BOWNE & CO INC
Form 10-K
March 14, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006,

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 1-5842

Bowne & Co., Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**13-2618477**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

55 Water Street New York, New York	**10041**
(Address of principal executive offices)	*(Zip code)*

(212) 924-5500
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, Par Value $.01	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes þ No o

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes o No þ

The aggregate market value of the Common Stock issued and outstanding and held by non-affiliates of the registrant as of March 1, 2007, based upon the closing price for the Common Stock on the New York Stock Exchange on June 30, 2006, was $379,870,973. For purposes of the foregoing calculation, the registrant s 401(K) Savings Plan and its Global Employees Stock Purchase Plan are deemed to be affiliates of the registrant.

The registrant had 28,034,534 shares of Common Stock outstanding as of March 1, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the documents of the registrant listed below have been incorporated by reference into the indicated parts of this Annual Report on Form 10-K:

Notice of Annual Meeting of Stockholders and Proxy Statement anticipated to be dated April 10, 2007. Part III, Items 10-12

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PART I

Item 1. *Business*

Bowne & Co., Inc. (Bowne and its subsidiaries are hereinafter collectively referred to as Bowne , the Company , We or Our unless otherwise noted), established in 1775, is the world s largest financial printer and a global leader in providing services that help companies produce and manage their investor communications and their marketing and business communications including but not limited to regulatory and compliance documents, personalized financial statements, enrollment books and sales and marketing collateral. Our services span the entire document lifecycle and involve both electronic and printed media: we help our clients typeset their documents, manage the content and finalize the documents, translate the documents when necessary, prepare the documents for filing, personalize the documents, and print and distribute the documents, both through the mail and electronically. The Company s operations are classified into the following reportable business segments: Financial Communications and Marketing & Business Communications. The services of each of the Company s segments are described further below:

Financial Communications Formerly referred to as Bowne Financial Print, Bowne s Financial Communications segment offers a comprehensive array of services to create, manage, translate and distribute transactional and compliance-related documents. Bowne provides these services to its clients in connection with capital market and corporate transactions, such as equity and debt issuances and mergers and acquisitions, which the Company calls transactional financial printing . Bowne also provides these services to public corporations in connection with their compliance obligations to produce and deliver periodic and other reports under applicable laws and regulations, which the Company calls compliance reporting. Bowne provides services to investment management clients in connection with their compliance obligations, as well as services in connection with general commercial and other printing needs.

Overall, the Financial Communications segment generated revenue of approximately $704.4 million in 2006 and $625.1 million in 2005, representing approximately 85% and 94% of total Company revenue, respectively. The largest class of service in this segment, transactional financial printing, accounted for approximately $293.8 million, or 35%, of total 2006 Company revenue. The Company s Financial Communications segment generated segment profit of approximately $102.1 million and $87.6 million in 2006 and 2005, respectively. The Company s segment profit is measured as gross margin (revenue less cost of revenue) less selling and administrative expenses.

Marketing & Business Communications (MBC) Bowne s digital print and personalized communications segment provides a portfolio of services to create, manage and distribute personalized communications, including financial statements, enrollment kits and sales and marketing collateral. Bowne provides these services primarily to the financial services, commercial banking, healthcare, insurance, gaming, and travel and leisure industries to support their document-based, variable communications processes. In January 2006, the Company completed the acquisition of the Marketing and Business Communications division of Vestcom International, Inc. That division was a leading provider of marketing and business communications services, including data mining, print-on-demand, web-to-print, and specialized marketing services to the financial services, commercial banking, healthcare, insurance, gaming, and travel and leisure industries. The division has been integrated with Bowne s similar digital print and personalized communications business. This segment generated revenue of approximately $127.8 million in 2006, and $41.8 million in 2005, representing approximately 15% and 6% of Bowne s total revenue for 2006 and 2005, respectively. The results for 2005 do not include the results of the Marketing and Business Communications division of Vestcom International, Inc. Pro forma 2005 segment revenue including the acquisition would have been approximately $120 million. This segment reported a segment loss of $0.6 million in 2006. The Bowne operations in this segment experienced a segment loss of approximately $7.1 million in 2005.

During 2006, the Company sold its DecisionQuest® business and determined that it intends to sell its JFS Litigators Notebook® (JFS) business. These businesses along with DecisionQuest Discovery Services, the Company s document scanning and coding business, which was sold in January 2006, were the components of the Company s litigation solutions business. As a result of these actions, effective with the second quarter of 2006 the

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litigation solutions business is no longer presented as a separate reportable segment of the Company and the results of operations for these businesses are classified as discontinued operations. All prior period information has been reclassified to reflect this presentation.

During the fourth quarter of 2006, the Company changed the way it reports and evaluates segment information. The Company had previously reported the costs associated with administrative, legal, finance and other support services which are not directly attributable to the segments in the category Corporate/Other . The Company now also includes in the Corporate/Other category certain other expenses (such as stock-based compensation and supplemental retirement plan expenses) that had previously been allocated to the individual operating segments. This change in presentation more accurately reflects the way management evaluates the operating performance of its segments. The Company s previous years segment information has been restated to conform to the current year s presentation.

Further information regarding segment revenue, operating results, identifiable assets and capital spending attributable to the Company s operations for the calendar years 2006, 2005 and 2004, as well as a reconciliation of segment profit to pre-tax income (loss) from continuing operations, are shown in Note 19 of the Notes to the Consolidated Financial Statements.

Industry Overview

The printing industry is highly fragmented, with hundreds of independent printers that provide a full range of traditional printing services. However, specific to transactional and compliance reporting, there are three primary companies, including Bowne, and regional financial printers that participate in a material way. Transactional financial printing volume tends to be cyclical with the capital markets for new debt and equity issuances and public mergers and acquisitions activity. Compliance reporting volume is less sensitive to capital market changes and represents a recurring periodic activity, with seasonality linked to significant filing deadlines imposed by law on public reporting companies and mutual funds. Volume is also impacted by changing regulatory and corporate disclosure requirements.

The digital print-on-demand industry is currently fragmented with a number of active participants providing a wide range of services. The primary competitors provide end-to-end, digital on-demand service ranging from message design services, to technical solutions design and implementation, to printing and distribution via mail or on-line delivery. The Company competes in this industry through MBC. MBC is focused on providing the full range of services required to support clients with data integration, document creation, production, distribution and management solutions that address the growing variable personalized communications needs of many industries. Companies are increasingly looking to digital, variable, data-driven solutions to help streamline their communications and increase their competitive edge. For example, a firm s ability to create relevant, engaging, and targeted communications to both customers and prospective customers can help increase customer retention and sales, as well as protect brand integrity. The depth of experience at MBC in digital variable document production coupled with the technologies that provide clients with an end-to-end solution for business and marketing communications, supported by Bowne s reputation for quality, integrity, and overall print experience in a number of industries, uniquely position Bowne in this emerging marketplace.

The Company

Financial Communications

The Company s transactional financial printing includes registration statements, prospectuses, bankruptcy solicitation materials, special proxy statements, offering circulars, tender offer materials and other documents related to corporate financings, acquisitions and mergers. The Company s compliance reporting includes annual and interim reports, regular proxy materials and other periodic reports that public companies are required to file with the Securities and

Exchange Commission (SEC) or other regulatory bodies around the world. Bowne Financial Communications is also a leading filing agent for EDGAR, the SEC s electronic filing system. The Company provides both full-service and self-service filing, the latter through Internet-based filing products: BowneFile16®, 8-K Express™, and 6-K Express™. In 2006, the Company expanded its compliance service offerings to include Pure Compliance™, an EDGAR-only filing service that offers clients a balance of fixed pricing,

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rapid turnaround, and high quality HTML output to meet their regulatory filing requirements. Mutual fund printing includes regulatory and shareholder communications such as annual or interim reports, prospectuses, information statements and marketing-related documents. Bowne Financial Communications also provides some commercial printing, which consists of annual reports, sales and marketing literature, point of purchase materials, research reports, newsletters and other custom-printed matter. The Company also provides language translation services in connection with its financial communications operations. Over the past few years, Bowne has expanded its financial communications capabilities within all phases of the document life-cycle, including electronic receipt and dissemination of client documents, composition, content management, conversion, translation, assembly, packaging, output, delivery, and archiving. The Company also offers a hosted on-line data room capability, a secure and convenient means for clients to permit due diligence of documents in connection with securities, mergers and acquisitions and other corporate transactions. This service offering was recently expanded through an alliance with BMC Group Inc., a leading information management and technology service provider to corporate, legal and financial professionals.

The Company s international financial communications business provides similar services as those delivered by its domestic operations. International capabilities are delivered primarily by the Company or in some areas through strategic relationships.

Historically, transactional financial printing has been the largest contributor to the Company s total revenue. However, this line of business is cyclical with the financial markets and experienced a marked downturn from 2001 through 2003. In response, the Company reduced fixed costs and increased the flexibility of its Financial Communications segment to respond to market fluctuations. The Company has reorganized its regional operations and closed or consolidated eleven of its U.S. offices and facilities. While the Company maintains its own printing capabilities, Bowne also outsources some printing needs to independent printers, especially during times of peak demand. This outsourcing allows the Company to preserve flexibility while reducing its staffing, maintenance and operating expense of underutilized facilities, and is in line with industry practice. The Company also has arrangements with companies in India to perform some of its composition processing and related functions. Importantly, in preceding years the Company invested significantly in new technologies that it now leverages to perform the same volume of high-quality service for its clients despite the reductions in its workforce. This has allowed the Company to permanently reduce its fixed and direct labor costs. As a result of the flexibility Bowne has achieved in the last few years, the Company expects that its cost savings will be long-term and that it will not need to replace most personnel or otherwise incur such costs as the business expands.

The Company believes that its technology investments have produced one of the most flexible and efficient composition, printing and distribution systems in the industry, for example:

In 2006, the Company completed the implementation of its newest proprietary composition system, ACE (Advanced Composition Engine). The Company believes that ACE will significantly improve productivity, accuracy and page turnaround, and substantially shorten training cycles, giving the Company greater flexibility and responsiveness to its clients.

Advances in technology have permitted Bowne to centralize the majority of its composition operations into six Centers of Excellence , to reduce its composition workforce and to outsource the more routine and less critical composition work at a lower cost than performing it in-house.

The Company also developed BowneFax^{tm} to replace its standard fax machines. While a standard fax machine simply transmits a page from one location to another, BowneFax^{tm} creates a digital file at high resolution and speeds and facilitates work-sharing. In terms of speed, BowneFax^{tm} shortens turnaround time because pages are read and processed five to ten times faster than standard faxes. In terms of service, BowneFax^{tm} reduces the

time the Company and its clients need to clarify unclear copy changes and significantly enhances accuracy through reduction of editing errors and page tracking.

Bowne was recognized by InfoWorld magazine in 2005 for its pioneering role in XBRL-based solutions and for being the first company to file earnings information through the SEC s voluntary pilot program to test this new data tagging technology. Bowne continues to participate in the SEC s voluntary filing program. During 2006, the Company formed a strategic relationship with Rivet® Software to provide SEC filing

companies with a complete interactive data solution, including the creation, management, submission and analysis of XBRL documents, related consulting services, and software support and maintenance.

XMark^{tm}, another of the Company s proprietary technologies, takes input from clients in a variety of formats and allows conversion personnel to produce near-perfect conversions in a single cycle, standardizes the document format, and then produces output in a variety of formats. In terms of speed, XMark^{tm} reduces data conversion and composition production time in the range of 50 to 90 percent.

E2 Express^{tm}, a proprietary technology using XMark^{tm} as the underlying component, streamlines the process of converting Microsoft® Word, Excel, and PowerPoint files to standardized SEC compliant HTML. By standardizing the style elements of typical SEC compliance documents such as 8-Ks and 10-Qs, a significant amount of automation has been added to the conversion process. E2 Express reduces the conversion time by approximately 30 percent and additional improvements are expected in 2007.

Based upon technology acquired from PLUM Computer Consulting Inc. during 2006, the Company announced the launch of a content management system, FundAlign^{tm}, that provides mutual fund and investment management firms with the means to collaborate throughout the process of creating, composing and distributing critical communications such as prospectuses and shareholder reports. The system combines a Microsoft® interface with a network of composing systems.

Bowne was named to the 2006 Information Week 500, the annual ranking of the nation s most innovative Information Technology companies. Bowne placed 20th in the Business and Consulting Category. Bowne was recognized for investments in innovative technology infrastructure such as ACE, and its client facilities with an advanced telecommunications and information technology infrastructure and state-of-the-art amenities.

In January 2007, the Company completed the acquisition of St Ives Financial, the financial print division of St Ives plc, for $8.2 million in cash. St Ives Financial s operations joins Bowne s existing network of 60 worldwide facilities. Through a strategic alliance with St Ives plc, a worldwide printing and media group, Bowne will have exclusive access to St Ives printing capabilities for capital market and mutual fund financial print in the United Kingdom.

The acquisition is expected to add approximately $30 million to $34 million in revenue in 2007. It also expands Bowne s position in the Public Limited Company (PLC) market and the European investment management marketplace, where St Ives Financial had a well-established reputation among significant blue-chip clients. The transaction also gives Bowne an immediate presence in Luxembourg and greatly expands the Company s presence in Philadelphia, an important domestic market.

Marketing & Business Communication

The digital, print-on-demand services offered by the Company through MBC use advanced database technology, coupled with high-speed digital printing, to help clients reach their customers with more targeted levels of customized and personalized communications. Using a model that begins with extensive consultation to ascertain clients communications challenges, MBC delivers quality technology-based applications that integrate document creation, content management and distribution methods, and digital printing and electronic delivery.

MBC has developed unique technology solutions that provide the framework to customize each document to meet a client s unique needs, while maintaining the controls and standards to ensure each personalized communication produced and delivered on our client s behalf is consistently accurate and of the highest quality, from creation to delivery.

Clients are provided with web-based tools to edit and manage their document content repository and order documents for delivery, with an electronic library of the client s documents that can be edited in real-time by the client s sales, marketing, legal and other authorized users.

Extensive business logic provides for automated customization and personalization of each document based on an individual client s needs.

Production and distribution methods are flexible to match the needs of our clients with a mix of capabilities for digital print and electronic delivery that can be managed at the document level.

Automated controls incorporated throughout the system, using barcode technology, provide for speed, quality, and audit capabilities for a unique document to be tracked anywhere in the system.

MBC s services help clients create, manage and distribute important information, such as statements, trade confirmations, welcome and enrollment kits, sales kits and marketing collateral. With the ability to provide personalized and targeted communications, rather than the conventionally printed generic information, clients are able to achieve higher returns on their marketing dollars and reduce waste. Because of the extensive integration of systems between MBC and its clients, these services tend to involve longer-term relationships. The primary clients for these services include mutual funds, stock brokerage firms, defined contribution providers, investment banks, insurance companies, commercial banks, healthcare providers, and educational services. The acquisition of Vestcom s Marketing and Business Communications division expands Bowne s portfolio of services to include data mining and content management, and allows the Company to expand in their current market segments and diversify into new industries, such as gaming and travel and leisure.

Other Information

For each of the last three fiscal years, the Company s Financial Communications segment has accounted for the largest share of consolidated total revenue, as shown below:

	Years Ended December 31,		
Type of Service	**2006**	**2005**	**2004**
Transactional financial printing	35%	37%	43%
Compliance reporting	22	25	23
Mutual fund printing	18	23	20
Commercial printing	8	7	6
Other	2	2	2
Financial Communications	85	94	94
Marketing & Business Communications	15	6	6
	100%	100%	100%

The Company has facilities to serve customers throughout the United States, Canada, Europe, Central America, South America and Asia.

Although investment in equipment and facilities is required, the Company s business is principally service-oriented. In all of our activities, speed, accuracy, and the need to preserve the confidentiality of the customers information is paramount.

The Company maintains conference rooms and telecommunications capabilities at all of its financial communications offices for use by clients while transactions are in progress. On-site customer service professionals work with our

clients, which promotes speed and ease of editorial changes and otherwise facilitates the completion of our clients documents. In addition, the Company uses an extensive electronic communications network, which facilitates data handling and makes collaboration practicable among clients at different sites.

The Company was established in 1775, incorporated in 1909, reincorporated in 1968 in the State of New York, and reincorporated again in 1998 in Delaware. The Company s corporate offices are located at 55 Water Street, New York, NY 10041, telephone (212) 924-5500. The Company s website is www.bowne.com. Our website contains electronic copies of Bowne news releases and U.S. Securities and Exchange Commission filings, as well as descriptions of Bowne s corporate governance structure, products and services, and other information about the Company. This information is available free of charge. References to the Company s website address do not constitute incorporation by reference of the information contained on the website, and the information contained on the website is not part of this document.

Competition

The Company believes that it offers a unique array of services and solutions for its clients. However, competition in the various individual services described above is intense. Factors in this competition include not only the speed and accuracy with which the Company can meet customer needs, but also the price of the services, quality of the product and supporting services.

In transactional financial, compliance reporting and mutual fund printing, the Company competes primarily with two global competitors and regional financial printers having similar degrees of specialization. Some of those financial printers operate at multiple locations and some are subsidiaries or divisions of companies having greater financial resources than those of the Company. Based upon the most recently available published information, the Company is the largest in terms of sales volume in the financial printing market. In addition to its customer base, the Company has experienced competition for sales, customer service and production personnel in financial printing.

In commercial printing, the Company competes with general commercial printers, which are far more numerous than those in the financial printing market.

The MBC segment faces diverse competition from a variety of companies including other printers, in-house print operations, direct marketing agencies, facilities management companies, software providers and other consultants.

Cyclical, Seasonal and Other Factors Affecting the Company s Business

The Company s transactional financial printing service is affected by conditions in the world s capital markets. Revenue and net income depend upon the volume of public financings, particularly equity offerings, as well as merger and acquisitions activity. Activity in the capital markets is influenced by corporate funding needs, stock market fluctuations, prevailing interest rates, and general economic and political conditions.

Revenue derived from compliance reporting is seasonal, with the greatest number of proxy statements and regulatory reports required during the Company s first fiscal quarter ending March 31 and the early part of the Company s second quarter ending June 30. Because of these cyclical and seasonal factors, coupled with the general need to complete certain printing jobs quickly after delivery of copy by the customers, the Company must maintain physical plant and customer service staff sufficient to meet peak work loads. However, mutual fund, commercial and digital printing are not considered to be as cyclical as transactional financial printing.

The MBC segment revenue from the insurance industry related to statutory reporting is seasonal since most of this business occurs during the first quarter of the year.

Research and Development

The Company evaluates, on an ongoing basis, advances in computer software, hardware and peripherals, computer networking, telecommunications systems and Internet-related technologies as they relate to the Company s business and to the development and installation of enhancements to the Company s proprietary systems.

The Company utilizes a computerized composition and telecommunications system in the process of preparing financial communication documents. The Company continues to research and develop its digital print technology, enhancing the services as there are advances in software, hardware, and other related technologies.

As the oldest and largest financial printer in the world, our extensive experience allows us to proactively identify our clients needs. Bowne understands the ever-changing aspect of technology in our business, and continues to be on the cutting edge in researching, developing and implementing technological breakthroughs to better serve our clients. Capital investments are made as needed, and technology and equipment is updated as necessary.

Bowne works with industry-leading hardware and software vendors to support the technology infrastructure. Various software tools and programming languages are used within the technical development environment.

Bowne invests in the latest technologies and equipment to constantly improve services and remain on the leading edge. With a technology team comprised of over 200 professionals (in solutions management, application development and technology operations departments), Bowne is constantly engaged in numerous and valuable systems enhancements.

Bowne has established document management capacity that can be flexed with customer demand. Technology played a key role in achieving this strategy through the extension of the composition network with vendors in India. This allows the Company to outsource EDGAR conversions and composition work as needed.

The Company strives to ensure the confidentiality, integrity and availability of our clients data. We developed a secure mechanism that, through software logic, secure gateways, and firewalls provides a system that is designed for security and reliability with substantial disaster-recovery capability for our clients.

Patents and Other Rights

The Company has no significant patents, licenses, franchises, concessions or similar rights other than certain trademarks. Except for a proprietary computer composition and telecommunication system, the Company does not have significant specialized machinery, facilities or contracts which are unavailable to other firms providing the same or similar services to customers. The Company and its affiliates utilize many trademarks and service marks worldwide, most of which are registered or pending registration. The most significant of these is the trademark and trade name Bowne®. The Company also uses the following service marks: ExpressStart℠ and QuickPath℠, and trademarks: BowneFax™, BowneFile16®, BowneLink®, Deal Room Express™, 8-K Express™, 6-K Express™, FundSmith®, JFS Litigator s Notebook®, SecuritiesConnect®, XMark™, E2 Express™, Bowne Virtual Dataroom™, FundAlign™, Smart Apps™, Smart Forum™, SmartEdgar™, SmartProof™, Pure Compliance™, and BowneImpressions™.

Sales and Marketing

The Company employs approximately 230 sales and marketing personnel. In addition to soliciting business from existing and prospective customers by building relationships and delivering customized solutions, the sales personnel act as a liaison between the customer and the Company s customer service operations. They also provide advice and assistance to customers. The Company periodically advertises in trade publications and other media, and conducts sales promotions by mail, by presentations at seminars and trade shows and by direct delivery of marketing collateral material to customers.

Customers and Backlog of Orders

The Company s customers include a wide variety of corporations, law firms, investment banks, insurance companies, bond dealers, mutual funds and other financial institutions.

During the fiscal year ended December 31, 2006, no single customer accounted for 10% or more of the Company s sales. The Company has no backlog, within the common meaning of that term, which is normal throughout the service offerings in which the Company is focused. However, within its Financial Communications segment, the Company maintains a backlog of customers preparing for financial offerings. This backlog is greatly affected by capital market activity.

Employees

At December 31, 2006, the Company had approximately 3,200 full-time employees. Relations with the Company s employees are considered to be excellent. Approximately one percent of the Company s employees are members of various unions covered by collective bargaining agreements. The Company provides pension, 401(k), profit-sharing, certain insurance and other benefits to most non-union employees.

Suppliers

The Company purchases or leases various materials and services from a number of suppliers, of which the most important items are paper, computer hardware, copiers, software and peripherals, communication equipment and services, and electrical energy. The Company purchases paper from paper mills and paper merchants. The Company has experienced no difficulty to date in obtaining an adequate supply of these materials and services. Alternate sources of supply are presently available.

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International Sales

The Company conducts operations in Canada, Europe, Central America, South America and Asia. In addition, the Company has affiliations with firms providing similar services abroad. Revenues derived from foreign countries other than Canada were approximately 11% of the Company s total revenues in 2006, and 9% in each of 2005 and 2004. During 2006, 2005 and 2004, revenues derived from foreign countries other than Canada totaled $93 million, $62 million and $57 million, respectively, which were all generated from the Financial Communications segment. Canadian revenues were approximately 11%, 10% and 9% of the Company s total sales in 2006, 2005 and 2004, respectively. During 2006, 2005 and 2004, revenues derived from Canada totaled $89 million, $68 million, and $55 million, respectively.

Item 1A. *Risk Factors*

The Company s consolidated results of operations, financial condition and cash flows can be adversely affected by various risks. These risks include, but are not limited to, the principal factors listed below and the other matters set forth in this annual report on Form 10-K. You should carefully consider all of these risks.

Our strategy to increase revenue through enhancement and streamlining our operations and acquiring businesses that complement our existing businesses may not be successful, which could adversely affect results and may negatively affect earnings.

Approximately 35% of our revenue is derived from transactional financial printing services, which are dependent upon the transactional capital markets. We are pursuing strategies designed to improve our transactional financial print product and service offerings, streamline operations and reduce costs and grow our non-transactional businesses, including compliance reporting, mutual fund reporting and our digital and personalization business. At the same time we are pursuing a strategy of acquisitions of complementary products and service offerings. For example, in January 2007, the Company completed the acquisition of St Ives Financial, the financial print division of St Ives plc. We also believe that pursing complementary acquisition opportunities will lead to more stable and diverse recurring revenue. This strategy has many risks, including the following:

- the pace of technological changes affecting our business segments and our clients needs could accelerate, and our products and services could become obsolete before we have recovered the cost of developing them or obtained the desired return on our investment; and

- product innovations and effectively serving our clients requires a large investment in personnel and training. The market for sales and technical staff is competitive, and we may not be able to attract and retain a sufficient number of qualified personnel.

If we are unsuccessful in continuing to enhance our products and services and acquire products and services, we will continue to be subject to the sometimes volatile swings in the capital markets that directly impact the demand for transactional financial printing services. Furthermore, if we are unable to provide value-added services in areas of document management other than traditional composition and printing, our results may be adversely affected if an increasing number of clients handle this process in-house, to the extent that new technologies allow this process to be conducted internally. We believe that if we are not successful in achieving our strategic objectives within transactional financial printing, growth of our other businesses and acquiring complementary product and service offerings, we may experience decreases in profitability and volume. If this decline in profitability were to continue, without offsetting increases in revenues from other products and services, our business and results of operations would be materially and adversely affected.

Revenue from printed financial documents is subject to regulatory changes and volatility in demand, which could adversely affect our operating results.

We anticipate that our Financial Communications business segment will continue to contribute a material amount to our operating results. The financial communications business contributed 85% and 94% of total revenue during 2006 and 2005, respectively. The market for these services depends in part on the demand for printed financial documents, which is driven largely by capital markets activity and the requirements of the SEC and other regulatory bodies. Any rulemaking substantially affecting the content of documents to be filed and the method of their delivery could have an adverse effect on our business. In addition, evolving market practices in light of

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regulatory developments, such as postings of documents on Internet web pages and electronic delivery of offering documents, may adversely affect the demand for printed financial documents and reports.

Recent regulatory developments in the United States and abroad have sought to change the method of dissemination of financial documents to investors and shareholders through electronic delivery rather than through delivery of paper documents. The SEC s access equals delivery rules which eliminate the requirement to deliver a printed final prospectus, unless requested by the investor, and its recently adopted rules for the dissemination of proxy materials to shareholders electronically are reflective of these regulatory developments. Regulatory developments which decrease the delivery of printed transactional or compliance documents could harm our business and adversely affect our operating results.

Regulatory developments in the United States have also accelerated the timing for filing periodic compliance reports, such as public company annual reports and interim quarterly reports, and also have changed some of the content requirements requiring greater disclosure in those reports. The combination of shorter deadlines for public company reports and more content may adversely affect our ability to meet our client s needs in times of peak demand, or may cause our clients to try to exercise more control over their filings by performing those functions in-house.

Our financial communications revenue may be adversely affected as clients implement technologies enabling them to produce and disseminate documents on their own. For example, our clients and their financial advisors have increasingly relied on web-based distributions for prospectuses and other printed materials. Also, the migration from an ASCII-based EDGAR system to an HTML format for SEC public filings eventually may enable more of our clients to handle all or a portion of their periodic filings without the need for our services.

The environment in which we compete is highly competitive, which creates adverse pricing pressures and may harm our business and operating results if we cannot compete effectively.

Competition in our businesses is intense. The speed and accuracy with which we can meet client needs, the price of our services and the quality of our products and supporting services are factors in this competition. In financial communications, we compete directly with two other financial printers having similar degrees of specialization. One of these financial printers is a division of a company that has greater financial resources than those of Bowne.

Our digital printing unit faces diverse competition from a variety of companies including other printers, in-house print operations, direct marketing agencies, facilities management companies, software providers and other consultants. In commercial printing, we compete with general commercial printers, which are far more numerous than those in the financial printing market.

These competitive pressures could reduce our revenue and earnings.

The market for our marketing and business communications services is relatively new and we may not realize the anticipated benefits of our investment.

The personalized communications market is loosely defined with a wide variety of different types of services and product offerings. Moreover, customer acceptance of the diverse solutions for these services and products remains to be proven in the long-term, and demand for discrete services and products remains difficult to predict.

We have made significant investments in developing our capabilities and in the purchase of the marketing and business communications division of Vestcom, which was completed in January 2006.

If we are unable to adequately implement our solutions, generate sufficient customer interest in our solutions or capitalize on sales opportunities, we may not be able to realize the return on our investments that we anticipated. Failure to recover our investment or to not realize sufficient return on our investment may adversely affect our results of operations as well as our efforts to diversify our businesses.

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Our business could be harmed if we do not successfully manage the integration of businesses that we acquire.

As part of our business strategy, we have and may continue to acquire other businesses that complement our core capabilities. Our acquisition in January 2006 of the marketing and business communications division of Vestcom and the acquisition in January 2007 of St Ives Financial are reflective of that strategy. The benefits of an acquisition may often take considerable time to develop and may not be realized. Acquisitions involve a number of risks, including:

- the difficulty of integrating the operations and personnel of the acquired businesses into our ongoing operations;
- the potential disruption of our ongoing business and distraction of management;
- the difficulty in incorporating acquired technology and rights into our products and technology;
- unanticipated expenses and delays relating to completing acquired development projects and technology integration;
- a potential increase in our indebtedness and contingent liabilities, which could restrict our ability to access additional capital when needed or to pursue other important elements of our business strategy;
- the management of geographically remote units;
- the establishment and maintenance of uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and clients as a result of any integration of new management personnel;
- risks of entering markets or types of businesses in which we have either limited or no direct experience;
- the potential loss of key employees or clients of the acquired businesses; and
- potential unknown liabilities, such as liability for hazardous substances, or other difficulties associated with acquired businesses.

As a result of the aforementioned and other risks, we may not realize anticipated benefits from acquisitions, which could adversely affect our business.

We are exposed to risks associated with operations outside of the United States.

We derive approximately 22% of our revenues from various foreign sources, and a significant part of our current operations are outside of the United States. We conduct operations in Canada, Europe, Central America, South America and Asia. In addition, we have affiliations with certain firms providing similar services abroad. As a result, our business is subject to political and economic instability and currency fluctuations in various countries. The maintenance of our international operations and entry into additional international markets require significant management attention and financial resources. In addition, there are many barriers to competing successfully in the international arena, including:

- costs of customizing products and services for foreign countries;

difficulties in managing and staffing international operations;

increased infrastructure costs including legal, tax, accounting and information technology;

reduced protection for intellectual property rights in some countries;

exposure to currency exchange rate fluctuations;

potentially longer sales and payment cycles;

potentially greater difficulties in collecting accounts receivable, including currency conversion and cash repatriation from foreign jurisdictions;

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- increased licenses, tariffs and other trade barriers;
- potentially adverse tax consequences;
- increased burdens of complying with a wide variety of foreign laws, including employment-related laws, which may be more stringent than U.S. laws;
- unexpected changes in regulatory requirements; and
- political and economic instability.

We cannot assure that our investments in other countries will produce desired levels of revenue or that one or more of the factors listed above will not harm our business.

We do not have long-term service agreements in the transactional financial print business, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and lead to adverse movements in the price of our common stock.

A majority of our revenue in our transactional financial print business is derived from individual projects rather than long-term service agreements. Therefore, we cannot assure you that a client will engage us for further services once a project is completed or that a client will not unilaterally reduce the scope of, or terminate, existing projects. The absence of long-term service agreements makes it difficult to predict our future revenue. As a result, our financial results may fluctuate from quarter to quarter based on the timing and scope of the engagement with our clients which could, in turn, lead to adverse movements in the price of our common stock or increased volatility in our stock price generally. We have no backlog, within the common meaning of that term; however, within our Financial Communications segment, we maintain a backlog of clients preparing for initial public offerings, or IPOs. This IPO backlog is highly dependent on the capital markets for new issues, which can be volatile.

If we are unable to retain our key employees and attract and retain other qualified personnel, our business could suffer.

Our ability to grow and our future success will depend to a significant extent on the continued contributions of our senior management. In addition, many of our individual technical and sales personnel have extensive experience in our business operations and/or have valuable client relationships and would be difficult to replace. Their departure from the Company, if unexpected and unplanned for, could cause a disruption to our business. Our future success also depends in large part on our ability to identify, attract and retain other highly qualified managerial, technical, sales and marketing and customer service personnel. Competition for these individuals is intense, especially in the markets in which we operate. We may not succeed in identifying, attracting and retaining these personnel. Further, competitors and other entities have in the past recruited and may in the future attempt to recruit our employees, particularly our sales personnel. The loss of the services of our key personnel, the inability to identify, attract and retain qualified personnel in the future or delays in hiring qualified personnel, particularly technical and sales personnel, could make it difficult for us to manage our business and meet key objectives, such as the timely introduction of new technology-based products and services, which could harm our business, financial condition and operating results.

If we fail to keep our clients information confidential or if we handle their information improperly, our business and reputation could be significantly and adversely affected.

We manage private and confidential information and documentation related to our clients finances and transactions, often prior to public dissemination. The use of insider information is highly regulated in the United States and abroad, and violations of securities laws and regulations may result in civil and criminal penalties. If we fail to keep our clients proprietary information and documentation confidential, we may lose existing clients and potential new clients and may expose them to significant loss of revenue based on the premature release of confidential information. We may also become subject to civil claims by our clients or other third parties or criminal investigations by appropriate authorities.

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Our services depend on the reliability of our computer systems and our ability to implement and maintain information technology and security measures.

Our global platform of services depends on the ability of our computer systems to act efficiently and reliably at all times. Certain emergencies or contingencies could occur, such as a computer virus attack, a natural disaster, a significant power outage covering multiple cities or a terrorist attack, which could temporarily shut down our facilities and computer systems. Maintaining up to date and effective security measures requires extensive capital expenditures. In addition, the ability to implement further technological advances and to maintain effective information technology and security measures is important to each of our business segments. If our technological and operations platforms become outdated, we will be at a disadvantage when competing in our industry. Furthermore, if the security measures protecting our computer systems and operating platforms are breached, we may lose our clients business and become subject to civil claims by our clients or other third parties.

Our services depend on third-parties to provide or support some of our services and our business and reputation could suffer if these third-parties fail to perform satisfactorily.

We outsource some of our services to third parties both domestically and internationally. For example, our EDGAR document conversion services of SEC filings substantially rely on independent contractors to provide a portion of this work. If these third parties do not perform their services satisfactorily or confidentially, if they decide not to continue to provide such services to us on commercially reasonable terms or if they decide to compete directly with us, our business could be adversely affected. We could also experience delays in providing our products and services, which could negatively affect our business until comparable third-party service providers, if available, were identified and obtained. Any service interruptions experienced by our clients could negatively impact our reputation, cause us to lose clients and limit our ability to attract new clients and we may become subject to civil claims by our clients or other third parties. In addition, we could face increased costs by using substitute third-party service providers.

We must adapt to rapid changes in technology and client requirements to remain competitive.

The market and demand for our products and services, to a varying extent, has been characterized by:

- technological change;
- frequent product and service introductions; and
- evolving client requirements.

We believe that these trends will continue into the foreseeable future. Our success will depend, in part, upon our ability to:

- enhance our existing products and services;
- successfully develop new products and services that meet increasing client requirements; and
- gain market acceptance.

To achieve these goals, we will need to continue to make substantial investments in development and marketing. We may not:

- have sufficient resources to make these investments;
- be successful in developing product and service enhancements or new products and services on a timely basis, if at all; or
- be able to market successfully these enhancements and new products once developed.

Further, our products and services may be rendered obsolete or uncompetitive by new industry standards or changing technology.

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The inability to identify, obtain and retain important intellectual property rights to technology could harm our business.

We rely upon the development, acquisition, licensing and enhancement of document composition, creation, production and job management systems, applications, tools and other information technology software to conduct our business. These systems, applications, and tools are off the shelf software that are generally available and may be obtained on competitive terms and conditions, or are developed by our employees, or are available from a limited number of vendors or licensors on negotiated terms and conditions. Our future success depends in part on our ability to identify, obtain and retain intellectual property rights to technology, either through internal development or through acquisition or licensing from others. The inability to identify, obtain and retain rights to certain technology on favorable terms and conditions would make it difficult for us to conduct our business or to timely introduce new technology-based products and services, which could harm our business, financial condition and operating results.

Fluctuations in the costs of paper, ink, energy, and other raw materials may adversely impact the Company.

Our business is subject to risks associated with the cost and availability of paper, ink, other raw materials, and energy. Increases in the costs of these items may increase the Company s costs, and the Company may not be able to pass these costs on to customers through higher prices. Increases in the costs of materials may adversely impact our customers demand for printing and related services. A severe paper or multi-market energy shortage could have an adverse effect upon many of the Company s operations.

Item 1B. ***Unresolved Staff Comments***

As of the filing of this annual report on Form 10-K, there were no unresolved comments from the staff of the SEC.

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Item 2. ***Properties***

Information regarding the significant facilities of the Company, as of December 31, 2006, ten of which were leased and seven of which were owned, is set forth below.

Location	Year Lease Expires	Description	Square Footage
5 Henderson Drive West Caldwell, NJ	2014	Digital printing plant and general office space.	211,000
55 Water Street New York, NY	2026	Customer service center, general office space, and corporate headquarters.	204,000
60 Gervais Drive Don Mills (Toronto), Ontario, Canada	2010	Customer service center, printing plant, and general office space.	71,000
13527 Orden Drive Santa Fe Springs, CA	2011	Digital printing plant and general office space.	60,000
6800 West Calumet Road Milwaukee, WI	2008	Digital printing plant and general office space.	57,000
1570 Northside Drive Atlanta, GA	2009	Customer service center, composition, printing plant and general office space.	51,000
5 Cornell Place Wilmington, MA	2011	Digital printing plant and general office space.	49,500
18050 Central Avenue Carson, CA	2014	Printing plant and general office space.	40,000
500 West Madison Avenue Chicago, IL	2016	Customer service center and general office space.	36,000
1 London Wall London, England	2021	Customer service center and general office space.	16,500
5021 Nimtz Parkway South Bend, IN	Owned	Printing plant and general office space.	127,000
215 County Avenue Secaucus, NJ	Owned	Printing plant and general office space.	125,000
1200 Oliver Street Houston, TX	Owned	Customer service center, composition, printing plant and general office space.	110,000
411 D Street Boston, MA	Owned	Customer service center, composition, printing plant and general office space.	73,000
1241 Superior Avenue Cleveland, OH	Owned	Customer service center, composition and general office space.	73,000
1931 Market Center Blvd, Dallas, TX	Owned	Customer service center, composition and general office space.	68,000
1500 North Central Avenue Phoenix, AZ	Owned	Customer service center, composition and general office space.	53,000

All of the properties described above are well maintained, in good condition and suitable for all presently anticipated requirements of the Company. The majority of the Company s equipment is owned outright. Refer to Note 15 of the Notes to Consolidated Financial Statements for additional information regarding property and equipment leases.

Item 3. ***Legal Proceedings***

The Company is not involved in any material pending legal proceedings other than routine litigation incidental to the conduct of its business.

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Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of stockholders during the fourth quarter of fiscal year 2006.

Supplemental Item. ***Executive Officers of the Registrant***

The following information is included in accordance with the provisions of Part III, Item 10 of Form 10-K. The executive officers of the Company and their recent business experience are as follows:

Name	Principal Occupation During Past Five Years	Age
David J. Shea	Chairman, President, and Chief Executive Officer since January 2007, previously President and Chief Operating Officer since October 2004, and served as President from August 2004 to October 2004. Also served as Senior Vice President, Bowne & Co., Inc., and Senior Vice President and Chief Executive Officer, Bowne Business Solutions and Bowne Enterprise Solutions since November 2003; and as Senior Vice President of the Company and President of Bowne Business Solutions since May 2002. Also served as Executive Vice President, Business Development and Strategic Technology of Bowne Business Solutions from July 1998.	51
Elaine Beitler	Senior Vice President since March 2007, and President of Bowne Marketing & Business Communications since December 2005; previously served as General Manager of Bowne Enterprise Solutions since 2004 and Senior Vice President of Client Services and Operations for Bowne Enterprise Solutions from 2003, and Chief Technology Officer for Bowne Technology Enterprise since 1998.	47
Susan W. Cummiskey	Senior Vice President, Human Resources since December 1998.	54
William P. Penders	Senior Vice President and President of Bowne Financial Communications since August 2006; previously Chief Operating Officer of Bowne Financial Communications since December 2005, and served as President of Bowne International and President of the Eastern Region of Bowne Financial Communications since 2003, and as President of Bowne International since 2000.	45
Scott L. Spitzer	Senior Vice President, General Counsel and Corporate Secretary since May 2004; served as Vice President, Associate General Counsel and Corporate Secretary since March 2002; served as Vice President and Associate General Counsel from April 2001.	55
John J. Walker	Senior Vice President and Chief Financial Officer since September 2006; previously, served as Senior Vice President, Chief Financial Officer and Treasurer for Loews Cineplex Entertainment Corporation since 1990.	54
Richard Bambach, Jr.	Chief Accounting Officer of the Company since May 2002 and Vice President, Corporate Controller since August 2001; served as Interim Chief Financial Officer of the Company from April 2006 to September 2006.	42
William J. Coote	Vice President and Treasurer since December 1998.	52

There are no family relationships among any of the executive officers, and there are no arrangements or understandings between any of the executive officers and any other person pursuant to which any of such officers was selected. The executive officers are normally elected by the Board of Directors at its first meeting following the Annual Meeting of Stockholders for a one-year term or until their respective successors are duly elected and qualify.

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PART II

Item 5. *Market for Registrant s Common Equity and Related Stockholder Matters*

Share Prices

The Company s common stock is traded on the New York Stock Exchange under the symbol BNE. The following are the high and low share prices as reported by the New York Stock Exchange, and dividends paid per share for calendar 2006 and 2005 by year and quarters.

	High	Low	Dividends Per Share
2006			
Fourth quarter	$ 16.47	$ 14.07	$ .055
Third quarter	15.90	13.05	.055
Second quarter	17.00	13.10	.055
First quarter	16.67	13.99	.055
Calendar year	17.00	13.05	$ .22
2005			
Fourth quarter	$ 15.71	$ 12.96	$ .055
Third quarter	14.96	12.93	.055
Second quarter	15.15	11.65	.055
First quarter	16.16	14.15	.055
Calendar year	16.16	11.65	$ .22

The closing price of the Company s common stock on March 1, 2007 was $15.54 per share, and the number of holders of record on that date was approximately 961.

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Comparison of Five-Year Cumulative Return

The following graph shows yearly changes in the total return on investment in Bowne common stock on a cumulative basis for the Company s last five fiscal years. The graph also shows two other measures of performance: total return on the Standard & Poor s 500 Index, and total return on the Standard & Poor s Services (Commercial & Consumer) Index. For convenience, we refer to these two comparison measures as S&P 500 and S&P Services Index, respectively.

The Company chose the S&P 500 because it is a broad index of the equity markets. We chose the S&P Services Index as our own peer group because it represents the capital-weighted performance results of companies in specialized commercial consumer services. The S&P 500 includes the companies represented in the S&P Services Index.

We calculated the yearly change in Bowne s return in the same way that both the S&P 500 and the S&P Services Index calculate change. In each case, we assumed an initial investment of $100 on December 31, 2001. In order to measure the cumulative yearly change in that investment over the next five years, we first calculated the difference between, on one hand, the price per share of the respective securities on December 31, 2001 and, on the other hand, the price per share at the end of each succeeding fiscal year. Throughout the five years we assumed that all dividends paid were reinvested into the same securities. Finally, we turned the result into a percentage of change by dividing that result by the difference between the price per share on December 31, 2001 and the price per share at the end of each later fiscal year.

Company/Index	Base Period 12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Bowne & Co., Inc.	$ 100	$ 95.05	$ 109.76	$ 133.54	$ 123.74	$ 134.85
S&P 500 Index	$ 100	$ 77.90	$ 100.25	$ 111.15	$ 116.61	$ 135.03
S&P 500 Diversified Commercial & Professional Services	$ 100	$ 79.84	$ 121.35	$ 125.65	$ 111.25	$ 114.79

Stock Repurchase

During the fourth quarter of 2004, the Company s Board of Directors authorized, and the Company entered into, an Overnight Share Repurchase program and repurchased 2.5 million shares of the Company s common stock for approximately $40.2 million. The program was completed in May 2005, at which time the Company received a price adjustment of approximately $2.1 million in the form of 166,161 additional shares. The price adjustment represented the difference between the original share purchase price of $15.75 and the average volume-weighted

adjusted share price of $15.00 for the actual purchases made, plus interest. In accordance with this program, the Company effected the purchase of 2.7 million shares of common stock at an average price of $14.85 per share.

During the fourth quarter of 2004, the Company s Board of Directors also authorized an ongoing stock repurchase program to repurchase up to $35 million of the Company s common stock. In December 2005, the program was revised to permit the repurchase of an additional $75 million in shares of the Company s common stock from time to time in both privately negotiated and open market transactions during a period of up to two years, subject to management s evaluation of market conditions, terms of private transactions, applicable legal requirements and other factors. During 2005 the Company repurchased approximately 2.4 million shares of its common stock under this plan for approximately $34.0 million at an average price of $14.12 per share.

During the second quarter of 2006, the Company s Board of Directors authorized an increase of $45 million to the Company s existing stock repurchase program described above. In June 2006, the Company entered into a 10b5-1 trading plan with a broker for the repurchase of up to $50 million of its common stock. Repurchases can be made from time to time in both privately negotiated and open market transactions during a period of up to two years, subject to management s evaluation of market conditions, terms of private transactions, applicable legal requirements, and other factors. In November 2006, the 10b5-1 trading plan was amended to authorize the broker to repurchase up to an additional $15 million of the Company s common stock. The program may be discontinued at any time.

For the year ended December 31, 2006, the Company repurchased approximately 4.7 million shares of its common stock for approximately $68.6 million (an average price of $14.60 per share). As of December 31, 2006, there was approximately $52.4 million available for share repurchases. Since inception of the Company s share repurchase program in December 2004 through December 31, 2006, the Company has effected the repurchase of approximately 9.8 million shares of its common stock at an average price of $14.76 per share for an aggregate of approximately $145.2 million.

The following table provides information with respect to the repurchase of shares of the Company s common stock by or on behalf of the Company, in accordance with the stock repurchase program described above, for the quarter ended December 31, 2006.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	(In thousands, except per share data)			
October 1, 2006 to October 31, 2006	361	$ 15.19	361	$ 62,100
November 1, 2006 to November 30, 2006	346	$ 15.57	346	$ 56,700
December 1, 2006 to December 31, 2006	276	$ 15.72	276	$ 52,400

Total	983	$ 14.47	983

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Item 6. ***Selected Financial Data***

Five-Year Financial Summary

	Years Ended December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
			(In thousands)		
Operating Data					
Revenue	$ 832,215	$ 666,934	$ 637,413	$ 590,856	$ 638,269
Expenses:					
Cost of revenue	(542,696)	(428,411)	(397,715)	(367,653)	(391,847)
Selling and administrative	(223,635)	(186,774)	(192,724)	(176,969)	(197,204)
Depreciation	(25,379)	(25,625)	(25,372)	(29,147)	(31,082)
Amortization	(534)				
Restructuring charges, integration costs and asset impairment charges	(14,097)	(10,410)	(7,738)	(14,471)	(7,035)
Gain on sale of certain printing assets					15,369
Gain on sale of building			896		4,889
Purchased in-process research and development	(958)				
Operating income	24,916	15,714	14,760	2,616	31,359
Interest expense	(5,477)	(5,154)	(10,435)	(11,200)	(6,914)
Loss on extinguishment of debt			(8,815)		
(Loss) gain on sale of marketable securities		(7,890)		1,022	
Other income (expense), net	3,341	1,537	(40)	(1,626)	(357)
Income (loss) from continuing operations before income taxes	22,780	4,207	(4,530)	(9,188)	24,088
Income tax (expense) benefit	(10,701)	(4,330)	224	(1,686)	(8,541)
Income (loss) from continuing operations	$ 12,079	$ (123)	$ (4,306)	$ (10,874)	$ 15,547

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	Years Ended December 31,				
	2006	2005	2004	2003	2002
	(In thousands, except per share data)				
Balance Sheet Data					
Current assets	$ 300,918	$ 369,995	$ 308,299	$ 266,000	$ 269,676
Current liabilities	$ 128,527	$ 139,100	$ 157,387	$ 179,088	$ 182,816
Working capital	$ 172,391	$ 230,895	$ 150,912	$ 86,912	$ 86,860
Current ratio	2.34:1	2.66:1	1.96:1	1.49:1	1.48:1
Plant and equipment, net	$ 132,767	$ 106,908	$ 93,939	$ 108,410	$ 124,697
Total assets	$ 515,401	$ 563,248	$ 661,895	$ 729,521	$ 719,918
Total debt	$ 77,509	$ 75,780	$ 75,000	$ 138,000	$ 140,431
Stockholders equity	$ 236,748	$ 311,773	$ 379,941	$ 360,511	$ 348,514
Per Share Data					
Earnings (loss) per share from continuing operations:					
Basic	$ .39	$ .00	$ (.12)	$ (.32)	$ .46
Diluted	$ .38	$ .00	$ (.12)	$ (.32)	$ .45
Dividends	$ .22	$ .22	$ .22	$ .22	$ .22

The information included in the five-year financial summary has been reclassified to present the results of discontinued operations which are described in further detail in Note 3 of the Notes to the Company s Consolidated Financial Statements. Also refer to Items Affecting Comparability in Management s Discussion and Analysis of Financial Condition and Results of Operations for other items affecting the comparability of the financial information presented above.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations (In thousands, except per share information and where noted)***

Cautionary Statement Concerning Forward Looking Statements

The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the 1995 Act). The 1995 Act provides a safe harbor for forward-looking statements to encourage companies to provide information without fear of litigation so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected.

This report includes and incorporates by reference forward-looking statements within the meaning of the 1995 Act. These statements are included throughout this report, and in the documents incorporated by reference in this report, and relate to, among other things, projections of revenues, earnings, earnings per share, cash flows, capital expenditures, working capital or other financial items, output, expectations regarding acquisitions, discussions of estimated future revenue enhancements, potential dispositions and cost savings. These statements also relate to the Company s business strategy, goals and expectations concerning the Company s market position, future operations, margins, profitability, liquidity and capital resources. The words anticipate , believe , could , estimate , expect , in may , plan , predict , project , will and similar terms and phrases identify forward-looking statements in this report the documents incorporated by reference in this report.

Although the Company believes the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. The Company s operations involve risks and uncertainties, many of which are outside the Company s control, and any one of which, or a combination of which, could materially affect the Company s results of operations and whether the forward-looking statements ultimately prove to be correct.

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Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements depending on a variety of factors including, but not limited to:

- general economic or capital market conditions affecting the demand for transactional financial printing or the Company s other services;
- competition based on pricing and other factors;
- fluctuations in the cost of paper, other raw materials and utilities;
- changes in air and ground delivery costs and postal rates and regulations;
- seasonal fluctuations in overall demand for the Company s services;
- changes in the printing market;
- the Company s ability to integrate the operations of acquisitions into its operations;
- the financial condition of the Company s clients;
- the Company s ability to continue to obtain improved operating efficiencies;
- the Company s ability to continue to develop services for its clients;
- changes in the rules and regulations to which the Company is subject;
- changes in the rules and regulations to which the Company s clients are subject;
- the effects of war or acts of terrorism affecting the overall business climate;
- loss or retirement of key executives or employees; and
- natural events and acts of God such as earthquakes, fires or floods.

Many of these factors are described in greater detail in the Company s filings with the SEC, including those discussed elsewhere in this report or incorporated by reference in this report. All future written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the previous statements.

Overview

The Company s results from continuing operations improved in 2006 as compared to 2005. For the year ended December 31, 2006, revenue increased 24.8% to $832.2 million from $666.9 million in 2005, and diluted earnings per share from continuing operations improved to $0.38 for the year ended December 31, 2006 from $0.00 in the year ended December 31, 2005.

The Company s results of operations for the year ended December 31, 2006 were impacted by an increase in revenue from the financial communications business and from the inclusion of the results of the Vestcom acquisition as

described below. The results for the year ended December 31, 2006 reflect a significant increase in revenue from transactional financial print services, which reached its highest level since 2000, and an increase in non-transactional financial communications revenue as compared to 2005.

As noted above, also impacting the results of operations for the year ended December 31, 2006 was the acquisition of Vestcom s Marketing and Business Communications division in January 2006. The integration of Vestcom s Marketing and Business Communications division with Bowne s similar digital print business was completed in the first quarter of 2006, and the combined entity operates as a separate reportable segment under the name Bowne Marketing & Business Communications, or MBC. In addition, the Vestcom Montreal business, consisting primarily of commercial print operations, has been integrated with the Canadian operations of the Financial Communications segment. With the acquisition, the MBC segment has expanded its geographic coverage with a broadly distributed print-on-demand network, improved its portfolio of services, and diversified its client base into the gaming and travel and leisure markets.

The Company has substantially completed the integration of the Vestcom digital print business on an accelerated basis, which enabled the MBC segment to achieve synergies and operating efficiencies earlier than initially planned.

However, during this accelerated integration phase the MBC segment incurred incremental costs that were directly related to the integration of operations and the consolidation of our production facilities in New Jersey and the establishment of new production capabilities in other locations.

These incremental costs were a burden to the operating results in 2006. These costs were associated with overtime costs, temporary labor, and other incremental operating costs necessary to maintain production schedules and meet client needs during the transfer of work to the integrated production facility during the time when the accelerated integration was underway.

In addition, the MBC segment incurred additional costs related to the establishment of new production capabilities in Kansas, Wisconsin and California. The nature of these additional costs related to the start-up of operations and staff training on the use of this equipment and outside production costs incurred during the transition of work to these facilities.

In January 2007, the Company completed the acquisition of St Ives Financial, the financial print division of St Ives plc, for $8.2 million in cash. St Ives Financial s operations joins Bowne s existing network of 60 worldwide facilities. Through a strategic alliance with St Ives plc, a worldwide printing and media group, Bowne will have exclusive access to St Ives printing capabilities for capital market and mutual fund financial print in the United Kingdom.

The acquisition is expected to add approximately $30 million to $34 million in revenue in 2007. It also expands Bowne s position in the Public Limited Company market and the European investment management marketplace, where St Ives Financial had a well-established reputation among significant blue-chip clients. The transaction also gives Bowne an immediate presence in Luxembourg and expands the Company s presence in Philadelphia, an important domestic market.

As discussed in Note 3 of the Notes to the Consolidated Financial Statements, the Company sold its DecisionQuest® business in September 2006 for approximately $9.8 million. In addition, the assets of the Company s joint venture investment in CaseSoft, Ltd., (CaseSoft) were sold in May 2006 and the Company realized approximately $14.8 million in proceeds from the sale of its interest in this joint venture. The equity share of income (losses) from this joint venture investment was previously recognized by the Company s DecisionQuest business. During the second quarter of 2006, the Company determined that it intended to sell the DecisionQuest and the JFS Litigators Notebook® (JFS) businesses, which were included in the Company s Litigation Solutions segment. As a result of these actions, effective with the second quarter of 2006 the litigation solutions business is no longer presented as a separate reportable segment of the Company. The Company s results for 2006, 2005, and 2004 have been reclassified to present the operations of JFS and DecisionQuest, including the Company s equity share of income (losses) from the joint venture investment in CaseSoft, as discontinued operations.

During the fourth quarter of 2006, the Company changed the way it reports and evaluates segment information. The Company had previously reported the costs associated with administrative, legal, finance and other support services which are not directly attributable to the segments in the category Corporate/Other . The Company now also includes in the Corporate/Other category certain other expenses (such as stock-based compensation and supplemental retirement plan expenses) that had previously been allocated to the individual operating segments. This change in presentation more accurately reflects the way management evaluates the operating performance of its segments. The Company s previous years segment information has been restated to conform to the current year s presentation. In addition, the Company changed the name of its Financial Print segment to Financial Communications, to reflect the

wide array of services it provides to its clients to create, manage, translate and distribute transactional and compliance-related documents. Further information regarding segment revenues, operating results, identifiable assets and capital spending attributable to the Company s operations for the calendar years 2006, 2005, and 2004, as well as reconciliation of segment profit to pre-tax income (loss), are shown in Note 19 of the Notes to Consolidated Financial Statements.

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The results of the Company s two reporting segments are discussed below:

Financial Communications: Revenue increased approximately $79.3 million, or 13%, to approximately $704.4 million for 2006 compared to 2005 and segment profit increased $14.5 million, or 17%, to approximately $102.1 million for 2006 as compared to 2005. The results for the year ended December 31, 2006 reflect the increases in revenue from both transactional and non-transactional printing during 2006. Revenue from transactional printing increased 18% for the year ended December 31, 2006, when compared to 2005, a result of the continued momentum in capital market activity and increased IPO market share. Non-transactional print revenue increased 9% for the year ended December 31, 2006 as compared to 2005.

Marketing & Business Communications: This segment reported revenue of $127.8 million for the year ended December 31, 2006, as compared to revenue of $41.8 million for the year ended December 31, 2005. The increase in revenue resulted from the acquisition (in January 2006) and integration of Vestcom s Marketing & Business Communications division with the Company s existing digital print business. Segment loss for 2006 was $0.6 million, compared to a loss of $7.1 million in 2005. As previously noted, the segment operating results for 2006 were burdened with incremental operating costs associated with the integration of the operations of the Vestcom digital print business into Bowne, the consolidation of our production facilities in New Jersey, and the creation of certain new production capabilities in other locations.

Items Affecting Comparability

The Company continually reviews its business, manages costs, and aligns its resources with market demand, especially in light of the volatility of the capital markets experienced over the last several years and the resulting variability in transactional financial printing activity. As a result, the Company took several steps over the last several years to reduce fixed costs, eliminate redundancies, and better position the Company to respond to market pressures or unfavorable economic conditions.

The following table summarizes the expenses incurred for restructuring, integration and asset impairment charges for each segment over the last three years:

	2006	2005	2004
Financial Communications	$ 3,268	$ 6,114	$ 3,028
Marketing & Business Communications	10,114	415	2,771
Corporate/Other	715	3,881	1,939
Total	$ 14,097	$ 10,410	$ 7,738
After tax impact	$ 8,663	$ 6,933	$ 4,800
Per share impact	$ 0.28	$ 0.20	$ 0.13

The charges taken in 2006 reflect (i) non-cash asset impairment charges of $2.6 million related to the consolidation of MBC facilities, (ii) severance and integration costs related to the integration of Vestcom s Marketing and Business Communications division into Bowne s Marketing & Business Communications business, (iii) additional workforce reductions at certain financial communications locations and certain corporate management and administrative functions, and (iv) costs related to the closure of a portion of the Company s financial communications facility in Washington D.C. Further discussion of the restructuring, integration, and asset impairment activities are included in

the segment information, which follows, as well as in Note 9 of the Notes to the Consolidated Financial Statements.

Some other transactions that affect the comparability of results from year to year are as follows:

During 2006, the Company recorded a charge of $958 (approximately $584 after tax), or $0.02 per share, related to purchased in-process research and development which is based on an allocation of the purchase price related to the Company s acquisition of certain technology assets of PLUM Computer Consulting, Inc.

In the third quarter of 2006, the Company sold its DecisionQuest business for approximately $9.8 million, recognizing a loss on the sale of approximately $7.5 million. The results of this business have been reflected as discontinued operations in the Consolidated Financial Statements for all periods presented.

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During 2006, the Company recorded expenses of $8.2 million (approximately $5.1 million after tax), or $0.16 per share, related to the estimated costs expected to be incurred in exiting the Chicago facilities which were leased by DecisionQuest and Bowne Business Solutions. These expenses are reflected in the results from discontinued operations.

In the second quarter of 2006, the assets of the Company s joint venture investment in CaseSoft, Ltd., (CaseSoft) were sold. The Company realized approximately $14.8 million in consideration from the sale of its interest in this joint venture. The Company recognized a gain on the sale of approximately $6.1 million after tax, or $0.19 per share. This business was included in the Litigations Solutions segment and its results have been reflected in discontinued operations for all periods presented.

In the fourth quarter of 2005, the Company sold the 9.4 million shares of Lionbridge common stock that were included in the consideration received from the sale of Bowne Global Solutions, recognizing a loss on the sale of approximately $5.0 million after tax, or $0.15 per share.

In the third quarter of 2005, the Company sold its globalization business to Lionbridge for approximately $193 million, recognizing a gain on the sale of approximately $0.7 million after tax, or $0.02 per share. The results of this business have been reflected as a discontinued operation in the Consolidated Financial Statements for all periods presented.

In the fourth quarter of 2004, the Company sold its document outsourcing business to Williams Lea for $180 million, recognizing a gain of approximately $32.1 million after tax, or $0.89 per share. The results of this business have been reflected as a discontinued operation in the Consolidated Financial Statements for all periods presented.

In the fourth quarter of 2004, the Company prepaid its private placement senior notes, incurring a loss of $5.6 million after tax, or $0.16 per share, primarily related to the make-whole payment.

Results of Operations

Management evaluates the performance of its operating segments separately to monitor the different factors affecting financial results. Each segment is subject to review and evaluation as management monitors current market conditions, market opportunities and available resources. The performance of each segment is discussed over the next few pages. As previously mentioned, during the fourth quarter of 2006, the Company changed the way it reports and evaluates segment information. The Company had previously reported the costs associated with administrative, legal, finance and other support services which are not directly attributable to the segments in the category Corporate/Other . The Company now also includes in the Corporate/Other category certain other expenses (such as stock-based compensation and supplemental retirement plan expenses) that had previously been allocated to the individual operating segments. The Company s previous years segment information has been restated to conform to the current year s presentation.

Management uses segment profit to evaluate the performance of its operating segments. Segment profit is defined as gross margin (revenue less cost of revenue) less selling and administrative expenses. Segment performance is evaluated exclusive of interest, income taxes, depreciation, amortization, certain shared corporate expenses, restructuring, integration and asset impairment charges, purchased in-process research and development, and other expenses and other income. Segment profit is measured because management believes that such information is useful in evaluating the results of certain segments relative to other entities that operate within these industries and to its affiliated segments.

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Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Financial Communications

	Years Ended December 31,				Year Over Year Favorable/(Unfavorable)	
Financial Communications Results:	2006	% of Revenue	2005	% of Revenue	$ Change	% Change
	(Dollars in thousands)					
Revenue:						
Transactional financial printing	$ 293,842	42%	$ 249,588	40%	$ 44,254	18%
Compliance reporting	182,821	26	166,592	27	16,229	10
Mutual funds	147,791	21	152,785	24	(4,994)	(3)
Commercial	66,087	9	45,939	7	20,148	44
Other	13,881	2	10,224	2	3,657	36
Total revenue	704,422	100	625,128	100	79,294	13
Cost of revenue	(451,814)	(64)	(404,624)	(65)	(47,190)	(12)
Gross margin	252,608	36	220,504	35	32,104	15
Selling and administrative	(150,544)	(21)	(132,945)	(21)	(17,599)	(13)
Segment profit	$ 102,064	15%	$ 87,559	14%	$ 14,505	17%
Other Items:						
Depreciation	$ (12,079)	(2)%	$ (12,757)	(2)%	$ 678	5%
Restructuring, integration and asset impairment charges	$ (3,268)	(0)%	$ (6,114)	(1)	$ 2,846	47%

Financial Communications revenue increased 13% for the year ended December 31, 2006 as compared to the year ended December 31, 2005, with the largest class of service in this segment, transactional financial printing, up 18% as compared to the year ended December 31, 2005. The increase in transactional financial print revenue is a result of the positive trends in capital market activity that began during the fourth quarter of 2005 and continued into 2006, and strong merger and acquisition performance during the second quarter of 2006, as well as increased IPO market share. Compliance reporting revenue reached its highest level ever during the year ended December 31, 2006, and increased 10% as compared to 2005. This increase is due in part to new SEC regulations and more extensive disclosure requirements. Commercial revenue increased 44% for the year ended December 31, 2006 compared to 2005, primarily due to the addition of several new clients and additional work from existing clients. In addition, approximately $8,614 of the increase in commercial revenue relates to the addition of the commercial business of Vestcom Montreal, which is included in the Financial Communications segment. Mutual fund services revenue decreased 3% for the year ended December 31, 2006 as compared to the 2005 period due to the Company s decision not to bid or accept several low margin mutual fund projects.

Revenue from the international markets increased 40% to approximately $182,576 for the year ended December 31, 2006, as compared to $130,108 in 2005. This increase is primarily due to increases in transactional financial printing in Europe and Asia, and increases in commercial and mutual fund revenue in Canada, partly due to the addition of the

Vestcom Montreal commercial business as discussed above. This increase is also partially due to the weakness in the U.S. dollar compared to foreign currencies. At constant exchange rates, revenue from international markets increased 35% for the year ended December 31, 2006 compared to 2005.

Gross margin of the Financial Communications segment increased by $32,104, or 15%, over 2005, and the gross margin percentage increased by one percentage point to 36% in 2006 as compared to 35% in 2005. The increase in gross margin was primarily due to the increase in revenue, especially the growth in transactional financial printing which historically is the Company s most profitable class of service, the results of cost savings initiatives and the reduction in revenue from low margin mutual fund work during 2006.

Selling and administrative expenses increased 13% for the year ended December 31, 2006, compared to 2005, and as a percentage of revenue, remained constant at 21% for the year ended December 31, 2006, as compared to

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2005. The increase in these expenses is primarily due to increases in expenses directly associated with sales, such as selling expenses (including commissions and bonuses) and certain variable administrative expenses. In addition, facility costs in the New York office during the year ended December 31, 2006 related to the Financial Communications segment were approximately $2.5 million higher than in 2005 due to higher rental costs, duplicate facility costs resulting from overlapping leases and costs associated with the move of our corporate office and New York City based operations from 345 Hudson Street to 55 Water Street, New York, New York. The Company also incurred approximately $0.4 million of non-recurring expenses related to its acquisition of certain technology assets of PLUM Computer Consulting, Inc.

As a result of the foregoing, segment profit (as defined in Note 19 to the Consolidated Financial Statements) from the Financial Communications business increased 17% for the year ended December 31, 2006 as compared to 2005 and segment profit as a percentage of revenue increased one percentage point to approximately 15% for the year ended December 31, 2006 as compared to 2005. Refer to Note 19 of the Consolidated Financial Statements for additional segment financial information and reconciliation of segment profit to income (loss) from continuing operations before income taxes.

Total restructuring charges related to the Financial Communications segment for the year ended December 31, 2006 were $3,268 as compared to $6,114 in 2005. The charges incurred during the year ended December 31, 2006 are primarily associated with additional workforce reductions in certain locations and the closure of a portion of its Washington D.C. facility. The charges incurred during the year ended December 31, 2005 primarily represent adjustments to the costs related to the relocation of the London facility.

Marketing & Business Communications

	Years Ended December 31,				Year Over Year Favorable/(Unfavorable)	
Marketing & Business Communications Results:	**2006**	**% of Revenue**	**2005**	**% of Revenue**	**$ Change**	**% Change**
	(Dollars in thousands)					
Revenue	$ 127,793	100%	$ 41,806	100%	$ 85,987	206%
Cost of revenue	(109,236)	(85)	(41,538)	(99)	(67,698)	(163)
Gross margin	18,557	15	268	1	18,289	6,824
Selling and administrative	(19,197)	(16)	(7,350)	(18)	(11,847)	(161)
Segment loss	$ (640)	(1)%	$ (7,082)	(17)%	$ 6,442	91%
Other Items:						
Depreciation	$ (6,884)	(5)%	$ (1,777)	(4)%	$ (5,107)	(287)%
Restructuring, integration, and asset impairment charges	$ (10,114)	(8)%	$ (415)	(1)%	$ (9,699)	(2,337)%

Revenue and gross margin increased significantly for the year ended December 31, 2006 as compared to the comparable 2005 period as a result of the acquisition and integration of the Marketing and Business Communications division of Vestcom within the MBC segment and an increase in revenue from new and existing clients. Results for the year ended December 31, 2006 include approximately $3.0 million of revenue from Vestcom s legacy retail

customers that have transferred back to Vestcom International, Inc. as part of our transitions services agreement, as well as $2.8 million of revenue from customers that had notified Vestcom they were not going to renew prior to MBC s acquisition. As a result, this revenue will not continue into 2007. As previously noted, the segment operating results for the year ended December 31, 2006 were burdened with incremental operating costs associated with the integration of the operations of the Vestcom digital print business into Bowne, the consolidation of our production facilities in New Jersey, and the creation of certain new production capabilities in other locations.

Selling and administrative expenses increased significantly for the year ended December 31, 2006 as compared to 2005 primarily as a result of the increased size of MBC s operations. As a percentage of revenue, selling and administrative expenses improved by two percentage points to 16% which is related to the favorable impact of the economies realized from integrating the workforces of Vestcom and Bowne.

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As a result of the foregoing, segment loss (as defined in Note 19 to the Consolidated Financial Statements) for the MBC segment improved by approximately $6.4 million for the year ended December 31, 2006 as compared to 2005. Segment loss as a percentage of revenue improved by 16 percentage points to 1% for the year ended December 31, 2006. Refer to Note 19 of the Consolidated Financial Statements for additional segment financial information and reconciliation of segment profit (loss) to income (loss) from continuing operations before income taxes.

Restructuring, integration and asset impairment charges related to this segment were $10,114 for the year ended December 31, 2006 in comparison to $415 for the year ended December 31, 2005. The costs incurred in 2006 were primarily related to the integration of the workforce and consolidation of facilities, including an impairment charge of $2,550 related to the consolidation of the New Jersey facilities. As a result of these integration and restructuring activities, the Company estimates that it has achieved approximately $11.0 million of annualized cost savings of the combined companies, including approximately $7.0 million which were realized during 2006.

Summary

Overall revenue increased $165,281, or 25%, to $832,215 for the year ended December 31, 2006 as compared to 2005. The increase in revenue is primarily attributed to the acquisition and integration of the Marketing and Business Communications division of Vestcom within the MBC segment and an increase in revenue from the Financial Communications segment in 2006 as compared to 2005. Gross margin increased $50,996, or 21%, for the year ended December 31, 2006 as compared to 2005, while the gross margin percentage decreased approximately one percentage point to 35% for the year ended December 31, 2006, which is primarily due to the increase in revenue from the MBC segment which generated a lower margin as compared to revenue from the Financial Communications segment.

Selling and administrative expenses on a company-wide basis increased by approximately $36,861, or 20%, to $223,635 for the year ended December 31, 2006 as compared to 2005. Approximately $11.8 million of this overall increase is related to the MBC business, which includes the acquisition and integration of the Marketing and Business Communications division of Vestcom. The increase is also the result of expenses that are directly associated with higher sales levels, such as selling expenses (including commissions and bonuses). In addition, facility related expenses were approximately $4.5 million higher in 2006 as compared to 2005 as a result of the Company s relocation of its corporate office and New York City based operations. Also contributing to the increase in selling and administrative expenses in 2006 as compared to 2005 was the recognition of $1.1 million of compensation expense related to stock options in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), Accounting for Stock-Based Compensation, (SFAS 123(R)) and an additional $2.1 million in compensation expense related to long-term equity incentive compensation and restricted stock awards. As a percentage of revenue, overall selling and administrative expenses improved one percentage point to 27% for the year ended December 31, 2006 as compared to 28% in 2005.

Depreciation expense remained constant for the year ended December 31, 2006 as compared to the same period in 2005.

The Company has recorded a charge of $958 related to purchased in-process research and development during 2006 which is based on an allocation of the purchase price related to the Company s acquisition of certain technology assets of PLUM Computer Consulting, Inc.

There were approximately $14,097 in restructuring, integration and asset impairment charges during the year ended December 31, 2006, as compared to $10,410 in the same period in 2005, as discussed in Note 9 to the Consolidated Financial Statements.

Other income increased $1,804 for the year ended December 31, 2006 as compared to the same period in 2005 primarily due to interest income received from the Company s investments in short-term marketable securities and a larger average balance of interest bearing cash in 2006 as compared to 2005.

Income tax expense for the year ended December 31, 2006 was $10,701 on pre-tax income from continuing operations of $22,780 compared to a tax expense in 2005 of $4,330 on pre-tax income from continuing operations of $4,207. The high effective tax rate is due to non-deductible expenses, primarily meals and entertainment.

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The 2006 results from discontinued operations include the net gain on the sale of the assets of the Company s joint venture investment in CaseSoft which occurred in May 2006, the net loss on the sale of DecisionQuest which occurred in September 2006, the operating results of DecisionQuest until its sale, the exit costs associated with leased facilities formerly occupied by discontinued businesses, the operating results of JFS and the operating results of the document scanning and coding business until its sale in January 2006. Included in the operating results of DecisionQuest for 2006 is an asset impairment charge of $13,334 related to the impairment of goodwill which is described in more detail in Note 3 to the Consolidated Financial Statements. The 2005 results from discontinued operations include the results of DecisionQuest, JFS, the document scanning and coding business, the net gain on the sale of the discontinued globalization business, which was sold in September 2005, and the operating results of the discontinued globalization business until its date of sale.

As a result of the foregoing, net loss for the year ended December 31, 2006 was $1,768 as compared to a net loss of $604 for the year ended December 31, 2005.

Domestic Versus International Results of Operations

The Company has operations in the United States, Canada, Europe, Central America, South America and Asia. The Company s international operations are all in its Financial Communications segment. Domestic (U.S.) and international components of income (loss) from continuing operations before income taxes for 2006 and 2005 are as follows:

	Years Ended December 31,	
	2006	**2005**
Domestic (United States)	$ 3,907	$ (2,620)
International	18,873	6,827
Income from continuing operations before taxes	$ 22,780	$ 4,207

International pre-tax income from continuing operations increased significantly for the year ended December 31, 2006, compared to 2005 due to increases in transactional financial printing in Europe and Asia, and increases in commercial and mutual fund revenue in Canada, partly due to the addition of the Vestcom Montreal commercial business. Also contributing to the increase in international pre-tax income from continuing operations was a decrease in restructuring charges in 2006 as compared to 2005. The international results for 2005 included approximately $3.8 million in restructuring charges which were related to the relocation of the London facility, headcount reductions in London and Toronto and an asset impairment charge of $0.9 million related to the impairment of a non-current, non-trade receivable. The increase in the domestic pre-tax income from continuing operations is primarily due to the increase in transactional financial printing in 2006 as compared to 2005. The increase was partially offset by the increase in restructuring, integration and asset impairment charges related to the MBC segment during the year ended December 31, 2006 as compared to 2005.

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Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Financial Communications

	Years Ended December 31,				Year Over Year	
		% of		% of	Favorable/(Unfavorable)	
Financial Communications Results:	**2005**	**Revenue**	**2004**	**Revenue**	**$ Change**	**% Change**
	(Dollars in thousands)					
Revenue:						
Transactional financial printing	$ 249,588	40%	$ 272,095	45%	$ (22,507)	(8)%
Compliance reporting	166,592	27	148,318	25	18,274	12
Mutual funds	152,785	24	129,222	22	23,563	18
Commercial	45,939	7	40,210	7	5,729	14
Other	10,224	2	8,918	1	1,306	15
Total revenue	625,128	100	598,763	100	26,365	4
Cost of revenue	(404,624)	(65)	(378,783)	(63)	(25,841)	(7)
Gross margin	220,504	35	219,980	37	524	
Selling and administrative	(132,945)	(21)	(132,320)	(22)	(625)	
Segment profit	$ 87,559	14%	$ 87,660	15%	$ (101)	%
Other Items:						
Depreciation	$ (12,757)	(2)%	$ (12,226)	(2)%	$ (531)	(4)%
Restructuring, integration and asset impairment charges	$ (6,114)	(1)%	$ (3,028)	(1)%	$ (3,086)	(102)%
Gain on sale of building	$	%	$ 896	%	$ (896)	(100)%

Financial communications revenue increased 4% for the year ended December 31, 2005, with the largest class of service in this segment, transactional financial printing, down 8% as compared to the year ended December 31, 2004. This decline in revenue from transactional financial printing is consistent with the overall decline in capital market activity as measured by the number of SEC filings, which also declined year over year. Offsetting the decrease in transactional financial printing revenue was the increase in revenue generated from non-transactional printing services, including mutual fund and compliance reporting revenue. Compliance reporting revenue increased 12% for the year ended December 31, 2005, as compared to the year ended December 31, 2004, due in part to the new SEC regulations and more extensive disclosure requirements. Mutual fund services revenue increased 18%, and commercial revenue increased 14% for the year ended December 31, 2005 compared to 2004, primarily due to the addition of several new clients and additional work from existing clients.

Revenue from the international markets increased 16% to approximately $130,108 for the year ended December 31, 2005, as compared to $112,429 for the year ended December 31, 2004. This increase is primarily due to increases in transactional financial printing and compliance reporting revenue from Europe, Canada, and Asia. This increase is also partially due to the weakness in the U.S. dollar compared to foreign currencies. At constant exchange rates,

revenue from international markets increased 10% for the year ended December 31, 2005 compared to 2004.

Gross margin of the Financial Communications segment increased slightly and the margin percentage decreased by approximately two percentage points. The decreased activity in transactional financial printing negatively impacts gross margins since, historically, transactional financial printing is our most profitable class of service. The growth in non-transactional work also impacts gross margin percentage since this work is not as profitable as transactional work. Gross margins were also negatively impacted due to competitive pricing pressure.

Selling and administrative expenses remained constant from 2004 to 2005 and as a percentage of revenue decreased approximately one percentage point to 21% for the year ended December 31, 2005, as compared to the year ended December 31, 2004. This decrease is primarily due to lower incentive compensation, professional fees,

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and bad debt expense, due to the collection of approximately $2.0 million of amounts which had previously been written off to bad debt expense. Also contributing to the decrease in selling and administrative costs are lower selling costs associated with the lower margin mutual fund and compliance reporting revenue, compared to the higher margin transactional financial printing revenue.

In May 2004, the Company sold its financial communications facility in Dominguez Hills, California for net proceeds of $6,731, recognizing a gain on the sale of $896 during the year ended December 31, 2004. The Company relocated to a new leased facility in Southern California in September 2004.

As a result of the foregoing, segment profit (as defined in Note 19 to the Consolidated Financial Statements) from this segment remained constant for 2005 as compared to 2004. Segment profit as a percentage of revenue decreased one percentage point to approximately 14% which reflects the decrease in higher margin transactional print revenue. Refer to Note 19 of the Consolidated Financial Statements for additional segment financial information and reconciliation of segment profit (loss) to income (loss) from continuing operations before income taxes.

In 2005, the Company incurred additional restructuring charges within its Financial Communications segment related to the reduction in workforce during the fourth quarter of 2005, the reduction of certain administrative positions which will not be replaced, and revisions to estimates of costs associated with leased facilities which were exited in prior periods, including costs related to the relocation of the London facility. In addition, the Company incurred a $0.9 million impairment charge related to a non-current, non-trade receivable related to the sale of assets in a prior period. Total restructuring and asset impairment charges related to the Financial Communications segment for the year ended December 31, 2005 were $6,114, compared to $3,028 for the year ended December 31, 2004.

Marketing & Business Communications

Marketing & Business Communications Results:	Years Ended December 31, 2005	% of Revenue	2004	% of Revenue	Year Over Year Favorable/(Unfavorable) $ Change	% Change
			(Dollars in thousands)			
Revenue	$ 41,806	100%	$ 38,650	100%	$ 3,156	8%
Cost of revenue	(41,538)	(99)	(40,815)	(106)	(723)	(2)
Gross margin	268	1	(2,165)	(6)	2,433	112
Selling and administrative	(7,350)	(18)	(8,921)	(23)	1,571	18
Segment loss	$ (7,082)	(17)%	$ (11,086)	(29)%	$ 4,004	36%
Other Items:						
Depreciation	$ (1,777)	(4)%	$ (1,480)	(4)%	$ (297)	(20)%
Restructuring, integration, and asset impairment charges	$ (415)	(1)%	$ (2,771)	(7)%	$ 2,356	85%

Revenue increased 8% for the year ended December 31, 2005 as compared to the same period in 2004 primarily related to increases in personalization and fulfillment revenue as a result of several new clients, an increase in revenue

from existing clients and the continued growth of this segment of the printing industry. Gross margin improved by approximately $2.4 million, while the gross margin percentage increased by seven percentage points for the year ended December 31, 2005 as compared to 2004, due to the increase in revenue in 2005 as compared to 2004.

Selling and administrative expenses decreased 18% for the year ended December 31, 2005 as compared to the same period in 2004, and as a percentage of revenue decreased five percentage points. The reduction in selling and administrative expenses is primarily related to the favorable impact of a reduction in the administrative cost base and changes in the sales commission plan for this segment.

As a result of the foregoing, segment loss (as defined in Note 19 to the Consolidated Financial Statements) for this segment improved 36% for the year ended December 31, 2005 as compared to the same period in 2004. Segment loss as a percentage of revenue improved twelve percentage points to 17% for the year ended December 31, 2005. Refer to Note 19 of the Consolidated Financial Statements for additional segment financial information and reconciliation of segment profit (loss) to income (loss) from continuing operations before income taxes.

Restructuring charges related to this segment amounted to $415 and $2,771 for the years ended December 31, 2005 and 2004, respectively. The costs incurred in 2005 were primarily related to the reduction in workforce that was implemented during the fourth quarter of 2005. The restructuring and integration charges that were incurred in 2004 were primary related to costs associated with the consolidation of the Company s fulfillment operations with its digital print facility, which began in 2003.

Summary

Overall revenue increased $29,521, or 5%, to $666,934 for 2005. The increase is largely attributed to the increase in financial printing, specifically non-transactional financial printing, which includes mutual fund and compliance reporting revenue. Offsetting the increase in non-transactional financial print revenue was a decrease in transactional financial print revenue due to slow capital market activity in 2005. There was a $1,175 decrease in gross margin, and the gross margin percentage decreased approximately two percentage points to 36% for the year ended December 31, 2005, which is primarily due to the decrease in higher margin transactional print revenue in 2005.

Selling and administrative expenses on a company-wide basis decreased by approximately $5,950, or 3%, to $186,774. This decrease is primarily due to lower incentive compensation, consulting fees, and bad debt expense, due to the collection of approximately $2.0 million of amounts that had previously been written off to bad debt expense. Also contributing to the decrease in selling and administrative costs are lower selling costs associated with the lower margin mutual fund and compliance reporting revenue, compared to the higher margin transactional financial printing revenue. The decrease in selling and administrative expenses is also due to lower labor costs, rent expense, marketing costs, and the Company s continual effort to manage expenses. In addition, administrative expenses decreased due to lower incentive compensation and decreases in professional fees and consulting fees associated with the Company s compliance with Section 404 of the Sarbanes-Oxley Act. These fees were higher in 2004 since that was the initial year of compliance. As a percentage of revenue, overall selling and administrative expenses decreased two percentage points to 28% in 2005.

Depreciation expense remained constant in 2005 as compared to 2004.

There were approximately $10,410 in restructuring, integration, and asset impairment charges during 2005, as compared to $7,738 in 2004, as discussed in Note 9 to the Consolidated Financial Statements.

Interest expense decreased $5,281, or 51%, primarily the result of the Company s early retirement of its senior notes in December 2004. Interest expense related to those notes was approximately $4.7 million for the year ended December 31, 2004. Also contributing to the decrease in interest expense was a decrease in the amortization of deferred financing costs in 2005 as compared to 2004, also related to the early retirement of the Company s senior notes, and less borrowings on the revolving credit facility in 2005 as compared to 2004.

Loss on sale of marketable securities resulted from the sale of the 9.4 million shares of Lionbridge common stock that were included in the consideration received from the sale of Bowne Global Solutions.

Loss on extinguishment of debt in 2004 resulted from the early retirement of the Company s senior notes in December 2004. The loss represents the make-whole payment required in accordance with the debt agreement and the write-off of approximately $272 of deferred costs that were previously being amortized over the life of the senior notes.

The gain on the sale of building of $896 in 2004 relates to the sale of the Company s printing facility in California as discussed in Note 8 to the Consolidated Financial Statements.

Other income was $1,537 for the year ended December 31, 2005 as compared to an expense of $40 for the year ended December 31, 2004. Other income increased primarily as a result of an increase in interest income resulting

from the increase in cash and cash equivalents and investments in marketable securities in 2005 as compared to 2004.

Income tax expense for 2005 was $4,330 on pre-tax income from continuing operations of $4,207 compared to a tax benefit in 2004 of $224 on pre-tax loss from continuing operations of $4,530. The size of the non-deductible expenses, primarily meals and entertainment, are relatively unchanged from year to year, and the rate applied to U.S. taxable income was approximately 39% for both years.

Loss from discontinued operations was $481 in 2005 as compared to income of $31,530 in 2004. The 2005 results from discontinued operations include a net gain on the sale of the globalization business of $671 that occurred in September 2005, the results of the discontinued globalization segment until the date of sale, and the results of the discontinued litigation solutions businesses. The results from discontinued operations for 2004 include the results of the discontinued globalization and document outsourcing businesses, the net gain on the sale of the document outsourcing businesses to Williams Lea in November 2004, and the results of the discontinued litigation solutions businesses.

As a result of the foregoing, net loss for 2005 was $604 as compared to net income of $27,224 for 2004.

Domestic Versus International Results of Operations

The Company has operations in the United States, Canada, Europe, Central America, South America and Asia. The Company s international operations are all in its Financial Communications segment. Domestic (U.S.) and international components of income (loss) from continuing operations before income taxes for 2005 and 2004 are as follows:

	Years Ended December 31, 2005	2004
Domestic (United States)	$ (2,620)	$ (7,057)
International	6,827	2,527
Income (loss) from continuing operations before taxes	$ 4,207	$ (4,530)

Income from continuing operations before taxes improved in 2005 as compared to 2004. International pre-tax income from continuing operations improved significantly in 2005 as compared to 2004 primarily due to increases in transactional financial printing and compliance reporting revenue from Europe, Canada, and Asia. The international results for 2004 included approximately $1.1 million of restructuring charges, which were primarily related to headcount reductions at the facilities in Paris and Toronto. The international results for 2005 include approximately $3.8 million of restructuring charges which were related to the relocation of the London facility, headcount reductions in London and Toronto and an asset impairment charge of $0.9 million related to the impairment of a non-current, non-trade receivable. The improvement in domestic pre-tax income from continuing operations was primarily due to the increase in non-transactional financial printing revenue and was partially offset by a decrease in transactional financial printing revenue within the Financial Communications segment in 2005 as compared to 2004. The domestic results for 2005 included approximately $6.6 million in restructuring charges, integration charges and asset impairment charges related to (i) the impairment of costs associated with the redesign of the Company s Intranet, (ii) the impairment of internally developed software, and (iii) a reduction in workforce in the Financial Communications segment and certain corporate management and administrative functions that will not be replaced.

Also included in the domestic results for 2005 was the loss of approximately $7.9 million related to the sale of the 9.4 million shares of Lionbridge common stock which occurred in the fourth quarter of 2005. The domestic results for 2004 included approximately $7.0 million in restructuring charges, integration charges and asset impairment charges primarily related to the consolidation of certain administrative functions, the relocation of its Southern California financial communications facility, and the consolidation of the Company s fulfillment operations with its digital print facility. The 2004 domestic results also include approximately $8.8 million related to the loss on extinguishment of debt as a result of the early retirement of the Company s senior notes in December 2004.

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2007 Outlook

The following statements and certain statements made elsewhere in this document are based upon current expectations. These statements are forward looking and are subject to factors that could cause actual results to differ materially from those suggested here, including, without limitation, demand for and acceptance of the Company s services, new technological developments, competition and general economic or market conditions, particularly in the domestic and international capital markets, and excludes the effect of potential dilution from the Convertible Subordinated Debentures and the impact from any future purchases under our share repurchase program. Except for the impact of the acquisition of the St Ives financial print division, which was completed in January 2007, the full year 2007 outlook (presented below) does not reflect any additional acquisitions. Refer also to the Cautionary Statement Concerning Forward Looking Statements included at the beginning of this Item 7.

	Full Year 2007
Revenues:	$810 to $900 million
Financial Communications	$690 to $760 million
Marketing & Business Communications	$120 to $140 million
Segment Profit:	
Financial Communications	$90 to $120 million
Marketing & Business Communications	$3 to $10 million
Corporate/Other:	
Corporate expenses, net of other income	$28 to $32 million
Integration, restructuring and impairment charges	$7 to $10 million
Depreciation and amortization	$26 to $28 million
Interest expense	$5.4 million
Diluted earnings per share from continuing operations	$0.45 to $1.05
Diluted earnings per share from continuing operations, excluding integration, restructuring and impairment charges	$0.60 to $1.25
Diluted shares	29.3 million
Capital expenditures	$22 to $25 million

Liquidity and Capital Resources

Liquidity and Cash Flow information:	**2006**	**2005**	**2004**
Working capital	$ 172,391	$ 230,895	$ 150,912
Current ratio	2.34 to 1	2.66 to 1	1.96 to 1
Net cash provided by operating activities	$ 3,574	$ 17,806	$ 16,142
Net cash provided by investing activities	$ 6,128	$ 51,170	$ 125,919
Net cash used in financing activities	$ (63,555)	$ (33,359)	$ (97,849)
Capital expenditures	$ (28,668)	$ (39,724)	$ (17,501)
Proceeds from the sale of subsidiaries (2005 includes the proceeds received from the sale of the Lionbridge common stock)	$ 19,447	$ 164,282	$ 167,264
Acquisitions, net of cash acquired	$ 32,923	$	$ 3,500
Average days sales outstanding	72	70	65

Overall working capital decreased approximately $58.5 million at December 31, 2006, as compared to 2005. The primary reason for the decrease in working capital is the decrease in cash and marketable securities of approximately $101.7 million during the year ended December 31, 2006. The 2005 working capital reflected the receipt of approximately $164.3 million in net proceeds related to the sale of the globalization business in September 2005 and the sale of the 9.4 million shares of Lionbridge common stock that were received in December 2005. Contributing to the decrease in working capital as of December 31, 2006 as compared to 2005 were the following: (i) the Company spent approximately $68.6 million for repurchases of shares of its common stock during

2006, (ii) the Company spent approximately $30.8 million related to the acquisition of Vestcom s Marketing and Business Communications division, (iii) the Company contributed $10.2 million to its pension plan in September 2006, and (iv) the Company had capital expenditures of approximately $28.7 million in 2006. Offsetting the decrease in working capital was the increase in accounts receivable due to higher revenue, the increase in the days sales outstanding as of December 31, 2006, and to the inclusion of accounts receivable related to the Vestcom acquisition in 2006.

During the second quarter of 2006, the Company s Board of Directors authorized an increase of $45 million to the Company s existing stock repurchase program that was initially authorized in December 2004. In June 2006, the Company entered into a 10b5-1 trading plan with a broker for the repurchase of up to $50 million of its common stock. Repurchases can be made from time to time in both privately negotiated and open market transactions during a period of up to two years, subject to management s evaluation of market conditions, terms of private transactions, applicable legal requirements, and other factors. In November 2006, the 10b5-1 trading plan was amended to authorize the broker to repurchase up to an additional $15 million of the Company s common stock. The program may be discontinued at any time.

For the year ended December 31, 2006, the Company repurchased approximately 4.7 million shares of its common stock for approximately $68.6 million (an average price of $14.60 per share). As of December 31, 2006, there was approximately $52.4 million available for share repurchases. Since inception of the Company s share repurchase program in December 2004 through December 31, 2006, the Company has effected the repurchase of approximately 9.8 million shares of its common stock at an average price of $14.76 per share for an aggregate purchase price of approximately $145.2 million.

The Company had no borrowings outstanding under its $150 million five-year senior, unsecured revolving credit facility as of December 31, 2006. The facility expires in May 2010. The Company s Canadian subsidiary also had all of its borrowing capacity available under its $4.3 million Canadian dollar credit facility as of December 31, 2006. The components of the Company s debt and available borrowings are described more fully in Note 11 to the Consolidated Financial Statements.

It is expected that the cash generated from operations, working capital, and the Company s borrowing capacity will be sufficient to fund its development needs (both foreign and domestic), finance future acquisitions, if any, and fund capital expenditures, provide for the payment of dividends, meet its debt service requirements and provide for repurchases of the Company s common stock under the aforementioned stock repurchase program. The Company experiences certain seasonal factors with respect to its working capital; the heaviest period for utilization of working capital is normally the second quarter. The Company s existing borrowing capacity provides for this seasonal increase.

Capital expenditures for the year ended December 31, 2006 were $28.7 million, which includes approximately $2.7 million associated with the relocation of the Company s corporate office and New York City based operations to 55 Water Street, which occurred in January 2006, and approximately $3.3 million related to the relocation of its London financial communications facilities during the second quarter of 2006. In addition, capital expenditures for the year ended December 31, 2006 includes approximately $5.6 million related to the integration of the Marketing and Business Communications division of Vestcom.

Cash Flows

The Company continues to focus on cash management, including managing receivables and inventory. Our average days sales outstanding was 72 days for the year ended December 31, 2006 as compared to 70 days in 2005. The Company had net cash provided by operating activities of $3,574, $17,806 and $16,142 for the years ending December 31, 2006, 2005, and 2004, respectively. The decrease in cash provided by operating activities from 2005 to

2006 was impacted by the increase in operating activity in 2006, an increase in the cash used to pay for restructuring related accruals in 2006 as compared to 2005 resulting from the reduction in workforce that occurred during the fourth quarter of 2005 and integration expenses related to the MBC segment, an increase in bonus payments in 2006 as compared to 2005 directly related to improved performance levels, and the funding of costs related to the Company s New York City offices relocation to 55 Water Street which occurred in January 2006. The slight increase in cash provided by operating activities from 2004 to 2005 was impacted by the cash used in

discontinued operations of approximately $6.9 million in 2004 as compared to cash used in discontinued operations in 2005 of approximately $0.1 million and a decrease of approximately $6.0 million in contributions to the pension plan in 2005 as compared to 2004. Offsetting these increases in cash provided by operating activities were the larger amount of bonuses paid in 2005 as compared to 2004, an increase in the cash paid for taxes and an increase in inventory as of December 31, 2005 which is primarily related to the increase in financial print activity during the fourth quarter of 2005.

Net cash provided by investing activities was $6,128, $51,170 and $125,919 for the years ended December 31, 2006, 2005, and 2004, respectively. The decrease in net cash provided by investing activities from 2005 to 2006 was primarily the result of (i) total proceeds of $164.3 million received in 2005 from the sale of the globalization business and the ultimate sale of the Lionbridge common stock received in the sale, compared to the net proceeds received of approximately $19.4 million in 2006 related primarily to the sale of DecisionQuest and the sale of the assets of the Company s joint venture investment in CaseSoft, (ii) cash used in the acquisition of Vestcom s Marketing and Business Communications division, and (iii) cash used in the acquisition of certain technology assets of PLUM Computer Consulting, Inc. in 2006. Offsetting the decrease in cash provided by investing activities in 2006 as compared to 2005 was a decrease in capital expenditures in 2006 as compared to 2005, primarily due to capital expenditures in 2005 of approximately $25.2 million related to the relocation of the Company s corporate office and New York City based operations and a decrease in the net purchase of marketable securities due to the decrease in auction rate securities in 2006 as compared to 2005. Cash provided by investing activities in 2005 and 2004 is driven by the sale of the globalization business in 2005 and the document outsourcing business in 2004. The Company realized total net proceeds of $164.3 million from the sale of the globalization business and the ultimate sale of the Lionbridge common stock received in the sale. The Company realized total net proceeds of $167.3 million from the sale of the document outsourcing business in 2004. The remaining change in net cash provided by investing activities from 2004 to 2005 was primarily due to (i) an increase in the purchase of marketable securities in 2005 as compared to 2004, (ii) an increase in capital expenditures in 2005 as compared to 2004, which is attributed to approximately $25.2 million incurred in 2005 associated with the Company s New York City office relocation to 55 Water Street in January 2006, and (iii) net proceeds received in 2004 from the sale of the Company s facilities in Dominguez Hills, California during the second quarter of 2004.

Net cash used in financing activities was $63,555, $33,359 and $97,849 for the years ended December 31, 2006, 2005, and 2004, respectively. The increase in net cash used in financing activities in 2006 as compared to 2005 primarily resulted from the repurchase of approximately 4.7 million shares of the Company s common stock for approximately $68,558 in 2006, as compared to the repurchase of approximately 2.4 million shares of the Company s common stock for $33,970 during 2005. Offsetting the increase in cash used in financing activities was an increase in the cash received from the exercise of stock options during 2006 as compared to 2005. The decrease in net cash used in financing activities from 2004 to 2005 was primarily due to the Company s early retirement of its $60 million senior notes in the fourth quarter of 2004 and the repurchases of approximately 2.5 million shares of the Company s common stock in 2004 for approximately $40,180 as compared to the repurchases of approximately 2.4 million shares of the Company s common stock in 2005 for approximately $33,970. Offsetting the decreases in cash used in financing activities from 2004 to 2005 was a decrease of $12,458 of proceeds received from stock option exercises in 2005 as compared to 2004.

Contractual Obligations, Commercial Commitments, and Off-Balance Sheet Arrangements

The Company s debt consists primarily of the convertible subordinated debentures issued in a private placement in September 2003. The Company also leases equipment under leases that are accounted for as capital leases, where the equipment and related lease obligation are recorded on the Company s balance sheet.

The Company and its subsidiaries also occupy premises and utilize equipment under operating leases that expire at various dates through 2026. In accordance with generally accepted accounting principles, the obligations under these operating leases are not recorded on the Company s balance sheet. Many of these leases provide for payment of certain expenses and contain renewal and purchase options.

The Company has a synthetic lease for printing equipment in the United States which is accounted for as an operating lease. The equipment under the facility had a fair value of approximately $13.8 million at the date of

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inception in May 2003. This facility had a term of four years and expires in May 2007. The expected minimum lease payments remaining at December 31, 2006 are approximately $1.0 million. At the end of this facility, the Company has the option of purchasing the equipment at the estimated residual value of approximately $6.3 million. The equipment under this lease has an aggregate residual value of approximately $7.2 million as of December 31, 2006.

The Company s contractual obligations and commercial commitments are summarized in the table below:

		Payments Due by Year					
Contractual Obligations	**Total**	**2007**	**2008**	**2009**	**2010**	**2011**	**Thereafter**
Long-term debt obligations(1)	$ 75,000	$	$ 75,000	$	$	$	$
Operating lease obligations(2)	252,582	33,460	28,324	23,767	18,481	15,669	132,881
Capital lease obligations	2,509	1,017	695	478	306	13	
Synthetic lease obligation(3)	7,366	7,366					
Unconditional purchase obligations(4)	26,400	10,400	11,000	5,000			
Total contractual cash obligations	$ 363,857	$ 52,243	$ 115,019	$ 29,245	$ 18,787	$ 15,682	$ 132,881

(1) The debt payment information presented above assumes that the Company s convertible subordinated debentures issued in September 2003 will either be redeemed by the Company or repurchased from the holders in October 2008, the earliest date upon which redemption or repurchase may occur. Refer to Note 11 to the Consolidated Financial Statements for additional information regarding the redemption and repurchase provisions of the debentures.

(2) The operating lease obligations shown in the table have not been reduced by minimum non-cancelable sublease rentals aggregating approximately $6.0 million. The Company remains secondarily liable under these leases in the event that the sub-lessee defaults under the sublease terms. The Company does not believe that material payments will be required as a result of the secondary liability provisions of the primary lease agreements.

(3) The synthetic lease payments indicated in the table assume that the Company would exercise its option to purchase the equipment at the end of the lease in May 2007 for approximately $6.3 million, which represents the estimated residual value of the equipment at the end of the lease.

(4) Unconditional purchase obligations represent commitments for outsourced services.

As discussed in Note 12 to the Consolidated Financial Statements, the Company has long-term liabilities for deferred employee compensation, including pension, supplemental retirement plan, and deferred compensation. The payments related to the supplemental retirement plan and deferred compensation are not included above since they are dependent upon when the employee retires or leaves the Company, and whether the employee elects lump-sum or annuity payments. In addition, minimum pension funding requirements are not included above as such amounts are not available for all periods presented. The Company is not required to make any contributions to its pension plan in

2007, but estimates that it will contribute at least approximately $7.0 million. In addition, the Company estimates it will contribute a