”

Jim Tyrone,
VP Sales & Marketing, Mead Paper

The Financial Solutions Group, formerly Northstar Computer Forms, which was purchased in June of 2000, is an exciting acquisition for Ennis. Northstar is a well respected business for both

its products and use of advanced technology. Ken Overstreet, the former President of Northstar, continues that role with Ennis for the Financial Solutions Group. Since the retirement of Bob Knappe Sr., President of the Promotional Solutions Group, Ken has taken on the additional

“While many of us in the printing industry have known Ennis for a long time, the new Ennis has become one of the welcomed leaders among forms manufacturers.”

Peter L. Colaianni,
Executive VP, DMIA

responsibilities as President of the Promotional Solutions Group. As stated above, the Financial and Promotional Groups each experienced sales levels below our expectations. Both groups have made significant adjustments to their cost structure in adjusting to the lower volume, including closing a small facility in Wisconsin. The sales from this closure were retained and transferred to another Ennis facility in DeWitt, Iowa. The move was completed on time and under budget. We are pleased that the Northstar Company has been able to service the debt Ennis incurred in the acquisition, and has still been accretive to earnings. The acquisition debt has

been reduced by \$10,850,000 (29.7%) in 9 months. The cash flow from the Financial Solutions Group has exceeded our expectations. In addition, the cross-selling efforts which began in the Forms Solutions Group are now being expanded into the Financial Solutions Group. Several current Ennis customers are now becoming important new customers for the former Northstar Company. More information on the Financial Solutions Group can be found on pages 12 and 13.

The Forms Solutions Group experienced another year of excellent profitability. Our gross margin continued to improve from 30.2% to 31.3%. We know that our Forms Solutions Group can meet market prices and still make a good profit. In an industry which is consolidating rapidly, we feel Ennis has a cost advantage on products that are in the medium to short-run market segment. This portion of the forms market is not declining at the rate of the long-run producers.

As a trade-only supplier, our customer base is actually growing. The decisions made by several of the large direct selling manufacturers are causing increased outsourcing. The distributor side of the business has been quite active in pursuing the customers affected by this downsizing. Ennis currently does business with the majority of these distributors. We are confident Ennis is a very competitive supplier, and currently we have an aggressive program to pursue this developing business.

“Safeguard Business Systems appreciates Ennis for its breadth of products, attention to quality, and timely delivery on behalf of customers serviced by Safeguard's independent distributors.”

Mike Magill,
President & CEO
Safeguard Business Systems

Fiscal 2001 Results

As stated earlier, our goal of revenue growth was achieved, but our profits declined in the fourth quarter. Specifically, for the fiscal 2001 twelve-month period, the Company reported net earnings of \$13,177,000 or \$.81 per diluted share, compared with net earnings of \$15,123,000 or \$.93 per diluted share, for the fiscal 2000 year. This is a 12.9% decrease over last year. Net sales amounted to \$229,186,000 as compared to \$176,600,000 for the fiscal 2000 year. This is a 29.8% increase over last year.

Financial Condition

Our financial condition remains strong. At February 28, 2001, the ratio of current assets to current liabilities was 3.3 to 1 with a debt to equity ratio of .26. Our Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) or cash flow remains very strong at \$33,347,000, an increase of 9% over last year. Finally, our Return on Equity amounted to 14.6%.

“Ennis’ new image, ideas, and active role has not only been of benefit to IBFI members, but to the printing industry in general.”

Sam Stichter,
Past President of IBFI

Electronic Commerce

Ennis continues to recognize the importance of electronic commerce in the future. In fiscal year 2001, the Company launched its new business to business (B2B) website. We are pleased to have successfully piloted it to selected customers. In fiscal 2002, the website will be introduced to an expanded group of customers. We have found that such applications do not fit the needs of all our customers, and will continue to offer various modes of transaction processing at the customer's choice.

The Company also continues to develop Electronic Data Interchange (EDI) and Internet solutions as an option for a wide range of business transactions with its larger customers. Finally, the Company continues the major upgrade of its computer system infrastructure to an Enterprise Resource Planning (ERP) system. We have successfully installed three operational sites, including our largest facility, and have three currently in development. Ennis has been able to avoid the common business interruption problems that often accompany these improvements.

Dividend Policy

The Company's dividend policy continues to be an important part of our commitment to rewarding shareholders. The Company paid \$.62 a share again in fiscal 2001. We are proud of our 28 years of consecutive dividend payments. While various uses of the Company's cash are considered on a regular basis by the Board of Directors, it continues to be the Board and Management's belief that the dividend is of great importance to the majority of our shareholders. With our excellent cash flow, the Board of Directors does not anticipate a change in the Company's dividend policy.

Management Changes

In October, Ken Overstreet was appointed to the Board of Directors. As stated earlier, upon the retirement of Bob Knappe Sr., Ken was also named President of the Promotional Solutions Group.

Future

We see our fiscal year 2002 as one of capitalizing on the new opportunities this structure has created. Ennis now has an extensive product line to offer to our distributors. The integration of Northstar has gone smoothly. The cultures of our two companies have complemented each other quite well. Ennis has established a new image in our marketplace, which is opening sales possibilities. Our presence in the industry with expanded product lines, and a strong competitive price and quality, have been well received. The challenge of a mature product line in forms is being addressed with higher growth opportunities, such as point-of-purchase products, screen printed large format products, holograms for security documents, gift certificates and many others. The state of the general economy is always a concern, but demand for our products has historically fallen less than typical consumer goods. As the consolidation of the printing industry continues, we believe there will be companies available of interest to our three groups, but our focus continues to be solid integration before moving aggressively into acquisitions again. We will not be a consolidator without a plan for profitability.

We would like to thank our employees, customers and shareholders for their continued support. We would particularly like to welcome the large number of new customers and employees. Our commitment to increasing shareholder value through profitable growth remains our top priority.



Keith S. Walters
Chairman, CEO and President

The new millennium has brought with it many new key words and phrases not only to the printing industry, but also to the business world in general. Relationship selling, strategic partnerships, solutions, customer relationship marketing (CRM), and E-Commerce have all affected the way we continue to conduct business. Ennis has incorporated many new programs that focus on the above concepts, but none more important than strategic partnerships.

“The business relationship we’ve developed with Ennis allows Safeguard to address customer’s needs and ultimately contribute to each entity’s success.”

Mike Magill,
President & CEO
Safeguard Business Systems

Ennis Business Forms continues to thrive due to the relationships developed through our distributor customer base, internal manufacturing capabilities and key vendors. These relationships have solidified existing accounts while allowing expansion into new or underdeveloped accounts.

Rewarding partnerships are built when units come together to the benefit of both. The relationships and partnerships built by Ennis are of the rewarding type. Not only does Ennis succeed, but our customers and vendors also join us in success.

Partnerships with Customers

Over the last few years, new and exciting key relationships have been developed within our distributor base. An example of a rewarding partnership is Ennis’ relationship with Safeguard Business Systems.

Safeguard Business Systems, a distributor based company focusing on small businesses, selected Ennis as a strategic partner in January 2000. This partnership has allowed Safeguard to strengthen its financial standing while offering their distributors an expanded product offering. The results for FY 2001 have been promising, with year-to-year sales increasing by 145%. The increase in sales and efficiencies benefited both Ennis and Safeguard. In FY 2002, efforts will be targeted to increase sales within additional product categories such as tags, labels, and a specialized bank marketing program that was developed through the Financial Solutions Group.

Partnerships with Suppliers

We rely on our suppliers to provide us with the tools to produce our industry leading products. A normal customer/supplier relationship would not allow Ennis to meet the expectations

“The partnerships built between Ennis and our customers are second to none. By using our national reach in multiple product categories, we are able to meet the expectations of these key partners.”

David Gusler,
General Manager Ennis-Chatham

of our customers. Partnerships developed between Ennis and our suppliers have given us an advantage in the marketplace.

These advantages can be found through long term supply contracts, cooperative advertising funds, and the many smaller programs developed especially for Ennis. Assistance in marketing the vendor's product, forecasting usage, and other tools allow Ennis to stay competitive in a time when many companies in our industry are having difficulties.

The partnership forged between Ennis and Mead Carbonless Papers is a fine example. This relationship benefits both companies. Both companies are trying to increase market share in a very competitive market. The partnership developing between Ennis and Mead will assist in helping both companies meet the expectations of their customers and the industry.

Partnerships Among Ennis Locations

With the addition of Northstar and Adams McClure, Ennis has entered into another form of relationship, internal partnerships. This type of partnership is found among the three Solutions Groups. Ennis' 29 manufacturing facilities rely on each other for assistance each day.

Partnerships have been developed among several of our original locations and our newest acquisition, Northstar. In addition to the opportunities within Northstar, Adams McClure has been able to move production of several previously outsourced items into our Admore facility in Macomb, MI. Joint sales calls, transferring of orders, and sharing of knowledge have benefited the combined Ennis. We have only just begun to tap into the opportunities available through cross-selling the three different groups. It is our focus to continue to develop these types of relationships among each of our plants over the next year.

Rewarding partnerships have been developed with our manufacturing locations, vendors, and most importantly numerous customers. As our product line continues to grow and the industry continues to consolidate, developing rewarding partnerships becomes more important. Ennis' focus over the next year will be to develop these existing relationships to the optimum level, while searching for new relationships that would be beneficial to both parties.

“I feel that Ennis will continue to be a leader in the business document sector of the printing industry. I predict that after the industry consolidation, (within the next three years) Ennis will dominate the independent segment of the business document industry.”

Sam Sticher,
Past President of IBFI



Joe Bouldin
Business Unit Director



Dave Erickson
Vice President
Sales & Marketing



Brian Thorp
Business Unit Director

Ennis Business Forms for many years has been a leading wholesale manufacturer of business forms and related products. Ennis continues this tradition through its Forms Solutions Group. This Group remains a vibrant and encouraging fixture for the more than 50,000 distributors, printers, dealers, and manufacturers who have grown to depend on Ennis' stability.

The Forms Solutions Group offers not only one of the most extensive product offerings available, but also enables customers to choose from plants nationwide to best serve their geographic needs. The Forms Group now consists of 12 manufacturing facilities in 9 states.

Stability

The fundamental task of the Forms Solutions Group is to insure that its manufacturing plants provide firm financial stability for Ennis as the Company expands into products and markets outside of the traditional forms industry. Ennis' Forms Solutions Group has again, this year with the support of its loyal customers and vendors, provided a solid financial base in both revenues and income for the corporation. It is not an accident that the Forms Group has outperformed its competitors in a year when most print manufacturers were struggling. The diverse make-up and nationwide expanse of the Ennis customer base serves to insulate the Forms Solutions Group to a degree from the negative pressures other competitors experience within the industry.

As we look to the future, the Forms Solutions Group plants will continue to build relationships that are more than simply a customer/vendor. They will become partnerships. Ennis will provide not only the products and services necessary for our partners to succeed, but the security that the Forms Solutions Group will continue to meet their ever-changing needs.

Integration

FY 2001 has seen the initial rollout of our ERP system, which will be extended to all of the Forms Solutions Group plants within the next 16 months. It is our belief that this system, once fully implemented, will provide a distinct competitive advantage in servicing our 50,000 customers, whether by phone, fax, email or the Internet. This software package offers Ennis a comprehensive view of every aspect of sales and production, and we believe it to be a state-of-the-art system that will be seldom matched or surpassed in our industry.

The development of the Promotional and Financial Solutions Group will continue to benefit the Forms Group. Cross-selling opportunities exist between both our internal manufacturing capabilities and our expansive customer bases. We will continue focusing on additional opportunities among the three Solutions Groups in FY 2002.

Growth

The Forms Solutions Group customer base continues to grow with more than 3,000 new traditional and non-traditional accounts opening in a year, which has seen continued consolidation within the industry. In the coming year, it is the Group's intent to offer more

specialized service to all customer classes. The Forms Group will focus increased efforts on the fastest growing customer classes of dealers and distributors. Utilizing the strengths of both a National and Regional presence, our plants can offer competitive advantages to customers looking to form long-term alliances with the industry's leading wholesale manufacturer.

To meet the growing demand for e-commerce, Ennis is now providing three of its catalogs and over 750 products for on-line Internet ordering. The Forms Solutions Group has been very proactive in developing an interactive website, www.ennis.com, which we expect to provide a solid platform for growth, not only for our own company, but for our customers as well. Pricing, product information, and online catalogs are currently available on the site. A well-funded professional effort is continuously active in monitoring, updating and expanding the website to insure that it is one of the most useful, secure and customer-friendly sites available in the industry.

Ennis has been a lead company in the development of an Internet site that is specific to our industry and to the enhancement of the supply chain to which Ennis is committed. These efforts will be expanded in 2001 with customers soon having the ability to track orders and even place custom repeat orders on-line.

Ennis' Forms Solutions Group is confident that our strong financial position, our national network of manufacturing plants, our extensive mix of quality products, and our loyal and diverse customer base will enable us to improve our market share. Our internal programs including both comprehensive cost reduction and vendor or supply chain alliances will insure that the Forms Group not only remains competitive but also profitable.



Robert P. Knappe Jr.
Vice President
of Operations



Randy McClure
Vice President
Sales & Marketing

Ennis' recent acquisition, Adams McClure, is one of the industry's leading single source specialists in the design, production, and distribution of printed and electronic promotional media. Adams McClure is using a full-service, integrated capabilities approach to provide the production and distribution of point-of-sale programs for manufacturers, retailers, and advertising agencies. Their customers have come to depend on a unique combination of innovation, responsiveness and experience that are required for the successful execution of promotional programs.

Adams McClure is a seven-year old company that has enjoyed significant revenue growth. Today, the Adams McClure companies have joined with two other manufacturing locations, Admore (presentation products) and Wolfe City Tag and Label (flexoprinting, advertising specialties, and Post-it® Notes), to form the Promotional Solutions Group. This is a time of dynamic change for the Group.

The Promotional Solutions Group is privileged to serve some well-known key accounts in satisfying point-of-sale promotional products. These companies include 7-Eleven, Coors Brewing Company, BP/Amoco Oil Company, Burger King Corporation, Sonic Industries, Walt Disney, and the Pepsi-Cola Company as well as several of the top advertising agencies in the United States. This year the Promotional Solutions Group concentrated on providing additional products and services for existing customers. In addition, all product lines and services were introduced to other Ennis resellers.

Stability

In the process of combining the various business units, Adams McClure encountered several growth and control problems. New control procedures were instituted to provide accountability and cost control in order to maximize current profits as well as manage future growth. The product mix has been changed to delete unprofitable items and add new innovative products and services to enhance promotional programs.

By combining existing capabilities with experience and new ideas, Adams McClure has become an industry leader in lithographic and screen printing on plastic. In addition to indoor and outdoor signage, they have developed capabilities in lenticular (multi-dimensional) printing which is unmatched in the industry. The Promotional Group facilities in Macomb, MI (Admore) and Wolfe City, TX continue to excel in their respective product lines.

Providing resources and capabilities at every stage of development and production, our customers have come to depend on Adams McClure to provide a unique level of account management and services. Working together with our clients, we develop a partnership with a mutual goal of success. Helping our customers be successful with their promotional programs provides stability in existing as well as future client relationships.

Integration

The Promotional Solutions Group consists of eight production facilities and four distribution centers. These facilities work together in the design, production, and distribution of complex

promotional programs. Promotional Group customers can now turn to one company for all of their promotional needs. Customers can now come to Adams McClure and have an account manager that will provide assistance in creative services, design expertise, production supervision, multiple printing methods, finishing, assembly, and fulfillment services. As a part of the Ennis Promotional Solutions Group, Adams McClure can now combine unique capabilities for promotional printing and programs with a solid foundation of business related printed media including brochures, tags, labels, stationery, forms, folders and advertising specialties. Our customers are provided with integrated resources and products that not only help promote products and services, but also support continuing operations. Specialized customer orders have already been shared among the three primary Promotional Group locations. Orders previously outsourced by Adams McClure can now be printed within Ennis' Promotional Solutions Group. For example, large fulfillment orders can be printed at the most efficient location, then combined to offer the complete solution to the customer.

Growth

Adams McClure is in a unique position of furnishing printed materials and services with three important mediums: paper, plastic and packaging. This expertise has allowed Adams McClure to offer expanded services to existing customers and to tap into a \$14 billion market that is growing annually. The integration of the different printing technologies has enabled the Company to furnish consistency of imaging while using different printing methods.

Much of the print production, finishing and distribution of point-of-sale programs is done on tight schedules that have to meet the customers' mailing or distribution dates. When major promotions are coordinated with electronic media placement, such as radio and television, having a program executed on time at the point-of-sale is imperative. Adams McClure has developed a reputation for quality and dependability when it comes to getting the job done fast, doing it right and on time. For example, 7-Eleven Corporation depends on Adams McClure to produce and distribute up to 200 various promotional elements to more than 5,000 stores nationwide every month. Sonic Industries counts on Adams McClure when it comes to outdoor banners and backlit menu boards that promote new food products as well as old favorites at more than 2,000 restaurants every month. Burger King uses Adams McClure for the production and distribution of national promotional programs. A recent Coors alliance with Molson has provided additional business in three operating units of Adams McClure due to an integration of products and services, which include the fulfillment of product packaging and the production and distribution of point-of-sale promotional products.

The Promotional Solutions Group, anchored by Adams McClure and completed by the established Admore and Wolfe City locations, is poised for growth. Relying on a strong reputation for quality and dependability, diversified capabilities, and an eye on new technology, the Promotional Solutions Group is prepared to provide a complement of promotional products and services that will position the Company for significant growth in an expanding promotional marketplace.



Ken Overstreet
President

This is a dynamic time in the financial marketplace with many changes in customer requirements, product mix, and operations. Ennis' newly formed Financial Solutions Group is comprised entirely of the former Northstar Computer Forms, which was acquired by Ennis in June 2000. Northstar designs, manufactures, and markets internal bank forms, negotiable documents, and custom business forms and services.

The Financial Solutions Group works through strategic business alliances and distributor/business partners to provide full support to customers and coverage of market opportunities throughout the country. Northstar sells its products nationally through distributors with direct marketing to the nation's 200 largest banks which are serviced by manufacturer's representatives. The Company's primary emphasis is MICR (Magnetic Ink Character Recognition) printing. Our customers include financial institutions and processors of MICR encoded documents.

Stability

The financial industry is rapidly changing as traditional institutions extend their reach into new markets through consolidation and e-commerce. These changes require Northstar to use leading-edge technology and industry knowledge to meet customer demands. These demands include extra capacity for conversions, MICR readability rates that approach 100 percent, and expanded services to include automated order entry, production, and billing. With five plants placed throughout the United States, Northstar has developed strategic relationships with business partners, distributors, and major customers. We are the leading provider of internal bank forms and negotiable products to the industry. Founded in 1962, Northstar has grown steadily to gain approximately 20 percent market share.

Integration

Northstar joined the Ennis family in June of 2000 and became the Financial Solutions Group. This strategic fit is bringing combined advantages to our customers. Northstar's financial expertise complements both the Forms Solutions and Promotional Solutions Groups. This allows all of Ennis' customers to do one-stop shopping by providing them with customer service, order entry, production, and distribution of an expanded product line that can truly serve all sizes of customers in multiple industries.

Northstar distinguishes itself from the competition through technology and capabilities that enhance customer support:

- Leadership in Optical Character Recognition (OCR), Optical Mark Read (OMR), and bar coding.
- Electronic Data Interchange (EDI) enabling customers to place and verify order status and receive billing on-line.
- Compatibility with banks' image processing systems.

- Complete forms management programs.
- Summary billing and ACH options.
- Pre-press technology systems enabling direct computer-to-plate composition.

Growth

With the acquisition of Northstar, Ennis now has the most complete product line in the industry. Northstar's family of products include internal bank forms, negotiable documents, digital printing, and secured distribution. Internal bank forms are documents used by all banks for daily reconciliation. This is a market that exceeds \$300 million in annual shipments. Northstar serves approximately 7600 banks and branches. The negotiable document market consists of money orders, official checks, cashier's checks, and gift certificates, which represents annual shipments approaching \$150 million on a national basis. Northstar addresses security issues such as fraud and counterfeiting while making it easy to do business with our Company. Even with the apparent continued consolidation in the industry, Northstar is in a position for growth within this specialized market.

Several new exciting products and services are currently being introduced to the marketplace. Of particular interest is the use of holograms on negotiable documents such as cashier's checks, certificates of title, and gift certificates. Northstar is the first industry leader to put holograms on bank documents in order to reduce fraud and counterfeiting. These holograms can be custom designed to indicate the name of the customer or generic to indicate a business segment. Used in conjunction with watermarks and thermochromic inks, Northstar provides the most secure documents available in the market.

Another new technology is the ability to go from computer design directly to laser print. This technology bypasses proofs, film, and printing plates and allows Northstar to be a true print-on-demand center that can change variable information on every document. Northstar is also a leader in image compatible forms. The American National Standards Institute (ANSI) has just changed requirements for all financial documents to become more compatible with image processing. Northstar has acquired additional testing equipment to enable compliance with these new financial requirements.

Northstar continues to use technology to become the low-cost leader and thus increase profits for existing products. Northstar has a rich history that continues to transform itself into a technology driven company enabling it to be an industry leader.

Selected Financial Data

YEARS ENDED FEBRUARY 28 OR 29 (In thousands, except per share amounts)	FY2001	FY2000	FY1999	FY1998	FY1997
Net sales (1)	\$229,186	\$176,600	\$159,690	\$162,962	\$161,969
Net earnings	13,177	15,123	14,110	10,208	13,493
Net earnings per basic and diluted share of common stock	.81	.93	.87	.62	.82
Total assets	142,854	102,934	94,335	94,474	94,957
Long-term debt	23,555	462	7	206	195
Cash dividends per share of common stock	.620	.620	.620	.620	.615

(1) In accordance with recent accounting requirements, net sales for all periods reported have been restated to include revenues from shipping and handling charges. See accompanying notes to consolidated financial statements.

Liquidity and Capital Resources

The Company has maintained a strong financial position with working capital at February 28, 2001 of \$40,355,000, an increase of 23.1% from the beginning of the year, and a current ratio of 3.25 to 1. The increase is due to the reinvesting of long term investments in short term securities. The Company has \$8,964,000 in cash and equivalents, \$980,000 in short term investments, \$2,170,000 in long term investments and \$23,555,000 in long-term debt, less current installments. The Company's acquisition of Northstar Computer Forms, Inc. (Northstar) for approximately \$44,153,000 was financed with \$36,500,000 in bank loans with the balance being provided by internal cash resources. The Company made scheduled payments of \$1,700,000 and pre-paid \$9,150,000 of the debt financing during the year ended February 28, 2001. The Company expects to generate sufficient cash flow to more than cover its operating and other capital requirements for the foreseeable future.

Accounting Standards

Statement of Financial Accounting Standards ("SFAS") No 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, will require the Company to recognize all derivatives on the balance sheet at fair value. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged item through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The March 1, 2001 adoption of SFAS No. 133 and SFAS No. 138 is not expected to have a material effect on the Company's financial position or results of operations.

Results of Operations

2001 as compared to 2000

Net sales in 2001 increased 29.8% from 2000. In accordance with recent accounting requirements, net sales for all periods reported have been restated to include revenues from shipping and handling charges. See accompanying

notes to consolidated financial statements. The increase was attributable to revenue from the Company's newly acquired businesses. Northstar, acquired June 6, 2000, which operates as our Financial Solutions Group accounted for 19.0% of the increase in net sales. Adams McClure L.P. (Adams McClure), acquired November 4, 1999, part of our Promotional Solutions Group accounted for 10.6% of the increase in net sales. The gross profit margin decreased from 29.9% in fiscal 2000 to 27.4% in fiscal 2001. The decrease in gross profit margin is primarily as a result of the consolidation and integration of our Louisville operations with our Adams McClure operations in Denver. In addition, the decrease in gross margin is attributable to the fact that our acquisitions, as reflected in the Promotional Solutions Group and the Financial Solutions Group, typically have lower gross profit margins than that of the Forms Solution Group. Selling, general and administrative expenses increased 30.8% during fiscal 2001 as compared to 2000. The increase in selling, general and administrative expenses was attributable to the acquisition of Northstar and Adams McClure. Investment income decreased 28.2% in 2001 as compared to 2000 as a result of using funds previously available for investment for the Company's recent acquisitions. Interest expense increased from \$40,000 in fiscal 2000 to \$2,046,000 in fiscal 2001 as a result of the \$36,500,000 debt issued to finance the Northstar Acquisition. Other income decreased 70% in 2001 as compared to 2000. Other income in 2001 includes a pre-tax gain of \$653,000 resulting from the sale of the Louisville facility while other income in 2000 included a pre-tax gain of \$1,182,000 from the sale of rental property in Boulder City, Nevada. The Company's effective Federal and state income tax rate for 2001 was 38.9%, as compared to 2000's effective rate of 37.1%. The primary reason for the increase is due to non-deductible goodwill from the acquisition of Northstar in fiscal 2001 and the recognition of tax benefits related to the charitable contribution of one of the Company's office buildings in fiscal 2000.

2000 as compared to 1999

Net sales in 2000 increased 10.6% from 1999. In accordance with recent accounting requirements, net sales for all periods reported have been restated to include revenues from shipping and handling charges. See accompanying notes to consolidated financial statements. The increase was attributable to revenue from the Company's newly acquired businesses and increases from the Company's business forms product segment.

Our newly acquired platform of Adams McClure, now part of our Promotional Solutions Group effective March 1, 2000, accounted for 5.4% of the increase. Our newly acquired businesses in the business forms product segment, now the Forms Solutions Group, accounted for 3.6%. The Company continues to believe there are growth opportunities in many of its product lines. The gross profit margin decreased from 31.0% in fiscal 1999 to 29.9% in fiscal 2000. The following items contributed to the decrease in profit margins: increased labor costs in the business forms product segment, the effect of the acquisition of Adams McClure, as this business has lower profit margins than the business forms product segment, and to adverse operating results from the Tool & Die segment in the first quarter. A reduction of inventory quantities during the fiscal year (see Note 3 to the consolidated financial statements) resulted in a LIFO inventory decrement of \$1,222,000 which had a positive impact on gross margins. Selling, general and administrative expenses increased 9.8% during fiscal 2000 as compared to 1999. The increase was attributable to the acquisition of the Houston, Texas business forms operating unit in November 1998, the acquisitions of American Forms, Inc. and Adams McClure in November 1999 and to a pre-tax charge of \$611,000 (included in selling, general and administrative expenses) resulting from the impairment of intangible assets relating to the Company's InstaColor® product line which occurred in the second fiscal quarter of 2000. Investment and other income increased in 2000 primarily as

the result of a pre-tax gain of \$1,182,000 from the sale of rental property in Boulder City, Nevada. Earnings per basic and diluted share trended in the same manner as net earnings. The Company's effective Federal and state income tax rate for 2000 was 37.1%, as compared to 1999's effective rate of 37.5%. The primary reason for the decrease is due to the recognition of tax benefits related to the charitable contribution of one of the Company's office buildings.

Revenue Growth

The Company continues to be confident of its strategy to achieve revenue growth through partnering arrangements with trade distributors and manufacturers. The Company also continues its partnering contracts with various customers. With the Company's new acquisitions, these partnering strategies can be expanded further over more diverse product lines and brings about more cross-selling opportunities to existing and potential customers.

Market Risk

The Company is exposed to market risk from changes in interest rates on debt. A discussion of the Company's accounting policies for derivative instruments is included in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

The Company's net exposure to interest rate risk consists of a floating rate debt instrument that is benchmarked to U.S. and European short-term interest rates. The Company may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. The Company does not use derivative instruments for trading purposes.

The Company is exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. The Company's variable rate financial instruments, including the outstanding credit facilities and interest rate swap, totaled \$26.99 million at February 28, 2001. The impact on the Company's results of operations of a

one-point interest rate change on the outstanding balance of the variable rate financial instruments as of February 28, 2001 would be immaterial.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in domestic and global financial markets.

Management's letter to shareholders, operations overview and discussion and analysis of results of operations contain forward-looking statements that reflect the Company's current view with respect to future revenues and earnings. These statements are subject to numerous uncertainties, including (but not limited to) the rate at which the traditional business forms market is contracting, the application of technology to the production of business forms, demand for the Company's products in the context of the contracting market for traditional forms products, variability in the prices of paper and other raw materials, and competitive conditions associated with the Company's products. Because of such uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements which speak only as of April 12, 2001.

FISCAL YEARS

(In thousands, except per share and per dollar of sales amounts)

	FY2001	FY2000	FY1999	FY1998
Net sales (1)	\$229,186	\$176,600	\$159,690	\$162,962
Earnings before income taxes	21,571	24,041	22,558	15,805
Provision for income taxes	8,394	8,918	8,448	5,597
Earnings from continuing operations	13,177	15,123	14,110	10,208
Per dollar of sales	.057	.086	.088	.063
Basic and diluted per common share	.81	.93	.87	.62
Net earnings	13,177	15,123	14,110	10,208
Basic and diluted per common share	.81	.93	.87	.62
Dividends	10,075	10,068	10,116	10,191
Per share	.62	.62	.62	.62
Shareholders' equity	91,540	88,267	83,499	81,672
Per share	5.63	5.45	5.12	4.97
Current assets	58,263	43,305	52,676	53,660
Current liabilities	17,908	10,525	8,367	10,396
Net working capital	40,355	32,780	44,309	43,264
Ratio of current assets to current liabilities	3.3:1	4.1:1	6.3:1	5.2:1
Depreciation of plant and equipment	8,313	5,394	4,941	5,634
Additions to property, plant and equipment	3,594	2,988	3,663	9,576

(1) In accordance with recent accounting requirements, net sales for all periods have been restated to include revenues from shipping and handling charges. See accompanying notes to consolidated financial statements.

FY1997	FY1996	FY1995	FY1994	FY1993	FY1992
\$161,969	\$150,071	\$147,920	\$140,369	\$136,498	\$139,170
21,485	30,104	32,041	31,039	32,276	32,303
7,992	11,487	12,025	11,582	11,584	11,536
13,493	18,617	20,016	19,457	20,692	20,767
.083	.124	.135	.139	.152	.149
.82	1.13	1.22	1.16	1.18	1.14
13,493	18,617	20,016	19,457	21,252	21,216
.82	1.13	1.22	1.16	1.21	1.16
10,110	9,782	9,453	9,270	9,400	9,310
.615	.595	.575	.555	.535	.51
81,586	78,195	69,338	58,897	60,565	66,485
4.96	4.76	4.22	3.52	3.52	3.65
52,627	67,544	59,265	48,519	48,928	51,035
10,307	13,054	12,976	12,548	12,087	9,631
42,320	54,490	46,289	35,971	36,841	41,404
5.1:1	5.2:1	4.6:1	3.9:1	4.0:1	5.3:1
4,475	3,553	3,499	3,805	4,086	4,368
13,575	6,106	4,010	2,215	1,315	2,484

FOR THE YEARS ENDED FEBRUARY 28 OR 29 (In thousands, except share and per share amounts)	FY2001	FY2000	FY1999
Net sales	\$229,186	\$176,600	\$159,690
Costs and expenses:			
Cost of sales	166,340	123,815	110,151
Selling, general and administrative expenses	40,356	30,856	28,104
	206,696	154,671	138,255
Earnings from operations	22,490	21,929	21,435
Other income (expense):			
Investment income	826	1,150	1,376
Interest expense	(2,046)	(40)	(57)
Other, principally gain on sale of assets in 2000 and 2001	301	1,002	(196)
	(919)	2,112	1,123
Earnings before income taxes	21,571	24,041	22,558
Provision for income taxes	8,394	8,918	8,448
Net earnings	\$ 13,177	\$ 15,123	\$ 14,110
Net earnings per basic and diluted share of common stock	\$.81	\$.93	\$.87
Weighted average number of common shares outstanding	16,246,545	16,249,861	16,311,772

See accompanying notes to consolidated financial statements.

FOR THE YEARS ENDED FEBRUARY 28 OR 29 (In thousands)	FY2001	FY2000	FY1999
Cash flows from operating activities:			
Net earnings	\$ 13,177	\$ 15,123	\$ 14,110
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	9,730	5,874	5,352
Impairment of long-lived assets	—	611	—
(Gain) loss on the sale of equipment	(709)	(1,234)	30
Deferred income taxes	(169)	1,721	727
Pension plan expense	950	(181)	(864)
Other	474	97	13
Changes in operating assets and liabilities:			
Receivables	1,128	(4,620)	184
Inventories	(1,117)	573	(247)
Other current assets, including deferred taxes	1,559	178	(355)
Accounts payable and accrued expenses	(2,266)	1,935	(1,847)
Net cash provided by operating activities	22,757	20,077	17,103
Cash flows from investing activities:			
Capital expenditures	(3,594)	(2,988)	(3,663)
Purchase of operating assets, net of cash acquired	(34,339)	(17,319)	(2,302)
Proceeds from disposal of property	1,141	1,971	468
Redemption (purchase) of investments	5,853	(9,003)	—
Net cash used in investing activities	(30,939)	(27,339)	(5,497)
Cash flows from financing activities:			
Debt issued to finance Northstar acquisition	36,500	—	—
Repayment of debt issued to finance Northstar acquisition	(10,850)	—	—
Dividends	(10,075)	(10,068)	(10,116)
Purchase of treasury stock	(2)	(1,537)	(3,300)
Proceeds from exercise of stock options	173	—	—
Other	(637)	213	(199)
Net cash provided by (used in) financing activities	15,109	(11,392)	(13,615)
Net change in cash and cash equivalents	6,927	(18,654)	(2,009)
Cash and cash equivalents at beginning of year	2,037	20,691	22,700
Cash and cash equivalents at end of year	\$ 8,964	\$ 2,037	\$ 20,691

See accompanying notes to consolidated financial statements.

FOR THE YEARS ENDED FEBRUARY 28 OR 29

FY2001

FY2000

(In thousands, except share and par value amounts)

Assets

Current assets:

Cash and cash equivalents	\$ 8,964	\$ 2,037
Investment securities	980	1,438
Receivables, principally trade, less allowance for doubtful receivables of \$1,484 in 2001 and \$1,263 in 2000	29,957	26,015
Inventories, at lower of cost (principally last-in, first-out) or market	13,088	9,890
Unbilled contract revenues	364	2,058
Other current assets	4,910	1,867
Total current assets	58,263	43,305
Investment securities	2,170	7,565
Property, plant and equipment, at cost:		
Plant machinery and equipment	90,927	75,326
Land and buildings	22,504	17,811
Other	13,944	11,192
	127,375	104,329
Less accumulated depreciation	69,594	62,601
Net property, plant and equipment	57,781	41,728
Cost of purchased businesses in excess of amounts allocated to net identifiable assets, net	23,615	8,680
Other assets	1,025	1,656
	\$142,854	\$102,934

Liabilities and Shareholders' Equity

Current liabilities:

Current installments of long-term debt	\$ 4,176	\$ 302
Accounts payable	6,067	5,380
Accrued expenses:		
Employee compensation and benefits	4,161	3,862
Taxes other than income	870	762
Other	2,634	219
Total current liabilities	17,908	10,525
Long-term debt, less current installments	23,555	462
Deferred credits, principally deferred income taxes	9,851	3,680
Shareholders' equity:		
Series A junior participating preferred stock of \$10 par value. Authorized 1,000,000 shares; none issued	—	—
Common stock of \$2.50 par value. Authorized 40,000,000 shares; issued 21,249,860 shares	53,125	53,125
Additional paid in capital	1,040	1,040
Retained earnings	127,817	125,980
	181,982	180,145
Less cost of 4,979,095 shares in 2001 and 5,058,048 shares in 2000 of common stock in treasury	90,442	91,878
Total shareholders' equity	91,540	88,267
	\$142,854	\$102,934

See accompanying notes to consolidated financial statements.

NOTE 1

Significant Accounting Policies and General Matters

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents. The Company invests cash in excess of daily operating requirements in income producing investments. Such amounts, at February 28 or 29, 2001 and 2000, were \$5,475,000 and \$1,874,000, respectively. All such investments (consisting of Eurodollar deposits of U.S. banks) have an original maturity of 90 days or less and are considered to be cash equivalents. Such investments exceed total cash and cash equivalents at February 28, 2001 and February 29, 2000 due to outstanding checks issued in the normal course of business.

Investment Securities. Investment securities at February 28, 2001 consist of U.S. Treasury Notes and U.S. Treasury Bills. The Company has the ability and intent to hold these securities until maturity; therefore, they are classified as held-to-maturity and are reflected at amortized cost in the accompanying consolidated financial statements.

Property, Plant and Equipment. Depreciation of property, plant and equipment is provided by the straight-line method at rates presently considered adequate to amortize the total cost over the useful lives of the assets, which range from 3 to 11 years for plant machinery and equipment and 10 to 40 years for buildings and improvements. Repairs and maintenance are expensed as incurred. Renewals and betterments are capitalized and depreciated over the remaining life of the specific property unit. The Company capitalizes all significant leases which are in substance acquisitions of property.

Intangible Assets. The excess of cost over amounts assigned to net identifiable assets of purchased subsidiaries is amortized on the straight-line basis over periods from 15 to 40 years. Other acquired intangibles are principally non-compete agreements and are being amortized on the straight-line

basis over 5 years. At February 28 or 29, 2001 and 2000, accumulated amortization of intangible assets amounted to \$3,219,000 and \$1,802,000, respectively. The Company assesses the recoverability of intangible assets, including goodwill, by determining whether the asset balance can be recovered over its remaining life through undiscounted future cash flows of the acquired asset. The amount of impairment if any, is measured based on projected discounted future operating cash flows.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of. Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. In the second quarter of the fiscal year ended February 29, 2000, the Company charged to expense \$611,000 resulting from the impairment of intangible assets relating to the Company's InstaColor® product line.

Fair Value of Financial Instruments. The carrying amount of cash and cash equivalents, receivables and accounts payable approximates fair value because of the short maturity of these instruments. Long-term debt as of February 28, 2001 approximates its fair value. See also Notes 2 and 4.

Derivative Financial Instruments. Interest rate swaps are held for purposes other than trading. The Company utilized swap agreements related to its term loan to effectively fix the interest rate. Amounts receivable or payable under interest rate swap agreements are recorded as adjustments to interest expense.

Revenue Recognition. Revenue is recognized upon shipment of all printed products. Revenue from fixed contracts for the design and construction of tools, dies and special machinery is recognized using the percentage of completion method of accounting.

Advertising Expenses. The Company expenses advertising costs as incurred. Catalog and brochure preparation and printing costs, which are considered direct response advertising, are amortized to expense over the life of the catalog which typically ranges from three to twelve months. Advertising expense was approximately \$1,847,000, \$2,014,000, and \$2,310,000 during the years ended February 28 or 29, 2001, 2000, and 1999, respectively. Included in advertising expense is amortization related to direct response advertising of \$840,000, \$976,000 and \$1,169,000 for the years ended February 28 or 29, 2001, 2000, and 1999, respectively. Unamortized direct response advertising costs included in other current assets at February 28 or 29, 2001 and 2000 were \$164,000 and \$590,000, respectively.

Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Credit Risk. The Company's financial instruments which are exposed to credit risk consist of its trade receivables and investment securities. The trade receivables are geographically dispersed primarily within the continental United States and the investment securities are generally restricted to investment grade commercial paper, Eurodollar deposits of U.S. banks, and U.S. Government obligations.

Nature of Operations. The Company is principally in the

business of manufacturing and selling business forms and other printed business products to customers primarily located in the United States.

Earnings Per Share. Basic earnings per share is computed by dividing earnings available for common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is computed by dividing earnings available for common shareholders by the weighted average number of shares outstanding plus the number of additional shares that would have been outstanding if potentially dilutive securities had been issued. At February 28 or 29, 2001, 2000 and 1999, 794,500; 611,750 and 499,962 options were not included in the diluted earnings per share computation because their inclusion would be antidilutive. There is no difference in the denominator used for basic and diluted earnings per share for all periods presented.

Comprehensive Income. Comprehensive income is materially the same as net earnings for all periods presented.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Shipping and Handling Costs. During September 2000, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") released Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." This standard states that a company may adopt a policy of including shipping and handling costs in cost of sales. Previously, the Company netted shipping and handling costs against shipping and handling revenues. Accordingly, shipping and handling costs have been restated as Cost of Goods Sold and Net Sales and Cost of Goods Sold amounts have been restated for the periods presented. This change in accounting treatment has no effect on net earnings.

NOTE 2

Investment Securities

Amortized cost and estimated fair value of investment securities classified as held-to-maturity were as follows at February 28 or 29, 2001 and 2000 (in thousands):

	AMORTIZED COST	GROSS UNREALIZED HOLDING GAINS (LOSSES)	ESTIMATED FAIR VALUE
February 28, 2001			
Investment securities:			
Due in less than one year	\$ 980	\$ (4)	\$ 976
Due in one to two years	2,170	37	2,207
Total investment securities	\$3,150	\$ 33	\$3,183

February 29, 2000
Investment securities:

Due in less than one year	\$1,438	\$ (7)	\$1,431
Due in one to two years	7,565	(75)	7,490
Total investment securities	\$9,003	\$(82)	\$8,921

NOTE 3

Inventories

The Company values the raw material content of most of its business forms inventories at the lower of last-in, first-out (LIFO) cost or market. At February 28 or 29, 2001 and 2000, approximately 65% and 81%, respectively, of business forms inventories are valued at LIFO with the remainder of inventories valued at the lower of first-in, first-out (FIFO) cost or market. The following table summarizes the components of inventory at the different stages of production (in thousands):

FEBRUARY 28 OR 29	FY2001	FY2000
Raw material	\$ 7,159	\$5,592
Work-in-process	1,220	1,480
Finished goods	4,709	2,818
	\$13,088	\$9,890

The excess of current costs over LIFO stated values was approximately \$3,730,000 and \$4,033,000 at February 28, 2001 and February 29, 2000, respectively.

During fiscal 2001 and 2000, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of fiscal year 2001 and 2000 purchases, the effect of which decreased cost of sales by approximately \$151,000 in 2001 and \$1,222,000 in 2000 and increased net earnings by approximately \$95,000 (\$0.01 per share) in 2001 and \$768,000 (\$0.05 per share) in 2000. There were no significant liquidations of LIFO inventories during the year ended February 28, 1999.

NOTE 4

Long-Term Debt

Long-term debt consisted of the following at February 28, 2001 and February 29, 2000 (in thousands):

FEBRUARY 28 OR 29	FY2001	FY2000
Term loan	\$20,150	\$ —
Revolving credit facility	5,500	—
Industrial revenue bonds	1,340	—
Other	741	764
	27,731	764
Less current installments	4,176	302
Long-term debt	\$23,555	\$ 462

The term loan is due in quarterly installments of \$850,000 commencing on September 30, 2000 and continuing each quarter until the loan is payable in full on June 30, 2003. Interest payments are required monthly at LIBOR plus one percent (5.38% as of February 28, 2001).

The availability under the revolving credit facility is reduced quarterly by \$460,000 commencing on March 31, 2001 and continuing each quarter until the loan matures on June 30, 2003, at which time all amounts outstanding are payable in

full. Interest payments are required monthly at LIBOR plus one percent (5.38% as of February 28, 2001). Availability under the revolving credit facility at February 28, 2001 is \$6,000,000.

The industrial revenue bonds are obligations of Northstar Computer Forms, Inc. (Northstar) and require annual principal repayments of \$335,000 until fully paid in August 2004. Interest payments are required monthly at a variable rate based upon comparable tax-exempt issues. The Revenue Bonds are collateralized by an outstanding irrevocable direct-pay letter of credit with a financial institution equal to the outstanding principal amount of the Revenue Bonds.

The Company utilized swap agreements related to the term loan to effectively fix the interest rate at 6.89% for \$25,000,000 of the principal amount of the loan. The fair value of the swap at February 28, 2001 is approximately (\$825,000).

The term loan and revolving credit facility are unsecured and contain certain restrictive covenants, including restrictions on additional indebtedness, investments in or advances to others, acquisitions of other businesses, declaration and payment of dividends and repurchase of capital stock.

	FY 2001	FY2000	FY1999
Total interest paid	\$2,050,000	\$48,000	\$48,000

Note 5

Shareholders' Equity

Following is a summary of transactions in shareholders' equity accounts for the three years ended February 28, 2001 (in thousands, except share amounts):

	COMMON STOCK SHARES	STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK SHARES	STOCK AMOUNT
Balance February 28, 1998	21,249,860	\$53,125	\$1,040	\$119,335	—	(4,812,175)	\$(91,828)
Net earnings	—	—	—	14,110	—	—	—
Dividends declared (\$.62 per share)	—	—	—	(10,116)	—	—	—
Treasury stock issued	—	—	—	(1,022)	—	115,816	2,155
Treasury stock purchases	—	—	—	—	—	(300,038)	(3,300)
Balance February 28, 1999	21,249,860	\$53,125	\$1,040	\$122,307	—	(4,996,397)	\$(92,973)
Net earnings	—	—	—	15,123	—	—	—
Dividends declared (\$.62 per share)	—	—	—	(10,068)	—	—	—
Treasury stock issued	—	—	—	(1,382)	—	138,599	2,632
Treasury stock purchases	—	—	—	—	—	(200,250)	(1,537)
Balance February 29, 2000	21,249,860	\$53,125	\$1,040	\$125,980	—	(5,058,048)	\$(91,878)
Net earnings	—	—	—	13,177	—	—	—
Dividends declared (\$.62 per share)	—	—	—	(10,075)	—	—	—
Treasury stock issued	—	—	—	(1,265)	—	79,223	1,438
Treasury stock purchases	—	—	—	—	—	(270)	(2)
Balance February 28, 2001	21,249,860	\$53,125	\$1,040	\$127,817	—	(4,979,095)	\$(90,442)

In fiscal 1999, the Company adopted a Shareholder Rights Plan, which provides that the holders of the Company's common stock receive one preferred share purchase right (a "Right") for each share of the Company's common stock they own. Each Right entitles the holder to buy one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$10.00 per share, at a purchase price of \$27.50 per one one-thousandth of a share, subject to adjustment. The Rights are not currently exercisable, but

would become exercisable if certain events occurred relating to a person or group acquiring or attempting to acquire 15% or more of the outstanding shares of common stock of the Company. Under those circumstances, the holders of Rights would be entitled to buy shares of the Company's common stock or stock of an acquiror of the Company at a 50% discount. The Rights expire on November 4, 2008, unless earlier redeemed by the Company.

Note 6

Stock Options

At February 28, 2001, the Company has two incentive stock option plans: the 1998 Option and Restricted Stock Plan and the 1991 Incentive Stock Option Plan. The Company has 980,777 shares of unissued common stock reserved under the stock option plans for issuance to officers and directors, and supervisory employees of the Company and its subsidiaries. The exercise price of each option granted equals the quoted market price of the Company's common

stock on the date of grant, and an option's maximum term is ten years. Options may be granted at different times during the year and vest over a five year period.

The per share weighted-average fair value of options granted during fiscal years ended February 28 or 29, 2001, 2000, and 1999, was \$0.72, \$0.73, and \$1.25, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

FOR THE YEARS ENDED FEBRUARY 28 OR 29	FY2001	FY2000	FY1999
Expected dividend yield	8.26%	8.90%	6.02%
Stock price volatility	21.92%	22.15%	22.14%
Risk-free interest rate	6.24%	5.25%	4.53%
Expected option term	6 years	6 years	6 years

The Company applies Accounting Principles Board (APB) Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its incentive stock option plans. Had compensation cost for the Company's incentive stock option

plans been determined consistent with Statement of Financial Accounting Standards (SFAS) No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

FOR THE YEARS ENDED FEBRUARY 28 OR 29	FY2001	FY2000	FY1999
Net earnings:			
As reported	\$13,177	\$15,123	\$14,110
Pro forma	13,034	15,006	14,062
Earnings per share:			
As reported - basic and diluted	.81	.93	.87
Pro forma - basic and diluted	.80	.92	.86

Following is a summary of transactions of incentive stock options during the three fiscal years ended in 2001:

FOR THE YEARS ENDED FEBRUARY 28 OR 29	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at February 28, 1998 (154,522 shares exercisable)	295,837	\$13.75
Granted	239,750	10.12
Terminated	(35,625)	13.10
Outstanding at February 28, 1999 (170,774 shares exercisable)	499,962	12.17
Granted	185,000	8.69
Terminated	(73,212)	14.98
Outstanding at February 29, 2000 (132,375 shares exercisable)	611,750	10.78
Granted	271,723	7.12
Terminated	(88,973)	7.79
Outstanding at February 28, 2001 (211,688 shares exercisable)	794,500	\$ 9.86

The following table summarizes information about incentive stock options outstanding at February 28, 2001:

EXERCISE PRICES	NUMBER OUTSTANDING	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
		WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$ 7.06 to \$10.31	614,250	8.3	\$ 8.73	60,813	\$10.13
11.06 to 12.00	98,750	5.5	11.15	69,375	11.14
13.81 to 15.63	36,750	2.8	13.86	36,750	13.86
19.25	44,750	.8	19.25	44,750	19.25
\$ 7.06 to 19.25	794,500	5.0	\$ 9.86	211,688	\$13.03

Note 7

Income Taxes

The components of the provision for income taxes for fiscal years 2001, 2000 and 1999 are (in thousands):

	FY2001	FY2000	FY1999
Current:			
Federal	\$7,661	\$6,195	\$6,785
State and local	902	1,002	936
Deferred	(169)	1,721	727
Total provision for income taxes	\$8,394	\$8,918	\$8,448
Total income taxes paid	\$9,503	\$7,609	\$7,488

The following summary reconciles the statutory U.S. Federal income tax rate to the Company's effective tax rate:

	FY2001	FY2000	FY1999
Statutory rate	35.0%	35.0%	35.0%
Provision for state income taxes, net of Federal income tax benefit	2.7	2.7	2.7
ESOP pass-through dividend deduction	(0.6)	(0.5)	(0.7)
Goodwill non-deductible	1.3	—	—
Other	0.5	(0.1)	0.5
Effective tax rate	38.9%	37.1%	37.5%

The components of deferred income tax assets and liabilities are summarized as follows (in thousands):

FEBRUARY 28 OR 29	FY2001	FY2000
Current deferred asset:		
Allowance for doubtful receivables	\$ 558	\$ 442
Inventory valuation	290	356
Employee compensation and benefits	1,408	305
Other	(32)	97
	\$2,224	\$1,200
Noncurrent deferred liability:		
Depreciation	\$8,166	\$3,060
Intangibles amortization and impairments	(344)	(296)
Prepaid pension cost	563	321
Partnership interest	199	—
Other	169	332
	\$8,753	\$3,417

Note 8

Employee Benefit Plans

The Company and certain subsidiaries have a noncontributory defined benefit retirement plan covering substantially all of their employees. Benefits are based on years of service and the employee's average compensation for the highest five

compensation years preceding retirement or termination.

The Company's funding policy is to contribute annually an amount in accordance with the requirements of ERISA. The cost of the plan and balances of plan assets and obligations are shown below:

Pension expense for fiscal years 2001, 2000 and 1999 included the following components (in thousands):

	FY2001	FY2000	FY1999
Service cost – benefits earned during the current period	\$1,474	\$ 1,478	\$ 1,761
Interest cost on projected benefit obligation	2,439	2,658	2,960
Expected return on plan assets	(2,496)	(2,846)	(3,005)
Net amortization and deferral	(467)	(348)	(202)
Net periodic pension cost	\$ 950	\$ 942	\$ 1,514

Assumptions used in accounting for the defined benefit plans for fiscal years 2001, 2000 and 1999 are as follows:

	FY2001	FY2000	FY1999
Weighted average discount rate	7.50%	7.75%	7.25%
Earnings progression	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	9.25%	9.25%	9.25%

Assets and obligations for fiscal years 2001 and 2000 are as follows (in thousands):

FEBRUARY 28 OR 29	FY2001	FY2000
Projected benefit obligation		
Beginning of year	\$31,875	\$39,366
Service and interest cost	3,912	4,136
Actuarial (gain) loss	2,141	(5,706)
Benefits paid	(1,040)	(5,921)
End of year	36,888	31,875
Fair value of plan assets		
Beginning of year	\$27,380	\$30,784
Company contributions	—	1,123
Net gains	(130)	1,394
Benefits paid	(1,040)	(5,921)
End of year	26,210	27,380
Excess of projected benefit obligation over plan assets	(10,678)	(4,495)
Unrecognized losses and prior service cost	11,652	7,111
Unrecognized net transition asset being recognized over the average remaining service life	(748)	(1,439)
Prepaid pension cost	\$ 226	\$ 1,177

NOTE 9

Acquisitions and Disposal

During the third quarter of fiscal 1999, the Company purchased the assets and business of Forms Manufacturing, Inc., a Houston based manufacturer of business forms, for an acquisition cost of \$3,435,000. Payment was made with \$2,302,000 cash and 115,816 shares of treasury stock valued at \$1,133,000. The acquisition was accounted for by the purchase method and the excess of cost over amounts allocated to net identifiable assets of \$1,333,000, is being amortized over 15 years.

On November 4, 1999, the Company purchased the general and limited partnership interests in Adams McClure, L.P. The \$16,926,000 purchase price for this transaction consisted of \$1,250,000 in cash, \$1,250,000 in stock (138,599 shares of the Company's common stock) and assumption of certain liabilities of Adams McClure, L.P. amounting to approximately \$14,426,000 which were immediately paid by the Company. The acquisition was accounted for by the purchase method and the excess of cost over amounts allocated to net identifiable assets of \$3,467,000, is being amortized over a period of 15 years.

On November 15, 1999, the Company purchased the production equipment, furniture and fixtures, name and operations of American Forms, Inc. In a separate transaction, the Company purchased the land and building currently occupied by American Forms, Inc. The \$2,248,000 purchase price of these transactions included a promissory note to pay \$525,000 over three years. The excess of cost over amounts allocated to net identifiable assets of \$197,000 is being amortized over a period of 15 years.

On June 6, 2000, the Company completed its acquisition of the outstanding stock of Northstar for approximately \$44,153,000. The acquisition was financed with \$36,500,000 in bank loans with the balance being provided by internal cash resources. Northstar became a wholly owned subsidiary and operates as the Financial Solutions Group. The excess of

cost over amounts allocated to net identifiable assets of approximately \$14,644,000 is being amortized over a period of 15 years.

The accompanying consolidated financial statements include the operations of Northstar since the date of acquisition. The following table presents certain operating information on a pro forma basis as though Northstar had been acquired as of March 1, 1999, after including the estimated impact of adjustments such as amortization of goodwill and depreciation, interest expense, reduced interest income and related tax effects (in thousands, except per share amount):

FEBRUARY 28 OR 29	FY2001	FY2000
Net sales	\$240,000	\$223,907
Net earnings	13,350	14,540
Earnings per share – basic and diluted	.82	.89

The pro forma results are not necessarily indicative of what would have occurred if the acquisitions had been in effect for the periods presented. In addition, they are not intended to be a projection of future results and do not reflect any synergies that might be achieved from combining the operations.

NOTE 10

Segment Information

The Company operates three business segments. The Forms Solutions Group is primarily in the business of manufacturing and selling business forms and other printed business products to customers primarily located in the United States. The Promotional Solutions Group is comprised of Adams McClure (design, production and distribution of printed and electronic media), Admore (presentation products) and Wolfe City (flexographic printing, advertising specialties and Post-it® Notes). On June 6, 2000, the Company acquired Northstar which became the Financial Solutions Group. In

the comparative prior year periods, the Company reported its Tool & Die Company as a separate segment. The current year's presentation includes the Tool & Die Company as part of the Forms Solutions Group. All prior year disclosures herein conform to the current year presentation. Corporate information is included to reconcile segment data to the consolidated financial statements and includes assets and expenses related to the Company's corporate headquarters and other administrative costs. Segment data for the fiscal years ended February 28 or 29, 2001, 2000 and 1999 were as follows (in thousands):

	FORMS SOLUTIONS GROUP	PROMOTIONAL SOLUTIONS GROUP	FINANCIAL SOLUTIONS GROUP	CORPORATE	CONSOLIDATED TOTALS
Fiscal year ended February 28, 2001:					
Net sales	\$119,857	\$72,642	\$36,687	\$ —	\$229,186
Depreciation and amortization	3,699	2,883	2,623	525	9,730
Segment earnings (loss) before income taxes	22,782	3,763	753	(5,727)	21,571
Segment assets	43,738	40,213	45,490	13,413	142,854
Capital expenditures	1,993	458	—	1,143	3,594
Fiscal year ended February 29, 2000:					
Net sales	\$121,451	\$55,149	\$ —	\$ —	\$176,600
Depreciation and amortization	2,458	2,888	—	528	5,874
Segment earnings (loss) before income taxes	22,300	5,985	—	(4,244)	24,041
Segment assets	42,950	43,332	—	16,652	102,934
Capital expenditures	829	169	—	1,990	2,988
Fiscal year ended February 28, 1999:					
Net sales	\$113,212	\$46,478	\$ —	\$ —	\$159,690
Depreciation and amortization	2,841	1,985	—	526	5,352
Segment earnings (loss) before income taxes	20,752	5,841	—	(4,035)	22,558
Segment assets	46,121	24,361	—	23,853	94,335
Capital expenditures	2,922	411	—	330	3,663

"Post-it" is a registered trademark of 3M.

NOTE 11

Quarterly Information (Unaudited)

QUARTER ENDED	MAY	AUGUST	NOVEMBER	FEBRUARY
(In thousands, except per share amounts)				
Fiscal year ended February 28, 2001:				
Net sales	\$49,347	\$58,805	\$61,382	\$59,652
Gross profit	14,687	17,133	17,442	13,584
Net earnings	3,854	3,785	4,023	1,515
Dividends paid	2,510	2,522	2,522	2,521
Per share of common stock:				
Basic and diluted net earnings	.24	.23	.25	.09
Dividends	.155	.155	.155	.155
Fiscal year ended February 29, 2000:				
Net sales	\$42,114	\$40,519	\$43,450	\$50,517
Gross profit	11,988	12,408	13,612	14,777
Net earnings	3,234	3,905	3,960	4,024
Dividends paid	2,519	2,520	2,519	2,510
Per share of common stock:				
Basic and diluted net earnings	.20	.24	.24	.25
Dividends	.155	.155	.155	.155

Notes:

Gross profit and net earnings for the fourth quarter of fiscal 2001 were adversely affected by the consolidation and integration of the Company's Louisville operations with its Adams McClure operations in Denver. The impact of this event reduced net earnings approximately \$0.10 per share. Year end adjustments related to physical inventory counts and LIFO Valuation were negligible. Revenue in the Forms Solutions Group, like the economy, reflected weakness resulting in lower than expected earnings in the quarter.

The fourth quarter of fiscal 2000 earnings benefited from year-end adjustments related to physical inventory counts and LIFO valuation of approximately \$434,000, net of income taxes, (\$.03 per diluted share).

The second quarter of fiscal 2000 includes a charge of \$384,000, net of income taxes, (\$0.02 per share) resulting from the impairment of intangible assets relating to the Company's InstaColor® product line and a gain of \$743,000, net of income taxes, (\$.05 per share) from the sale of rental property in Boulder City, Nevada.

The Board of Directors and Shareholders

Ennis Business Forms, Inc.:

We have audited the accompanying consolidated balance sheets of Ennis Business Forms, Inc. and subsidiaries as of February 28, 2001 and February 29, 2000, and the related consolidated statements of earnings and cash flows for each of the years in the three-year period ended February 28, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

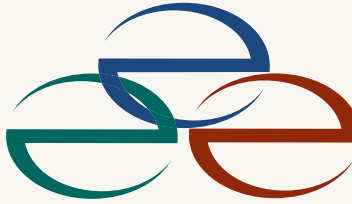
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ennis Business Forms, Inc. and subsidiaries as of February 28, 2001 and February 29, 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended February 28, 2001, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Dallas, Texas

April 12, 2001



PROMOTIONAL

Bell, California

- Presentation Products & Packaging
- Promotional Products

Denver, Colorado

- Boxes & Dies
- Graphic Design & Prepress
- Point of Purchase Displays

Macomb, Michigan

- Presentation Products & Packaging
- Promotional Products

Dallas, Texas

- Fulfillment

Wolfe City, Texas

- Advertising Specialties
- Labels
- Post-it® Notes
- Promotional Products
- Tags

FINANCIAL

Golden, Colorado

- Internal Bank Forms
- Negotiable Documents

Nevada, Iowa

- Internal Bank Forms
- Negotiable Documents

Brooklyn Park, Minnesota

- Negotiable Documents

Roseville, Minnesota

- Internal Bank Forms
- Negotiable Documents

Bridgewater, Virginia

- Internal Bank Forms
- Negotiable Documents

FORMS

Paso Robles, California

- Custom Forms & Bank Checks
- Guest Checks
- Custom Labels
- Software Compatible Forms & Bank Checks (Imprinted)

Moultrie, Georgia

- Custom Forms & Bank Checks

DeWitt, Iowa

- Custom Forms & Bank Checks
- Custom Labels
- Software Compatible Forms & Bank Checks (Imprinted)
- Tags

Ft. Scott, Kansas

- Business Forms & Supplies (Imprinted)
- Guest Checks

Coshocton, Ohio

- Custom Forms & Bank Checks

Portland, Oregon

- Custom Forms & Bank Checks

Knoxville, Tennessee

- Custom Forms & Bank Checks

Dallas, Texas

- Connolly Tool & Die

Ennis, Texas

- Award Ribbons
- Copier & Computer Supplies
- Custom Forms & Bank Checks
- Guest Checks
- Register Forms & Sales Books
- Software Compatible Forms & Bank Checks (Imprinted)
- Tax Forms

Houston, Texas

- Custom Forms & Bank Checks

San Antonio, Texas

- Custom Forms & Bank Checks

Chatham, Virginia

- Custom Forms & Bank Checks
- Guest Checks
- Register Forms & Sales Books
- Software Compatible Forms & Bank Checks (Imprinted)

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Independent Auditors
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Dallas, Texas

Legal Counsel
Kirkpatrick & Lockhart LLP
Dallas, Texas

Annual Meeting
10:00 a.m.
Thursday, June 21, 2001
City of DeSoto – Town Center
211 E. Pleasant Run
DeSoto, Texas

Form 10-K
A copy of Form 10-K, as filed with the Securities and Exchange Commission, is available upon written request to the Vice President-Finance.

Securities Listing
The Company's Common Stock is traded on the New York Stock Exchange under the symbol "EBF".

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Harold W. Hartley (4)
Investments
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Mabank, Texas

Robert L. Mitchell (1)
Retired
Formerly President and Chief Operating Officer
Ennis Business Forms, Inc.
Ennis, Texas

Kenneth E. Overstreet
Financial Solutions Group President
Promotional Solutions Group President
Brooklyn Park, Minnesota

Thomas R. Price (1)
Owner and President
Price Industries
Ennis, Texas

Kenneth G. Pritchett (4)
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Ranching and Investments
Austin, Texas

James C. Taylor (2), (4)
CEO
Display Technologies
Charlotte, North Carolina

Keith S. Walters (3)
Chairman of the Board, President
and Chief Executive Officer

- (1) Member of Audit Committee
- (2) Member of Executive Compensation & Stock Option Committee
- (3) Member of Executive Committee
- (4) Member of Nominating Committee

C O R P O R A T E O F F I C E R S

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and Chief Executive Officer

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Vice President – Finance and
Chief Financial Officer

Harve Cathey
Secretary and Treasurer



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