Leveraging Opportunity

Driving Growth

ENNIS®

2008 Annual Report

drive leverage

Directors

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

James B. Gardner (1), (2)
Chairman
Commerce Street Capital, LLC

Ronald M. Graham
Vice President – Administration

Godfrey M. Long, Jr. (3)
Business Coach
The Growth Coach
Former Director of Graphic Dimensions

Thomas R. Price (1), (3)
Owner and President
Price Industries

Kenneth G. Pritchett (1), (2)
Developer of Residential
and Commercial Properties

Alejandro Quiroz (2), (3)
Chairman of the Board
NEXT
President of Presto Capital

Michael J. Schaefer (1)
Executive Vice President,
Chief Financial Officer and
Treasurer of Methodist Health System

James C. Taylor (2), (3)
Principal
The Anderson Group, Inc.

(1) Member of Audit Committee
(2) Member of Executive Compensation & Stock Option Committee
(3) Member of Nominating & Corporate Governance Committee

Corporate Officers

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

Michael D. Magill
Executive Vice President and Treasurer

Richard L. Travis, Jr.
Vice President - Finance,
Chief Financial Officer and Secretary

Ronald M. Graham
Vice President – Administration

David T. Scarborough
Vice President - Apparel Division

Corporate Information

Corporate Headquarters
2441 Presidential Parkway
Midlothian, Texas 76065
(800) 752.5386

Internet
www.ennis.com

Contents

4 Letter to Shareholders
8 Print Segment
10 Apparel Segment
12 Selected Financial Data
13 Overview
17 Management's Discussion and Analysis
30 Ten-Year Financial Review
32 Consolidated Balance Sheets
37 Notes to Consolidated Financial Statements
64 Reports of Independent Registered Public Accounting Firms

Annual Summary	Fiscal Years Ended 2008	2007	% Increase
Net sales	$ 610,610,000	$ 584,713,000	4.43
Earnings before income taxes	69,785,000	66,365,000	5.15
Provision for Income taxes	25,195,000	24,764,000	1.74
Net earnings	44,590,000	41,601,000	7.18
Dividends	15,916,000	15,834,00	0.52
Earnings and dividends per share:			
Basic	$ 1.74	$ 1.63	6.75
Diluted	1.72	1.62	6.17
Dividends	0.62	0.62	--
Weighted average shares outstanding			
Basic	25,623	25,531	0.36
Diluted	25,860	25,759	0.39

For the seventh consecutive year, Ennis has enjoyed record sales and earnings. While the Print Segment continues to be in a difficult market environment, our plants continue to perform better than their competition. Last year I spoke of the opportunity for the Print Segment to improve its operating performance, and they rose to the task. The Apparel Segment encountered challenges this year in its operations and the inflation of cotton. The cotton increases were driven by world commodity increases in most agriculture products. The operation issues can be improved, as our Print segment demonstrated this year.

Results of the Past Year

- Revenues for the year increased by $25.9 million over the last year, or 4.4%.
- Net earnings increased by 7.2% for the year, from approximately $41.6 million to approximately $44.6 million.
- Diluted EPS increased by 6.2%, from $1.62 per share to $1.72 per share for the year.

Financial Results Overview

For the year ended February 28, 2007, net sales increased from $584.7 million to $610.6 million for the year ended February 29, 2008, an increase of $25.9 million or 4.4%. Our Print Segment sales were $345 million, compared to $325.7 million for the same period last year. This was an increase of $19.3 million, or 5.9%, which was entirely attributed to approximately $28 million in new sales from the B & D Litho and the Trade Envelopes acquisitions. The organic component of the Print Segment continued to decline at a 2.0% rate, after adjusting for the carryover sales of two large commercial print customers from the previous year. Our Apparel Segment sales increased from $259 million for the year ended February 28, 2007 to $265.6 million for the year ended February 29, 2008, an increase of $6.6 million or 2.5%. The growth was all internal, as no acquisitions were made in the Apparel Segment last year. Our Print Segment responded well to the operational problems of last year, as their operating margins increased from 25.2% to 27.2%, but the Apparel Segment margins decreased from 24.7% to 22.2%, for the year ended February 28, 2007 and February 29, 2008 respectively. Our earnings increased from $41.6 million to $44.6 million for the same respective years. This was a year to year increase of 7.2%. Diluted earnings increased from $1.62 per share the previous year to $1.72 per share for this fiscal year.

Print Segment Comments

Last year the Print Segment did not perform up to its capabilities. With that thought in mind, the Print Segment facilities were committed to reacting swiftly to changes in market conditions. Significant organic growth is extremely difficult in the print markets, so internal operating improvements play a large role in their success or failure. The major drivers are controlling fixed and variable costs, quick delivery to market, and pass through of paper price increases. Their continued focus on improved costing data, by extending our ERP systems to our recently acquired companies, enabled a rapid response to soft market conditions. The paper industry has continued to reduce capacity for most grades of paper stock, and the result has been increased paper pricing. While we attempt to work with our distributors to allow time for them to pass these increases on to end users,

> While Ennis has led our market segment in profitability for some time, we believe this year was even a step above those past successes.
>
> —**Keith S. Walters**, Chairman, CEO and President

even a small delay can create significant shortfalls in profitability. In a flat to declining market, such as the printing industry, proper execution of required adjustments are critical.

We were pleased with the way our plants responded to the challenge! While Ennis has led our market segment in profitability for some time, we believe this year was even a step above those past successes. The increase in print gross margin from 25.2% to 27.2% attests to their focus on continued improvements. This allows corporate management to keep plant consolidations and closures to a minimum level, in spite of market conditions.

Apparel Segment Comments

The Apparel Segment began the year with problems in their mix of finished goods inventory. While not a large problem, it did impact the sales levels in the first two quarters. Our attempts to quickly fill inventory gaps caused excess costs in overtime and productivity at the production facilities. As the mix improved throughout the year, sales increased accordingly. As a result, we enjoyed record third and fourth quarter sales levels, turning what began as a flat to slightly down year, into an increase of $6.6 million or 2.5%. This year began with our inventories in a strong position, and we anticipate better sales growth as a result. This is in spite of a softening economic climate for retail markets.

While we are pleased with the increase in sales as the year progressed, the Apparel Segment did experience declining gross margins from 24.7% to 22.2%. The principle driver of the margin decline was the price of cotton. We buy cotton on the open commodities market and the price has risen 15% to 20% in the last year. We have passed through increases to offset some of the cotton inflation, but timing delays for contracts and market conditions prevented a full recovery of costs. While we expect cotton to stabilize this year, we will be passing on the additional cotton increases as required.

In addition to passing on increases, we recognize our obligation to our customers in holding the price increases to the minimum required. To that end we are continuing to invest in new equipment for productivity gains. As our capacity approaches its physical limits, the Apparel Segment will investigate additional facilities which will improve our competitive position.

We believe the direction is positive for our Apparel sector this coming year. While our margins were down for the quarter, increased volume elevated our operating profit for the fourth quarter to position us well as we move into the new year.

Acquisition Strategy/Product Expansion

The acquisition of Block Graphics in Portland, Oregon, a 2007 fiscal year event, put us into the distributor envelope market. While a successful venture, the product line, as with most printing, cannot be competitive over distance due to freight costs. As a result, the Print Segment acquired a manufacturing company in the mid-west, Trade Envelopes, which will allow us to compete nationally. This acquisition allows Ennis to begin the converting and imprinting of envelopes in the center of the country and expands our product offering to the entire Ennis customer base. The Print Segment sees additional opportunities for growth in the product line and will continue to explore prospects in the rest of the country.

Another acquisition completed this year was B & D Litho in Phoenix, Arizona. This company owned leveraging opportunity

another printer in Denver, Colorado, Skyline Business Forms. These two companies are both primarily forms printers, and have capabilities to produce both short and long run orders. They do not bring new product offerings to our customer base, as they were acquired to further expand our market coverage. This is critical in the print industry where most products are competitive only within a limited distance. Since we already own a printing company in Denver, the Skyline acquisition allowed us to strengthen the existing market offering, and gain scale to increase competitiveness. The Denver operational improvements to date have already shown the strategy to be sound.

Our Print Segment acquisition plans continue in the same manner as the past several years. Indentify prospects that fit our model and culture, buy at a reasonable price, and empower the local management to improve and build the business. It is a formula that has served us well.

The Apparel Segment is also investigating prospects from the same approach. However, the need for future capacity expansion will be a consideration in those pursuits, as well as an expansion of our existing product offering.

Ennis will continue to be cautious and prudent with our investors' money when approaching acquisitions. We are aware that many companies have not enjoyed Ennis' successful track record of integrating the acquired companies successfully, and we consider those risks with each new candidate.

Financial Condition and Dividend Policy

The financial condition of your company continues to be strong. The long-term debt at the end of the fiscal year was $90.7 million. Due to the acquisition of the companies previously discussed, and the phase in to in-house credit from previously factored credit at our Apparel Segment, we did not pay down as much debt as in previous years. These were decisions made by management and the Board for the long-term improvement of Ennis, not driven by a lack of internally generated funds. In fact, for the year ended February 29, 2008, the company generated $90.2 million in EBITDA. As of the same date, our current ratio was 3.6 to 1.0 and our long-term debt to equity ratio was .26 to 1.0.

The Board of Directors considers the Ennis dividend policy to be a major consideration in planning. The Board has declared a dividend for one hundred thirty-nine consecutive quarters without a reduction.

Special Recognition

Mr. James B. Gardner has notified the Board of Directors of his intent not to run for re-election for another term. Mr. Gardner has served on the Ennis Board for 38 years and is currently the Chairman of the Audit Committee and a member of the Compensation Committee. Mr. Gardner has served in a distinguished manner through both positive and difficult events in his long tenure of service to the Ennis shareholders. We want to thank Mr. Gardner for his service and wish him the very best in his future endeavors.

> As we enter our 99th year in business, we believe the future continues to hold opportunities for Ennis to prosper.
>
> —**Keith S. Walters**, Chairman, CEO and President

The Future

As we enter our 99th year in business, we believe the future continues to hold opportunities for Ennis to prosper. Our acquisition of print companies remains a successful strategy, and the integration of those companies has proven successful by our results. The Board of Directors remains diligent on the payback of the acquired companies, to assure themselves that the shareholders' money is being invested for return, not simply sales growth. We continue to find such opportunities.

The Apparel Segment has provided us a new platform. We are well into the process of integrating the Ennis culture into that enterprise. We believe we are bringing value to that business through our systems, process skills and conservative approach to investments.

In closing, we have improved earnings seven consecutive years, and will endeavor to continue the trend. We are entering one of the most challenging business environments we have seen in many years. It will require a focused effort by our entire company. As always, thank you for your continued support.

Keith S. Walters

Keith S. Walters
Chairman, CEO and President

Fiscal year 2008 was an exciting time for the Print Segment of Ennis as sales and profits grew substantially. The sales growth was due to the three acquisitions closed during the year as well as the additional sales volume from the Block Graphics acquisition of the previous year. The improved profit margins were primarily due to cost containment in the operations area, a goal established at the beginning of this year. The 2% increase in gross profit margins year over year is a testament to the success of that goal.

There is quite a bit of noise in the marketplace about "cost cutting" to improve profitability, but Ennis does not rely solely on plant closures as the means of reducing costs. Sometimes it is as simple as making certain that variable costs fluctuate with sales. The other aspect of controlling manufacturing costs is to eliminate unneeded fixed costs. The Company looks at its various locations to determine the optimal use of its facilities in a geographic area to service its customer base. Where it makes sense to merge existing or acquired facilities the Company has taken the steps to do so, as was the case in Colorado and Tennessee, as noted later. The Company does this with the customer in mind and it has attempted to make these facility mergers as convenient as possible for its customers.

Managing costs, however, is just one aspect of management's goal to improve profitability. Expanding sales and growing the top line are also critical goals. While acquisitions play a significant part in this goal, Ennis has also started to achieve additional growth by deepening the penetration in its core customer base through expanded sales and marketing efforts. The goal is to have the Company known for product lines such as envelopes, high quality commercial checks, and integrated products as well as its traditional forms products throughout its geographic footprint.

Operational Overview

As the Print Segment continued its effort to grow through acquisitions during the fiscal year, transactions were closed which brought us into the Arizona marketplace and expanded our presence in Colorado and Tennessee.

Ennis found in its acquisitions that there may be market overlap where two Company locations are situated in close proximity. In that case Ennis chose to optimize the situation by combining infrastructures to form one facility with greater critical mass in sales and lowering the fixed costs associated with two separate businesses. Due to the acquisitions of Block Graphics in Denver and Skyline Business Forms, Ennis was able to utilize the property owned by Skyline as a central point of operations for both operations and vacate the leased facilities used by Block Graphics. Additionally, the Company decided that it would be better to avoid the confusion of two brand names at the new location and renamed the facility, "Ennis of Colorado". The new entity will combine the best of the two previous brands and create the largest forms producer in the Colorado marketplace as well as lowering the fixed costs associated with two locations.

Ennis also decided to relocate the print operations in Tullahoma, Tennessee to three of its other locations as the sales were not sufficient to support the infrastructure present in that location. This process allowed Trade Envelopes, also located in Tullahoma, to leave its leased facility and occupy and fully utilize the location which was owned. Where there are opportunities to merge existing operations that are in close proximity, and cause minimal customer disruption, Ennis feels it is worth pursuing in an effort to maximize its geographic footprint with a minimum of real estate and favorably impact fixed costs.

> An aggressive e-commerce strategy involving interconnectivity with our customers will be a primary focus of the Company.
>
> —**Michael D. Magill**, Executive Vice President and Treasurer

On the material side of manufacturing costs the Company passed along paper increases during the year to avoid the contraction in margin when costs are absorbed by the manufacturer. The printing business has cycles like all businesses so the Company believes in adjusting or "flexing" the labor force as sales decline so that margins are not negatively impacted by the slowdown in business. These are basic techniques to deal with the fluctuations which all manufacturing businesses deal with and still provide strong returns for our shareholders while satisfying the needs of our customers.

Sales & Marketing

The Company continues to change its approach to the market by focusing on the development of products and brands, while leveraging the national manufacturing footprint which is a key strategic advantage. Enfusion® was the first private brand created this past year, featuring the integrated product line. Integrated products, such as form/label combinations, involve more value-add than traditional forms products and have better margins. The strategy was highly successful as product sales this year surpassed growth goals. Uncompromised Check Solutions℠ will be the second private brand focus providing our customers access to higher quality checks with upgraded security features and faster manufacturing lead times. Additional product focus will include the acquisition of equipment necessary to produce integrated products, tags and labels, and envelope conversion at some of our other facilities. All of these activities expand the product capabilities of Ennis throughout its various facilities & markets around the United States.

Leveraging the strategic national manufacturing footprint of Ennis is another key Sales and Marketing objective of the Company. This revised approach provides our customers the ability to access all of the manufacturing capabilities of Ennis through one sales contact. The strategy will make it easier for our customers to leverage the national manufacturing capabilities of Ennis and focus on larger sales opportunities traditionally reserved for the major direct printers. An aggressive e-commerce strategy will also be a primary focus for the Company. This focus will involve interconnectivity with our customers eventually making it easier to conduct business with Ennis and ultimately growing our revenue line.

The combination of top line growth, with healthy profit margins achieved through cost controls, will ensure the cash flow necessary to keep the balance sheet and income statement healthy for the foreseeable future and allow the Print Segment to continue its growth!

Alstyle Apparel originated in 1979 as a t-shirt importer for local screen printers. After considerable growth as a distributor, Alstyle began manufacturing the company's own line of apparel in 1990. Over the past eighteen years, Alstyle's manufactured and sourced product lines have grown significantly and today include t-shirts, fleece, polo shirts, outerwear and headwear. On average Alstyle manufactures more than 650,000 t-shirts per day. The continued growth and success of Alstyle demonstrates the Apparel Segment's ability to provide Ennis a diverse product offering, while adding to the sales and profit growth opportunities.

Leveraging the Value of the Brand

Alstyle introduced a new corporate identity in January 2008. Changes included a new corporate logo and a redesign of the labels that are sewn into our products. Alstyle is known throughout the apparel industry for the AAA™ brand found on our product labels. The updated corporate logo reflects this well-known identity. The new logo now represents our corporate identity as well as the branding on our products. The previous corporate logo was a single A with a t-shirt overlay.

The new corporate logo (shown above), is an updated stylized version of the AAA™ brand that our customers know. Alstyle leverages the AAA™ brand through multiple sales channels and the change in our logo has strengthened our brand as it is sold through these different channels.

Capitalizing on Market Opportunities

As Alstyle moves towards the future, it is important to not only increase recognition of Alstyle's brand, but to also improve the product line. The industry continues to evolve as consumers' fashion tastes change. Over the last year, Alstyle has expanded their product line to include additional high demand items such as ringspun cotton products. Ringspun cotton brings a softer, higher quality product to the AAA™ brand. In addition to ringspun cotton, Alstyle also added organic cotton to its product offering. The organic cotton line indicates the company's commitment to both its customers and the environment. Alstyle's organic product uses certified organic cotton, dyes and threads to produce their certified t-shirts. Alstyle has also expanded its juniors and missy lines. Junior and Missy products offer lighter weight and softer fabrics as well as lengths which appeal to a larger market.

Alstyle's distribution channel has expanded throughout the past fiscal year. The company has distribution centers in Anaheim, California; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; and Philadelphia, Pennsylvania within the United States. Alstyle also has international locations in Mississauga, Ontario, Canada; Hermosillo, Sonora, Mexico; Ensenada, B.C, Mexico; Auckland, New Zealand; and Victoria, Australia. The company's expansion of the distribution channel allows Alstyle to increase its sales network and continue to build on the expanding market. The company is continuously searching for new sales opportunities and enhancing the product line to fit the market.

> "The continued growth and success of Alstyle demonstrates the Apparel Segment's ability to provide Ennis a diverse product offering."
>
> —**Todd Scarborough**, President Alstyle Apparel

Change and Improvements

Alstyle has made several notable technology improvements throughout the past year. The company has continued working towards enhancing its e-commerce strategy. Alstyle has fully integrated their online ordering system to streamline the ordering and distribution processes. In fiscal year 2008, heavy promotion of alstyle.com's e-commerce features, grew online sales by over 200% from the previous year. Alstyle customers have the ability to view inventory at each of the company's distribution facilities, place orders, and track shipments quickly and efficiently. Orders placed on alstyle.com save time and money by automatically generating an order in the ERP system, the pick ticket in the distribution center, and an invoice after shipment.

In addition to the technology improvements involving alstyle.com, several changes were made in manufacturing. One specific improvement, replacement of two aging dryer units with one new unit, won Alstyle Southern California Gas Company's Continuous Improvement Award for 2008. The new dryer unit is more energy efficient and allows for increased production.

Alstyle also introduced their tear away labels this past year. All manufactured garments are available with tear away labels to aid in Alstyle's growing re-labeling and heat transfer programs. Additionally, Alstyle has been focusing efforts on retail brand specific merchandising. These sales efforts have increased Alstyle's market penetration and grown brand recognition.

Driving the Future of Alstyle

Throughout 2008, Alstyle Apparel will continue to emphasize several performance goals and objectives. Alstyle will continue to reach out to new markets and product lines by creating new manufacturing expansions and further developing its established product line. Alstyle Apparel's historic growth and profitability gives Ennis confidence that by working to reach its goals the company will continue to be profitable and a successful segment of Ennis.

Selected Financial Data

The following selected financial data has been derived from our audited consolidated financial statements. Our consolidated financial statements and notes thereto as of February 29, 2008 and February 28, 2007, and for the three years in the period ended February 29, 2008, and the reports of Grant Thornton LLP are included in this Report. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included in this Report.

Fiscal Years Ended (in thousands, except per share amounts)	**2008**	**2007**	**2006**	**2005**	**2004**
Operating results:					
Net sales	$ 610,610	$ 584,713	$ 559,397	$ 365,353	$ 259,360
Gross profit	152,647	145,937	142,090	90,757	68,548
SG&A expenses	77,624	72,736	69,953	51,100	38,922
Net earnings	44,590	41,601	40,537	22,959	17,951
Earnings and dividends per share:					
Basic	$ 1.74	$ 1.63	$ 1.59	$ 1.21	$ 1.10
Diluted	1.72	1.62	1.58	1.19	1.08
Dividends	.62	.62	.62	.62	.62
Weighted average shares outstanding:					
Basic	25,623	25,531	25,453	18,936	16,358
Diluted	25,860	25,759	25,728	19,260	16,602
Financial Position:					
Working capital	$ 133,993	$ 102,269	$ 94,494	$ 70,247	$ 38,205
Current assets	185,819	151,516	158,455	151,630	63,605
Total assets	513,131	478,228	494,401	497,246	154,043
Current liabilities	51,826	49,247	63,961	81,383	25,400
Long-term debt	90,710	88,971	102,916	112,342	7,800
Total liabilities	164,652	161,825	197,066	225,515	43,461
Equity	348,479	316,403	297,335	271,731	110,582
Current ratio	3.59 to 1.0	3.08 to 1.0	2.48 to 1.0	1.86 to 1.0	2.50 to 1.0
Long-term debt to equity	.26 to 1.0	.28 to 1.0	.35 to 1.0	.41 to 1.0	.07 to 1.0

Overview

Ennis, Inc. (formerly Ennis Business Forms, Inc.) was organized under the laws of Texas in 1909. Ennis, Inc. and its subsidiaries (collectively known as the "Company," "Registrant," "Ennis," "we," "us," or "our") print and manufacture a broad line of business forms and other business products and also manufacture a line of activewear for distribution throughout North America. Distribution of business products and forms throughout the United States and Canada is primarily through independent dealers, and with respect to our activewear products, through sales representatives. This distributor channel encompasses print distributors, stationers, quick printers, computer software developers, activewear wholesalers, screen printers, and advertising agencies, among others. The company's apparel business was acquired on November 19, 2004. Apparel Segment produces and sells activewear, including t-shirts, fleece goods and other wearables. With apparel being the hottest product on the market, we are growing in every way to help our distributors' profits continue to rise. We now offer a great selection of high-quality activewear apparel and hats with a wide variety of styles and colors in sizes ranging from toddler to 6XL. The new apparel line features a wide variety of tees, fleece, shorts and yoga pants, and one headwear brand.

On October 5, 2007, we acquired certain assets of B & D Litho, Inc. ("B & D") headquartered in Phoenix, Arizona, and certain assets and related real estate of Skyline Business Forms, operating in Denver, Colorado for $12.5 million. The acquisition of B&D Litho, Inc. did not include the acquisition of B&D Litho California, Inc., which is mainly a commercial printing operation located in Ontario, California. No significant liabilities were assumed in the transactions. The combined sales of the purchased operations were $25.0 million during the most recent twelve month period. The acquisition will add additional medium and long run multi-part forms, laser cut sheets, jumbo rolls and mailer products sold through the indirect sales (distributorship) marketplace.

On September 17, 2007, we acquired certain assets of Trade Envelope, Inc. ("Trade") for $2.7 million. Under the terms of the purchase agreement, we have agreed to pay the former owners of Trade under a contingent earn-out arrangement over three years for intangibles, subject to certain set-offs. Trade is an envelope manufacturer (converter) and printer, offering high quality, 1-4 color process with lithograph and flexography capabilities with locations in Tullahoma, Tennessee and Carol Stream, Illinois. The combined sales of Trade during the most recent twelve month period were $11.4 million. The acquisition expanded and strengthened the envelope line of products currently being offered by the Company.

On August 8, 2006, we purchased the outstanding stock of Block Graphics, Inc. ("Block"), a privately held company headquartered in Portland, Oregon for $14.8 million in cash. Block had sales of approximately $38.6 million for the year ended December 31, 2005. The acquisition of Block continues the strategy of growth in our print segment through related manufactured products to further service our existing customer base. The acquisition added additional short-run print products (snaps, continuous forms, and cut-sheet forms) as well as the production of envelopes, a new product for the Company.

On March 31, 2006, we purchased all of the outstanding stock of Specialized Printed Forms, Inc. ("SPF"), a privately held company headquartered in Caledonia, New York and the associated land and buildings for $4.6 million in cash. SPF had sales of $9.2 million for the twelve month period ended July 31, 2005. The acquisition of SPF continues the strategy of growth through related manufactured products to further service our existing customer base. The acquisition added additional short-run print products, long-run (jumbo rolls) products and solutions as well as integrated labels and form/label combinations sold through the indirect sales (distributorship) marketplace.

On January 3, 2006, we purchased the outstanding stock of Tennessee Business Forms, Inc. ("TBF"), a privately held company located in Tullahoma, Tennessee, as well as the associated land and buildings from a partnership which leased the facility to TBF. The purchase price of this transaction was $1.2 million. TBF had sales of $2.2 million for the twelve month period ended December 31, 2005. The acquisition of TBF continues the Ennis strategy of growth through acquisition of complimentary manufactured products to further service our existing customer base. The acquisition added additional short-run print products and solutions as well as integrated labels and form/label combinations sold through the indirect sales (distributorship) marketplace.

Business Segment Overview

We operate in two business segments, the Print Segment and the Apparel Segment. For additional financial information concerning segment reporting, please see the notes to our consolidated financial statements included in this report.

Print Segment

The Print Segment, which has represented approximately 57% of our consolidated net sales during each of the past 3 years, is in the business of manufacturing, designing and selling business forms and other printed business products primarily to distributors located in the United States. The Print Segment operates 40 manufacturing locations throughout the United States in 16 strategically located domestic states. Approximately 95% of the business products manufactured by the Print Segment are custom and semi-custom products, constructed in a wide variety of sizes, colors, and quantities on an individual job basis depending upon the customers' specifications.

The products sold include snap sets, continuous forms, laser cut sheets, tags, labels, envelopes, integrated products, jumbo rolls and pressure sensitive products in short, medium and long runs under the following labels: Ennis®, Royal Business Forms℠, Block Graphics℠, Specialized Printed Forms℠, 360º Custom Labels℠, Enfusion®, Witt Printing℠, B&D Litho of Arizona℠, GenForms℠ and Calibrated Forms℠. The Print Segment also sells the Adams McClure℠ brand (which provides Point of Purchase advertising for large franchise and fast food chains as well as kitting and fulfillment); the Admore® brand (which provides presentation folders and document folders); Ennis Tag & Label℠ (which provides tags and labels, promotional products and advertising concept products); Trade Envelopes℠ and Block Graphics℠ (which provide custom and imprinted envelopes) and Northstar® and GFS℠ (which provide financial and security documents).

The Print Segment sells predominantly through private printers and independent distributors. Northstar and Adams McClure also sell to a small number of direct customers. Northstar has continued its focus with large banking organizations on a direct basis (where a distributor is not acceptable or available to the end-user) and has acquired several of the top 25 banks in the United States as customers and is actively working on other large banks within the top 25 tier of banks in the United States. Adams McClure sales are generally provided through advertising agencies.

The printing industry generally sells its products in two ways. One market direction is to sell predominately to end users, and is dominated by a few large manufacturers, such as Moore Wallace (a subsidiary of R.R. Donnelly), Standard Register, and Cenveo. The other market direction, which the Company primarily serves, sells forms and other business products through a variety of independent distributors and distributor groups. While it is not possible, because of the lack of adequate statistical information, to determine Ennis' share of the total business products market, management believes Ennis is one of the largest producers of business forms in the United States distributing primarily through independent dealers, and that its business forms offering is more diversified than that of most companies in the business forms industry.

There are a number of competitors that operate in this segment, ranging in size from single employee-owner operations to multi-plant organizations, such as Cenveo and their resale brand known as: PrintXcel, Discount Label, and Printegra. We believe our strategic locations and buying power permit us to compete on a favorable basis within the distributor market on competitive factors, such as service, quality, and price.

Distribution of business forms and other business products throughout the United States is primarily done through independent dealers, including business forms distributors, stationers, printers, computer software developers, and advertising agencies.

Raw materials of the Print Segment principally consist of a wide variety of weights, widths, colors, sizes, and qualities of paper for business products purchased from a number of major suppliers at prevailing market prices.

Business products usage in the printing industry is generally not seasonal. General economic conditions and contraction of the traditional business forms industry are the predominant factor in quarterly volume fluctuations.

Apparel Segment

The Apparel Segment, which has represented approximately 43% of our consolidated net sales for the last 3 fiscal years, operates under the name of Alstyle Apparel ("Alstyle"). Alstyle markets high quality knit basic activewear (t-shirts, tank tops and fleece) across all market segments. Approximately 95% of Alstyle's revenues are derived from t-shirt sales, and 93% of those are domestic sales. Alstyle's branded product lines are AAA Alstyle Apparel & Activewear®, Gaziani®, Diamond Star®, Murina®, A Classic, Tennessee River®, D Drive™, and Hyland® Headwear. Alstyle is headquartered in Anaheim, California, where it knits domestic cotton yarn and some polyester fibers into tubular material. The material is dyed at that facility and then shipped to its plants in Ensenada or Hermosillo, Mexico, where it is cut and sewn into finished goods. Alstyle also ships their dyed and cut product to outsourced manufacturers in El Salvador and Nicaragua for sewing. After sewing and packaging is completed, product is shipped to one of Alstyle's eight distribution centers located across the United States, Canada, and Mexico. The products of the Apparel Segment are standardized shirts manufactured in a variety of sizes and colors. The Apparel Segment operates six manufacturing facilities, one in California, and five in Mexico.

Alstyle utilizes a customer-focused internal sales team comprised of 21 sales representatives assigned to specific geographic territories in the United States, Canada, and Mexico. Sales representatives are allocated performance objectives for their respective territories and are provided financial incentives for achievement of their target objectives. Sales representatives are responsible for developing business with large accounts and spend approximately half their time in the field.

Alstyle employs a staff of customer service representatives that handle call-in orders from smaller customers. Sales personnel sell directly to Alstyle's customer base, which consists primarily of screen printers, embellishers, retailers, and mass marketers.

A majority of Alstyle's sales are to direct customer branded products, and the remainder relates to private label and re-label programs. Generally, sales to screen printers and mass marketers are driven by the availability of competitive products and price considerations, which drive our requirements for inventory levels of our various products, while sales in the private label business are characterized by slightly higher customer loyalty.

Alstyle's most popular styles are produced based on demand management forecasts to permit quick shipment and to level production schedules. Alstyle offers same-day shipping and uses third party carriers to ship products to its customers.

Alstyle's sales are seasonal, with sales in the first and second quarters generally being the highest. The general apparel industry is characterized by rapid shifts in fashion, consumer demand and competitive pressures, resulting in both price and demand volatility. However, the imprinted activewear market that Alstyle sells to is generally "event" driven. Blank t-shirts can be thought of as "walking billboards" promoting movies, concerts, sports teams, and "image" brands. Still, the demand for any particular product varies from time to time based largely upon changes in consumer preferences and general economic conditions affecting the apparel industry.

The apparel industry is comprised of numerous companies who manufacture and sell a wide range of products. Alstyle is primarily involved in the activewear market and produces t-shirts, and outsources such products as fleece, hats, shorts, pants and other such activewear apparel from China, Thailand, Pakistan, and other foreign sources to sell to its customers through its sales representatives. Its primary competitors are Delta Apparel ("Delta"), Russell, Hanes and Gildan Activewear ("Gildan"). While it is not possible to calculate precisely, based on public information available, management believes that Alstyle is one of the top three providers of blank t-shirts in North America. Alstyle competes with many branded and private label manufacturers of knit apparel in the United States and Canada, some of which are larger in size and have greater financial resources than Alstyle. Alstyle competes on the basis of price, quality, service, and delivery. Alstyle's strategy is to provide the best value to its customers by delivering a consistent, high-quality product at a competitive price. Alstyle's competitive disadvantage is that its brand name, Alstyle Apparel, is not as well known as the brand names of its largest competitors, such as Gildan, Delta, Hanes, and Russell.

Distribution of the Apparel Segment's products is through Alstyle's own staff of sales representatives and regional distribution centers selling to local distributors who resell to retailers, or directly to screen printers, embellishers, retailers and mass marketers.

Raw materials of the Apparel Segment principally consist of cotton and polyester yarn purchased from a number of major suppliers at prevailing market prices, although we purchase more than 70% of our cotton and yarn from one supplier. Reference is made to — "Cautionary Statements" of this Report.

Patents, Licenses, Franchises and Concessions

The Company does not have any significant patents, licenses, franchises, or concessions.

Intellectual Property

We market our products under a number of trademarks and tradenames. We have registered trademarks in the United States for Ennis, A Alstyle Apparel, AA Alstyle Apparel & Activewear, AAA Alstyle Apparel & Activewear, American Diamond, Classic by Alstyle Apparel, Diamond Star, Executive by Alstyle, Gaziani, Gaziani Fashions, Hyland, Hyland Headwear by Alstyle, Murina, Tennessee River, 360º Custom Labels, Admore, CashManagementSupply.com, Securestar, Northstar, MICRLink, MICR Connection, Ennisstores.com, General Financial Supply, Calibrated, Witt Printing, GenForms, Royal, Crabar/GBF, Adams McClure, Advertising Concepts, ColorWorx, Star Award Ribbon, and variations of these brands as well as other trademarks. We have similar trademark registrations internationally. The protection of our trademarks is important to our business. We believe that our registered and common law trademarks have significant value and these trademarks are instrumental to our ability to create and sustain demand for our products.

Customers

No single customer accounts for as much as five percent of consolidated net sales.

Backlog

At February 29, 2008, the Company's backlog of orders believed to be firm was approximately $27,134,000 as compared to approximately $18,658,000 at February 28, 2007.

Research and Development

While the Company continuously looks for new products to sell through its distribution channel, there have been no material amounts spent on research and development in the fiscal year ended February 29, 2008.

Environment

We are subject to various federal, state, and local environment laws and regulations concerning, among other things, wastewater discharges, air emissions and solid waste disposal. Our manufacturing processes do not emit substantial foreign substances into the environment. We do not believe that our compliance with federal, state, or local statutes or regulations relating to the protection of the environment has any material effect upon capital expenditures, earnings or our competitive position. There can be no assurance, however, that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. Similarly, the extent of our liability, if any, for past failures to comply with laws, regulations, and permits applicable to our operations cannot be determined.

Employees

At February 29, 2008, the Company had approximately 6,256 employees. Approximately 2,939 of the employees are in Mexico and approximately 19 employees are in Canada. Of the USA employees, approximately 410 were represented by three unions, fewer than seven separate contracts expiring at various times. Of the employees in Mexico, two unions represent substantially all employees with contracts expiring at various times.

Management's Discussion and Analysis of Financial Condition and Results of Operation

Cautionary Statements

You should read this discussion and analysis in conjunction with our Consolidated Financial Statements and the related notes appearing elsewhere in this Report. In addition, certain statements in this Report, and in particular, statements found in Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We believe these forward-looking statements are based upon reasonable assumptions within the bounds of our knowledge of Ennis. All such statements involve risks and uncertainties, and as a result, actual results could differ materially from those projected, anticipated, or implied by these statements. Such forward-looking statements involve known and unknown risks, including but not limited to, general economic, business and labor conditions; the ability to implement our strategic initiatives; the ability to be profitable on a consistent basis; dependence on sales that are not subject to long-term contracts; dependence on suppliers; the ability to recover the rising cost of key raw materials in markets that are highly price competitive; the ability to meet customer demand for additional value-added products and services; the ability to timely or adequately respond to technological changes in the industry; the impact of the Internet and other electronic media on the demand for forms and printed materials; postage rates; the ability to manage operating expenses; the ability to manage financing costs and interest rate risk; a decline in business volume and profitability could result in an impairment of goodwill; the ability to retain key management personnel; the ability to identify, manage or integrate future acquisitions; the costs associated with and the outcome of outstanding and future litigation; and changes in government regulations.

You should carefully consider these risks, as well as other information included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. In view of such uncertainties, investors should not place undue reliance on our forward-looking statements since such statements may prove to be inaccurate and speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Liquidity and Capital Resources

Fiscal Years Ended (dollar in thousands)	**2008**	**2007**	**Change**
Working Capital	$ 133,993	$ 102,269	31.0%
Cash and cash equivalents	$ 3,393	$ 3,582	-5.3%

Working Capital. Our working capital increased by approximately $31.7 million, or 31.0% from $102.3 million at February 28, 2007 to $134.0 million at February 29, 2008. The increase in our working capital during the period related primarily to an increase in our receivables and inventories. The increase in our receivables related primarily to the phasing out of Alstyle's factoring arrangement. The increase in our inventory levels related primarily to our acquisitions during the period and our planned increase in Alstyle's inventory level. Our current ratio, calculated by dividing our current assets by our current liabilities increased from 3.1-to-1.0 at February 28, 2007 to 3.6-to-1.0 at February 29, 2008.

Cash and cash equivalents. Cash and cash equivalents consists of highly liquid investments, such as time deposits held at major banks, commercial paper, United States government agency discount notes, money market mutual funds and other money market securities with original maturities of 90 days or less. We used cash during the period to pay down our debt, finance the phase-out of Alstyle's factoring arrangements, build our apparel inventory, and to acquire certain businesses.

Fiscal Years Ended (dollar in thousands)	**2008**	**2007**	**Change**
Net Cash provided by operating activities	$ 30,444	$ 49,517	-38.5%
Net Cash used in investing activities	$ (17,285)	$ (19,825)	-12.8%
Net Cash used in financing activities	$ (13,516)	$ (39,978)	-66.2%

Cash flows from operating activities. Cash provided by our operating activities decreased by $19.1 million, or 38.5% to $30.4 million for fiscal year 2008 as compared to $49.5 million for fiscal year 2007. During the fiscal year 2008, approximately 32% of our Apparel credit sales were factored compared to 73% for the fiscal year 2007. As a result, approximately $25.0 million of operational cash during the period was used to fund the transition of these previously factored sales to in-house credit (see "Credit Facility" following for further discussion). In addition, we used operational cash during the period to increase our apparel inventory levels by approximately $12.0 million, see "Results of Operations - Segments" for further discussion. We were able to offset these uses of our operational cash during the period by increased management of our print inventory levels, accounts receivable and payables. While both the aforementioned apparel initiatives required the use of a significant amount of our operational cash during the period, approximately $37.0 million, we view both as one-time uses of cash and as such neither would be expected to have a significant impact on our operational cash flow for fiscal year 2009.

Cash flows from investing activities. Cash used for our investing activities decreased by $2.5 million, or 12.8% to $17.3 million for fiscal year 2008, compared to $19.8 million for fiscal year 2007. During the fiscal year 2008, we acquired two businesses, B&D and Trade for $14.6 million. During the fiscal year 2007, we acquired two businesses, Specialized Printed Forms and Block Graphics for $17.6 million. Our capital expenditures for each of the last 2 years have been relatively consistent. In addition to the above, we generated cash during the past 2 years by selling some of our unused or under-utilized property, plant and equipment.

Cash flows from financing activities. We used $26.5 million less in cash associated with our financing activities in fiscal year 2008 when compared to the same period last year. We repaid debt in the amount of $16.7 million during the fiscal year ended 2008, as compared to $40.6 million during fiscal year ended 2007. We borrowed $18.0 million in fiscal year 2008 to finance the acquisition of B&D and to finance the phase-out of the apparel's factoring arrangements, as compared to $15.6 million in fiscal year 2007 to finance the acquisition of Block.

Credit Facility. On March 31, 2006, we entered into an amended and restated credit agreement with a group of lenders led by LaSalle Bank N.A. (the "Facility"). The Facility provides us access to $150 million in revolving credit and matures on March 31, 2010. The facility bears interest at the London Interbank Offered Rate ("LIBOR") plus a spread ranging from .50% to 1.50% (currently LIBOR + .75% or 3.89% at February 29, 2008), depending on our total funded debt to EBITDA ratio, as defined. The Facility contains financial covenants, restrictions on capital expenditures, acquisitions, asset dispositions, and additional debt, as well as other customary covenants. As of February 29, 2008, we had $90.5 million of borrowings under the revolving credit line and $4.5 million outstanding under standby letters of credit arrangements, leaving us availability of approximately $55.0 million. The Facility is secured by substantially all of our personal and investment property.

During fiscal year 2008, we repaid $16.0 million on the revolver and $0.7 million on other debt and borrowed $18.0 million, mainly for acquisitions and the phase-out of the Apparel's factoring arrangements. It is anticipated that the available line of credit is sufficient to cover, should it be required, working capital requirements for the foreseeable future.

Alstyle continues to sell a portion of its accounts receivable to factors (fiscal year 2007 - 72.5%, fiscal year 2008 – 32.1%, last fiscal quarter - 9.8%) based upon agreements in place with these factors. As previously discussed, due to potential cost savings, we are continuing with our initiative to reduce the amount of receivables we factor each year through the utilization of our existing bank line or from working capital generated by our Apparel Segment.

While this initiative did require the use of a substantial amount of our operational cash during the period, we do not anticipate that the final phase-out of this program, which will occur during fiscal year 2009, will have a significant impact on our operational cash during the year.

Pension. We are required to make contributions to our defined benefit pension plan. These contributions are required under the minimum funding requirements of the Employee Retirement Pension Plan Income Security Act (ERISA). We anticipate that we will contribute from $2.0 million to $3.0 million during our next fiscal year. We have made contributions of $3 million to our pension plan during each of our last 2 fiscal years.

Inventories. We believe our current inventory levels are sufficient to satisfy our customer demands and we anticipate having adequate sources of raw materials to meet future business requirements. The previously reported long-term contracts (that govern prices, but do not require minimum volume) with paper and yarn suppliers continue to be in effect. Certain of our rebate programs, do however, require minimum purchase volumes. Management anticipates meeting the required volumes.

Capital Expenditures. We expect our capital requirements for 2009, exclusive of capital required for possible acquisitions, will be in-line with our historical levels of between $4.0 million and $8.0 million. We would expect to fund these expenditures through existing cash flows. We would expect to generate sufficient cash flows from our operating activities in order to cover our operating and other capital requirements for our foreseeable future.

Contractual Obligations & Off-Balance Sheet Arrangements. With the exceptions noted below, there have been no significant changes in our contractual obligations since February 28, 2007 that have, or are reasonably likely to have, a material impact on our results of operations or financial condition. We had no off-balance sheet arrangements in place as of February 29, 2008 (in thousands).

Payment Due by Fiscal Period (in thousands)	**Total**	**2009**	**2010**	**2011**	**2012**	**2013 to 2018**
Debt:						
Revolving credit facility	$ 90,500	$ --	$ --	$ 90,500	$ --	$ --
Notes to finance companies	--	--	--	--	--	--
Capital lease	452	242	210	--	--	--
Other	13	13	--	--	--	--
Debt subtotal	90,965	255	210	90,500	--	--
Interest on capital leases	22	17	5	--	--	--
Debt and interest total	90,987	272	215	90,500	--	--
Other contractual commitments:						
Estimated pension benefit payments	38,670	3,620	3,080	4,025	4,225	23,720
Letters of credit	4,473	4,473	--	--	--	--
Operating leases	18,736	8,293	4,346	3,101	1,727	1,269
Total other contractual commitments	61,879	16,386	7,426	7,126	5,952	24,989
Total	$ 152,866	$ 16,658	$ 7,641	$ 97,626	$ 5,952	$ 24,989

Results of Operations – Consolidated

Fiscal Years Ended (consolidated statement of earnings - data)	**2008**		**2007**		**2006**	
Net sales	$ 610,610	100.0%	$ 584,713	100.0%	$ 559,397	100.0%
Cost of goods sold	457,963	75.0	438,776	75.0	417,307	74.6
Gross profit	152,647	25.0	145,937	25.0	142,090	25.4
Selling, general and administrative	77,624	12.7	72,736	12.4	69,953	12.5
Gain from disposal of assets	(757)	(0.1)	(258)	0.0	(188)	(0.0)
Income from operations	75,780	12.4	73,459	12.6	72,325	12.9
Other expense, net	(5,995)	(1.0)	(7,094)	(1.2)	(8,354)	(1.5)
Earnings before income taxes	69,785	11.4	66,365	11.4	63,971	11.4
Provision for income taxes	25,195	4.1	24,764	4.2	23,434	4.2
Net earnings	$ 44,590	7.3%	$ 41,601	7.2%	$ 40,537	7.2%

Net Sales. Net sales for fiscal year 2008 were $610.6 million, compared to $584.7 million for fiscal year 2007, an increase of $25.9 million, or 4.4%. The increase in our sales for the period related primarily to an increase in our Print Segment sales, which increased $19.3 million during the fiscal year, or 5.9%. Our Apparel Segment sales increased by approximately $6.6 million, or 2.5% during the period. See "Results of Operations – Segments" of this Report for further discussion.

Our net sales for fiscal year 2007 were $584.7 million, compared to $559.4 million for fiscal year 2006, an increase of $25.3 million, or 4.5%. The increase in our sales for the period related primarily to an increase in our Apparel Segment sales which increased $21.0 million during the period, or 8.8%. Our Print Segment sales increased by approximately $4.3 million, or 1.3% during the period. See "Results of Operations – Segments" of this Report for further discussion.

Cost of Goods Sold. Our cost of goods sold for fiscal year 2008 was approximately $458.0 million compared to $438.8 million for fiscal year 2007. As a percentage of sales, our cost of goods sold was 75.0% for both fiscal years 2007 and 2008. The increase in our cost of sales, on a dollar-basis relates primarily to our increased sales volume as previously discussed. Our gross profit margins (net sales less cost of goods sold), as a percentage of sales, was 25.0% for both fiscal years. Our gross profit margins increased in our Print Segment from 25.2% to 27.2%, while our Apparel Segment margins decreased from 24.7% to 22.2% for fiscal year 2007 and 2008, respectively. See "Results of Operations – Segments" of this Report for further discussion.

Our cost of goods sold for fiscal year 2007 was approximately $438.8 million, or 75.0% of sales, compared to $417.3 million, or 74.6% of sales for fiscal year 2006. The increase in our cost of sales, on a dollar-basis relates primarily to our increased sales volume during the period. Our cost of sales, as a percentage of sales, increased primarily as a result of raw material cost increases experienced by both our Print and Apparel Segments during the year and market penetration pricing strategies employed by our Apparel Segment during the later half of fiscal year 2007. As a result, our gross profit margins, as a percentage of sales, decreased slightly from 25.4 % in fiscal year 2006 to 25.0% in fiscal year 2007.

Selling, general, and administrative expenses. For fiscal year 2008, our selling, general and administrative expenses were $77.6 million, or 12.7% of sales, compared to $72.7 million, or 12.4% of sales for fiscal year 2007, or an increase of $4.9 million, or 6.7%. On a dollar and percentage basis, these expenses increased primarily as a result of our acquisitions and the increase in our miscellaneous expenses, which was attributable to a significant increase in our credit card fees due to increased usage of credit/purchase cards by our customers.

For fiscal year 2007, our selling, general and administrative expenses increased approximately $2.8 million, or 4.0% from $70.0 million, or 12.5% of sales for fiscal year 2006 to $72.7 million, or 12.4% of sales for fiscal year 2007. On a dollar and percentage basis, these expenses increased primarily as a result of the Print Segment acquisitions of Block, SPF, and full year expenses associated with the acquisition of TBF.

Gain from disposal of assets. The gain from disposal of assets of $0.8 million during fiscal year 2008 resulted primarily from the sale of two print manufacturing facilities located in Dallas, Texas. The gain of $0.3 million from disposal of assets during fiscal year 2007 and gain of $0.2 million during fiscal year 2006 resulted primarily from sale of manufacturing equipment.

Income from operations. Our earnings from operations for fiscal year 2008 increased by approximately $2.3 million, or 3.2%, from operational earnings of $73.5 million in fiscal year 2007 to operational earnings of $75.8 million in fiscal year 2008. As a percentage of sales, our operational earnings were 12.4% for fiscal year 2008 and 12.6% for fiscal year 2007, respectively. The increase in our operational earnings, on a dollar basis, during fiscal year 2008 related primarily to the increase in sales due to our acquisitions of Trade and B&D in fiscal year 2008 and full year revenue associated with our fiscal year 2007 acquisition of Block. The slight decrease in our operational earnings, as a percentage of sales, related primarily to the increase of selling, general and administrative expenses during fiscal year 2008 as previously discussed.

Our income from operations for fiscal year 2007 increased from operational earnings of $72.3 million, or 12.9% of sales for fiscal year 2006, to operational earnings of $73.5 million, or 12.6% for fiscal year 2007. The dollar increase in our operational earnings, during fiscal year 2007, related primarily to the increase in sales from our acquisition of SPF and Block. The slight decrease, as a percentage of sales, related primarily to the reduction in our gross profit margin during the year as discussed above.

Other income and expense. Our interest expense was $5.7 million, $6.9 million and $8.3 million for fiscal years 2008, 2007 and 2006, respectively. Our interest expense decreased in fiscal year 2008 and 2007 due to less debt on average being outstanding for each prior fiscal year and a lower effective borrowing rate during fiscal year 2008.

Provision for income taxes. Our effective tax rates for fiscal years 2008, 2007 and 2006 were 36.1%, 37.3% and 36.6%, respectively. The decrease in our effective tax rate during 2008 over the comparable prior year related primarily to an increase in our Domestic Production Activities Deduction and State Income Tax Credit. The increase in our overall effective tax rate during fiscal year

2007 related primarily to an increase in our effective foreign and state income tax rates.

Net earnings. Our net earnings increased from earnings of $41.6 million, or 7.1% of sales in fiscal year 2007 to $44.6 million, or 7.3% of sales in fiscal year 2008. Basic earnings per share increased from earnings of $1.63 per share to $1.74 per share in fiscal years 2007 and 2008, respectively. Diluted earnings per share increased from earnings of $1.62 per share to $1.72 per share in fiscal years 2007 and 2008, respectively. The increase in our net earnings during the period related primarily to our increased sales volume and our lower effective tax rate.

Our net earnings increased from approximately $40.5 million, or 7.2% of sales for fiscal year 2006 to $41.6 million, or 7.1% of sales for fiscal year 2007. Basic earnings per share increased from earnings of $1.59 per share for fiscal year 2006 to $1.63 for fiscal year 2007. Diluted earnings per share increased from earnings of $1.58 per share for fiscal year 2006 to $1.62 for fiscal year 2007, or an increase of 2.5%.

Results of Operations – Segments

Fiscal Year Ending (net sales by segment - in thousands)	**2008**	**2007**	**2006**
Print	$ 345,042	$ 325,679	$ 321,410
Apparel	265,568	259,034	237,987
Total	$ 610,610	$ 584,713	$ 559,397

Print Segment. The print segment net sales represented 56.5%, 55.7%, and 57.5% of our consolidated net sales for fiscal years 2008, 2007, and 2006, respectively.

Our net sales for the Print Segment were approximately $345.0 million for fiscal year 2008 compared to approximately $325.7 million for fiscal year 2007, or an increase of $19.3 million, or 5.9%. The increase in the Print Segment's net sales for the fiscal year 2008 related primarily to our acquisition of B&D and Trade which were acquired October 5, 2007 and September 17, 2007, respectively and the full year impact of our acquisition of Block which was acquired on August 8, 2006. Net sales for the acquired entities were $53.3 million for the fiscal year ended 2008 compared to $24.9 million for the fiscal year ended 2007. The impact of the increase in sales from our acquired entities was offset by the planned attrition of low margin print sales and the decline in our commercial print operations over comparable periods last year due to the impact of the loss of two large promotional customers. While this impacted our sales during the current fiscal year by approximately $3.3 million, we feel the impact associated with these accounts has matured as the sales in our commercial print operations during the last six months has been above comparable sales levels last year. Due to the contracting nature of the print industry, our traditional print plants saw their sales decline by approximately $5.8 million, or 2.0% during the current fiscal year.

Our net sales for the Print Segment were approximately $325.7 million for fiscal year 2007 compared to approximately $321.4 million for fiscal year 2006, or an increase of $4.3 million, or 1.3%. The increase in the Print Segment's net sales for the fiscal year 2007 was primarily due to our acquisitions of SPF, TBF, and Block which added approximately $32.0 million to our print sales during fiscal year 2007. This increase was offset by the exit of two large customers, which we ceased doing business with during the fourth quarter of fiscal year 2006 and second quarter of fiscal year 2007, respectively. This loss amounted to approximately $19.6 million in lost revenues for fiscal year 2007. The decision to cease doing business with these large customers impacted our top-line revenue in the short-term; however, given the gross profit margins afforded by these customers, this business decision was beneficial to our gross profit. In addition, due to the contracting nature of the print industry, our traditional print plants saw their sales decline by $8.1 million or 2.8% during the fiscal year 2007.

Apparel Segment. The Apparel Segment net sales represented 43.5%, 44.3%, and 42.5% of our consolidated net sales for fiscal years 2008, 2007 and 2006 respectively.

For fiscal year 2008, our Apparel Segment net sales were approximately $265.6 million compared to approximately $259.0 million for fiscal year 2007, or an increase of $6.6 million, or 2.5%. The increase in the Apparel Segment's net sales was primarily due to increased volume associated with new customers and increased sales to existing customers. Management believes that the Apparel sales during fiscal year 2008 were negatively impacted during the first six months by lower inventory levels at the beginning of the fiscal year, which hindered the Apparel Segment's ability to capture certain opportunity sales during this period. Traditionally, the Apparel Segment rebuilds its inventory levels in the last half of the fiscal year for the upcoming summer buying season due to the normal falloff of demand during the winter season. However, during the second half of last fiscal year demand was at or above forecasted sales levels. As a result, production levels were only able to stay abreast of then current sales levels, which resulted in inventory levels not being as robust in the fourth quarter of fiscal year 2007 as during the same period last fiscal year. Consequently, several initiatives were implemented during the first and second quarters of this fiscal year to improve the Apparel Segment's inventory levels and to meet forecasted demand. Significant progress was made on these initiatives during the second and third quarters of this fiscal year and the Apparel Segment's inventory levels during the third quarter were significantly improved, which management believes allowed the apparel sales to return to more normalized sales growth levels during the third and fourth quarters (5.1% during the third quarter and 11.6% during the fourth quarter).

Our fiscal year 2007 net sales for the Apparel Segment was approximately $259.0 million compared to approximately $238.0 million for fiscal year 2006, or an increase of $21.0 million, or 8.8%. The increase in the Apparel Segment's net sales was primarily due to increased volume associated with new customers, which is attributable to our market penetration pricing strategies deployed during the third and fourth quarter of fiscal year 2007.

Fiscal Year Ending Gross Profit by Segment (in thousands)	**2008**	**2007**	**2006**
Print	$ 93,767	$ 81,986	$ 79,859
Apparel	58,880	63,951	62,231
Total	$ 152,647	$145,937	$142,090

Print Segment. Our Print Segment's gross profit increased approximately $11.8 million, or 14.4% for fiscal year 2008 compared to $2.1 million, or 2.7% for fiscal year 2007. The increase in gross profit, on a dollar-basis relates primarily to our increased sales volume as previously discussed. As a percentage of sales, our gross profit was 27.2%, 25.2%, and 24.8% for fiscal years 2008, 2007 and 2006, respectively. Our 2008 Print margin, as a percentage of sales, increased primarily as a result of improved operational efficiencies and planned attrition of low margin sales. Our gross profit during fiscal year 2006 was impacted by the decrease in margins at our Adams McClure facility, which related primarily to operational performance issues encountered in executing several large promotional contracts. This conversely had a positive impact on our margins during fiscal year 2007 when we exited these contracts in the later half of fiscal year 2006 and the first half of fiscal year 2007.

Apparel Segment. Our Apparel Segment's gross profit decreased approximately $5.1 million, or 8.0% for fiscal year 2008 and increased approximately $1.7 million or 2.7% for fiscal year 2007. As a percentage of sales, our gross profit was 22.2%, 24.7%, and 26.1% for fiscal years 2008, 2007 and 2006, respectively.

Our Apparel margins during the year were impacted mainly by the increased costs associated with our apparel inventory build, and to a lesser extent by higher cotton prices during our fourth quarter and lower selling prices on certain products due to competitive pressures. During the first nine months of the year and in connection with our inventory build initiative, we incurred approximately $2.1 million in additional overtime charges, $0.8 million in additional temporary labor charges and $1.5 million in additional cut/sew costs, all of which had a negative impact on our reported margins (for further discussion on the increased cut/sew costs and changes made, reference is made to our Form 10-Q filed for the first, second and third quarters of this fiscal year with the Securities and Exchange Commission). During the fourth quarter, we saw cotton prices increase significantly, and while we increased selling prices during this period to offset a portion of this cost increase, our margins were negatively impacted.

Our Apparel Segment's gross profit, as a percentage of sales, decreased during fiscal year 2007 due to raw material cost increases and the inability to pass these increased costs through to the marketplace, lower absorption of fixed manufacturing costs due to lower manufacturing levels and market penetration pricing strategies employed during the third and fourth quarters of fiscal year 2007 which drove higher sales. In addition, our margins during the fiscal year 2007 were impacted by a lower manufacturing absorption factor as we reduced our apparel inventory levels during the year by over $10 million. While the aforementioned factors had a negative impact on our apparel margins in 2007, they in turn had a positive impact on our apparel margins in 2006.

Fiscal Year Ending (profit by segment - in thousands)	**2008**	**2007**	**2006**
Print	$ 56,012	$ 46,077	$ 45,121
Apparel	29,367	33,321	30,085
Total	85,379	79,398	75,206
Less corporate expenses	5,594	13,033	11,235
Earnings before income taxes	$ 69,785	$ 66,365	$ 63,971

Print Segment. Our Print Segment's profit for fiscal year 2008 increased by approximately $9.9 million, or 21.5%, from $46.1 million for the fiscal year 2007, to $56.0 million for the fiscal year ended February 29, 2008 and increased approximately $1.0 million, or 2.1% for fiscal year 2007, from $45.1 million in fiscal year 2006 primarily as a result of our acquisitions. As a percent of sales, this Segment's profits were 16.2%, 14.1%, and 14.0% for fiscal years 2008, 2007 and 2006, respectively. The increase in our Print profit, as a percent of sales is related to the increase in our sales and our gross profit margin, as previously discussed. This Segment's profits during fiscal year 2006, as discussed previously, was impacted by operational performance issues encountered by our Adams McClure plant in executing several large contracts. We exited these contracts during the later part of fiscal year 2006 and the first part of fiscal year 2007, which as indicated above had a positive impact of this segment's operational margins and profits during the current fiscal year.

Apparel Segment. Our Apparel profit decreased approximately $3.9 million, or 11.9%, from $33.3 million for the fiscal year ended February 28, 2007, to $29.4 million for the fiscal year ended February 29, 2008 primarily due to the decrease in gross margins as previously discussed. Our Apparel Segment's profit increased approximately $3.2 million, or 10.8% for fiscal year 2007 primarily due to increased sales. As a percent of sales, this Segment's profits were 11.1%, 12.9%, and 12.6% for fiscal years 2008, 2007 and 2006, respectively. During the fiscal year 2007, while this segment's gross margins were down slightly due to the factors previously mentioned, we were able to successfully leverage increased sales volume to bring increased profits to our bottom-line. We were unable to do this during the current fiscal year due to the factors discussed above (see discussion on Apparel Segment Net Sales) which hindered our annual growth this year.

Critical Accounting Policies and Judgments

In preparing our consolidated financial statements, we are required to make estimates and assumptions that affect the disclosures and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and judgments on an ongoing basis, including those related to allowance for doubtful receivables, inventory valuations, property, plant and equipment, intangible assets, pension plan, accrued liabilities and income taxes. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We believe the following accounting policies are the most critical due to their affect on our more significant estimates and judgments used in preparation of our consolidated financial statements.

We maintain a defined-benefit pension plan for employees. Included in our financial results are pension costs that are measured using actuarial valuations. The actuarial assumptions used may differ from actual results.

Amounts allocated to intangibles are determined based on independent valuations for our acquisitions and are amortized over their expected useful lives. We evaluate these amounts periodically (at least once a year) to determine whether the value has been impaired by events occurring during the fiscal year.

We exercise judgment in evaluating our long-lived assets for impairment. We assess the impairment of long-lived assets that include other intangible assets, goodwill, and property, plant, and equipment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In performing tests of impairment, we must make assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets in assessing the recoverability of our goodwill and other intangibles. If these estimates or the related assumptions change, we may be required to record impairment charges for these assets in the future. Actual results could differ from assumptions made by management. We believe our businesses will generate sufficient undiscounted cash flow to more than recover the investments we have made in property, plant and equipment, as well as the goodwill and other intangibles recorded as a result of our acquisitions. We cannot predict the occurrence of future impairment triggering events nor the impact such events might have on our reported asset values.

Revenue is generally recognized upon shipment of products. Net sales consist of gross sales invoiced to customers, less certain related charges, including discounts, returns and other allowances. Returns, discounts and other allowances have historically been insignificant. In some cases and upon customer request, we print and store custom print product for customer specified future delivery, generally within twelve months. In this case, risk of loss from obsolescence passes to the customer, the customer is invoiced under normal credit terms and revenue is recognized when manufacturing is complete. Approximately $20.2 million, $20.1 million, and $16.4 million of revenue were recognized under these agreements during fiscal years ended February 29, 2008, February 28, 2007, and February 28, 2006 respectively.

We maintain an allowance for doubtful receivables to reflect estimated losses resulting from the inability of customers to make required payments. On an on-going basis, we evaluate the collectability of accounts receivable based upon historical collection trends, current economic factors, and the assessment of the collectability of specific accounts. We evaluate the collectability of specific accounts using a combination of factors, including the age of the outstanding balances, evaluation of customers' current and past financial condition and credit scores, recent payment history, current economic environment, discussions with our project managers, and discussions with the customers directly.

Our inventories are valued at the lower of cost or market. We regularly review inventory values on hand, using specific aging categories, and write down inventory deemed obsolete and/or slow-moving based on historical usage and estimated future usage to its estimated market value. As actual future demand or market conditions may vary from those projected by management, adjustments to inventory valuations may be required.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each jurisdiction in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance we must include an expense within the tax provision in the consolidated statements of earnings. In the event that actual results differ from these estimates, our provision for income taxes could be materially impacted.

In addition to the above, we also have to make assessments as to the adequacy of our accrued liabilities, more specifically our liabilities recorded in connection with our workers compensation and health insurance, as these plans are self funded. To help us in this evaluation process, we routinely get outside third party assessments of our potential liabilities under each plan.

In view of such uncertainties, investors should not place undue reliance on our forward-looking statements since such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate. We are exposed to market risk from changes in interest rates on debt. We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. We do not use derivative instruments for trading purposes. We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. Our variable rate financial instruments, including the outstanding credit facilities, totaled $90.5 million at February 29, 2008. The impact on our results of operations of a one-point interest rate change on the outstanding balance of the variable rate financial instruments as of February 29, 2008 would be approximately $0.9 million.

Foreign Exchange. We have global operations and thus make investments and enter into transactions in various foreign currencies. The value of our consolidated assets and liabilities located outside the United States (translated at period end exchange rates) and income and expenses (translated using average rates prevailing during the period), generally denominated in Pesos and Canadian Dollars, are affected by the translation into our reporting currency (the U.S. Dollar). Such translation adjustments are reported as a separate component of shareholders' equity. In future periods, foreign exchange rate fluctuations could have an increased impact on our reported results of operations. However, due to the self-sustaining nature of our foreign operations, we believe we can effectively manage the effect of these currency fluctuations.

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

Controls and Procedures

Evaluation of Disclosure Controls and Procedures. An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design of our "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of February 29, 2008, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures as of February 29, 2008 are effective to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive and financial officers as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. Those inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

During the year ended February 29, 2008, there were changes in our internal control over our financial reporting related to implementing our new ERP System. Our management, with the participation of our President and Chief Executive Officer and Chief Financial Officer, have evaluated such changes in our internal control over financial reporting and determined that such changes did not materially affect, or are not reasonably likely to materially affect our internal control over financial reporting. We continually modify and enhance our ERP System and believe the future enhancements or modifications will not have a material effect on our internal control over financial reporting.

Management's Report On Internal Control Over Financial Reporting

The financial statements, financial analysis and all other information in this Annual Report on Form 10-K were prepared by management, who is responsible for their integrity and objectivity and for establishing and maintaining adequate internal controls over financial reporting.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

i. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company;

ii. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

iii. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or dispositions of the Company's assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management assessed the design and effectiveness of the Company's internal control over financial reporting as of February 29, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework. Based on management's assessment using those criteria, we believe that, as of February 29, 2008, the Company's internal control over financial reporting is effective.

Grant Thornton, LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the fiscal year ended February 29, 2008 and has attested to the effectiveness of the Company's internal control over financial reporting as of February 29, 2008. Their report is presented on page 65 of this Report.

10-Year Financial Review

Fiscal Years Ended (in thousands, except per share amounts)	2008	2007	2006	2005
Net sales	$ 610,610	$ 584,713	$ 559,397	$ 365,353
Earnings before income taxes	69,785	66,365	63,971	37,465
Provision for income taxes	25,195	24,764	23,434	14,506
Net earnings	44,590	41,601	40,537	22,959
As a % of sales	7.3%	7.1%	7.2%	6.3%
Per common share-diluted	$ 1.72	$ 1.62	$ 1.58	$ 1.19
Dividends	15,916	15,834	15,780	11,574
Per share	.62	.62	.62	.62
Shareholders' equity	348,479	316,403	297,335	271,731
Per share-basic	13.6	12.39	11.68	14.33
Current assets	185,819	151,516	158,455	151,630
Current liabilities	51,826	49,247	63,961	81,383
Net working capital	133,993	102,269	94,494	70,247
Ratio of current assets to current liabilities	3.6:1	3.1:1	2.5:1	1.9:1
Depreciation of plant and equipment	12,217	14,670	15,474	10,367
Additions to property, plant and equipment	4,294	4,999	9,040	6,143

2004	2003	2002	2001	2000	1999
$ 259,360	$ 240,757	$ 236,923	$ 229,186	$ 176,600	$ 159,690
28,890	24,345	24,403	21,571	24,041	22,558
10,939	9,098	9,437	8,394	8,918	8,448
17,951	15,247	14,966	13,177	15,123	14,110
6.9%	6.3%	6.3%	5.7%	8.6%	8.8%
$ 1.08	$ 0.93	$ 0.92	$ 0.81	$ 0.93	$ 0.87
10,146	10,093	10,089	10,075	10,068	10,116
.62	.62	.62	.62	.62	.62
110,582	96,903	96,035	91,540	88,267	83,499
6.76	5.95	5.89	5.63	5.45	5.12
63,605	65,012	62,646	58,263	43,305	52,676
25,400	25,294	23,966	17,908	10,525	8,367
38,205	39,718	38,680	40,355	32,780	44,309
2.5:1	2.6:1	2.6:1	3.3:1	4.1:1	6.3:1
9,216	9,156	8,683	8,313	5,389	4,941
4,543	3,763	2,254	3,594	2,988	3,663

Consolidated Balance Sheets

Fiscal Years Ended (dollars in thousands)	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 3,393	$ 3,582
Accounts receivables, net of allowance for doubtful receivables of $3,954 at February 29, 2008 and $2,698 at February 28, 2007	72,278	47,285
Prepaid expenses	3,500	5,628
Inventories	98,570	85,696
Deferred income taxes	7,786	7,444
Assets held for sale	292	1,881
Total current assets	185,819	151,516
Property, plant and equipment, at cost:		
Plant, machinery and equipment	130,214	127,521
Land and buildings	42,793	40,680
Other	22,586	22,506
Total property, plant and equipment	195,593	190,707
Less accumulated depreciation	136,605	127,650
Net property, plant and equipment	58,988	63,057
Goodwill	178,388	178,314
Trademarks and tradenames, net	63,880	63,052
Customer lists, net	24,260	20,287
Deferred finance charges, net	934	1,382
Prepaid pension asset	260	--
Other assets	602	620
Total assets	$ 513,131	$ 478,228

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Fiscal Years Ended (dollars in thousands, except for share amounts)	2008	2007
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 29,658	$ 25,597
Accrued expenses:		
Employee compensation and benefits	14,840	15,799
Taxes other than income	989	611
Federal and state income taxes payable	501	973
Other	5,583	5,615
Current installments of long-term debt	255	652
Total current liabilities	51,826	49,247
Long-term debt, less current installments	90,710	88,971
Liability for pension benefits	--	2,702
Deferred income taxes	20,775	19,603
Other liabilities	1,341	1,302
Total liabilities	164,652	161,825
Commitments and contingencies		
Shareholders' equity:		
Series A junior participating preferred stock of $10 par value, Authorized 1,000,000 shares; none issued	--	--
Common stock $2.50 par value, Authorized 40,000,000 shares; issued 30,053,443 shares in 2008 and 2007	75,134	75,134
Additional paid in capital	122,566	122,305
Retained earnings	235,624	207,190
Accumulated other comprehensive income (loss):		
Foreign currency translation	929	25
Minimum pension liability	(6,450)	(7,396)
	(5,521)	(7,371)
	427,803	397,258
Treasury stock:		
Cost of 4,391,193 shares in 2008 and 4,475,962 shares in 2007	(79,324)	(80,855)
Total shareholders' equity	348,479	316,403
Total liabilities and shareholders' equity	$ 513,131	$ 478,228

See accompanying notes to consolidated financial statements.

Consolidated Statements of Earnings

Fiscal Years Ended (dollars in thousands, except share and per share amounts)	**2008**	**2007**	**2006**
Net sales	$ 610,610	$ 584,713	$ 559,397
Cost of goods sold	457,963	438,776	417,307
Gross profit	152,647	145,937	142,090
Selling, general and administrative	77,624	72,736	69,953
Gain from disposal of assets	(757)	(258)	(188)
Income from operations	75,780	73,459	72,325
Other income (expense):			
Interest expense	(5,678)	(6,936)	(8,331)
Other expense, net	317)	(158)	23)
	(5,995)	(7,094)	(8,354)
Earnings before income taxes	69,785	66,365	63,971
Provision for income taxes	25,195	24,764	23,434
Net earnings	$ 44,590	$ 41,601	$ 40,537
Weighted average common shares outstanding			
Basic	25,623,325	25,530,732	25,452,582
Diluted	25,860,358	25,758,948	25,728,299
Per share amounts			
Net earnings-basic	$ 1.74	$ 1.63	$ 1.59
Net earnings-diluted	$ 1.72	$ 1.62	$ 1.58
Cash dividends per share	$ 0.62	$ 0.62	$ 0.62

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income

Fiscal Years Ended 2006, 2007, 2008
(dollars in thousands, except share and per share amounts)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Additional Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total
Balance March 1, 2005	30,053,443	$ 75,134	$ 123,640	$ 156,666	$ 6	(4,635,444)	$ (83,715)	$ 271,731
Net earnings	--	--	--	40,537	--	--	--	40,537
Foreign currency translation, net of deferred tax of $270	--	--	--	--	455	--	--	455
Unrealized loss on derivative instruments, net	--	--	--	--	(1)	--	--	(1)
Comprehensive income								40,991
Dividends declared ($.62 per share)	--	--	--	(15,780)	--	--	--	(15,780)
Exercise of stock options and restricted stock grants	--	--	(718)	--	--	79,369	1,434	716
Treasury stock purchases	--	--	--	--	--	(18,254)	(323)	(323)
Balance February 28, 2006	30,053,443	75,134	122,922	181,423	460	(4,574,329)	(82,604)	297,335
Net earnings	--	--	--	41,601	--	--	--	41,601
Foreign currency translation, net of deferred tax of $255	--	--	--	--	(435)	--	--	(435)
Comprehensive income								41,166
Adjustment to initially apply FAS 158, net of tax of $4,739	--	--	--	--	(7,396)	--	--	(7,396)
Dividends declared ($.62 per share)	--	--	--	(15,834)	--	--	--	(15,834)
Excess tax benefit of stock option exercises and restricted stock grants	--	--	169	--	--	--	--	169
Stock based compensation	--	--	302	--	--	--	--	302
Exercise of stock options and restricted stock grants	--	--	(1,088)	--	--	98,367	1,749	661
Balance February 28, 2007	30,053,443	75,134	122,305	207,190	(7,371)	(4,475,962)	(80,855)	316,403
Net earnings	--	--	--	44,590	--	--	--	44,590
Foreign currency translation, of net deferred tax of $526	--	--	--	--	904	--	--	904
Adjustment to pension net of deferred tax of $584	--	--	--	--	946	--	--	946
Comprehensive income								46,440
Cumulative impact of a change in accounting for income tax uncertainties pursuant to FIN 48	--	--	--	(240)	--	--	--	(240)
Dividends declared ($.62 per share)	--	--	--	(15,916)	--	--	--	(15,916)
Excess tax benefit of stock option exercises and restricted stock grants	--	--	385	--	--	--	--	385
Stock based compensation	--	--	734	--	--	--	--	734
Exercise of stock options and restricted stock grants	--	--	(858)	--	--	84,769	1,531	673
Balance February 29, 2008	30,053,443	$ 75,134	$ 122,566	$ 235,624	$ (5,521)	$ (4,391,193)	$ (79,324)	$ 348,479

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Fiscal Years Ended (dollars in thousands)	2008	2007	2006
Cash flows from operating activities:			
Net earnings	$ 44,590	$ 41,601	$ 40,537
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	12,217	14,670	15,474
Amortization of deferred finance charges	448	451	495
Amortization of trademarks and customer lists	2,062	1,957	2,337
Gain on the sale of equipment	(757)	(258)	(188)
Bad debt expense	1,970	1,390	317
Stock based compensation	734	302	--
Excess tax benefit of stock option exercises	(385)	(169)	--
Deferred income taxes	639	(4,963)	456
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	(22,854)	(3,762)	4,633
Prepaid expenses	2,239	(1,225)	761
Inventories	(10,148)	5,797	(9,332)
Other current assets	43	--	334
Other assets	16	(482)	(2,320)
Accounts payable and accrued expenses	2,348	(8,313)	(7,227)
Other liabilities	(701)	(734)	1,144
Liability for pension benefits	(2,017)	3,255	6
Net cash provided by operating activities	30,444	49,517	47,427
Cash flows from investing activities:			
Capital expenditures	(4,294)	(4,999)	(9,040)
Purchase of businesses, net of cash acquired	(14,638)	(17,637)	(1,196)
Proceeds from disposal of plant and property	1,647	2,811	294
Net cash used in investing activities	(17,285)	(19,825)	(9,942)
Cash flows from financing activities:			
Borrowings on debt	18,000	15,647	9,000
Repayment of debt	(16,658)	(40,621)	(28,508)
Dividends	(15,916)	(15,834)	(15,780)
Proceeds from exercise of stock options	673	661	393
Excess tax benefit of stock option exercises	385	169	--
Net cash used in financing activities	(13,516)	(39,978)	(34,895)
Effect of exchange rate changes on cash	168	8	576
Net change in cash and cash equivalents	(189)	(10,278)	3,166
Cash and cash equivalents at beginning of period	3,582	13,860	10,694
Cash and cash equivalents at end of period	$ 3,393	$ 3,582	$ 13,860

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Significant Accounting Policies and General Matters

Nature of Operations. Ennis, Inc. and its wholly owned subsidiaries (the Company) are principally engaged in the production of and sale of business forms, other business products and apparel to customers primarily located in the United States.

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company's fiscal years ended on the following days: February 29, 2008, February 28, 2007 and February 28, 2006 (fiscal years ended 2008, 2007, and 2006, respectively).

Cash and Cash Equivalents. Cash and cash equivalents consist of highly liquid investments, such as time deposits held at major banks, commercial paper, United States government agency discount notes, money market mutual funds and other money market securities with original maturities of 90 days or less. At February 29, 2008, the Company had $714,000 in Mexican and $839,000 in Canadian bank accounts.

Accounts Receivable. Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment generally within 30 days from the invoice date. The Company's allowance for doubtful receivables reserve is based on an analysis that estimates the amount of its total customer receivable balance that is not collectible. This analysis includes assessing a default probability to customers' receivable balances, which is influenced by several factors including (i) current market conditions, (ii) periodic review of customer credit worthiness, and (iii) review of customer receivable aging and payment trends.

Select trade accounts receivable are sold by the Company to various factors on both non-recourse and recourse bases. These transactions are accounted for as a sale of financial assets if sold without recourse and a secured borrowing if sold with recourse. Advances may be paid at the Company's request on receivables not yet collected by the factors.

Inventories. With the exception of approximately one third of the raw materials of its print segment inventories, which are valued at the lower of last-in, first-out (LIFO) cost or market, the Company values its inventories at the lower of first in, first out (FIFO) cost or market. At fiscal years ended 2008 and 2007, approximately 5.26% and 6.24% of inventories, respectively, are valued at LIFO with the remainder of inventories valued at FIFO. The Company regularly reviews inventories on hand, using specific aging categories, and writes down the carrying value of its inventories for excess and potentially obsolete inventories based on historical usage and estimated future usage. In assessing the ultimate realization of its inventories, the Company is required to make judgments as to future demand requirements. As actual future demand or market conditions may vary from those projected by the Company, adjustments to inventories may be required. The Company provides reserves for excess and obsolete inventory when necessary based upon analysis of quantities on hand, recent sales volumes and reference to market prices. Reserve for obsolete inventory at fiscal years ended 2008 and 2007 were $1.6 million and $1.2 million, respectively.

Property, Plant and Equipment. Depreciation of property, plant and equipment is calculated using the straight-line method over a period presently considered adequate to amortize the total cost over the useful lives of the assets, which range from 3 to 11 years for plant, machinery and equipment and 10 to 40 years for buildings and improvements. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. Repairs and maintenance are expensed as incurred. Renewals and betterments are

(1) Significant Accounting Policies and General Matters - continued

capitalized and depreciated over the remaining life of the specific property unit. The Company capitalizes all leases that are in substance acquisitions of property. As of February 29, 2008, the Company had land and building of approximately $0.3 million classified as assets held for sale on the consolidated balance sheet. This balance reflects the net book value of a vacant facility and the associated land under contract for sale which is the lower of carrying amount or fair value less cost to sell. At February 28, 2007, the Company had property, plant and equipment of approximately $1.9 million classified as assets held for sale on the consolidated balance sheet. This balance reflects the net book value of land and building of approximately $0.6 million and equipment with a net book value of $1.3 million. During the year, the buildings were sold for a gain of approximately $0.8 million and the equipment was returned to service.

Goodwill and Other Intangible Assets. Goodwill is the excess of the purchase price paid over the value of net assets of businesses acquired and is not amortized. Intangible assets with determinable lives are amortized on a straight-line basis over the estimated useful life. Intangible assets with indefinite lives are not amortized. Goodwill and indefinite-lived intangibles are evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using a fair-value-based test that compares the fair value of the related business unit to its carrying value.

Long-Lived Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is based upon future discounted net cash flows.

Fair Value of Financial Instruments. The carrying amounts of cash and cash equivalents, accounts receivables and accounts payable approximate fair value because of the short maturity of these instruments. Long-term debt as of fiscal years ended 2008 and 2007 approximates its fair value as the interest rate is tied to market rates.

Deferred Finance Charges. The Company accounts for deferred finance charges in connection with its revolving and term credit facility. The costs associated with the debt are amortized using the straight-line method over the term of the facility. If the facility is extinguished before the end of the term, the remaining balance of the deferred finance charges will be amortized fully in such year.

Revenue Recognition. Revenue is generally recognized upon shipment of products. Net sales represent gross sales invoiced to customers, less certain related charges, including sales tax, discounts, returns and other allowances. Returns, discounts and other allowances have historically been insignificant. In some cases and upon customer request, the Company prints and stores custom print product for customer specified future delivery, generally within twelve months. In this case, risk of loss passes to the customer, the customer is invoiced under normal credit terms, and revenue is recognized when manufacturing is complete. Approximately $20,250,000, $20,147,000, and $16,395,000 of revenue was recognized under these arrangements during fiscal years 2008, 2007, and 2006 respectively.

Advertising Expenses. The Company expenses advertising costs as incurred. Catalog and brochure preparation and printing costs, which are considered direct response advertising, are amortized to expense over the life of the catalog, which typically ranges from three to twelve months. Advertising expense was approximately $2,014,000, $1,905,000, and $1,559,000, during the fiscal years ended 2008, 2007, and 2006, respectively expenses in the consolidated statements of earnings. Included in advertising expense is amortization related to direct response advertising of $876,000, $703,000, and $622,000 for the fiscal years ended 2008, 2007 and 2006, respectively. Unamortized direct advertising costs included in prepaid expenses at fiscal years ended 2008 and 2007 were $231,000 and $529,000, respectively.

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

Earnings Per Share. Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding plus the number of additional shares that would have been outstanding if potentially dilutive securities had been issued, calculated using the treasury stock method. For fiscal year ended 2006, 61,619 of options were not included in the diluted earnings per share computation because their effect was anti-dilutive. In 2008 and 2007 all options and restricted stock grants were dilutive.

Accumulated Other Comprehensive Income (Loss). Accumulated other comprehensive income (loss) includes adjustments of the changes resulting from exchange rate fluctuations from year to year and changes in the fair value of the Company's pension plan assets. Amounts charged directly to shareholders' equity related to the Company's pension plan are included in "other comprehensive income." Adjustments resulting from the translation of the financial statements of our Mexican and Canadian operations are charged or credited directly to shareholders' equity and shown as cumulative translation adjustments in other comprehensive income (loss).

Foreign Currency Translation. The functional currency for the Company's foreign subsidiaries is the applicable local currency. Assets and liabilities of the foreign subsidiaries are translated to U.S. dollars at year-end exchange rates. Income and expense items are translated at the rates of exchange prevailing during the year. The adjustments resulting from translating the financial statements of the foreign subsidiary are reflected in shareholders' equity as accumulated other comprehensive income or loss.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations in other income (expense), net as incurred. Transaction gains and losses totaled approximately $322,000, $265,000 and $68,000 for fiscal years ended 2008, 2007 and 2006, respectively.

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

Reclassifications. Reclassifications were made to prior-year financial statements to conform to the current-year presentations. We reclassified $157,000 and ($107,000) of selling, general and administrative expense and $258,000 and $188,000 of gain from disposal of assets in fiscal 2007 and 2006, respectively, which were previously reported as part of other expense, net.

(1) Significant Accounting Policies and General Matters - continued

Shipping and Handling Costs. In accordance with Emerging Issues Task Force ("EITF") 00-10, "Accounting for Shipping and Handling Fees and Costs," the Company records amounts billed to customers for shipping and handling costs in net sales and related costs are included in cost of goods sold.

Stock Based Compensation. The Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (FAS 123R), effective March 1, 2006. FAS 123R requires the recognition of the fair value of stock-based compensation in net earnings. The Company recognizes stock-based compensation expense net of estimated forfeitures (estimated at 1.1%) over the requisite service period of the individual grants, which generally equals the vesting period. For the fiscal years 2008 and 2007, in accordance with FAS 123R, the Company recorded stock based compensation expense of approximately $734,000 and $302,000, and related tax benefit of $272,000 and $112,000, respectively. For a further discussion of the impact of FAS 123R on the results of our consolidated financial statements, see Note 10, "Stock Option Plans and Stock Based Compensation."

Prior to March 1, 2006, the Company applied the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", (FAS 123). In accordance with the provisions of FAS 123, the Company accounted for stock options granted to its employees and Board of Directors using the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations, (APB 25) and accordingly did not recognize compensation expense for stock options issued to employees and board members. For disclosure purposes, the Company used the Black-Scholes option pricing model to calculate the related compensation expense for stock options granted, as if it had applied the fair value recognition provisions of FAS 123. The Company has elected to utilize the modified prospective transition method for adopting FAS 123R. Under this method, the provisions of FAS 123R apply to all awards granted or modified after the date of adoption and any unvested awards outstanding at the date of adoption.

The accompanying consolidated statements of earnings for fiscal year 2006 were not restated since the Company elected not to use the retrospective application method under FAS 123R. A summary of the effect on net earnings and earnings per share for fiscal years 2006 as if the Company had applied the fair value recognition provisions of FAS 123 to share-based compensation for all outstanding and nonvested stocks options and restricted shares is as follows (in thousands except per share amounts):

	2006
Net earnings, as reported	$ 40,537
Deduct: Stock-based employee compensation expense not included in reported earnings, net of related tax effect of $85	(134)
Pro forma earnings	$ 40,403
Net earnings per share:	
Basic - as reported	$ 1.59
Basic - pro forma	$ 1.59
Diluted - as reported	$ 1.58
Diluted - pro forma	$ 1.57

For purposes of pro forma disclosures, the estimated fair value of stock-based compensation plans and other options is amortized to expense over the vesting period.

New Accounting Pronouncements

FIN 48. The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109,” on March 1, 2007. As a part of the implementation of FIN 48, the Company made a comprehensive review of its uncertain tax positions and recorded $240,000 of unrecognized tax benefits in connection with certain state tax positions, as non-current other liabilities on the consolidated balance sheet, with no net impact to the consolidated statement of earnings. This amount was accounted for as a reduction to the March 1, 2007 balance of retained earnings, in accordance with the adoption provisions of FIN 48. These unrecognized tax benefits related to uncertain tax positions would impact the effective tax rate if recognized. Approximately $76,000 of unrecognized tax benefits relate to items that are affected by expiring statute of limitations within the next 12 months.

The unrecognized tax benefits mentioned above includes an aggregate $26,000 of interest expense. Upon adoption of FIN 48, the Company elected an accounting policy to classify interest expense on underpayments of income taxes and accrued penalties related to unrecognized tax benefits in the income tax provision. Prior to the adoption of FIN 48, the Company’s policy was to classify interest expense on underpayments of income taxes as interest expense and to classify penalties as an operating expense in arriving at earnings before income taxes.

The Company is subject to U.S. federal income tax as well as to income tax of multiple state jurisdictions and foreign tax jurisdictions. The Company has concluded all U.S. federal income tax matters for years through 2005. All material state and local income tax matters have been concluded for years through 2002 and foreign tax jurisdictions through 2000.

FAS 157. In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“FAS 157”). The provisions of FAS 157 define fair value, establish a framework for measuring fair value in generally accepted accounting principles, and expand disclosures about fair value measurements. The provisions of FAS 157 are effective for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FSP FAS 157-2 which delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

This FSP partially defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The Company does not expect the adoption of FAS 157 to have a material impact on its consolidated financial position, results of operations, or cash flows.

FAS 159. In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FAS No. 115” (“FAS 159”). FAS 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses on that item shall be reported in current earnings at each subsequent reporting date. FAS 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes the company elects for similar types of assets and liabilities. FAS 159 is effective for fiscal years beginning after November 15, 2007. FAS 159 is effective for the Company beginning March 1, 2008. The Company does not expect the adoption of FAS 159 to have a material impact on its consolidated financial position, results of operations or cash flows.

(1) Significant Accounting Policies and General Matters - continued

FAS 141R. In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business combinations" ("FAS 141R"), which replaces FAS 141. FAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008 (the Company's fiscal year ended February 28, 2009). The Company has not completed its evaluation of the potential impact, if any, of the adoption of FAS 141R on its consolidated financial position, results of operations and cash flows.

FAS 160. In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160 "Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51" ("FAS 160"). FAS 160 establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheets within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently. This statement is effective for fiscal years beginning on or after December 15, 2008 (the Company's fiscal year ended February 28, 2009). The Company has not completed its evaluation of the potential impact, if any, of the adoption of FAS 160 on its consolidated financial position, results of operations and cash flows.

Concentrations of Risk

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents, and trade receivables. Cash and cash equivalents are placed with high-credit quality financial institutions. The Company's credit risk with respect to trade receivables is limited in management's opinion due to industry and geographic diversification. As disclosed on the Consolidated Balance Sheets, the Company maintains an allowance for doubtful receivables to cover estimated credit losses associated with accounts receivable.

The Company, for quality and pricing reasons, purchases its paper, cotton and yarn products from a limited number of suppliers. To maintain its high standard of color control associated with its apparel products, the Company purchases its dyeing chemicals from a single source. While other sources may be available to the Company to purchase these products, they may not be available at the cost or at the quality the Company has come to expect.

(2) Due From Factors

Pursuant to terms of an agreement between the Company and various factors, the Company sold approximately 32.1% of its trade accounts receivable of Alstyle Apparel ("Alstyle") to the factors on a non-recourse basis in fiscal year 2008. The price at which the accounts are sold is the invoice amount reduced by the factor commission of between 0.25% and 1.50%. Additionally, some trade accounts receivable are sold to the factors on a recourse basis.

Trade accounts receivable not sold to the factor remain in the custody and control of the Company and the Company maintains all credit risk on those accounts as well as accounts which are sold to the factor with recourse. The Company accounts for receivables sold to factors with recourse as secured borrowings.

The Company may request payment from the factor in advance of the collection date or maturity. Any such advance payments are assessed interest charges through the collection date or maturity at the JP Morgan Chase Prime Rate. The Company's obligations with respect to advances from the factor are limited to the interest charges thereon. Advance payments are limited to a maximum of 90% (ninety percent) of eligible accounts receivable.

The following table represents amounts due from factors included in accounts receivable for the fiscal years ended (in thousands):

	February 29, 2008	**February 28, 2007**
Outstanding factored receivables without recourse	$ 2,315	$ 18,766
Advances from factors	(1,467)	(15,683)
Due from factors	$ 848	$ 3,083

(3) Accounts Receivable and Allowance for Doubtful Receivables

Accounts receivable are reduced by an allowance for an estimate of amounts that are uncollectible. Approximately 97% of the Company's receivables are due from customers in North America. The Company extends credit to its customers based upon its evaluation of the following factors: (i) the customer's financial condition, (ii) the amount of credit the customer requests and (iii) the customer's actual payment history (which includes disputed invoice resolution). The Company does not typically require its customers to post a deposit or supply collateral. The Company's allowance for doubtful receivables reserve is based on an analysis that estimates the amount of its total customer receivable balance that is not collectible. This analysis includes assessing a default probability to customers' receivable balances, which is influenced by several factors including (i) current market conditions, (ii) periodic review of customer credit worthiness, and (iii) review of customer receivable aging and payment trends.

The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance in the period the payment is received. Credit losses from continuing operations have consistently been within management's expectations.

The following table represents the activity in the Company's allowance for doubtful receivables for the fiscal years ended (in thousands):

Fiscal Year Ending Gross Profit by Segment (in thousands)	**2008**	**2007**	**2006**
Balance at beginning of period	$ 2,698	$ 3,001	$ 3,567
Bad debt expense	1,970	1,390	317
Other	--	--	3
Recoveries	29	101	67
Accounts written off	(743)	(1,794)	(953)
Balance at end of period	$ 3,954	$ 2,698	$ 3,001

4) Inventories

The following table summarizes the components of inventories at the different stages of production for the fiscal years ended (in thousands):

	2008	2007
Raw material	$ 14,711	$ 11,074
Work in process	15,467	16,694
Finished goods	68,392	57,928
	$ 98,570	$ 85,696

The excess of current costs at FIFO over LIFO stated values was approximately $4,860,000 and $4,671,000 at fiscal years ended 2008 and 2007, respectively. There were no significant liquidations of LIFO inventories during the fiscal years ended 2008, 2007 and 2006. Cost includes materials, labor and overhead related to the purchase and production of inventories.

(5) Acquisitions and Disposal

On October 5, 2007, the Company acquired certain assets of B & D Litho, Inc. ("B & D") headquartered in Phoenix, Arizona, and certain assets and related real estate of Skyline Business Forms ("Skyline"), operating in Denver, Colorado through its wholly owned subsidiaries for $12.5 million in cash. The acquisition of B&D Litho, Inc. did not include the acquisition of B&D Litho California, Inc., which is primarily a commercial printing operation located in Ontario, California. No significant liabilities were assumed in the transactions. Acquired customer lists are being amortized over a 10 year period. The combined sales of the purchased operations were $25.0 million during the most recent twelve month period. The acquisition will add additional medium and long run multi-part forms, laser cut sheets, jumbo rolls and mailer products sold through the indirect sales (distributorship) marketplace.

The following is a summary of the purchase price allocation for B & D and Skyline (in thousands):

Accounts receivable	$ 2,713
Inventories	1,711
Other assets	66
Property, plant & equipment	2,662
Customer lists	5,084
Trademarks	671
Noncompete	18
Accounts payable and accrued liabilities	(443)
	$ 12,482

On September 17, 2007, the Company acquired certain assets of Trade Envelopes, Inc. ("Trade") for $2.7 million. Under the terms of the purchase agreement, the Company has agreed to pay the former owners of Trade under a contingent earn-out arrangement over three years for intangibles, subject to certain set-offs. Trade is an envelope manufacturer (converter) and printer, offering high quality, 1-4 color process with lithograph and flexography capabilities with locations in Tullahoma, Tennessee and Carol Stream, Illinois. The sales for the most recent twelve month period was $11.4 million. The acquisition expanded and strengthened the envelope product line for the Company.

The following is a summary of the purchase price allocation for Trade (in thousands):

Accounts receivable	$ 974
Inventories	346
Property, plant & equipment	419
Customer lists	767
Trademarks	306
Noncompete	15
Accounts payable and accrued liabilities	(171)
	$ 2,656

The Company purchased all of the outstanding stock of Block Graphics, Inc. ("Block"), a privately held company headquartered in Portland, Oregon for $14.8 million in cash on August 8, 2006. Block Graphics had sales of approximately $38.6 million for the year ended December 31, 2005. The acquisition of Block continues the strategy of growth through related manufactured products to further service the Company's existing customer base. The acquisition added additional short-run print products (snaps, continuous forms, and cut-sheet forms) as well as the production of envelopes, a new product for the Company.

The following is a summary of the purchase price allocation for Block, net of cash acquired (in thousands):

Accounts receivable	$ 2,492
Inventories	1,864
Property, plant & equipment	7,398
Other assets	152
Deferred income taxes	2,166
Trademarks	1,260
Accounts payable and accrued liabilities	(2,292)
	$ 13,040

The Company purchased all of the outstanding stock of Specialized Printed Forms, Inc. ("SPF"), a privately held company headquartered in Caledonia, New York and the associated land and buildings for $4.6 million in cash on March 31, 2006. SPF had sales of $9.2 million for the twelve month period ended July 31, 2005. The acquisition of SPF continues the strategy of growth through related manufactured products to further service the Company's existing customer base. The acquisition added additional short-run print products, long-run (jumbo rolls) products and solutions as well as integrated labels and form/label combinations sold through the indirect sales (distributorship) marketplace.

(5) Acquisitions and Disposal - continued

The following is a summary of the purchase price allocation for SPF (in thousands):

Accounts receivable	$ 826
Inventories	579
Property, plant & equipment	3,689
Other assets	5
Deferred income taxes	1,780
Noncompete	25
Accounts payable and accrued liabilities	(2,316)
	$ 4,588

The results of operations for B&D, Trade, Block, and SPF are included in the Company's consolidated financial statements from the dates of acquisition. The following table represents certain operating information on a pro forma basis as though all companies had been acquired as of March 1, 2006, after the estimated impact of adjustments such as amortization of intangible assets, interest expense, interest income and related tax effects (in thousands except per share amounts):

	Unaudited	
	2008	**2007**
Pro forma net sales	$ 631,786	$ 638,371
Pro forma net earnings	44,979	42,217
Pro forma earnings per share - diluted	1.74	1.64

The pro forma results are not necessarily indicative of what would have occurred if the acquisitions had been in effect for the periods presented.

(6) Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses and is not amortized. Goodwill and indefinite-lived intangibles are evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using a fair-value-based test that compares the fair value of the asset to its carrying value. Fair values of reporting units are typically calculated using a factor of expected earnings before interest, taxes, depreciation, and amortization. Based on this evaluation, no impairment was recorded. The Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets in assessing the recoverability of its goodwill and other intangibles. If these estimates or the related assumptions change, the Company may be required to record impairment charges for these assets in the future. Intangible assets with determinable lives are amortized on a straight-line basis over the estimated useful life (between 1 and 10 years). The cost of intangible assets are based on fair values at the date of acquisition. Trademarks with indefinite lives, with a net book value of $63.2 million at fiscal year end 2008, are evaluated for impairment on an annual basis.

The Company assesses the recoverability of its definite-lived intangible assets primarily based on its current and anticipated future undiscounted cash flows. The carrying amount and accumulated amortization of the Company's intangible assets at each balance sheet date are as follows (in thousand):

As of February 29, 2008	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets (in thousands)			
Tradenames	$ 1,234	$ 592	$ 642
Customer lists	29,908	5,648	24,260
Noncompete	500	451	49
	$ 31,642	$ 6,691	$ 24,951
As of February 29, 2007			
Amortized intangible assets (in thousands)			
Tradenames	$ 1,234	$ 442	$ 792
Customer lists	24,057	3,770	20,287
Noncompete	467	417	50
	$ 25,758	$ 4,629	$ 21,129

Fiscal Years Ended	2008	2007
Non-amortizing intangible assets (in thousands)		
Trademarks	$ 63,238	$ 62,260

Aggregate amortization expense for fiscal years 2008, 2007 and 2006 was $2,062,000, $1,957,000, and $2,337,000, respectively.

The Company's estimated amortization expense for the next five years is as follows:

2009	$ 2,344,000
2010	2,329,000
2011	2,323,000
2012	2,317,000
2013	2,273,000

The following table represents changes in the carrying amount of goodwill for the fiscal years ended (in thousands):

	Print Segment Total	Apparel Segment Total	Total
Balance as of March 1, 2006	$ 40,580	$ 137,700	$ 178,280
Goodwill	34	--	34
Balance as of March 1, 2007	40,614	137,700	178,314
Goodwill	74	--	74
Balance as of February 29, 2008	40,688	137,700	178,388

Adjustments of $74,000 and $34,000 during the fiscal year ended February 29, 2008 and February 28, 2007, respectively, were added to goodwill due to revised estimates in accrued expenses from the previous acquisition of Tennessee Business Forms.

(7) Other Accrued Expenses

The following table summarizes the components of other accrued expenses for the fiscal years ended (in thousands):

	February 29, 2008	February 28, 2007
Accrued interest	$ 604	$ 975
Accrued taxes	405	424
Accrued legal and professional fees	244	267
Accrued utilities	1,358	786
Accrued repairs and maintenance	274	137
Accrued contract labor	280	355
Factored receiveables with recourse	539	772
Other accrued expenses	1,879	1,899
	$ 5,583	$ 5,615

(8) Long-Term Debt

Long-term debt consisted of the following at fiscal years ended (in thousands):

	February 29, 2008	February 28, 2007
Revolving credit facility	$ 90,500	$ 88,500
Capital lease obligations	452	784
Note payable to finance companies	--	314
Other	13	25
	90,965	89,623
Less current installments	255	652
Long-term debt	$ 90,710	$ 88,971

On March 31, 2006, the Company entered into an amended and restated credit agreement with a group of lenders led by LaSalle Bank N.A. (the "Facility"). The Facility provides the Company access to $150 million in revolving credit and matures on March 31, 2010. The facility bears interest at the London Interbank Offered Rate ("LIBOR") plus a spread ranging from .50% to 1.50% (currently LIBOR + .75% or 3.89% at February 29, 2008), depending on the Company's total funded debt to EBITDA ratio, as defined. As of February 29, 2008, the Company had $90.5 million of borrowings under the revolving credit line and $4.5 million outstanding under standby letters of credit arrangements, leaving the Company availability of approximately $55.0 million. The Facility contains financial covenants, restrictions on capital expenditures, acquisitions, asset dispositions, and additional debt, as well as other customary covenants, such as total funded debt to EBITDA ratio, as defined. The Company is in compliance with these covenants as of February 29, 2008. The Facility is secured by substantially all of the Company's assets.

Assets under capital leases have a total gross book value of $1,154,000 and $1,092,000 and the related accumulated amortization of $407,000 and $240,000 for fiscal years ended 2008 and 2007, respectively, and are included in property, plant and equipment. Amortization of assets under capital leases is included in depreciation expense.

Capital lease obligations have interest due monthly at 4.82% to 4.96% and principal paid in equal monthly installments. The notes mature at dates ranging from July 2008 through January 2010.

The Company's long-term debt maturities for the years following February 29, 2008 are as follows (in thousands):

	Debt	Capital Leases	Total
2009	$ 13	$ 259	$ 272
2010	--	215	215
2011	90,500	--	90,500
	90,513	474	90,987
Less amount representing interest	--	22	22
	$ 90,513	$ 452	$ 90,965

(9) Shareholders' Equity

In fiscal year 1999, the Company adopted a Shareholder Rights Plan, which provides that the holders of the Company's common stock receive one preferred share purchase right (a Right) for each share of the Company's common stock they own. Each Right entitles the holder to buy one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $10.00 per share, at a purchase price of $27.50 per one one-thousandth of a share, subject to adjustment. The Rights are not currently exercisable, but would become exercisable if certain events occurred relating to a person or group acquiring or attempting to acquire 15% or more of the outstanding shares of common stock of the Company (the Event). Under those circumstances, the holders of the Rights would be entitled to buy shares of the Company's common stock or stock of an acquirer of the Company at a 50% discount. The Rights expire on November 4, 2008, unless earlier redeemed by the Company. At any time prior to the Event, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $0.01 per Right (the Redemption Price). The redemption of the Rights may be made effective at such time and on such basis and conditions as the Board of Directors, in its sole discretion, may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price. The terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, except that from and after such time as any person or group of affiliated or associated persons becomes an Acquiring Person, no such amendment may adversely affect the interests of the holders of the Rights.

The Company's revolving credit facility restricts acquisition of treasury shares and distributions to its shareholders.

(10) Stock Option Plans and Stock Based Compensation

The Company has stock options granted to key executives and managerial employees and non-employee directors. At fiscal year ended 2008, the Company has two stock option plans: the 1998 Option and Restricted Stock Plan amended and restated as of June 17, 2004 and the 1991 Incentive Stock Option Plan ("the Plan"). The Company has 801,705 shares of unissued common stock reserved under the stock option plans for issuance to officers and directors, and supervisory employees of the Company and its subsidiaries. The exercise price of each option granted equals the quoted market price of the Company's common stock on the date of grant, and an option's maximum term is ten years. Options may be granted at different times during the year and vest ratably over various periods, from upon grant to five years. The Company uses treasury stock to satisfy option exercises and restricted stock awards.

Prior to the adoption of FAS 123R, all tax benefits resulting from the exercise of stock options were presented as operating cash flows in the Consolidated Statements of Cash Flows. FAS 123R requires that cash flows from the exercise of stock options resulting from tax benefits

(10) Stock Option Plans and Stock Based Compensation - continued

in excess of recognized cumulative compensation cost (excess tax benefits) be classified as financing cash flows. For fiscal year 2008 and 2007, $385,000 and $169,000, respectively, of such excess tax benefits were classified as financing cash flows.

The Company had the following stock option activity for the three years ended February 29, 2008:

	Number of Shares (exact quantity)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value(a) (in thousands)
Outstanding at March 1, 2005	695,575	$ 9.67	4.9	
Granted	72,700	18.51		
Terminated	(750)	10.25		
Exercised	(79,675)	9.02		
Outstanding at February 28, 2006	687,850	$ 10.63	4.6	
Granted	--	--		
Terminated	(22,500)	11.13		
Exercised	(111,837)	8.33		
Outstanding at February 28, 2007	553,513	$ 11.08	3.9	
Granted	--	--		
Terminated	(20,500)	15.15		
Exercised	(63,500)	10.60		
Outstanding at February 29, 2008	469,513	$ 10.97	2.9	$ 2,503
Exercisable at February 29, 2008	423,913	$ 10.46	2.5	$ 2,477

(a) Value is calculated on the basis of the difference between the market value of the Company's Common Stock as reported on the New York Stock Exchange on February 29, 2008 ($15.96) and the weighted exercise price, multiplied by the number of shares indicated.

The Company did not grant any stock options during fiscal year 2008 and 2007. The per share weighted-average fair value of options granted during fiscal years 2006 was $3.52, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions for the fiscal years ended:

	2006
Expected volatility	23.85%
Expected term (years)	5
Risk free interest rate	4.37%
Dividend yield	3.64%
Weighted average grant-date fair value	$ 3.52

A summary of the stock options exercised is presented below for the three fiscal years ended (in thousands):

Fiscal Year Ending	2008	2007	2006
Total cash received	$ 673	$ 661	$ 393
Income tax benefits	385	169	86
Total grant-date fair value	83	102	87
Intrinsic value	611	1,364	593

A summary of the status of the company's unvested stock options at February 29, 2008, and changes during the fiscal year ended February 29, 2008 is presented below:

	Number of Options	Weighted Average Grant Date Fair Value
Unvested at March 1, 2007	99,025	$ 2.52
New grants	--	--
Vested	(33,425)	2.35
Forfeited	(20,000)	2.53
Unvested at February 29, 2008	45,600	2.64

(10) Stock Option Plans and Stock Based Compensation - continued

As of February 29, 2008, there was $79,000 of unrecognized compensation cost related to nonvested share based compensation arrangements granted under the Plan. The weighted average remaining requisite service period of the unvested stock options was 1.4 years. The total fair value of shares vested during the fiscal year ended February 29, 2008 was $533,000.

The following table summarizes information about stock options outstanding at the end of fiscal year 2008:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Excercisable	Weighted Average Exercise
$ 7.0625 to $ 8.6875	224,613	1.8	$ 8.08	224,613	$ 8.08
10.0625 to 11.6700	119,750	1.2	10.27	114,750	10.21
13.2800 to 16.4200	87,450	6.0	15.56	46,850	15.07
19.6900 to	37,700	8.0	19.69	37,700	19.69
	469,513	2.9	10.97	423,913	10.46

The Company had the following restricted stock grants activity for the fiscal years ended February 29, 2008:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at March 1, 2005	--	
Granted	23,919	$ 18.51
Terminated	--	
Exercised	--	
Outstanding at February 28, 2006	23,919	$ 19.69
Granted	16,000	19.64
Terminated	--	
Exercised	--	
Outstanding at February 28, 2007	39,919	$ 19.67
Granted	56,600	26.79
Terminated	(1,334)	19.64
Exercised	(21,269)	19.68
Outstanding at February 29, 2008	73,916	$ 25.12
Exercisable at February 29, 2008	--	--

As of February 29, 2008, the total remaining unrecognized compensation cost related to unvested restricted stock was approximately $1,402,000. The weighted average remaining requisite service period of the unvested restricted stock awards was 2.0 years.

(11) Employee Benefit Plans

The Company and certain subsidiaries have a noncontributory defined benefit retirement plan covering approximately 13% of their employees. Benefits are based on years of service and the employee's average compensation for the highest five compensation years preceding retirement or termination. The Company's funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

The Company's pension plan asset allocation, by asset category, is as follows for the fiscal years ended:

	2008	2007
Equity securities	49%	47%
Debt securities	44%	44%
Cash and cash equivalents	7%	9%
Total	100%	100%

The current asset allocation is being managed to meet the Company stated objective of asset growth. The factor is based upon the combined judgments of the Company's Administrative Committee and its investment advisors to meet the Company's investment needs, objective, and risk tolerance. The Company's target asset allocation percentage, by asset class, for the year ended February 29, 2008 is as follows:

Asset Class	Target Allocation Percentage
Money market	0-3%
Bonds	43-47%
Stocks	45-50%

(11) Employee Benefit Plans - continued

The Company estimates the long-term rate of return on plan assets will be 8.0% based upon target asset allocation. Expected returns are developed based upon the information obtained from the Company's investment advisors. The advisors provide ten-year historical and five-year expected returns on the fund in the target asset allocation. The return information is weighted based upon the asset allocation at the end of the fiscal year. The expected rate of return at the beginning of the fiscal year ended 2008 was 8.0%, the rate used in the calculation of the current year pension expense.

The Company's retirement benefit plan costs are accounted for using a valuation required by Statement of Financial Accounting Standard No. 87 ("FAS 87"), "Employers' Accounting for Pensions." The Company adopted Statement of Financial Accounting Standard No. 158, "Employer's Accounting for Defined Benefit Pension and other Postretirement Plans – an amendment FASB Statements No. 87, 88, 106 and 132R" ("FAS 158") as of February 28, 2007. FAS 158 requires an entity to recognize the funded status of its defined pension plans on the balance sheet and to recognize changes in the funded status that arise during the period but are not recognized as components of net periodic benefit cost, within accumulated other comprehensive income (loss), net of income tax. In connection with the adoption of FAS 158, the Company recognized the funded status of its Plans on its consolidated balance sheet as of February 28, 2007 with an adjustment to comprehensive income in the amount of $12.1 million less $4.7 million deferred tax with subsequent changes in the funded status recognized in comprehensive income in the years in which they occur.

Pension expense is composed of the following components included in cost of goods sold and selling, general and administrative expenses in the Company's consolidated statements of earnings for fiscal years ended (in thousands):

	2008	2007	2006
Components of net periodic benefit cost			
Service cost	$ 1,430	$ 1,440	$ 1,422
Interest cost	2,505	2,440	2,443
Expected return on plan assets	(3,079)	(2,848)	(2,771)
Amortization of:			
Prior service cost	(145)	(145)	(145)
Unrecognized net loss	905	956	1,057
Net periodic benefit cost	$ 1,616	$ 1,843	$ 2,006

The following table represents the assumptions used to determine benefit obligations and net periodic pension cost for fiscal years ended:

	2008	2007	2006
Weighted average discount rate (net periodic pension cost)	6.00%	6.00%	6.00%
Earnings progression (net periodic pension cost)	3.00%	3.50%	3.50%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%
Weighted average discount rate (benefit obligations)	6.40%	6.00%	6.00%
Earnings progression (benefit obligations)	3.00%	3.00%	3.50%

The accumulated benefit obligation ("ABO"), change in projected benefit obligation ("PBO"), change in plan assets, funded status, and reconciliation to amounts recognized in the consolidated balance sheets are as follows:

	2008	2007
Change in benefit obligation		
Projected benefit obligation at beginning of year	$ 42,860	$ 42,542
Service cost	1,430	1,440
Interest cost	2,505	2,440
Actuarial loss	(1,970)	(763)
Benefits paid	(2,514)	(2,799)
Projected benefit obligation at end of year	$ 42,311	$ 42,860
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 40,158	$ 37,607
Company contributions	3,000	3,000
Gains on plan assets	1,927	2,350
Benefits paid	(2,514)	(2,799)
Fair value of plan assets at end of year	$ 42,571	$ 40,158
Funded status (benefit obligation less plan assets	$ 260	$ (2,702)
Accumulated benefit obligation at end of year	$ 36,895	$ 36,902

The measurement dates used to determine pension and other postretirement benefits is the Company's fiscal year end. The Company expects to contribute from $2.0 million to $3.0 million during fiscal year 2009.

Estimated future benefit payments which reflect expected future service, as appropriate, are expected to be paid in the fiscal years ended (in thousands):

Year	Projected Payments
2008	$ 3,620
2009	3,080
2010	4,025
2011	4,225
2012	4,685
2013-2017	19,035

Effective February 1, 1994, the Company adopted a Defined Contribution 401(k) Plan (the 401(k) Plan) for its United States employees. The 401(k) Plan covers substantially all full-time employees who have completed sixty days of service and attained the age of eighteen. United States employees can contribute up to 100 percent of their annual compensation, but are limited to the maximum annual dollar amount allowable under the Internal Revenue Code. The 401(k) Plan provides for employer matching contributions or discretionary employer contributions for certain employees not enrolled in the pension plan for employees of the Company. Eligibility for employer contributions, matching percentage, and limitations depends on the participant's employment location and whether the employees are covered by the Company's pension plan, etc. The Company's matching contributions are immediately vested. The Company made matching 401(k) contributions in the amount of $421,000, $360,000 and $226,000 in fiscal years ended 2008, 2007 and 2006, respectively.

In addition, the Northstar Computer Forms, Inc. 401(k) Profit Sharing Plan was merged into the 401(k) Plan on February 1, 2001. The Company declared profit sharing contributions on behalf of the former employees of

(11) Employee Benefit Plans - continued

Northstar Computer Forms, Inc. in accordance with its original plan in the amounts of $360,000, $370,000, and $370,000 in fiscal years ended 2008, 2007, and 2006, respectively.

(12) Income Taxes

The following table represents components of the provision for income taxes for fiscal years ended (in thousands):

	2008	2007	2006
Current:			
Federal	$ 20,144	$ 19,611	$ 20,517
State and local	2,787	3,849	2,900
Foreign	2,147	1,624	1,237
Deferred	117	(320)	(1,220)
Total provision for income taxes	$ 25,195	$ 24,764	$ 23,434

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

	2008	2007	2006
Statutory rate	35.0%	35.0%	35.0%
Provision for state income tax, net of Federal income tax benefit	2.6	3.9	3.0
Other	(1.5)	(1.6)	(1.4)
	36.1%	37.3%	36.6%

Deferred taxes are recorded to give recognition to temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The tax effects of these temporary differences are recorded as deferred tax assets and deferred tax liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years. Deferred tax liabilities generally represent items that have been deducted for tax purposes, but have not yet been recorded in the consolidated statements of earnings. To the extent there are deferred tax assets that are more likely than not to be realized, a valuation allowance would be recorded. The components of deferred income tax assets and liabilities are summarized as follows (in thousands) for fiscal years ended:

	2008	2007
Current deferred tax assets related to:		
Allowance for doubtful receiveables	$ 1,517	$ 1,052
Inventories	4,100	4,454
Employee compensation and benefit	1,715	1,800
Other	454	138
	$ 7,786	$ 7,444
Noncurrent deferred tax liability related to:		
Property, plant and equipment	$ 4,960	$ 4,718
Goodwill and other intangible assets	18,944	18,238
Pension and noncurrent employee compensation benefits	(1,471)	(1,949)
Net operating loss and foreign tax credit	(2,365)	(1,503)
Other	707	99
	$ 20,775	$ 19,603

The Company maintains a valuation allowance to adjust the basis of net deferred tax assets in accordance with FAS 109 "Accounting for Income Taxes" for approximately $250,000 as of February 29, 2008 and February 28, 2007, respectively, related to foreign tax credits. The Company has federal and state net operating loss carry forwards as a result of an acquisition in the amount of $3,221,000 expiring in fiscal years 2017 through 2025. Based on historical earnings, management believes it will be able to fully utilize the net operating loss carry forwards.

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109," (FIN 48), effective for fiscal years beginning after December 15, 2006. FIN 48 requires a two-step approach to determine how to recognize tax benefits in the financial statements where recognition and measurement of a tax benefit must be evaluated separately. A tax benefit will be recognized only if it meets a "more-likely-than-not" recognition threshold. For tax positions that meet this threshold, the tax benefit recognized is based on the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority.

The Company adopted the provisions of FIN 48 on March 1, 2007. Uncertain tax positions in certain foreign jurisdictions would not impact the effective foreign tax rate because non-current unrecognized tax benefits are offset by the foreign net operating loss carry forwards. The Company recognizes interest expense on underpayments of income taxes and accrued penalties related to unrecognized non-current tax benefits as part of the income tax provision. The Company did not recognize any interest or penalties for the fiscal years ended 2008, 2007 and 2006. Unrecognized tax benefits, including accrued interest and penalties, at February 29, 2008 and March 1, 2007 of $228,000 and $240,000, respectively, related to uncertain tax positions are included in other liabilities on the consolidated balance sheets and would impact the state income tax if recognized. A reconciliation of the change in the unrecognized tax benefits for fiscal year ended 2008 is as follows (in thousands):

	2008
Balance as of March 1, 2007	$ 202
Additions based on tax positions related to the current year	67
Reductions due to lapses of statutes of limitations	(68)
Balance as of February 29, 2008	$ 201

(13) Earnings per Share

Basic earnings per share have been computed by dividing net earnings by the weighted average number of common shares outstanding during the applicable period. Diluted earnings per share reflect the potential dilution that could occur if stock options or other contracts to issue common shares were exercised or converted into common stock. The following table sets forth the computation for basic and diluted earnings per share for the fiscal years ended:

	2008	**2007**	**2006**
Basic weighted average common shares outstanding	$ 25,623,325	$ 25,530,732	$ 25,452,582
Effect of dilutive options	237,033	228,216	275,717
Diluted weighted average common shares outstanding	25,860,358	25,758,948	25,728,299
Per share amounts:			
Net earnings - basic	$ 1.74	$ 1.63	$ 1.59
Net earnings - diluted	1.72	1.62	1.58
Cash dividends	0.62	0.62	0.62

(14) Segment Information and Geographic Information

The Company operates in two segments – the Print Segment and the Apparel Segment.

The Print Segment, which represented 57% of the Company's consolidated net sales for fiscal year 2008, is in the business of manufacturing, designing, and selling business forms and other printed business products primarily to distributors located in the United States.

The Print Segment operates 40 manufacturing locations throughout the United States in 16 strategically located domestic states. Approximately 95% of the business products manufactured by the Print Segment are custom and semi-custom, constructed in a wide variety of sizes, colors, number of parts and quantities on an individual job basis depending upon the customers' specifications.

The products sold include snap sets, continuous forms, laser cut sheets, tags, labels, envelopes, integrated products, jumbo rolls and pressure sensitive products in short, medium and long runs under the following labels: Ennis®, Royal Business Forms℠, Block Graphics℠, Specialized Printed Forms℠, 360º Custom Labels℠, Enfusion®, Witt Printing℠, B&D Litho of Arizona℠, GenForms℠ and Calibrated Forms℠. The Print Segment also sells the Adams McClure℠ brand (which provides Point of Purchase advertising for large franchise and fast food chains as well as kitting and fulfillment); the Admore® brand (which provides presentation folders and document folders); Ennis Tag & Label℠ (which provides tags and labels, promotional products and advertising concept products); Trade Envelopes℠ and Block Graphics℠ (which provide custom and imprinted envelopes) and Northstar® and GFS℠ (which provide financial and security documents).

The Print Segment sells predominantly through private printers and independent distributors. Northstar and GFS also sell to a small number of direct customers. Northstar has continued its focus with large banking organizations on a direct basis (where a distributor is not acceptable or available to the end-user) and has acquired several of the top 25 banks in the United States as customers and is actively working on other large banks within the top 25 tier of banks in the United States. Adams McClure sales are generally provided through advertising agencies.

The second segment, the Apparel Segment, which accounted for 43% of our fiscal year 2008 consolidated net sales, consists of Alstyle Apparel, which was acquired in November 2004. This group is primarily engaged in the production and sale of activewear including t-shirts, fleece goods, and other wearables. Alstyle sales are seasonal, with sales in the first and second quarters generally being the highest. Substantially all of the Apparel Segment sales are to customers in the United States.

Corporate information is included to reconcile segment data to the consolidated financial statements and includes assets and expenses related to the Company's corporate headquarters and other administrative costs.

During the prior fiscal years, certain sales and marketing expenses were allocated entirely to the Print Segment. In fiscal year 2007 as this department started providing services to not only the Print Segment, but the Apparel Segment as well, these expenses were reclassified to Corporate. As such, amounts for fiscal years 2006 have been reclassified to conform to current year presentation.

Segment data for the fiscal years ended 2008, 2007, and 2006 were as follows (in thousands):

	Print Segment	Apparel Segment	Corporate	Consolidated Totals
Fiscal year ended February 29, 2008				
Net sales	$ 345,042	$ 265,568	$ –	$ 610,610
Depreciation	8,009	3,306	902	12,217
Amortization of identifiable intangibles	595	1,467	–	2,062
Segment earnings (loss) before income tax	56,012	29,367	(15,594)	69,785
Segment assets	157,979	347,861	7,291	513,131
Capital expenditures	2,939	1,275	80	4,294
Fiscal year ended February 28, 2007				
Net sales	$ 325,679	$ 259,034	$ –	$ 584,713
Depreciation	8,275	5,745	650	14,670
Amortization of identifiable intangibles	384	1,573	–	1,957
Segment earnings (loss) before income tax	46,077	33,321	(13,033)	66,365
Segment assets	151,746	313,716	12,766	478,228
Capital expenditures	2,647	1,038	1,314	4,999
Fiscal year ended February 28, 2006				
Net sales	$ 321,410	$ 237,987	$ –	$ 559,397
Depreciation	7,226	7,604	644	15,474
Amortization of identifiable intangibles	361	1,976	–	2,337
Segment earnings (loss) before income tax	45,121	30,085	(11,235)	63,971
Segment assets	155,457	320,113	18,831	494,401
Capital expenditures	2,977	5,061	1,002	9,040

(14) Segment Information and Geographic Information - continued

Identifiable long-lived assets by country include property, plant, and equipment, net of accumulated depreciation.

The Company attributes revenues from external customers to individual geographic areas based on the country where the sale originated. Information about the Company's operations in different geographic areas as of and for the fiscal years ended is as follows (in thousands):

	United States	Canada	Mexico	Total
2008				
Net sales to unaffiliated customers				
Print Segment	$ 345,042	$ –	$ –	$ 345,042
Apparel Segment	248,431	17,137	–	265,568
	$ 593,473	$ 17,137	–	$ 610,610
Identifiable long-lived assets				
Print Segment	$ 43,004	$ –	$ –	$ 43,004
Apparel Segment	7,698	74	2,092	9,864
Corporate	6,120	–	–	6,120
	$ 56,822	$ 74	$ 2,092	$ 58,988
2007				
Net sales to unaffiliated customers				
Print Segment	$ 325,679	$ –	$ –	$ 325,679
Apparel Segment	241,477	17,557	–	259,034
	$ 567,156	$ 17,557	–	$ 584,713
Identifiable long-lived assets				
Print Segment	$ 44,291	$ –	$ –	$ 44,291
Apparel Segment	9,002	102	2,721	11,825
Corporate	6,941	–	–	6,941
	$ 60,234	$ 102	$ 2,721	$ 63,057
2006				
Net sales to unaffiliated customers				
Print Segment	$ 321,410	$ –	$ –	$ 321,410
Apparel Segment	220,090	17,897	–	237,987
	$ 541,500	$ 17,897	–	$ 559,397
Identifiable long-lived assets				
Print Segment	$ 40,903	$ –	$ –	40,903
Apparel Segment	12,814	102	3,720	16,636
Corporate	6,264	--	--	6,264
	$ 59,981	$ 102	$ 3,720	$ 63,803

(15) Commitments and Contingencies

The Company leases certain of its facilities under operating leases that expire on various dates through fiscal year ended 2014. Future minimum lease commitments and sublease income under non-cancelable operating leases for each of the fiscal years ending are as follows (in thousands):

	Operating Lease Commitments	Sublease Income	Net
2009	$ 8,293	$ (808)	$ 7,485
2010	4,346	(67)	4,279
2011	3,101	–	3,101
2012	1,727	–	1,727
2013	1,006	–	1,006
Thereafter	263	–	263
	$ 18,736	$ (875)	$ 17,861

Rent expense attributable to such leases totaled $9,789,000, $8,913,000 and $9,388,000 for the fiscal years ended 2008, 2007 and 2006, respectively.

In the ordinary course of business, the Company also enters into real property leases, which require the Company as lessee to indemnify the lessor from liabilities arising out of the Company's occupancy of the properties. The Company's indemnification obligations are generally covered under the Company's general insurance policies.

From time to time the Company is involved in various litigation matters arising in the ordinary course of business. The Company does not believe the disposition of any current matter will have a material adverse effect on its consolidated financial position or results of operations.

(16) Supplemental Cash Flow Information

Net cash flows from operating activities reflect cash payments for interest and income taxes as follows for the three fiscal years ended (in thousands):

	2008	2007	2006
Interest paid	$ 6,048	$ 6,646	$ 8,038
Income taxes paid	$ 25,208	$ 26,657	$ 22,957

Supplemental disclosure of non-cash investing and financing activities (in thousands):

	2008	2007	2006
Fair value of assets acquired in acquisitions	$ 15,752	$ 22,236	$ 1,226
Liabilities assumed in acquisitions	$ 614	4,608	104

(17) Quarterly Consolidated Financial Information (Unaudited)

The following table represents the unaudited quarterly financial data of the Company for fiscal years ended 2008 and 2007 (in thousands, except per share amounts and quarter over quarter comparison):

For the Three Months Ended	May 31	August 31	November 30	February 29
Fiscal year ended 2008:				
Net sales	$ 152,774	$ 150,086	$ 158,215	$ 149,535
Gross profit	38,567	38,620	39,244	36,216
Net earnings	10,796	11,138	11,568	11,088
Dividends paid	3,967	3,976	3,986	3,987
Per share of common stock:				
Basic net earnings	$ 0.42	$ 0.44	$ 0.45	$ 0.43
Diluted net earnings	$ 0.42	$ 0.43	$ 0.45	$ 0.43
Dividends	$ 0.155	$ 0.155	$ 0.155	$ 0.155
Fiscal year ended 2007:				
Net sales	$ 145,113	$ 151,718	$ 151,743	$ 136,139
Gross profit	37,815	38,241	37,973	31,908
Net earnings	11,330	11,643	10,822	7,806
Dividends paid	3,949	3,959	3,962	3,964
Per share of common stock:				
Basic net earnings	$ 0.44	$ 0.46	$ 0.42	$ 0.31
Diluted net earnings	$ 0.44	$ 0.45	$ 0.42	$ 0.30
Dividends	$ 0.155	$ 0.155	$ 0.155	$ 0.155

Current Quarter Compared to Same Quarter Last Year

For the quarter ended February 29, 2008, the effective tax rate was 33.2% compared to 37.0% for the first nine months of fiscal year 2008. The decrease in the effective tax rate had a positive impact of $476,000 on our net earnings for the quarter, or $.02 per diluted share. Without this impact the reported diluted earnings per share for the quarter would have been $.40.

For the quarter ended February 28, 2007, the effective tax rate was 38.6% compared to 37.0% for the first nine months of fiscal year 2007. The increase in the effective tax rate had a negative impact of $169,000 on our earnings for the quarter, or $.01 per diluted share. Without this impact the reported diluted earnings per share for the quarter would have been $.31.

The increase in our earnings per share in the current quarter related primarily to the increase in the profits associated with out Print Segment, whose pre-tax earnings increased by $4.1 million, or 38.2%. This was partially offset by our Apparel Segment earnings during the period, whose pre-tax earnings increased by approximately $.6 million, or 12.7%. Of the Print Segment increase during the current quarter, approximately $.8 million was due to the acquisition of Trade, B&D and Skyline.

---

(18) Subsequent Events

On April 1, 2008, the Company declared a quarterly cash dividend of 15 1/2 cents a share on its common stock. The dividend was paid May 1, 2008 to shareholders of record on April 14, 2008. April 28, 2008 also has been set as the record date for shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders to be held on June 26, 2008.

Available Information

The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 available free of charge under the Investors Relations page on its website, www.ennis.com, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Information on our website is not included as a part of, or incorporated by reference into, this report. The Company's SEC filings are also available through the SEC's website, www.sec.gov. In addition, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Board of Directors and Shareholders of Ennis, Inc.

We have audited the accompanying consolidated balance sheets of Ennis, Inc. (a Texas corporation) and subsidiaries as of February 29, 2008 and February 28, 2007 and the related consolidated statements of earnings, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended February 29, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ennis, Inc. and subsidiaries as of February 29, 2008 and February 28, 2007, and the results of their operations and their cash flows for each of the three years in the period ended February 29, 2008 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the consolidated financial statements, the Company has adopted Financial Accounting Standard Board (FASB) Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment,* effective March 1, 2006. As discussed in Note 11 to the consolidated financial statements, the Company also adopted FASB Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans: An Amendment of FASB Statements No. 87, 88, 106, and 132R,* effective February 28, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ennis, Inc. and subsidiaries' internal control over financial reporting as of February 29, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 9, 2008 expressed an unqualified opinion on the effectiveness of Ennis, Inc.'s internal control over financial reporting.

Grant Thornton LLP

Dallas, Texas
May 9, 2008

Board of Directors and Shareholders of Ennis, Inc.

We have audited Ennis, Inc. (a Texas corporation) and subsidiaries' internal control over financial reporting as of February 29, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Ennis, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Ennis, Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ennis, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of February 29, 2008, based on criteria established in Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ennis, Inc. and subsidiaries as of February 29, 2008 and February 28, 2007 and the related consolidated statements of earnings, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended February 29, 2008 and our report dated May 9, 2008 expressed an unqualified opinion on those financial statements.

Grant Thornton LLP

Dallas, Texas
May 9, 2008

Shareholder Services

Registered shareholders [who hold shares in their name] with questions or seeking services, including change of address, lost stock certificate, transfer of stock to another person and other administrative services, should contact the Transfer Agent at:

Computershare Investor Services, LLC
Attn: Shareholders Services
2 North LaSalle Street
Chicago, Illinois 60602
312-588-4990

www.computershare.com

Beneficial shareholders [who hold their shares through brokers] should contact the broker directly on all administrative matters.

Financial & Other Company Information

Copies of our financial information, such as this Annual Report on Form 10-K and our Proxy Statement to our shareholders, as filed with the Securities and Exchange Commission (SEC), Quarterly Reports on Form 10-Q, and other filings with the SEC may be viewed or downloaded from the Company's website:

www.ennis.com/investor_relations

Alternatively, you can order copies, free of charge, by contacting Ms. Sharlene Reagan - Executive Assistant to our Vice President of Finance.

Common Stock

Ennis, Inc. common stock is listed on the New York Stock Exchange under the ticker symbol "EBF."

As of April 28, 2008, there were approximately 25,720,166 million shares outstanding and approximately 1,176 shareholders of record.

Fiscal Year 2008 Stock Price Performance

High: $28.45
Low: $14.87
Close: $15.96 (2/29/08)

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on June 26, 2008, beginning at 10:00 a.m., local time. The meeting will take place at the Midlothian Community Center located at One Community Circle, Midlothian Texas 76065.

Number of Employees

More than 6,256 worldwide at February 29, 2008.

Investor Relations

Keith S. Walters
Chairman of the Board, CEO and President
2441 Presidential Parkway
Midlothian, Texas 76065
800-752-5386

keith_walters@ennis.com

Independent Accountants

Grant Thornton LLP

Outside Corporate Counsel

Patton Boggs, LLP

Certifications

Ennis has filed with the SEC as exhibits to its Annual Report on Form 10-K for the year ended February 28, 2007, the certification of each of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act. In addition, Ennis has submitted to the New York Stock Exchange the required certification of the Chief Executive Officer with respect to Ennis' compliance with the New York Stock Exchange's corporate governance listing standards.

Caution Concerning Forward Looking Statements

This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to changes in economic, business, competitive, technology, strategic and or regulatory factors. More detailed information about these factors is set forth in our Quarterly Reports on Form 10-Q, as filed with the SEC and in our Annual Report on Form 10-K, as filed with the SEC, under the caption "Certain Risk Factors." Ennis is under no obligation to [an expressly disclaims any such obligation to update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Corporate Publications

Copies of Ennis, Inc.'s Annual Report on Form 10-K (excluding exhibits) and other filings with the SEC are available without charge upon written request to Ennis, Inc., 2441 Presidential Parkway, Midlothian, Texas 76065, Attn: Investor Relations, or by email: investor@ennis.com. All such filings are also available on our website: www.ennis.com/investor_relations.

Trademark Information

All trademark and service marks referenced herein are owned by the respective trademark or service mark owners.

Adams McClure

The Admore Line

Advertising Concepts

Alstyle Apparel & Activewear

B&D Litho of Arizona

Block Graphics

calibrated forms

ColorWorx

enfusion
Functionality in Form

GenForms

gfs

Northstar

Royal

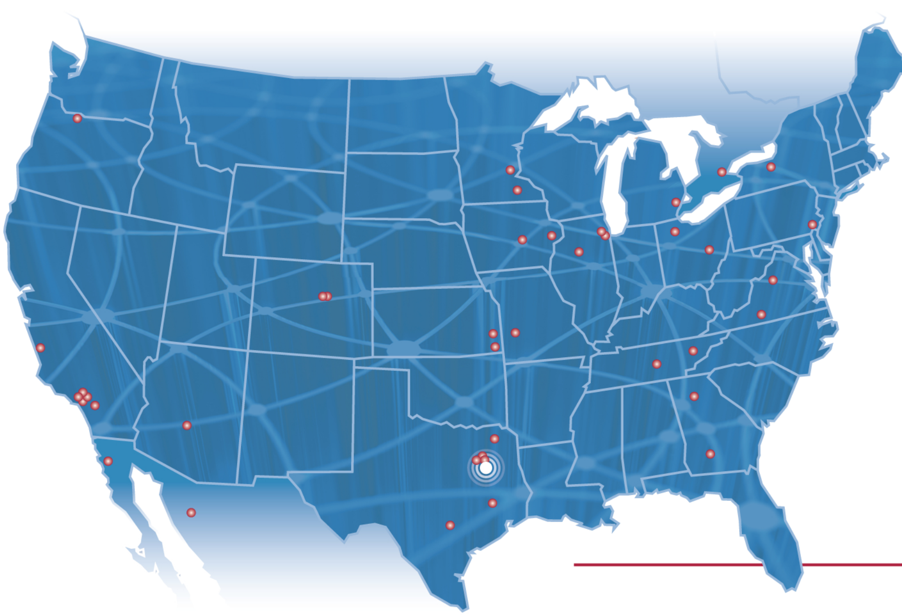
Specialized
Printed Forms, Inc.

Star Award Ribbon Company

Trade envelopes

Uncompromised Check Solutions
Security ★ Delivery ★ Value

Witt Printing Company



This annual report was printed by Admore, our presentation products and commercial printing subsidiary in Macomb, Michigan. Admore received chain of custody certification in 2008 from the Forest Stewardship Council. Ennis is currently reviewing internal processes at all of our facilities to help support our customers' sustainability initiatives.

Printed on FSC Certified Paper

Recycled
Supporting responsible use of forest resources
www.fsc.org Cert. no. SGS-COC-004308
© 1996 Forest Stewardship Council

Printed with ink containing soy oil on eco-friendly paper.

2441 Presidential Parkway | Midlothian, Texas 76065 | www.ennis.com