STANDARD REGISTER CO
Form 10-Q
November 01, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 26, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 0-01097

THE STANDARD REGISTER COMPANY

(Exact name of Registrant as specified in its charter)

OHIO	**31-0455440**

(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
600 ALBANY STREET, DAYTON OHIO	**45408**
(Address of principal executive offices)	(Zip Code)

(937) 221-1000
(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of September 26, 2004
Common stock, $1.00 par value	23,820,427 shares
Class A stock, $1.00 par value	4,725,000 shares

THE STANDARD REGISTER COMPANY

FORM 10-Q

For the Quarter Ended September 26, 2004

INDEX

			Page
Part I Financial Information			
Item 1. Consolidated Financial Statements			
	a)	Consolidated Statement of Income and Comprehensive Income for the 13 Weeks Ended September 26, 2004 and September 28, 2003 and for the 39 Weeks Ended September 26, 2004 and September 28, 2003	3
	b)	Consolidated Balance Sheet as of September 26, 2004 and December 28, 2003	4
	c)	Consolidated Statement of Cash Flows for the 39 Weeks Ended September 26, 2004 and September 28, 2003	6
	d)	Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations			16
Item 3. Quantitative and Qualitative Disclosure About Market Risk			35
Item 4. Controls and Procedures			35

Part II Other Information

Item 1. Legal Proceedings	36
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3. Defaults upon Senior Securities	36
Item 4. Submission of Matters to a Vote of Security Holders	36
Item 5. Other Information	36
Item 6. Exhibits	36
Signatures	37

PART I - FINANCIAL INFORMATION

THE STANDARD REGISTER COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Dollars in thousands, except per share amounts)

	13 Weeks Ended September 26 2004	*13 Weeks Ended September 28 2003*	*39 Weeks Ended September 26 2004*	*39 Weeks Ended September 28 2003*
REVENUE				
Products	$ 183,442	$ 184,003	$ 563,574	$ 570,255
Services	35,284	38,105	107,692	120,946
Total revenue	218,726	222,108	671,266	691,201
COST OF SALES				
Products	118,105	112,124	356,133	346,556
Services	21,833	25,439	71,185	82,491
Total cost of sales	139,938	137,563	427,318	429,047
GROSS MARGIN	78,788	84,545	243,948	262,154
OPERATING EXPENSES				
Research and development	2,888	3,887	10,240	13,670
Selling, general and administrative	65,718	67,878	210,640	208,843
Depreciation and amortization	10,405	10,406	31,770	35,292
Asset impairments	47,611	1,306	48,400	10,851
Restructuring charges	6,521	3,234	12,097	16,206
Total operating expenses	133,143	86,711	313,147	284,862
LOSS FROM OPERATIONS	(54,355)	(2,166)	(69,199)	(22,708)
OTHER INCOME (EXPENSE)				
Interest expense	(598)	(642)	(1,930)	(3,276)
Investment income and other	3	118	132	895

Total other expense		(595)		(524)		(1,798)	(2,381)
LOSS BEFORE INCOME TAXES		(54,950)		(2,690)		(70,997)	(25,089)
INCOME TAX BENEFIT		(20,494)		(1,136)		(27,421)	(10,407)
NET LOSS	$	(34,456)	$	(1,554)	$	(43,576)	$ (14,682)
LOSS PER SHARE	$	(1.21)	$	(0.05)	$	(1.53)	$ (0.52)
Dividends Paid Per Share	$	0.23	$	0.23	$	0.69	$ 0.69
NET LOSS	$	(34,456)	$	(1,554)	$	(43,576)	$ (14,682)
Deferred cost on interest rate swap, net of $815 deferred income tax expense		-		-		-	1,210
Unrealized gain on available-for-sale securities		-		15		-	675
Deferred cost on forward contract		(399)		(225)		(160)	(46)
Foreign currency translation adjustment		362		232		216	1,272
COMPREHENSIVE (LOSS) INCOME	$	(34,493)	$	(1,532)	$	(43,520)	$ (11,571)

See accompanying notes.

THE STANDARD REGISTER COMPANY

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

A S S E T S	*September 26 2004*	*December 28, 2003*
CURRENT ASSETS		
Cash and cash equivalents	$ 17,371	$ 76,959
Accounts and notes receivable, less allowance for doubtful		
accounts of $4,049 and $3,740, respectively	127,491	125,943
Inventories	53,934	49,757
Prepaid income taxes	983	2,251
Deferred income taxes	20,412	19,297
Prepaid expense	11,456	11,254
Total current assets	231,647	285,461
PLANT AND EQUIPMENT		
Buildings and improvements	69,001	68,891
Machinery and equipment	226,933	224,294
Office equipment	167,571	167,524
Total	463,505	460,709
Less accumulated depreciation	324,123	304,075
Depreciated cost	139,382	156,634
Plant and equipment under construction	6,788	3,556
Land	3,126	3,233
Net assets held for sale	1,222	2,115
Total plant and equipment	150,518	165,538
OTHER ASSETS		
Goodwill	6,557	53,616
Intangible assets, net	13,993	15,007
Deferred tax asset	98,788	72,654
Software development costs, net	11,192	12,197
Restricted cash	1,902	1,971

Other	22,468	22,513
Total other assets	154,900	177,958
Total assets	$ 537,065	$ 628,957

See accompanying notes.

THE STANDARD REGISTER COMPANY

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	*September 26 2004*	*December 28, 2003*
CURRENT LIABILITIES		
Current portion of long-term debt	$ 85,000	$ 12
Accounts payable	27,918	32,089
Accrued compensation	27,722	23,928
Deferred revenue	11,152	10,979
Accrued restructuring	5,999	2,828
Other current liabilities	24,513	29,987
Total current liabilities	182,304	99,823
LONG-TERM LIABILITIES		
Long-term debt	-	125,000
Pension benefit obligation	95,585	89,608
Retiree health care obligation	48,248	49,769
Deferred compensation	15,469	15,526
Other long-term liabilities	790	643
Total long-term liabilities	160,092	280,546
SHAREHOLDERS' EQUITY		
Common stock, $1.00 par value:		
Authorized 101,000,000 shares		
Issued 2004 -25,744,189; 2003 - 25,667,217	25,744	25,667
Class A stock, $1.00 par value:		
Authorized 9,450,000 shares		
Issued - 4,725,000	4,725	4,725
Capital in excess of par value	57,487	56,687
Accumulated other comprehensive losses	(121,443)	(121,499)
Retained earnings	281,444	338,164
Treasury stock at cost:		
1,923,762 shares	(49,351)	(49,351)
Unearned compensation - restricted stock	(3,937)	(5,805)

Total shareholders' equity		194,669		248,588
Total liabilities and shareholders' equity	$	537,065	$	628,957

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	39 Weeks Ended September 26 2004	***39 Weeks Ended September 28 2003***
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (43,576)	$ (14,682)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	31,770	35,292
Asset impairments	48,400	10,851
Restructuring charges	12,097	16,206
Pension and postretirement benefit expense	15,676	7,715
Amortization of unearned compensation - restricted stock	1,764	1,667
Loss on sale of assets	372	995
Deferred income taxes	(26,329)	(1,128)
Other	352	129
Changes in operating assets and liabilities:		
Accounts and notes receivable	(1,548)	23,927
Inventories	(4,177)	8,077
Prepaid income taxes	348	3,897
Other assets	(884)	(3,765)
Restructuring spending	(8,966)	(14,635)
Accounts payable and accrued expenses	697	(8,707)
Pension and postretirement obligations	(11,220)	(21,340)
Deferred income	173	290
Other liabilities	90	1,019
Net cash provided by operating activities	15,039	45,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment	(16,072)	(14,439)
Proceeds from sale of plant and equipment	1,631	3,973
Acquisitions	(1,461)	-
Additions to other investments	(121)	(293)
Net cash used in investing activities	(16,023)	(10,759)
CASH FLOWS FROM FINANCING ACTIVITIES		

Principal payments on long-term debt		(40,012)		(77,584)
Proceeds from issuance of common stock		897		1,402
Dividends paid		(19,691)		(19,567)
Net cash used in financing activities		(58,806)		(95,749)
Effect of exchange rate changes on cash		202		917
NET DECREASE IN CASH AND CASH EQUIVALENTS		(59,588)		(59,783)
Cash and cash equivalents at beginning of period		76,959		122,579
CASH AND CASH EQUIVALENTS				
AT END OF PERIOD	$	17,371	$	62,796

See accompanying notes.

THE STANDARD REGISTER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

NOTE 1 BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of The Standard Register Company and its wholly owned subsidiaries (collectively, the Company) after elimination of intercompany transactions, profits, and balances. The Company s investments in international joint ventures are included in the accompanying consolidated financial statements using the equity method of accounting. The Company s share of earnings (losses) from these joint ventures is included in Investment income (expense) for periods ending one month prior to the Company s fiscal period-end in order to ensure timely preparation of the consolidated financial statements. The consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required for complete annual financial statements and should be read in conjunction with the Company s audited consolidated financial statements and notes for the year ended December 28, 2003 included in the Company s Annual Report on Form 10-K.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of trends or of results to be expected for a full year. Certain prior-year amounts have been reclassified to conform to the current-year presentation.

NOTE 2 RESTRUCTURING AND IMPAIRMENT CHARGES

In January 2001, the Company announced a restructuring and renewal plan (Renewal Plan), designed to establish a solid platform for long-term earnings growth and recover its market value. The Renewal Plan was comprised of four components: restructuring, reorganization, performance improvement, and investments for future growth. In 2001, the Company completed major restructuring actions and in the last two fiscal years has executed additional restructuring actions as part of an on-going effort to realign resources to improve utilization and profitability. These restructuring plans are more fully described in Note 3 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 28, 2003.

A summary of total restructuring charges recorded in 2004 is as follows:

	Directly to	*Charges to*	*2004*

	Restructuring Expense	*Restructuring Accrual*	*Restructuring Expense*
2004 restructuring actions	$ 520	$ 9,648	$ 10,168
2003 restructuring actions	604	(73)	531
2001 restructuring actions	1,398	-	1,398
Total restructuring expense	$ 2,522	$ 9,575	$ 12,097

Liabilities for costs associated with a restructuring cannot be recorded until the liability is incurred and the fair value can be estimated, except for certain one-time termination benefits. Therefore, certain restructuring costs, primarily sublease payments and the associated taxes, utilities and maintenance costs, and remaining relocation costs will be expensed as incurred through 2006. All costs are included in restructuring charges in the accompanying Consolidated Statements of Income.

2004 Restructuring

In 2004, the Company initiated several restructuring actions as part of a drive to reduce costs and accelerate growth. The Company integrated its sales specialist organization with its regional sales organization to improve coordination, resource deployment, and productivity; adjusted its client services model to improve efficiency and performance through better alignment of resources with the sales organization and customer base; and went to a shared service model in various administrative areas to reduce costs and increase focus on key initiatives. The Company also outsourced part of its information technology operations, including hardware management, help desk support, and telecommunications. As a result, the Company eliminated a number of positions, including four executive officer positions.

In addition, the Company restructured its InSystems segment, reducing the workforce and leased office space at its headquarters. InSystems has experienced significant declines in their revenues and margins in recent periods and the Company elected to reduce costs and refocus attention on InSystems key product lines.

Pre-tax components of 2004 restructuring charges are as follows:

	Total Costs Expected to be Incurred	*Total Q3 2004 Restructuring Expense*	*Cumulative-To-Date Restructuring Expense*
Severance and employer related costs	$ 9,600	$ 4,986	$ 8,748
Contract lease termination costs	1,850	1,144	1,272
Other exit costs	50	88	148
	$ 11,500	$ 6,218	$ 10,168
BY SEGMENT:			
Document and Label Solutions	$ 4,800	$ 975	$ 3,605
Fulfillment Services	700	435	670
InSystems	2,800	2,674	2,674
Other	3,200	2,134	3,219
Total	$ 11,500	$ 6,218	$ 10,168

A summary of the 2004 restructuring accrual activity is as follows:

	Charged to Accrual	*Incurred in 2004*	*Reversed in 2004*	*Balance 2004*
Severance and employer related costs	$ 8,433	$ (4,685)	$ (143)	$ 3,605
Contract termination costs	1,278	(29)	(9)	1,240
Other	89	(4)	-	85
Total	$ 9,800	$ (4,718)	$ (152)	$ 4,930

2003 Restructuring

In 2003, the Company initiated several actions to improve utilization and profitability. The Company consolidated four printing and service operations within the Fulfillment Services segment to form a regional print-on-demand and fulfillment center in Dallas, Texas. Within the Document and Label Solutions segment, a rotary printing plant was closed to trim excess capacity and several warehouses were consolidated in response to shifting demand in favor of print-on-demand services.

Within the InSystems segment, the Company determined that certain software development initiatives would not produce an adequate return and elected to stop further investment in those projects. In conjunction with this decision and to further reduce costs, the Company reduced staffing levels within this segment. The Company also eliminated management and other positions at its corporate headquarters. Most of these actions were completed by the end of 2003. In an additional cost savings move, the Company approved the relocation of SMARTworks personnel and support operations, which occurred in the first quarter of 2004.

Pre-tax components of 2003 restructuring charges are as follows:

	Total Costs Expected to be Incurred	*Total Q3 2004 Restructuring Expense*	*Cumulative To-date Restructuring Expense*
Severance and employer related costs	$ 11,054	$ (73)	$ 10,981
Contract termination costs:			
Lease obligations	3,100	111	2,422
Contractual lease obligations for taxes, utilities, and maintenance costs	398	-	395
Associated costs:			
Travel	332	-	332
Equipment removal and relocation	2,904	-	2,908
Other exit costs	1,792	54	2,034
	$ 19,580	$ 92	$ 19,072

BY SEGMENT:						
Document and Label Solutions	$	11,505	$	36	$	11,166
Fulfillment Services		4,967		73		4,572
InSystems		2,324		(72)		2,252
Other		784		55		1,082
Total	$	19,580	$	92	$	19,072

9

A summary of the 2003 restructuring accrual activity is as follows:

	Charged to Accrual	*Incurred in 2003*	*Reversed in 2003*	*Balance 2003*	*Incurred in 2004*	*Reversed in 2004*	*Balance 2004*
Severance and employer related costs	$ 10,807	$ (9,415)	$ (64)	$ 1,328	$ (1,192)	$ (73)	$ 63
Contract termination costs	2,330	(830)	-	1,500	(494)	-	1,006
Total	$ 13,137	$ (10,245)	$ (64)	$ 2,828	$ (1,686)	$ (73)	$ 1,069

2001 Restructuring

Due to the nature of the charges and the duration of the 2001 restructuring program, estimates of the liability for contract exit costs required significant judgment. The Company has been unable to sublease as many of the facilities as expected or to buyout the leases with as favorable terms as originally anticipated. As a result, the liability for contract exit and termination costs was in excess of the amount originally estimated. Approximately $3,275 of remaining lease payments will be charged to restructuring expense as incurred through 2006, of which $1,398 was expensed in the first nine months of 2004.

2004 Impairment

In order to reduce costs, the Company s InSystems segment decided to sell its Roanoke, Virginia facility. The carrying value was adjusted to its fair value less costs to sell, based upon a recent appraisal, resulting in an impairment charge of approximately $580. The Company also performed an impairment test on the goodwill related to the InSystems acquisition and recorded an impairment charge of $47,059. See Note 4 for further discussion of the goodwill impairment test.

In addition, the remaining assets held for sale at December 28, 2003 were sold in 2004, resulting in impairment charges of $245 for the Fulfillment Services segment. The Document and Labels Solutions segment also recorded asset impairment charges for equipment totaling $516.

2003 Impairment

In conjunction with the 2003 restructuring, assets were either written off or written down to estimated fair value if the asset was to be sold. Due to an oversupply of used production equipment in the marketplace, approximately $3,172 of assets, primarily machinery & equipment, were determined to have no fair value and were disposed of, resulting in a non-cash impairment charge. Of this amount, $2,211 related to the Document and Label Solutions segment and $961 related to the Fulfillment Services segment.

The Company also identified certain pieces of equipment and two buildings that were closed that it believed could be sold. The carrying values were adjusted to their fair value less costs to sell, considering recent sales of similar properties, real estate brokers valuations, and offers and bids, resulting in a net impairment charge of $5,790. Of this amount, $4,300 related to the Document and Label Solutions segment and $1,490 related to the Fulfillment Services segment. The Company discontinued depreciation on these assets in June 2003. All of the assets have been sold or otherwise disposed of.

In addition, the Document and Label Solutions segment recorded an impairment charge of $2,020 related to forms-designs software that became technologically outdated. The Company replaced the software used for forms design to one that is more widely used by its customers and is more of an industry standard. Accordingly, the carrying value of the software was written down to its fair value, based upon the fair value of the number of estimated remaining forms to be designed with the software, and its useful life was reduced.

The fair value was calculated based upon the weighted average of probable future cash flows of the asset. The effect on annual depreciation expense was not material.

In 2003, PathForward recorded an impairment charge of $1,190 related to capitalized software development costs recorded with the acquisition of PlanetPrint. The software was used exclusively by one customer; beginning in the fourth quarter of 2003, the use of this software by this customer ceased as a result of a mutual decision by both the Company and the customer. The Company determined there were no alternative uses for this software. The effect on annual amortization expense was not material.

All of the impairment charges are included in Asset Impairments in the accompanying Statement of Income.

2001 Impairment

In conjunction with the 2001 restructuring, management performed a review of its existing property and equipment and determined that certain long-lived assets were impaired. These assets were either written off or written down to estimated fair value if the asset was to be sold. These buildings were sold during 2003, resulting in a total gain of $1,078 that was included as a credit to Asset Impairments in the accompanying Consolidated Statement of Income.

NOTE 3 INVENTORIES

The components of inventories are as follows:

	September 26, 2004	December 28, 2003
Finished products	$ 42,668	$ 38,975
Jobs in process	6,554	5,506
Materials and supplies	4,712	5,276
Total	$ 53,934	$ 49,757

NOTE 4 GOODWILL AND INTANGIBLE ASSETS

During the second quarter of 2004, the Company performed the annual impairment test for goodwill related to the PlanetPrint acquisition. The test was performed at the reporting unit level using a fair-value-based test that compares the fair value of the asset to its carrying value. Fair values are calculated using discounted expected future cash flows, using a risk-adjusted discount rate. Based upon the test results, the Company determined that the discounted sum of the expected future cash flows from the assets exceeded the carrying value of those assets; therefore, no impairment of goodwill was recognized**.**

The significant restructuring at InSystems during the third quarter of 2004 was considered to be a triggering event that indicated that goodwill possibly was impaired. Accordingly, the Company performed an evaluation of the recoverability of InSystems goodwill; an annual test that was otherwise scheduled for the fourth quarter of 2004.

The goodwill impairment test is a two-step process which is performed at the reporting unit level using a fair-value-based test that compares the fair value of the asset to its carrying value. Under the first step, the Company calculated the fair value of InSystems based on discounted expected future cash flows, using a risk-adjusted discount rate, and a terminal value based on a multiple of earnings before interest, depreciation, taxes and amortization. The Company utilized five-year forecasts that were based on management s best estimate of future sales, future investments and profitability. These estimates were

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based primarily on expected license revenue, service revenue, and maintenance revenue and reflected routine enhancements for its document automation software and a modest recovery in the general economy. These estimates contained more modest projections for revenue growth and recovery in the insurance market from those used in earlier impairment tests. These estimates were reviewed and approved by senior management.

The results of the first step indicated that the carrying value of the InSystems assets exceeded their fair value. The analysis showed that a majority of the reduction in fair value since the test at the end of 2003 was caused by the reduction in earnings multiples that occurred in the software industry over the last nine months. Additionally, delays in the timing of expected recovery in the insurance market, and a lower base for revenue growth stemming from recent restructuring actions at InSystems and decreased revenue in 2004, both contributed to a reduced earnings forecast.

The Company retained a third-party valuation firm to assist in calculating the fair values used in determining the implied value of goodwill used in the second step of the impairment test. The Company completed the impairment test subsequent to the end of the third quarter in conjunction with the preparation of the financial statements. The Company concluded that goodwill was impaired and recorded an impairment charge of $47,059 which represents all of the goodwill for InSystems. In conjunction with the goodwill impairment test, the Company performed impairment tests of InSystems intangible assets subject to amortization which were found not to be impaired.

NOTE 5 ACQUISITIONS

On March 30, 2004, the Company purchased the assets of PenForms, LLC for $1,503 in cash. The assets acquired include certain intellectual property primarily related to digital pen and paper software solutions, licenses and contracts held by PenForms, and computers and other office equipment. Of the purchased assets, $735 was assigned to intellectual property and $750 to capitalized software development costs, both of which were assigned a three-year useful life.

NOTE 6 EARNINGS PER SHARE

The weighted-average number of shares outstanding for calculation of earnings per share (EPS) was 28,557,705 and 28,350,119 for the 13-week periods ended September 26, 2004 and September 28, 2003 and 28,532,956 and 28,272,221 for the 39-week periods ended September 26, 2004 and September 28, 2003, respectively. The effects of stock options on diluted EPS are reflected through the application of the treasury stock method. Under this method, proceeds received by the Company, based on assumed exercise, are hypothetically used to repurchase the Company s shares at the average market price for the period. Due to the net losses incurred in 2004 and 2003, no outstanding options were included in the EPS computation because they would automatically result in anti-dilution.

NOTE 7 STOCK OPTIONS

The Company has two stock-based employee compensation plans, which are fully described in Note 14 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 28, 2003. The Company accounts for those plans using the intrinsic value method in accordance with

Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock-based employee compensation cost is recognized in net income, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

Had compensation cost for the Company s stock-based employee compensation plans been determined based on the fair value of such awards at the grant dates consistent with the provisions of SFAS No. 123, the Company s total and per share net income would be reduced as follows:

	13 Weeks Ended September 26, 2004	13 Weeks Ended September 28, 2003	39 Weeks Ended September 26, 2004	39 Weeks Ended September 28, 2003
Net loss as reported	**$ (34,456)**	$ (1,554)	**$ (43,576)**	$ (14,682)
Less total compensation expense determined under the fair-value based method for all awards, net	**(278)**	(421)	**(1,103)**	(1,267)
Proforma net loss	**$ (34,734)**	$ (1,975)	**$ (44,679)**	$ (15,949)
Net loss per share				
As reported	**$ (1.21)**	$ (0.05)	**$ (1.53)**	$ (0.52)
Proforma	**$ (1.22)**	$ (0.07)	**$ (1.57)**	$ (0.56)

NOTE 8 PENSION PLANS

The Company has a qualified defined benefit plan and a nonqualified supplementary benefit plan that provides supplemental pension payments in excess of qualified plan payments including payments in excess of limits imposed by federal tax law and other benefits. In addition, the Company has a noncontributory supplemental nonqualified retirement plan for elected officers. These plans are more fully described in Note 15 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 28, 2003.

Net periodic benefit cost includes the following components:

	13 Weeks Ended September 26, 2004	*13 Weeks Ended September 28, 2003*	*39 Weeks Ended September 26, 2004*	*39 Weeks Ended September 28, 2003*
Service cost of benefits earned	$ 2,847	$ 3,129	$ 8,542	$ 9,387
Interest cost on projected benefit obligation	6,694	6,844	20,084	20,533
Expected return on plan assets	(8,450)	(9,650)	(25,350)	(28,950)
Amortization of prior service costs	281	266	841	798
Curtailment loss	-	155	-	466
Amortization of net loss from prior periods	4,360	1,898	13,080	5,694
Total	$ 5,732	$ 2,642	$ 17,197	$ 7,928

The Company does not have a minimum funding requirement in 2004. The Company contributed $10,000 to the qualified pension plan in the first nine months of 2004 and $20,000 in the first nine months of 2003.

NOTE 9 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the Company provides certain healthcare benefits for eligible retired employees as described in Note 16 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 28, 2003.

Postretirement benefit cost includes the following components:

	13 Weeks Ended September 26, 2004	*13 Weeks Ended September 28, 2003*	*39 Weeks Ended September 26, 2004*	*39 Weeks Ended September 28, 2003*
Service cost	$ -	$ -	$ -	$ -
Interest cost	616	921	1,850	2,764
Amortization of prior service cost	(551)	(407)	(1,654)	(1,221)
Amortization of net loss from prior periods	334	441	1,001	1,322
Total	$ 399	$ 955	$ 1,197	$ 2,865

The funding policy is to pay claims as they occur. Payments for postretirement health benefits, net of retiree contributions, were approximately $819 and $2,496 for the 13-week and 39-week periods ended September 26, 2004.

NOTE 10 SEGMENT REPORTING

In fiscal 2004, the Company reclassified certain operating segments included in its reportable segments to reflect the revised organizational structure of the Company. The Company s three reportable segments continue to be Document and Label Solutions, Fulfillment Services, and InSystems.

SMARTworks, previously a wholly owned subsidiary, was merged and became part of the Company s corporate center. In 2004, the Company changed its method of allocating certain expenses. Corporate center costs are generally allocated to reportable segments, except for certain components of pension expense and new product development costs that are not being allocated in 2004. The document systems group that was previously part of InSystems became part of Document and Label Solutions. Commercial Print, a new operating segment, is aggregated with International and PathForward into Other.

Segment profit and loss information for 2003 has been revised from previously reported amounts to reflect the current organizational structure. 2003 asset amounts have not been revised because it is not practicable to do so. Information about the Company s operations by segment for the 13-week periods ended September 26, 2004 and September 28, 2003 is as follows:

		Document and Label Solutions	***Fulfillment Services***	***InSystems***	***Other***	***Total***
Revenue from external customers	**2004**	**$ 152,184**	**$ 57,815**	**$ 2,590**	**$ 6,137**	**$ 218,726**
	2003	156,924	56,856	4,062	4,266	222,108
Intersegment revenues	**2004**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	2003	-	-	-	316	316

Operating income (loss)	(a)	**2004**	**$ 6,279**	**$ 648**	**$ (52,721)**	**$ (1,761)**	**$ (47,555)**
	(b)	2003	4,769	(1,003)	(2,955)	(1,927)	(1,116)

(a) 2004 operating income (loss) includes the following charges:

Restructuring charges	**$ 1,012**	**$ 507**	**$ 2,602**	**$ 29**	**$ 4,150**
Asset impairment charges	**516**	**-**	**47,095**	**-**	**47,611**

(b) 2003 operating income (loss) includes the following charges:

Restructuring charges	$ 1,785	$ 613	**$ -**	$ (53)	$ 2,345
Asset impairment charges	(15)	130	-	1,191	1,306

14

Information about the Company s operations by segment for the 39-week periods ended September 26, 2004 and September 28, 2003 is as follows:

		Document and Label Solutions	*Fulfillment Services*	*InSystems*	*Other*	*Total*
Revenue from external customers	**2004**	**$ 468,882**	**$ 177,184**	**$ 8,808**	**$ 16,392**	**$ 671,266**
	2003	486,568	176,630	14,259	13,744	691,201
Intersegment revenues	**2004**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	2003	-	-	-	774	774
Operating income (loss) (a)	**2004**	**$ 13,004**	**$ (1,642)**	**$ (58,415)**	**$ (4,919)**	**$ (51,972)**
(b)	2003	(1,782)	(8,437)	(6,522)	(4,331)	(21,072)
Total assets	**2004**	**$ 263,610**	**$ 70,035**	**$ 34,073**	**$ 8,519**	**$ 376,237**
(a) 2004 operating income (loss) includes the following charges:						
Restructuring charges		**$ 3,706**	**$ 873**	**$ 2,602**	**$ 29**	**$ 7,210**
Asset impairment charges		**516**	**245**	**47,639**	**-**	**48,400**
(b) 2003 operating loss includes the following charges:						
Restructuring charges		$ 10,875	$ 4,014	**$ -**	$ -	$ 14,889
Asset impairment charges		8,516	2,222	-	1,191	11,929

Reconciling information between reportable segments and the Company s consolidated financial statements for the 13- and 39-week periods ended September 26, 2004 and September 28, 2003 is as follows:

	Thirteen Weeks Ended		*Thirty-nine Weeks Ended*	
	September 26, 2004	*September 28, 2003*	*September 26, 2004*	*September 28, 2003*
Operating Loss	$ (47,555)	$ (1,116)	$ (51,972)	$ (21,072)
Corporate restructuring charges	(2,371)	(889)	(4,887)	(1,317)
Corporate and other	(3,734)	(161)	(11,646)	(1,035)
LIFO adjustment	(695)	-	(695)	716
Total other expense	(595)	(524)	(1,797)	(2,381)
	$ (54,950)	$ (2,690)	$ (70,997)	$ (25,089)

Loss before income tax benefit		
Total Assets	$	376,237
Corporate and unallocated		160,828
Total consolidated assets	$	537,065

Item 2 - MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Dollars in Millions, Except Per Share Amounts)*

References to we, us, our, the Company, or Standard Register refer to The Standard Register Company unless th context indicates otherwise.

FORWARD-LOOKING INFORMATION

This report includes forward-looking statements covered by the Private Securities Litigation Reform Act of 1995. Because such statements deal with future events, they are subject to various risks and uncertainties and actual results for fiscal year 2004 and beyond could differ materially from the Company s current expectations. Forward-looking statements are identified by words such as anticipates, projects, expects, plans, intends, believes, estimates, and other similar expressions that indicate trends and future events. Factors that could cause the Company s results to differ materially from those expressed in forward-looking statements include, without limitation, variation in demand and acceptance of the Company s products and services, the frequency, magnitude, and timing of paper and other raw material price changes, general business and economic conditions beyond the Company s control, timing of the completion and integration of acquisitions, the consequences of competitive factors in the marketplace, ability to retain large customer contracts, the Company s success in attracting and retaining key personnel, and the effect of alternative technologies on the Company s traditional product offerings. The Company undertakes no obligation to update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

We caution you that the following risks and factors, and those other business risks discussed elsewhere in this report, could cause our actual results to differ materially from those included in forward-looking statements.

Variation in demand and acceptance of our products and services

We have a wide array of products and services from printed products to digital solutions to managed services. Our custom-printed single- and multiple-part business forms represent mature products that are in decline as companies increasingly adopt electronic forms and other e-business solutions. These declines could be offset by capturing increased market share in the traditional document business and generating new revenue through solutions such as print-on-demand, document automation software and managed services. Demand for our new offerings will vary by customer and industry, depending on their technological advancement and business priorities.

Frequency, magnitude, and timing of paper and other raw material price changes

When paper mills raise prices on raw material, we generally increase prices to recover these costs. While we have historically been successful in passing on most increases over several quarters, there is no guarantee that we will be successful in the future.

General business and economic conditions beyond our control

Economic conditions impact the demand for our products and services. A weak economy can cause delays in customers investments in technology, business process improvements and other initiatives as well as cause lower consumption of forms, labels and customer communications through reduced business activity.

Timing of the completion and integration of acquisitions

In order to take advantage of growth opportunities and to enhance the products and services we offer, we have made, and may continue to make, strategic acquisitions that involve significant risks and uncertainties. These risks and uncertainties include: (1) our ability to achieve strategic objectives, cost savings, and other benefits from the acquisition; (2) the risk that the technologies acquired do not prove to be those needed to succeed in those markets; (3) the potential loss of key employees of the acquired business; (4) the risk of entering new markets in which we have limited experience; and (5) the impact from future impairments of goodwill of an acquired business.

Consequences of competitive factors in the marketplace

Some of the industries in which we operate are highly competitive, and we expect that this level of competition on pricing and product offerings will continue. Factors that could affect our ability to compete successfully include competitive pressures that result in increased price reductions and further consolidation of the forms industry, resulting in much larger competitors.

Ability to retain large customer contracts

Approximately 35% of our revenue is generated through contractual agreements with a number of healthcare group purchasing organizations. Our ability to retain and grow these relationships generally impacts revenue in this industry segment.

Success in attracting and retaining key personnel

Our success depends in large part on our ability to attract and retain highly skilled technical, managerial, sales, and marketing personnel. The loss of services of any of our key personnel or our inability to attract or retain qualified personnel in the future could impair our ability to meet our key objectives.

The effect of alternative technologies on our traditional product offerings

The market for our traditional products is undergoing significant change. Our success, in part, is dependent on our ability to successfully develop and introduce new digital products and services.

OVERVIEW

The Company

We are a leading provider of information solutions for the healthcare, financial services, insurance, pharmaceutical, manufacturing, and transportation industries. Our products and services include the design, production, management, and distribution of printed and electronic documents; label solutions; data-capture systems; document security; fulfillment and other outsourcing services; e-business solutions; and consulting services.

As a strategic partner in migrating companies from paper-based to digital processes, our strategy is to provide a full spectrum of solutions from printed documents to consulting to digital solutions - and continue to expand capabilities that help organizations effectively capture, manage, and use information to improve their business results. Organizations leverage Standard Register s deep industry expertise and innovative solutions to increase efficiency, reduce cost, enhance security, and strengthen customer loyalty. Our operations include three reportable segments: Document and Label Solutions, Fulfillment Services, and InSystems.

Industry challenges

The overall market for most long-run printed business documents will increasingly be marked by unfavorable economic forces. The industry is currently oversupplied, and competing software and Internet technologies will continue to make inroads, eliminating or devaluing the role of many traditional paper forms. These conditions will lead to lower unit demand and relatively weak pricing. The pace of change is expected to be gradual, but is difficult to predict.

Advances in digital printing will increasingly intrude on the quality and cost advantages historically claimed by conventional long-run offset printing. For many print applications, this will require the industry to add capital investment and will accelerate the commoditization of custom printed documents. The long run print business is evolving to a digital print on demand business and we will invest and participate in this market. It is a natural extension of the long-run, web-print business.

Business Challenges

The above industry conditions, exacerbated by some post 2001 restructuring sales productivity issues, resulted in revenue decreases in each of the past two years. The lower revenue has, in turn, produced substantial profit declines. The expected payoff from the significant realignment and investments made in our sales force has taken time to develop.

Our strategy of expanding our portfolio of products and services to provide for long-term growth requires that we redirect some investment away from traditional capital spending and toward people, technology, and other capabilities, most of which are expensed. This places additional stress on our near-term profitability, but is aimed at growing the digital print on demand business.

The weak stock market in 2001 and 2002, coupled with historically low interest rates, has driven our pension plan from an overfunded to an underfunded position. Pensions produced earnings in 2002 equal to $0.04 per share, but resulted in annual expense in 2003 equivalent to $0.76 per share, the latter including a pension settlement charge of $0.57 per share triggered by an unusually high number of retirements. Pension expense for 2004 is currently estimated at $0.51 per share with no settlement charge expected.

Paper costs have changed little in recent years; however, paper companies announced price increases that were effective in April 2004 and July, 2004. A third increase was announced effective October, 2004. These increases reflect high operating rates at paper mills and escalating energy costs. Although the document-pricing environment is difficult, we have increased our target selling prices. With each paper cost increase, we expect margins to worsen initially and to then recover over a period of several quarters as selling price increases are negotiated; however, there is no guarantee that we will be successful.

Our Focus

Our objective is to improve the sales trend in our core document business by taking market share in targeted accounts and vertical markets where we have a strong reputation and value proposition. We will continue to reduce costs and improve productivity in order to stay cost competitive.

We plan to address the large and growing market to provide for digital print-on-demand output, including color and variable print. Services that provide the customer with added convenience, design capability, and control over the process are expected to be a strong differentiator.

We intend to continue to bring our customers software products and support services, such as InSystems, SMARTworks®, and ExpeData™ solutions that improve their ability to capture, manage, and move information in their business processes. We also offer a portfolio of Standard Register managed services that help our customers reduce costs and improve their business processes, allowing them to concentrate on their core competencies.

We expect to maintain our current strong financial condition and to maintain our focus on cash flow.

Our Outlook

We are encouraged by our steady progress in retaining and growing our healthcare base while focusing on achieving greater gains in our traditional core products. We will continue to support our SMARTworks® e-procurement platform, and to invest in our long-term growth opportunities in Print on Demand and our Expedata™ Digital Pen and Paper offering. In the very near term, however, our focus must be on addressing the performance of operations that currently do not make a sufficient contribution to profit, and on improving our overall productivity. At the end of the first half of 2004, we announced an objective to improve our cost and expense ratios over the next several quarters by a total of five percentage points in relation to revenue.

We have made good progress against this goal and if we are successful in recovering paper costs, we expect to achieve this objective by the second half of 2005.

CRITICAL ACCOUNTING POLICIES

In preparing these unaudited financial statements and accounting for the underlying transactions and balances, we applied the accounting policies disclosed in the Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 28, 2003. Preparation of these unaudited financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, 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. Although we believe our estimates and assumptions are reasonable, they are based on information presently available and actual results may differ significantly from those estimates.

We believe that some of the more critical estimates and related assumptions are in the areas of pension and postretirement healthcare benefits, restructuring charges, impairment of long-lived assets, and business combinations. For a detailed discussion of these critical accounting estimates, see the Management Discussion and Analysis (MD&A) included in our Annual Report on Form 10-K for the year ended December 28, 2003.

Goodwill and Intangible Assets - Goodwill and indefinite-lived intangibles are required to be evaluated for impairment on an annual basis, or more frequently if impairment indicators arise.

In 2003, we consolidated PlanetPrint and other Fulfillment Services centers into a single facility located in Dallas, Texas. During the second quarter of 2004, the Company performed the annual impairment test for goodwill related to the PlanetPrint acquisition. The test was performed at the reporting unit level using a fair-value-based test that compares the fair value of the asset to its carrying value. Fair values are calculated using discounted expected future cash flows, using a risk-adjusted discount rate. Based upon the test results, the Company determined that the discounted sum of the expected future cash flows from the assets exceeded the carrying value of those assets; therefore, no impairment of goodwill was recognized**.**

In performing the test for impairment, we made assumptions about future sales and profitability that required significant judgment. In estimating expected future cash flows related to the PlanetPrint assets, we used internal forecasts that were based upon actual results, assuming flat to declining revenue, minimal cost improvement, and substantial gross margin improvement due to a higher mix of more profitable products.

At the time of the impairment tests, the carrying value of net assets for PlanetPrint was $8.3 million. If our estimate of expected future cash flows had been 10% lower, the expected future cash flows would still have exceeded the carrying value of the assets, including goodwill.

During the third quarter of 2003, we performed the annual test for goodwill impairment related to the InSystems acquisition. As described more fully in our Annual Report on Form 10-K for the year ended December 28, 2003, as a result of changes to the strategic direction of InSystems, we performed additional impairment tests in the fourth quarter of 2003. No impairment charges were recorded as a result of these impairment tests.

The significant restructuring at InSystems during the third quarter of 2004 was considered to be a triggering event that indicated that goodwill possibly was impaired. Accordingly, we performed an evaluation of the recoverability of InSystems goodwill; an annual test that was otherwise scheduled for the fourth quarter of 2004.

The goodwill impairment test is a two-step process which is performed at the reporting unit level using a fair-value-based test that compares the fair value of the asset to its carrying value. Under the first step, we calculated the fair value of InSystems based on discounted expected future cash flows, using a risk-adjusted discount rate, and a terminal value based on a multiple of earnings before interest, depreciation, taxes and amortization. We utilized five-year forecasts that were based on management s best estimate of future sales, future investments and profitability. These estimates were based primarily on expected license revenue, service revenue, and maintenance revenue and reflected routine enhancements for its document automation software and a modest recovery in the general economy. These estimates contained more modest projections for revenue growth and recovery in the insurance market from those used in earlier impairment tests. These estimates were reviewed and approved by senior management.

The results of the first step indicated that the carrying value of the InSystems assets exceeded their fair value. The analysis showed that a majority of the reduction in fair value since the test at the end of 2003 was caused by the reduction in earnings multiples that occurred in the software industry over the last nine months. Additionally, delays in the timing of expected recovery in the insurance market, and a lower base for revenue growth stemming from recent restructuring actions at InSystems and decreased revenue in 2004, both contributed to a reduced earnings forecast.

We retained a third-party valuation firm to assist in calculating the fair values included in the determinination of the implied value of goodwill used in the second step of the impairment test. We completed the impairment test subsequent to the end of the third quarter in conjunction with the preparation of the financial statements. We concluded that goodwill was impaired and recorded an impairment charge of $47.1 million which represents all of the goodwill for InSystems. In conjunction with the goodwill impairment test, we performed impairment tests of InSystems intangible assets which were found not to be impaired.

The most critical estimates, in order of significance, used in the impairment test include (1) estimated revenue in year five (2) the terminal value assumed (3) the discount rate applied and (4) the weight of probability given to each business case. In developing each business case, the estimates were primarily based on expected license revenue, service revenue, maintenance revenue, recovery in the general economy allowing increased capital spending in the insurance market, and development of new functionality and uses for our document automation software. A positive change in any one of these assumptions would have reduced the amount of the impairment recorded. A 10 percent increase in our year-five revenue estimate would have increased our total expected future cash flows by approximately $12 million on an undiscounted basis. A 10 percent increase in the earnings multiple would have increased our expected future cash flows by approximately $ 3 million on an undiscounted basis.

We have discussed the development and selection of the critical accounting policies and the related disclosure included herein with the Audit Committee of the Board of Directors.

RESULTS OF OPERATIONS

The following discussion and analysis provides information which management believes is relevant to an understanding of our consolidated results of operations and financial condition, supplemented with a discussion of segment results. This discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

This discussion presents information that excludes restructuring and impairment expense, amortization of prior years pension losses, and tax adjustments. These financial measures are considered non-GAAP. Generally a non-GAAP financial measure is a numerical measure of a company s performance, financial position, or cash flows where amounts are either excluded or included not in accordance with generally accepted accounting principles. We believe that this information will enhance an overall understanding of our financial performance due to the non-operational nature of the above items and the significant change from period to period. The presentation of non-GAAP information is not meant to be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States.

Unless otherwise noted, references to 2004 and 2003 refer to the thirteen and thirty-nine week periods ended September 26, 2004 and September 28, 2003.

	Thirteen Weeks Ended		***Thirty-nine Weeks Ended***	
	September 26, 2004	***September 28, 2003***	***September 26, 2004***	***September 28, 2003***
Revenue	**$218.7**	$222.1	**$671.3**	$691.2
% Decrease	***-1.5%***	*-12.1%*	***-2.9%***	*-10.3%*
Gross Margin	**78.8**	84.5	**243.9**	262.2
% Revenue	***36.0%***	*38.1%*	***36.3%***	*37.9%*
SG&A and R&D Expense	**68.6**	71.8	**220.9**	222.5
Depreciation & Amortization	**10.4**	10.4	**31.8**	35.3
Asset Impairment	**47.6**	1.3	**48.4**	10.9
Restructuring	**6.5**	3.2	**12.1**	16.2
Loss From Operations	**(54.3)**	(2.2)	**(69.3)**	(22.7)
Interest Expense	**(0.6)**	(0.6)	**(1.9)**	(3.3)
Investment and Other Income	**-**	0.1	**0.1**	0.9
Pretax Loss	**(54.9)**	(2.7)	**(71.0)**	(25.1)
Net Loss	**$ (34.5)**	$ (1.6)	**$ (43.6)**	$ (14.7)
Basic and Diluted Loss per Share	***(1.21)***	*(0.05)*	***(1.53)***	*(0.52)*
Effects to Earnings Per Share				
Restructuring	**$ (0.14)**	$ (0.07)	**$ (0.26)**	$ (0.33)
Impairment	**(1.05)**	(0.03)	**(1.06)**	(0.22)
	(0.10)	(0.04)	**(0.29)**	(0.12)

Amortization of prior pension losses				
Tax adjustment	**-**	-	**0.03**	-
Other	**0.08**	0.09	**0.05**	0.15
Total	**$ (1.21)**	$ (0.05)	**$ (1.53)**	$ (0.52)

Summary

We reported a net loss of $34.5 million, or $1.21 per share, in third quarter 2004 compared with a net loss of $1.6 million, or $0.05 per share, in third quarter 2003. On a year-to-date basis, we reported a net loss of $43.6 million, or $1.53 per share, in 2004 compared with a net loss of $14.7 million, or $0.52 per share, in 2003. Restructuring, asset impairment, and pension loss amortization significantly reduced earnings in both periods. Excluding these items, earnings per share in 2004 declined by $0.01 from the third quarter and $0.10 year-to-date, versus the prior year.

Revenue

Consolidated revenue in the third quarter of 2004 decreased $3.4 million or 1.5% compared with the third quarter of 2003, primarily due to lower pricing. On a year-to-date basis, consolidated revenue decreased $19.9 million or 2.9% compared with 2003. Lower pricing and lower unit volume reduced revenue by 1.8% and 1.1%, respectively.

Operating in the very competitive environment described in the overview, the Document and Label Solutions segment has been impacted by downward pricing pressures and accounted for most of the revenue decreases related to pricing. While the segment experienced growth in products such as pharmacy labels, the new business gained was at lower pricing.

Decreased license revenue in the InSystems segment accounted for the majority of the decrease in overall unit volume. On a year-to-date basis, we also witnessed a decrease in conventional offset printing in our Stanfast centers, but a corresponding increase in digital print on demand. Commercial print increased in both the third quarter and first nine months compared to the prior year. Unit sales in the traditional core business are beginning to stabilize, as indicated by the continuation of a relatively stable revenue pattern established over the preceding four quarters.

Our earnings prospects are heavily dependent on the success of our initiatives to continue to improve the revenue trend. The changes in sales structure, planning tools, and incentives have placed increased focus on penetrating strategic accounts and vertical markets where we have a strong presence and value proposition. Our third quarter revenue is traditionally our lowest of the year as a result of seasonal buying factors, while the fourth quarter is typically our strongest, and we expect that pattern to repeat this year. This view is reinforced by solid increases in our production backlogs during the third quarter

Gross Margin

Gross margin decreased to 36.0% and 36.3% in the third quarter and first nine months of 2004 compared with 38.1% and 37.9% in 2003. Lower revenue from price discounting and a shift in product mix to lower priced products was the primary factor. The impact of lower year-to-date unit volume is being offset by cost savings realized from the recent restructurings, other cost savings initiatives, and a favorable $2.8 million one-time supplier rebate in the first quarter of 2004. Material costs were higher, reflecting paper price increases previously discussed. Despite the challenging price environment, we have raised our target selling prices in response to these cost increases. We cannot guarantee success, but we have generally been successful in the past in recovering industry-wide paper cost increases, although there is normally a lag of several quarters.

SG&A and R&D

Selling, general, and administrative (SG&A) and Research and Development (R&D) expense decreased $3.2 million and $1.6 million compared with third quarter and year-to-date 2003. Pension expense increased $3.1 million and $9.3 million in the third quarter and first nine months of 2004 compared with the comparable periods of 2003. Expenditures associated with the new ExpeData ™ digital pen and paper technology solutions initiative were $1.3 million in the third quarter of 2004 and $4.4 million for the year-to-date period. Excluding these items, third quarter and year-to-date 2004 expense was down $7.6 million and $15.3 million, respectively, primarily as a result of restructuring actions.

Pension benefits are measured using actuarial valuations that are discussed more fully in the MD&A of our annual report on Form 10-K for the year ended December 28, 2003. We expect 2004 pension expense to increase by approximately $14 million over the 2003 amount, before the 2003 settlement charge of $25.2 million. Assumptions and factors that are significantly impacting retirement expense in 2004 include:

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A reduction of the expected long-term rate of return from 9.0% for 2003 to 8.75% for 2004 is expected to increase annual pension expense by approximately $6.0 million.

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Amortization of net losses from prior periods is expected to increase annual pension expense by approximately $10.0 million. The decline in U.S. equity markets in recent years resulted in negative returns on our pension funds in 2001 and 2002; however, actual return on plan assets was approximately 22% in 2003. Differences between actual and expected return on assets are recognized in the pension cost calculation over five years.

Net periodic pension benefit cost includes the following components:

	Thirteen Weeks Ended		*Thirty-nine Weeks Ended*	
	September 26, 2004	*September 28, 2003*	*September 26, 2004*	*September 28, 2003*
Service cost of benefits earned	$ 2.8	$ 3.1	$ 8.5	$ 9.4
Interest cost on projected benefit obligation	6.7	6.8	20.1	20.4
Expected return on plan assets	(8.5)	(9.7)	(25.4)	(28.9)
Amortization of prior service costs	0.3	0.3	0.9	0.9
Curtailment loss	-	0.2	-	0.4
Amortization of net loss from prior periods	4.4	1.9	13.1	5.7
Total	$ 5.7	$ 2.6	$ 17.2	$ 7.9
Income Statement Classification				
Cost of sales	$ 1.4	$ 1.4	$ 4.1	$ 4.4
SG&A and R&D Expense	4.3	1.2	13.1	3.5
Total	$ 5.7	$ 2.6	$ 17.2	$ 7.9

Interest Expense

Interest expense in third quarter 2004 was flat compared to the same period in the prior year. Year-to-date 2004 interest expense was $1.4 million lower than the first nine months of 2003 as a result of lower debt balances and lower interest rates. We have reduced our outstanding debt balance by $85.0 million since September 2003. An interest rate swap that fixed our borrowing rate at an all-in rate of 6.65% for 2002, expired in January 2003, allowing us to take advantage of much lower floating rate debt.

Income Taxes

The overall effective tax rates in third quarter and year-to-date 2004 were 37.3% and 38.6% compared with 42.2% and 41.5% in the comparable periods of 2003. The goodwill impairment charge had an unfavorable effect on the tax benefit for the third quarter due to the portion of goodwill that was not deductible for tax purposes, contributing to an overall lower effective tax rate for the third quarter of 2004.

Restructuring and Impairment

In January 2001, we announced a restructuring and renewal plan (Renewal Plan), designed to establish a solid platform for long-term earnings growth and recover our market value. The Renewal Plan was comprised of four components: restructuring, reorganization, performance improvement, and investments for future growth. In 2001, we completed a major restructuring plan and in the last two fiscal years we have executed additional restructuring actions as part of an on-going effort to realign our resources to improve utilization and profitability.

For a detailed discussion of these restructurings, see the MD&A included in our Annual Report on Form 10-K for the year ended December 28, 2003.

A summary of total restructuring charges recorded in 2004 is as follows:

	Charges Directly to Restructuring Expense	*Charges to Restructuring Accrual*	*Total 2004 Restructuring Expense*
2004 restructuring actions	$ 0.5	$ 9.6	$ 10.1
2003 restructuring actions	0.6	-	0.6
2001 restructuring actions	1.4	-	1.4
Total restructuring expense	$ 2.5	$ 9.6	$ 12.1

Liabilities for costs associated with a restructuring cannot be recorded until the liability is incurred and the fair value can be estimated, except for certain one-time termination benefits. Therefore, certain restructuring costs, primarily sublease payments and the associated taxes, utilities and maintenance costs, and remaining relocation costs will be expensed as incurred through 2006. All costs are included in restructuring charges in the accompanying Consolidated Statements of Income.

2004 Restructuring

In 2004, we initiated several restructuring actions as part of a drive to reduce costs and accelerate growth. We integrated our sales specialist organization with our regional sales organization to improve coordination, resource deployment, and productivity; adjusted our client services model to improve efficiency and performance through better alignment of resources with the sales organization and customer base; and went to a shared service model in various administrative areas to reduce costs and increase focus on key initiatives. We also outsourced part of our information technology operations, including hardware management, help desk support, and telecommunications. As a result, we eliminated a number of positions, including four executive officer positions.

In addition, we restructured our InSystems segment, reducing the workforce and leased office space at its headquarters. InSystems has experienced significant declines in their revenues and margins in recent periods and we elected to reduce costs and refocus attention on InSystems key product lines.

Pre-tax components of the 2004 restructuring charge are as follows:

	Total Costs Expected to be Incurred	*Total Q3 2004 Restructuring Expense*	*Cumulative-To-Date Restructuring Expense*
Severance and employer related costs	$ 9.6	$ 5.0	$ 8.8
Contract lease termination costs	1.9	1.1	1.3
Other exit costs	-	-	0.1
	$ 11.5	$ 6.1	$ 10.2
BY SEGMENT:			
Document and Label Solutions	$ 4.8	$ 1.0	$ 3.6
Fulfillment Services	0.7	0.4	0.7
InSystems	2.8	2.7	2.7
Other	3.2	2.1	3.2
Total	$ 11.5	$ 6.2	$ 10.2

A summary of the 2004 restructuring accrual activity is as follows:

	Charged to Accrual	*Incurred in 2004*	*Reversed in 2004*	*Balance 2004*
Severance and employer related costs	$ 8.4	$ (4.7)	$ (0.1)	$ 3.6
Contract termination costs	1.3	-	(0.1)	1.2
Other	0.1	-	-	0.1
Total	$ 9.8	$ (4.7)	$ (0.2)	$ 4.9

2003 Restructuring

In 2003, we initiated several actions to improve utilization and profitability. We consolidated four printing and service operations within the Fulfillment Services segment to form a regional print-on-demand and fulfillment center in Dallas, Texas. Within the Document and Label Solutions segment, a rotary printing plant was closed to trim excess capacity and several warehouses were consolidated in response to shifting demand in favor of print-on-demand services.

Within the InSystems segment, we determined that certain software development initiatives would not produce an adequate return and elected to stop further investment in those projects. In conjunction with this decision and to further reduce costs, we reduced staffing levels within this segment. We also eliminated management and other positions at its corporate headquarters. Most of these actions were completed by the end of 2003. In an additional cost saving move, we approved the relocation of SMARTworks personnel and support operations, which occurred in the first quarter of 2004.

Pre-tax components of the 2003 restructuring charge are as follows:

	Total Costs Expected to be Incurred	Total Q3 2004 Restructuring Expense	Cumulative-to-Date Restructuring Expense
Severance and employer related costs	$ 11.1	$ (0.1)	$ 11.0
Contract termination costs:			
Lease obligations	3.1	0.1	2.4
Contractual lease obligations for taxes, utilities, and maintenance costs	0.4	-	0.4
Associated costs:			
Travel	0.3	-	0.3
Equipment removal and relocation	2.9	-	2.9
Other exit costs	1.8	0.1	2.0
	$ 19.6	$ 0.1	$ 19.0
BY SEGMENT:			
Document and Label Solutions	$ 11.5	$ -	$ 11.1
Fulfillment Services	5.0	0.1	4.6
InSystems	2.3	(0.1)	2.2
Other	0.8	0.1	1.1
Total	$ 19.6	$ 0.1	$ 19.0

A summary of the 2003 restructuring accrual activity is as follows:

	Charged to Accrual	Incurred in 2003	Reversed in 2003	Balance 2003	Incurred in 2004	Reversed in 2004	Balance 2004
Severance and employer related costs	$ 10.8	$ (9.4)	$ (0.1)	$ 1.3	$ (1.2)	$ (0.1)	$ -
Contract termination costs	2.3	(0.8)	-	1.5	(0.5)	-	1.0
Total	$ 13.1	$ (10.2)	$ (0.1)	$ 2.8	$ (1.7)	$ (0.1)	$ 1.0

2001 Restructuring

Due to the nature of the charges and the duration of the 2001 restructuring program, estimates of the liability for contract exit costs required significant judgment. We have been unable to sublease as many of the facilities as expected or to buyout the leases with as favorable terms as originally anticipated. As a result, the liability for contract exit and termination costs was in excess of the amount originally estimated. Approximately $3.3 million of remaining lease payments will be charged to restructuring expense as incurred through 2006, of which $1.4 million was expensed in the first nine months of 2004.

2004 Impairment

In order to reduce costs, our InSystems segment decided to sell its Roanoke, Virginia facility. The carrying value was adjusted to its fair value less costs to sell, based upon a recent appraisal, resulting in an impairment charge of approximately $0.6 million. We also performed an impairment test on the goodwill related to the InSystems acquisition and recorded an impairment charge of $47.1 million, previously discussed.

In addition, the remaining assets held for sale at December 28, 2003 were sold in 2004, resulting in impairment charges of $0.2 million for the Fulfillment Services segment. The Document and Labels Solutions segment also recorded asset impairment charges for equipment totaling $0.5 million.

2003 Impairment

In conjunction with the 2003 restructuring, assets were either written off or written down to estimated fair value if the asset was to be sold. Due to an oversupply of used production equipment in the marketplace, approximately $3.2 million of assets, primarily machinery & equipment, were determined to have no fair value and were disposed of, resulting in a non-cash impairment charge. Of this amount, $2.2 million related to the Document and Label Solutions segment and $1.0 million related to the Fulfillment Services segment.

The Company also identified certain pieces of equipment and two buildings that were closed that it believed could be sold. The carrying values were adjusted to their fair value less costs to sell, considering recent sales of similar properties, real estate brokers valuations, and offers and bids, resulting in a net impairment charge of $5.7 million. Of this amount, $4.3 million related to the Document and Label Solutions segment and $1.4 million related to the Fulfillment Services segment. The Company discontinued depreciation on these assets in June 2003. All of the assets have been sold or otherwise disposed of.

In addition, the Document and Label Solutions segment recorded an impairment charge of $2.0 million related to forms-designs software that became technologically outdated. The Company is replacing the software used for forms design to one that is more widely used by its customers and is more of an industry standard. Accordingly, the carrying value of the software was written down to its fair value, based upon the fair value of the number of estimated remaining forms to be designed with the software, and its useful life was reduced. The fair value was calculated based upon the weighted average of probable future cash flows of the asset. The effect on annual depreciation expense was not material.

In 2003, PathForward recorded an impairment charge of $1.2 million related to capitalized software development costs recorded with the acquisition of PlanetPrint. The software was used exclusively by one customer; beginning in the fourth quarter of 2003, the use of this software by this customer ceased as a result of a mutual decision by both the Company and the customer. The Company determined there were no alternative uses for this software. The effect on annual amortization expense was not material.

All of the impairment charges are included in Asset Impairments in the accompanying Statement of Income.

2001 Impairment

In conjunction with the 2001 restructuring, management performed a review of its existing property and equipment and determined that certain long-lived assets were impaired. These assets were either written off or written down to estimated fair value if the asset was to be sold. In the second quarter of 2003, the Company sold buildings resulting in a total gain of $1.1 million that was included as a credit to Asset Impairments in the accompanying Consolidated

Statement of Income.

SEGMENT REPORTING

In fiscal 2004, we reclassified certain operating segments included in our reportable segments to reflect the revised organizational structure of our Company. Our three reportable segments continue to be Document and Label Solutions, Fulfillment Services, and InSystems.

SMARTworks, previously a wholly owned subsidiary, was merged and became part of our corporate center. In 2004, we changed our method of allocating certain expenses. Corporate center costs are generally allocated to reportable segments except for certain components of pension expense and new product development costs that are not being allocated in 2004. The document systems group that was previously part of InSystems became part of Document and Label Solutions. Commercial Print, a new operating segment, is aggregated with International and PathForward into Other. Segment profit and loss information for 2003 has been revised from previously reported amounts to reflect the current organizational structure.

The segment discussions that follow include quarterly operating results, excluding LIFO inventory adjustments, interest income, and interest expense not allocated to the business segments.

Document and Label Solutions

This segment provides custom printed documents, storage and distribution services, pressure sensitive labels, hardware, document management software, maintenance and supplies. It primarily serves companies in the healthcare, financial, manufacturing, and distribution markets. This segment s document systems group also focuses on hardware and software solutions for negotiable and secure document output in insurance, banking, healthcare and other markets.

DOCUMENT AND LABEL SOLUTIONS

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2004	September 28, 2003	September 26, 2004	September 28, 2003
Revenue	**$ 152.2**	$ 156.9	**$ 468.9**	$ 486.6
% Change	***-3.0%***	*-12.6%*	***-3.6%***	*-12.5%*
Income (Loss) from Operations *	**$ 6.3**	$ 4.8	**$ 13.0**	$ (1.8)
% Revenue	***4.1%***	*3.0%*	***2.8%***	*-0.4%*
Income from Operations, excluding restructuring and impairment charges	**$ 7.8**	$ 6.5	**$ 17.2**	$ 17.6
% Revenue	***5.1%***	*4.2%*	***3.7%***	*3.6%*
* Operating income (loss) includes the following charges				
Restructuring charges	**$ 1.0**	$ 1.7	**$ 3.7**	$ 10.9
Asset impairment charges	**0.5**	-	**0.5**	8.5

Revenue in this segment decreased in the third quarter and first nine months of 2004 as compared to the same periods in 2003. As previously discussed, pricing pressure in the marketplace remains the primary factor impacting revenue in this segment. Technology inroads continue to reduce demand for some of our traditional products. However, we continue to experience growth in products such as pharmacy labels and are beginning to recognize revenue from the new contracts won under the Broadlane agreement. We continue to believe there are many opportunities for growth in this segment and have undertaken initiatives, including recent changes in our sales organization and incentives. These initiatives are showing signs of increased volume from new business as well as existing accounts.

Excluding restructuring and impairment charges, operating income for the third quarter of 2004 increased $1.3 million compared with third quarter 2003. Year-to-date 2004 operating income, excluding restructuring and impairment charges, decreased slightly compared with 2003. This segment is succeeding in obtaining new contracts and customers; however, some of this new business is at lower gross margins, which is having an impact on operating income. Offsetting the impact of lower pricing are cost savings from the recent restructurings, other cost savings initiatives, and a favorable $2.8 million one-time supplier rebate in the first quarter of 2004 .

Key indicators of future revenue continue to be positive, including solid gains in our production backlogs.

Fulfillment Services

This segment helps our customers communicate effectively with their customers by helping them provide customized information and marketing materials. Examples are monthly billing statements, customized marketing brochures and information kits, and one-to-one marketing communications. This segment also offers short-run, quick print production (print-on demand) services. We focus on outsourcing services that primarily serve large-and middle-market companies in the financial services, healthcare, and membership industries.

FULFILLMENT SERVICES	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2004	September 28, 2003	September 26, 2004	September 28, 2003
Revenue	**$ 57.8**	$ 56.9	**$ 177.2**	$ 176.6
% Change	***1.7%***	*-10.5%*	***0.3%***	*-8.3%*
Income (Loss) from Operations*	**$ 0.6**	$ (1.0)	**$ (1.6)**	$ (8.4)
% Revenue	***1.1%***	*-1.8%*	***-0.9%***	*-4.8%*
Income (Loss) from Operations, excluding restructuring and impairment charges	**$ 1.2**	$ (0.3)	**$ (0.5)**	$ (2.2)
% Revenue	***2.0%***	*-0.5%*	***-0.3%***	*-1.2%*
* Operating income (loss) includes the following charges				
Restructuring charges	**$ 0.5**	$ 0.6	**$ 0.9**	$ 4.0
Asset impairment charges	**-**	0.1	**0.2**	2.2

Revenue in the third quarter and year-to-date period of 2004 increased $0.9 million and $0.6 million compared to the same periods in 2003. Year-to-date growth in digital print on demand (POD) business was offset by lower volume of document outsourcing and traditional short-run offset. This segment s focus remains on growing document outsourcing and digital print on demand revenue.

Operating income in 2004 has improved over 2003, due in large part to improved performance in the third quarter of 2004 resulting from recent restructuring efforts and other cost savings initiatives.

InSystems

Our InSystems segment specializes in complex document and compliance automation for the insurance and financial services industries. Our software solutions allow organizations to automate the creation, management, and multi-channel distribution of customized documents and streamline product development and regulatory filing processes.

INSYSTEMS	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2004	September 28, 2003	September 26, 2004	September 28, 2003
Revenue	**$ 2.6**	$ 4.1	**$ 8.8**	$ 14.3
% Change	***-36.2%***	*-33.0%*	***-38.2%***	
Loss from Operations *	**$ (52.7)**	$ (3.0)	**$ (58.4)**	$ (6.5)
% Revenue		*-72.7%*		*-45.7%*
Loss from Operations, excluding restructuring and impairment charges	**$ (3.0)**	$ (3.0)	**$ (8.2)**	$ (6.5)
% Revenue	***-116.8%***	*-72.7%*	***-92.8%***	*-45.7%*
* Loss from Operations includes the following charges				
Restructuring charges	**$ 2.6**	$ -	**$ 2.6**	$ -
Asset impairment charges	**47.1**	-	**47.6**	-

The revenue decrease in 2004 is primarily due to the continued decrease in license revenue. In the areas of the insurance industry in which InSystems operates, we are still experiencing a slowdown in software spending as customers delay software purchases. The reduction in license revenue has also negatively affected current and future service revenue. Service revenues declined at an accelerated rate in the third quarter as service contract backlog was depleted. During 2003, one of InSystems larger customers was acquired by another company. As a result of this acquisition, revenue from this customer has been largely phased out during 2004. The effect on the third quarter and first nine months of 2004 was a reduction of revenue of approximately $0.7 million and $2.1 million, respectively. While sales cycles remain elongated, the business saw the beginning of a turnaround in the license sales trend with several new license deals in the quarter and a growing pipeline for key core products. The business is now focused on its proven core products where there are solid market opportunities.

During third quarter 2004, InSystems recorded a goodwill impairment charge of $47.1 million and restructuring charges of $2.6 million. Excluding these charges, third quarter 2004 operating income was flat compared with third quarter 2003 while year-to-date income decreased $1.7 million. The lower license revenue, which is at much higher margins than service revenue, had a significant impact on operating income. Recent restructuring actions taken at InSystems were aimed at reducing costs.

Also impacting 2004 operating income is the rapid appreciation of the Canadian dollar versus the U.S. dollar since 2002. Our revenues in this segment are primarily denominated in U.S. dollars and expenses are heavily denominated in Canadian dollars. The appreciation in exchange rates has resulted in an increase in our costs on a U.S. dollar basis. Results in 2003 were largely insulated from this appreciation due to our hedging activities, and the unfavorable impact was most heavily felt in 2004. Exchange rates have generally stabilized, but have not returned to more favorable levels. In response to these circumstances, we implemented a cost reduction initiative early in the second quarter and savings are being realized, as well as the restructuring which should deliver savings in the fourth quarter.

ENVIRONMENTAL MATTERS

We have been named as one of a number of potentially responsible parties at several waste disposal sites, none of which has ever been Company owned. Our policy is to accrue for investigation and remediation at sites where costs are probable and estimable. At this writing, there are no identified environmental liabilities that are expected to have a material adverse effect on our operating results, financial condition, or cash flows.

LIQUIDITY AND CAPITAL RESOURCES

Our discussion will provide information on cash flow, the ending net investment and capital structure balances, and our significant contractual obligations.

A summarized version of the Statements of Cash Flows is presented below, comparing the first nine months of 2004 with 2003.

CASH INFLOW (OUTFLOW)	**September 26, 2004**	**September 28, 2003**
Net Loss plus non-cash adjustments [1]	**$ 40.5**	$ 57.0
Changes in operating assets & liabilities, net of acquisition effects:		
Accounts receivable	**(1.5)**	23.9
Inventories	**(4.2)**	8.1
Prepaid income taxes	**0.3**	3.9
Restructuring spending	**(8.9)**	(14.6)
Accounts payable and accrued expenses	**0.7**	(8.7)
Pension and postretirement obligations	**(11.2)**	(21.3)
All other	**(0.6)**	(2.5)
Net cash provided by operating activities	**15.1**	45.8
Capital expenditures	**(16.1)**	(14.4)
Proceeds from sale of plant and equipment	**1.6**	4.0
Acquisitions	**(1.5)**	-
Additions to investments	**(0.1)**	(0.3)
Net cash used for investing activities	**(16.1)**	(10.7)
Debt payments	**(40.0)**	(77.6)
Dividends paid	**(19.7)**	(19.6)
Purchase of treasury stock	**-**	-
Proceeds from issuance of common stock	**0.9**	1.4
Net cash used for financing activities	**(58.8)**	(95.8)
Effect of exchange rates on cash	**0.2**	0.9

Net change in cash and cash equivalents	**$**	**(59.6)**	$	(59.8)

[1] Non-cash adjustments included above include depreciation, amortization, asset impairments, restructuring, gain or loss on sale of assets, and other items reported on the Consolidated Statement of Cash Flows under the category Adjustments to reconcile net loss to net cash (used in) provided by operating activities.

As indicated above, the total of cash and cash equivalents decreased by $59.8 million and $59.6 million during the first nine months of 2003 and 2004. In each of these periods, a significant amount of debt was repaid; $77.6 million in 2003 and $40.0 million in 2004. Net cash flow excluding debt repayments was a positive $17.8 million in 2003 and a negative $19.6 million in 2004. The following discussion relates to the 2004 cash flow.

Cash Flow from Operating Activities

The $15.1 million in cash from operations was after pension funding of $10 million and restructuring spending for severance and other contract termination costs of $8.9 million. We do not plan to make additional pension contributions during the balance of the year, but will incur additional restructuring payments in the fourth quarter.

Quarterly revenue has been relatively stable over the past several quarters and the working capital balance edged higher during the year, primarily as a result of an increase in custom finished inventory awaiting shipment to customers.

Cash Flows From Investing Activities

Capital expenditures totaled $16.1 million thus far in 2004, up slightly from last year. We expect our capital spending to be $22-$25 million for the year and plan a modest increase in the quarterly rate for 2005, reflecting increased outlays for digital printing equipment and the addition of improved system capabilities aimed at improving customer service and internal productively.

We received $1.6 million from the sale of assets idled in past restructurings and made a $1.5 million acquisition as part of our new digital pen and paper development initiative.

Cash Flows From Financing Activities

As indicated above, we paid down $40 million of debt under our revolving credit facility agreement. In addition, we have paid a $0.23 per share dividend in each of the quarters of this year, totaling $19.7 million.

We continue to focus on achieving positive cash flow. Cash flow was a positive $6.8 million in the third quarter of 2004, measured as a decrease in the balance of net debt (total debt less cash and cash equivalents). Over the past four quarters, excluding spending and asset sales related to restructuring actions, we have generated $2.5 million of net positive cash flow after satisfying expenditures for $10 million in pension funding, $20.0 million in capital spending, $26.4 million in dividends, and the small acquisition discussed above.

Net Investment and Capital Structure

NET INVESTMENT	**September 26, 2004**	**December 28, 2003**
Accounts and Notes Receivable	**$ 127.5**	$ 125.9
Inventories	**53.9**	49.8
Prepaid Expense	**11.5**	11.3
Prepaid Income Taxes	**1.0**	2.2
Deferred Income Taxes	**20.4**	19.3
Accounts Payable & Accruals	**(91.3)**	(97.0)
Accrued Restructuring	**(6.0)**	(2.8)
Net Current Assets Excl Cash and Debt	**117.0**	108.7
*Turnover **	*7.5x*	*8.3x*
Capital Assets @ NBV	**150.5**	165.5
YTD Capital Expenditures	***(16.1)***	*(18.3)*
YTD Depreciation	***31.8***	*41.0*
Goodwill, Software & Intangibles	**20.5**	68.6
Retiree Healthcare Liability	**(48.2)**	(49.8)
Pension Liability	**(95.6)**	(89.6)
Long-term Deferred Tax Asset	**98.8**	72.7
Other Long-term Net Assets	**19.3**	20.5
Total	**$ 262.3**	$ 296.6
CAPITAL STRUCTURE		
Total Debt	**$ 85.0**	$ 125.0
Less Cash and Cash Equivalents	**17.4**	77.0
Net Debt	**67.6**	48.0
Equity	**194.7**	248.6
Total	**$ 262.3**	$ 296.6
Net Debt: Total Capital	***25.8%***	*16.2%*

* The turnover calculation divides the quarter s revenue times four by the ending balance of net current assets. The turnover of net current assets was 7.5x at September 26, 2004 compared to 8.3x at December 28, 2003. This decrease in turnover reflects the changes in working capital previously discussed.

The net book value (NBV) of capital assets decreased $15.0 million as expenditures continued to lag behind depreciation. The balance is expected to decrease further in the remainder of 2004 as an estimated $39 million in depreciation will once again exceed capital spending, currently estimated at $20 to $25 million.

Total bank debt at September 26, 2004 was $85 million with a net debt to total capital ratio of 25.8%. At September 26, 2004, we had a $150 million unsecured revolving credit facility agreement with ten banks. The agreement, which matures in May 2005, provided for a four-year commitment of up to $150 million. The credit facility incurs interest at a floating rate of the London Interbank Offered Rate (LIBOR) plus a spread dependent upon our net debt to total capital ratio. The credit facility also contains financial covenants that require us to maintain, among other things, a minimum coverage of interest expense.

The $85 million of debt is classified as a current liability in the accompanying consolidated balance sheet. We anticipate renegotiating the revolving credit facility in fourth quarter 2004 or early 2005.

Contractual Obligations

There have been no material changes in our contractual obligations since year-end 2003 outside the normal course of business.

Our near-term cash requirements are primarily related to funding our operations and capital expenditures. The remaining cash requirements of our restructuring programs are approximately \$8.6 million, primarily for severance and lease obligations. We expect to pay this amount over several years, including approximately \$4.3 million during the remainder of 2004. The \$8.6 million does not include any cash requirements related to additional restructuring actions that may be taken in 2004. The remaining cash requirements for lease obligations do not include expected sublease rental income. If we are able to sublease the facilities, our cash requirements under the restructuring plans would decrease. We do not have mandatory pension funding requirements in 2004, although we made voluntary contributions to our defined benefit pension plan in the first nine months of 2004 of \$10 million. We do not expect to make any additional contributions in 2004. Our expected cash requirements for our postretirement healthcare benefit plan are approximately \$4.0 million for 2004.

We believe that the combination of internally generated funds, available cash reserves, and available credit will be sufficient to fund our operations, including capital expenditures, dividends, remaining restructuring costs, and investments in growth initiatives over the next year.

THE STANDARD REGISTER COMPANY

FORM 10-Q

For the Quarter Ended September 26, 2004

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to interest rate risk on its borrowings under a revolving credit facility and the Company s short-term investments, as outlined in the 2003 Form 10K. The Company is also exposed to market risk from changes in the cost of paper, the principal raw material used in the production of business forms. There have been no material changes in the Company s exposure to these items since the Company s disclosure in Item 7A, Part II of Form 10-K for the year ended December 28, 2003.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures over financial reporting that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e)). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective. Subsequent to the date of this evaluation, there have been no significant changes in our internal controls or in other factors that could significantly affect these controls, and no corrective actions taken with regard to significant deficiencies or material weaknesses in such controls.

35

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material legal proceedings within the reporting period that the Company has been involved with beyond those conducted in a normal course of business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6 - EXHIBITS

Exhibit # Description

2

Plan of acquisition, reorganization, arrangement

liquidation or succession

Not applicable

3

Articles of incorporation and bylaws

Not applicable

4

Instruments defining the rights of security

Not applicable

10

Material contracts

Not applicable

11

Statement re: computation of per share earnings

Not applicable

15

Letter re: unaudited interim financial information

Not applicable

18

Letter re: change in accounting principles

Not applicable

19

Report furnished to security holders

Not applicable

22

Published reports regarding matters submitted

to vote of security holders

Not applicable

23.1

Consent of Independent Auditor

Included

24

Power of attorney

Not applicable

31.1

Certification of Chief Executive Officer pursuant to

Section 302 of the Sarbanes-Oxley Act of 2002

Included

31.2

Certification of Chief Financial Officer pursuant to

Section 302 of the Sarbanes-Oxley Act of 2002

Included

32

Certifications pursuant to 18 U.S.C Section 1350, as adopted

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Included

1.1

Review report of Independent Auditor

Included

THE STANDARD REGISTER COMPANY

FORM 10-Q

For the Quarter Ended September 26, 2004

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 1, 2004

/S/ Craig J. Brown	By Craig J. Brown, Sr. Vice President, Treasurer Chief Financial Officer, and Chief Accounting Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dennis L. Rediker, certify that:

1.

I have reviewed this quarterly report on Form 10-Q of The Standard Register Company;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

c)

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d)

Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5.

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a)

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2004

/s/ DENNIS L. REDIKER

Dennis L. Rediker

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Craig J. Brown, certify that:

1.

I have reviewed this quarterly report on Form 10-Q of The Standard Register Company;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

c)

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d)

Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting;

and

5.

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a)

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2004

/s/ CRAIG J. BROWN

Craig J. Brown

Senior Vice President, Treasurer and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Standard Register Company (the Company) on Form 10-Q for the period ending September 26, 2004, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Dennis L. Rediker, President and Chief Executive Officer, and I, Craig J. Brown, Senior Vice President, Treasurer and Chief Financial Officer, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(1)

the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)

the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2004

/s/DENNIS L. REDIKER

Dennis L. Rediker

President and Chief Executive Officer

/s/ CRAIG J. BROWN

Craig J. Brown

Senior Vice President, Treasurer and

Chief Financial Officer

40