

EXHIBIT C  
TO  
AMENDED DISCLOSURE STATEMENT WITH RESPECT TO DEBTOR'S AMENDED  
PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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FORM 10-K FOR THE DEBTOR FOR FISCAL YEAR ENDED DECEMBER 31, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the fiscal year ended December 31, 2003

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-3410

AMERICAN BANKNOTE CORPORATION  
(Exact name of Registrant as specified in its charter)

Delaware

13-0460520

(State or other jurisdiction of  
Incorporation or organization)

(I.R.S. Employer  
Identification No.)

560 Sylvan Avenue, Englewood Cliffs, New Jersey 07632  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (201) 568-4400

Securities registered pursuant to Section 12(b) of the Act: None

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

Title of each class:	Name of exchange on which registered
Common Stock, par value \$.01 per share	OTC-BB
Series 1 Warrants	OTC-BB
Series 2 Warrants	OTC-BB

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

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

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

At March 16, 2004, the aggregate market value of the voting stock held by non-affiliates was \$4,237,493.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of March 19, 2004, 11,770,815 shares of the registrant's common stock were outstanding. Documents Incorporated by Reference:

None.

# AMERICAN BANKNOTE CORPORATION

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## PART I

### ITEM 1. BUSINESS.

#### INTRODUCTION

American Banknote Corporation is a holding company. All references to the "Parent" are meant to identify the legal entity American Banknote Corporation on a stand-alone basis. All references to the "Company" are to the Parent and all of its subsidiaries, as a group.

In October 2002, the Parent issued \$91.6 million aggregate principal amount of its 10 3/8% Senior Notes ("Senior Notes") in connection with the Chapter 11 Proceeding described below. The maturity date for the Senior Notes, was extended, to January 31, 2005, at which time the aggregate principal amount thereof, which will then be approximately \$111.6 million will be due and payable in full. The Parent anticipates that, based upon the current and anticipated future cash flows generated from operations, it will not be able to repay its Senior Notes upon the January 31, 2005 maturity date. Further, as a result of the Company's limited access to capital and financial markets, it is highly unlikely that the Parent will be able to refinance the Senior Notes. Absent a further agreement with the holders of the Senior Notes, the Parent will be required to undergo a further restructuring, bankruptcy or partial or total liquidation or sale of the Company. Any of these events will substantially reduce, or perhaps eliminate, any value associated with the Parent's equity, including its Common Stock and may substantially reduce the value of its other securities. However, because each of the Parent's subsidiaries is a self-funded stand-alone entity, it is anticipated that each subsidiary, with the exception of LM will continue to operate its business in the normal course, on a stand-alone basis, irrespective of any restructuring of the Parent. For a discussion of LM see "Proposed 2004 LM Restructuring."

#### Business--Structural Overview

Through its subsidiaries in the United States, Brazil, Australia, New Zealand, France, and Argentina, the Company is a trusted provider of secure printed documents, printed and personalized secure and non-secure transaction and identification cards and systems, and a wide array of document management and transaction services and solutions. The Company provides its customers in the private and public sectors with products and services that incorporate anti-fraud and counterfeit resistant facilities, processes and technologies. The Company operates and manages its business based on geographic location in a single industry along three principal product lines: Transaction Cards and Systems; Printing Services and Document Management; and Security Printing Solutions. The Company is endeavoring to expand along these and complementary product and service lines, with particular emphasis on fields that are relevant to its existing customer base, such as electronic commerce and secure distribution and fulfillment.

#### The Parent's principal subsidiaries are:

American Bank Note Company ("ABN") a New York Corporation (and the Company's domestic operating subsidiary),

American Bank Note Ltda. ("ABNB"), a 77.5% owned Brazilian company,

ABN Australasia Limited, trading as the Leigh-Mardon Group ("LM"), a 90% owned Australian company, with an operating subsidiary in New Zealand,

CPS Technologies, S.A. ("CPS"), a French company, and

Transtex S.A. ("Transtex"), an Argentine company.

The Parent was incorporated in Delaware in 1993 as United States Banknote Corporation and changed its name on July 1, 1995 to American Banknote Corporation. The Company's principal executive offices are located at 560 Sylvan Avenue, Englewood Cliffs, New Jersey 07632, and its telephone number is (201) 568-4400.

#### CONSUMMATION OF THE REORGANIZATION PLAN

In December 1999, the Parent (but none of its subsidiaries) filed a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Proceeding") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). On August 22, 2002, the Bankruptcy Court confirmed the Parent's Fourth Amended Plan of Reorganization (the "Plan") in the Chapter 11 Proceeding.

On October 1, 2002, all conditions required for the effectiveness of the Plan were achieved and the Plan became effective (the "Effective Date"). On the Effective Date, the Parent cancelled all shares of its then outstanding common stock and preferred stock, and began to issue shares of its new common stock, \$.01 par value per share ("Common Stock"), and certain additional rights, warrants and options entitling the holders thereof to acquire Common Stock, in the amounts and on the terms set forth in the Plan.

None of the Parent's subsidiaries was or has ever been a party to the Chapter 11 Proceeding or any other insolvency or similar proceeding. As a result, during the Parent's reorganization, each one of the Parent's subsidiaries continued to operate its respective business in the normal course, on a stand-alone basis.

## DISTRIBUTIONS UNDER THE PLAN

The following descriptions are summaries of material terms of the Plan. This summary is qualified by the material agreements and related documents constituting the Plan, copies of which were filed as exhibits to the Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 10-K"), the Parent's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 and the Parent's Current Reports on Form 8-K filed on June 3, 2002, August 28, 2002, September 4, 2002 and October 16, 2002 and by the provisions of applicable law. All reference to "on a fully diluted basis" or "subject to dilution" shall give effect to the issuance of the number of shares of Common Stock of the Successor Company reserved for issuance in order to settle the claims discussed below.

**Resolution of Pre-petition Claims.** The former major classes of credit and equity claims and their respective distributions received under the Plan are described below. For more complete information of the claims and recoveries under the Plan, see the referred above filings.

**11 1/4% Senior Subordinated Note Claims.** Under the Plan, the Parent exchanged on the Effective Date with the former holders of the \$95 million principal amount of the Parent's 11 1/4% Senior Subordinated Notes due December 1, 2007 (the "Senior Subordinated Notes"), in full satisfaction, settlement, release, discharge of and in exchange for the \$106.2 million in principal of, and accrued interest on, the Senior Subordinated Notes, approximately 10.6 million shares of Common Stock, representing approximately 90% of the shares of Common Stock of the reorganized Parent as of the Effective Date. Consequently, a change in control occurred on the Effective Date, with control of the Parent being transferred from the holders of the Parent's old common and preferred stock outstanding prior to the Effective Date to the former holders of the Parent's Senior Subordinated Notes.

**10 3/8% Senior Note Claims.** The Parent's \$56.5 million principal amount of 10 3/8% Senior Notes due June 1, 2002 (the "Senior Notes") were reinstated at par value, with accrued interest and a two percent consent fee paid in the form of additional Senior Notes which in total aggregated approximately \$79 million of such Senior Notes. The Parent's \$8.0 million principal amount of 11 5/8% Notes due August 1, 2002 (the "11 5/8% Notes") were converted into Senior Notes together with accrued interest which totaled \$3.9 million as of the assumed July 31, 2002 payment date and a conversion fee of approximately \$0.7 million. Consequently, the former holders of the 11 5/8% Notes immediately prior to the consummation of the Plan on the Effective Date received an aggregate amount of approximately \$12.6 million principal amount of Senior Notes, bringing the total amount of Senior Notes outstanding as of the Effective Date to \$91.6 million. The maturity date for the Senior Notes was extended through January 31, 2005, and a number of modifications were made to the indenture governing the Senior Notes. Subsequent interest payments on the Senior Notes, which occurred semi-annually on December 1, 2002, June 1, 2003 and December 1, 2003, have been paid in kind at the Parent's option in accordance with its rights under the indenture. At December 31, 2003 and 2002, the total reinstated amount of Senior Notes, inclusive of paid in kind interest and fees, totaled \$100.0 million and \$95.5 million, respectively. In light of the Parent's current financial position, it is highly unlikely that the Parent will be able to pay the principal amount due under the Senior Notes upon maturity on January 31, 2005, and the failure to do so (or to obtain adequate replacement financing or obtain an extension or other agreement with the holders thereof) will require the Company to undergo a further restructuring, bankruptcy or partial or total liquidation or sale of the Company. Any of these events will substantially reduce, or perhaps even eliminate, any value associated with Parent's equity and other securities, including its Common Stock.

**Convertible Subordinated Noteholders.** Holders of the Parent's Convertible Subordinated Notes due August 2, 2002 and November 25, 2002, who in the aggregate were owed \$3.7 million by the Parent, received 221,573 shares of Common Stock in full satisfaction, settlement, release and discharge of and in exchange for their claims. This represents approximately 1.9% of the initial shares of Common Stock subject to dilution.

**General Unsecured Claims.** Under the Plan, all General Unsecured Creditors were unimpaired. As a result, each holder of a General Unsecured Claim retained the full value for its claim, most of which were paid by the Parent in the fully allowed amount or in such other amount and upon such terms as the Parent and any such holder agreed. Other claims remain unpaid as of this date and have been adequately reserved on the Parent's balance sheet. The estimated total face amount of such claims was approximately \$7.6 million.

**Equity Claims and Interests.** All pre-petition equity holders shared in a Common Stock Equity Reserve (the "Equity Reserve"). The Equity Reserve contained 915,396 shares of Common Stock in the Successor Company, representing approximately 7.7% of the Common Stock, subject to dilution. In addition, the Equity Reserve held 622,481 warrants, representing the right to purchase approximately 5% of the Common Stock, subject to dilution.

The warrants consist of Series 1 Warrants ("Series 1 Warrants") and Series 2 Warrants ("Series 2 Warrants"), with 311,241 Series 1 Warrants representing the right to purchase 311,241 aggregate shares of Common Stock at an exercise price of \$10 per share, and 311,240 Series 2 Warrants representing the right to purchase 311,240 aggregate shares of Common Stock at an exercise price of \$12.50 per share.

The Equity Reserve was distributed to the holders of old preferred stock and common stock and various securities claimants on various dates of distribution following consummation of the Plan pursuant to the allocations discussed below.

Pre-petition Preferred Stock and Common Stock Interests - Primary share distribution. Holders of 2,404,845 shares of preferred stock and 23,486,135 shares of common stock outstanding prior to the Effective Date (exclusive of 1,603,095 shares of former common stock owned by the old Parent's former Chairman) received their pro-rata share of 60% of the 915,396 shares of Common Stock in the Equity Reserve. This resulted in 549,238 shares of Common Stock allocated to these holders on a pro-rata basis with 51,015 shares of Common Stock issued to the holders of former preferred stock and 498,223 shares of Common Stock issued to the holders of former common stock.

Warrant Distribution. The holders of old preferred stock and old common stock outstanding prior to the Effective Date also received on a pro-rata basis 60% of the 311,241 Series 1 Warrants and 60% of the 311,240 Series 2 Warrants in the Equity Reserve. This resulted in 186,745 Series 1 Warrants and 186,744 Series 2 Warrants allocated to these holders on a pro-rata basis as follows: 17,346 Series 1 Warrants and 17,345 Series 2 Warrants were issued to the holders of former preferred stock and 169,399 Series 1 Warrants and 169,399 Series 2 Warrants were issued to the holders of former common stock.

Equity Options Distribution. In addition to the participation of the former holders of former preferred stock and common stock in the Equity Reserve, these holders also received on a pro-rata basis 177,061 Equity Options, each representing the right to purchase one share of Common Stock. Fifty percent of the Equity Options are exercisable when the Common Stock trades at an average of \$5.00 per share over twenty consecutive trading days, and the remaining fifty percent is exercisable when the Common Stock trades at an average price of \$7.50 per share over twenty consecutive trading days. These options, if exercised, will allow the holders to purchase up to 1.28% of the outstanding shares of Common Stock on a fully-diluted basis. The former holders of preferred stock received 16,446 Equity Options and the former holders of common stock received 160,615 Equity Options.

Securities Claims. The remaining 40% of the Common Stock and Warrants in the Equity Reserve were issued in settlement of pre-petition securities claims. This resulted in a transfer of 366,158 shares of Common Stock, 124,496 Series 1 Warrants and 124,496 Series 2 Warrants.

Unsurrendered Old Preferred Stock Claims. Holders of unsurrendered preferred stock outstanding prior to the Effective Date, who in the aggregate had a claim of approximately \$0.4 million, received 43,245 shares of Common Stock in full satisfaction, settlement, release and discharge of and in exchange for their claim, representing approximately 0.4% of the shares of Common Stock issued on the Effective Date, subject to dilution.

#### FRESH START ACCOUNTING

In accordance with the AICPA Statement of Position ("SOP") 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, the Company adopted fresh start reporting ("Fresh Start") as of September 30, 2002. The Company recorded the effects of the Plan and Fresh Start as of October 1, 2002 which was the Effective Date of the Plan. Under Fresh Start, a new reporting entity (the "Successor Company" or the "Reorganized Company") is deemed to be created as a result of a change in control of ownership. SOP 90-7 requires, among other things, that the Company's recorded amounts of assets and liabilities be adjusted to reflect their reorganization value ("Reorganization Value"), which is defined as the fair value at the Effective Date, in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations" and Staff Accounting Bulletin No. 54. The reorganized values were accordingly recorded on the books and records of the subsidiary companies. Any portion of the Reorganized Company's assets not attributed to specific tangible or identified intangible assets of the Reorganized Company were identified as Reorganization Value in excess of amounts allocable to identified assets and has been classified as goodwill ("Goodwill"). This Goodwill is periodically reviewed and measured for impairment on an annual basis in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Goodwill of the Company was \$72.1 million and \$99.6 million at December 31, 2003 and December 31, 2002, respectively. The change in Goodwill between periods was due to a remeasurement of the value of the Company's subsidiaries based on the Parent's review of projected cash flows and valuation multiples based on prevailing market conditions which resulted in an impairment of approximately \$42.6 million partly offset by a foreign currency translation gain of approximately \$15.1 million, in accordance with SFAS No. 52.

The Effective Date was October 1, 2002 and, as a result, Fresh Start was adopted on September 30, 2002. In addition to restating assets and liabilities at their Reorganization Value, the Predecessor Company's accumulated deficit, including accumulated foreign currency translation adjustments totaling \$289.6 million, was eliminated and the capital structure was recast in conformity with the Plan. The adjustments to eliminate this accumulated deficit consisted of a \$91.4 million extraordinary gain on the forgiveness of debt of which \$91 million was converted into Common Stock and \$0.4 million represented discounts negotiated with various unsecured creditors, and a \$223.2 million Fresh Start gain with a corresponding \$23.2 million charge related to ABNB's minority interest holder's share of the valuation based upon the reorganization value of the Successor Company. These gains were partly offset by a \$1.8 million extraordinary loss resulting from the reinstatement of the Senior Notes and the exchange of the 11 5/8% Notes for Senior Secured Notes inclusive of all accrued interest and consent premiums which were paid or accrued in kind.

As a result of the Company's adoption of Fresh Start, reporting for the Reorganized Company for the year ended December 31, 2002 reflects the financial results of operations and cash flows of the Successor Company for the three month period ended December 31, 2002 and those of the pre-reorganization Company (the "Predecessor Company") for the nine month period ended September 30, 2002. As a result of the application of Fresh Start, the complete financial statements for the periods after reorganization are not comparable to the financial statements for the periods prior to reorganization.

#### Primary Purposes of the Plan of Reorganization

The primary purposes of the Plan were to reduce the Parent's debt service requirements and overall level of indebtedness, to realign its capital structure and to provide it with greater liquidity to operate its business.

WHILE THE PLAN MATERIALLY IMPROVED THE PARENT'S INDEBTEDNESS, CAPITAL STRUCTURE AND LIQUIDITY, MANY OF THE SAME RISKS THAT RESULTED IN THE PARENT'S INABILITY TO MEET ITS INTEREST PAYMENTS PRIOR TO FILING CHAPTER 11 REMAIN TODAY, INCLUDING FOREIGN CURRENCY RISK, ECONOMIC RECESSION AND POLITICAL INSTABILITY IN CERTAIN REGIONS SERVED BY THE PARENT'S SUBSIDIARIES, AN ACCELERATED DECREASE IN HIGH MARGIN PRODUCTS RESULTING IN SIGNIFICANTLY LOWER OPERATING INCOME LEVELS, AND A HIGH LEVEL OF SENIOR NOTE INDEBTEDNESS. THE PARENT BELIEVES THAT, IN THE NEAR TERM, IT CAN CONTINUE TO OPERATE AS A GOING CONCERN AND GENERATE SUFFICIENT CASH FLOW FROM OPERATIONS TO MEET ITS OBLIGATIONS ON A TIMELY BASIS. HOWEVER, ABSENT A SIGNIFICANT INCREASE IN AVAILABLE FREE CASH FLOW FROM OPERATIONS, IT IS THE PARENT'S INTENTION DURING THIS TIME TO CONTINUE TO PAY ITS SEMI-ANNUAL INTEREST PAYMENTS ON THE SENIOR NOTES IN KIND IN LIEU OF CASH INTEREST, AS PERMITTED BY ITS REVISED INDENTURE.

MOREOVER, NO ASSURANCE CAN BE MADE THAT THE COMPANY WILL HAVE SUFFICIENT LIQUIDITY ON AN OVERALL BASIS TO MEET ITS FUTURE OPERATING NEEDS, AND THERE IS A SIGNIFICANT LIKELIHOOD THAT, BASED UPON THE CURRENT AND ANTICIPATED FUTURE CASH FLOWS GENERATED FROM OPERATIONS, THE PARENT WILL NOT BE ABLE TO REPAY ITS SENIOR NOTES UPON THE JANUARY 31, 2005 MATURITY DATE. THIS FACTOR, COMBINED WITH THE COMPANY'S LIMITED ACCESS TO CAPITAL AND FINANCIAL MARKETS TO REFINANCE THE SENIOR NOTES, IS HIGHLY LIKELY TO REQUIRE A FURTHER RESTRUCTURING, BANKRUPTCY OR PARTIAL OR TOTAL LIQUIDATION OR SALE OF THE COMPANY ON OR BEFORE JANUARY 31, 2005. FOR A FURTHER DISCUSSION OF THESE RISKS, PLEASE SEE ITEM 7, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," ITEM 7A, "QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK," AND THE INDEPENDENT AUDITORS' REPORT WITH RESPECT TO THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FILED HERewith.

#### RISK FACTORS

THE FOLLOWING SECTION HIGHLIGHTS SOME, BUT NOT ALL OF THE RISKS RELATING TO THE COMPANY, ITS BUSINESS AND THE COMMON STOCK. THIS INFORMATION SHOULD BE CAREFULLY CONSIDERED AND EVALUATED BY ALL CURRENT AND PROSPECTIVE HOLDERS OF THE PARENT'S SECURITIES IN CONJUNCTION WITH RISKS DESCRIBED UNDER ITEM 7A, "QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK" AND THE OTHER INFORMATION CONTAINED IN THIS FORM 10-K.

The price of the Company's Common Stock may experience volatility.

The trading price of the Company's Common Stock could be subject to wide fluctuations in response to variations in the Company's quarterly operating results, changes in earnings estimates by analysts, the failure of the Company to meet analysts' quarterly earnings estimates, conditions in the industry, conditions in foreign markets in which subsidiaries operate and the outlook for the industry as a whole or general market or economic conditions. In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on the market prices for many companies, often unrelated to the operating performance of the specific companies. Such market fluctuations could have a material adverse effect on the market price for the Company's securities.

The Company has significant indebtedness.

The Company has significant indebtedness which continues to accrue interest on a pay in kind basis. There is a significant likelihood that, based upon the current and anticipated future cash flows generated from operations, the Company will not be able to repay its Senior Notes upon the January 31, 2005 maturity date. The Company cannot assure investors that it will be successful in developing and maintaining a level of cash flow from operations sufficient to permit it to pay the principal of, and interest on, its indebtedness. If the Company is unable to generate sufficient cash flow from operations to service its indebtedness, it may have to modify its growth plans, restructure or refinance its indebtedness or seek additional capital. The Company cannot assure investors that any of these strategies could be effected on satisfactory terms, if at all, in light of its high leverage, or that any such strategy would yield sufficient proceeds to service its indebtedness. The Company's high level of indebtedness imposes substantial risks to holders of its securities, including the following:

- the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- a substantial portion of the Company's cash flow from operations must be dedicated to service its indebtedness and will not be available for capital expenditures and other purposes in furtherance of its strategic growth objectives, and its failure to generate sufficient cash flow to service this indebtedness could result in a default under this indebtedness;
- the Company is more highly leveraged than many of its competitors which may place it at a competitive disadvantage;
- the Company's high degree of leverage could make it more vulnerable to adverse changes in its business and general economic conditions;
- the Company's ability to satisfy its obligations under its indebtedness will be dependent upon risks, uncertainties and contingencies affecting its business and operations, many of which are beyond the Company's control, such as general economic conditions, the entry of new competitors in its markets and the introduction of new technology; and
- if the Parent or LM is unable to repay indebtedness when due, the defaulting entity may be required to undergo a further restructuring, bankruptcy or partial or total liquidation or sale, which could materially, adversely affect the value of the Common Stock and other securities of the Company.

The Company's industry is highly competitive.

Competition in the Company's markets is based upon price, service, quality, reliability and the ability to offer a broad range of secure transaction products and services. Certain of the Company's product lines have high costs of entry into these markets. Conversely, the cost to enter certain markets is much lower and in such markets, the Company faces many more diverse competitors who possess equal or greater technology infrastructures. In addition, certain of the Company's global competitors have greater financial resources than does the Company.

Each of the Company's domestic and foreign operations conducts its business in highly-competitive markets. With respect to certain of its products, the Company competes with other non-secure commercial printers. Strong competitive pricing pressures exist, particularly with respect to products where customers seek to obtain volume discounts and economies of scale. The consolidation of certain financial and banking customers within certain of the Company's markets, particularly in Brazil, Australia and France, has created greater competitive pricing pressures and opportunities for increased volume solicitation. In addition, there are several smaller local competitors in Brazil who have manufacturing and service capabilities in certain transaction cards and systems (including driver's license programs) and have therefore created additional competitive pricing pressures. Also, many of the Company's larger competitors, particularly in Europe, have significant excess capacity and have therefore created an environment of significant competitive pricing pressures. Alternative goods or services, such as those involving electronic commerce, could replace printed documents and thereby also affect demand for the Company's products.



The Company needs to keep pace with rapid industry and technological change.

The Company's future financial performance will depend, in part, upon the ability to anticipate and adapt to rapid regulatory and technological changes occurring in the industry and upon the ability to offer, on a timely basis, services that meet evolving industry standards. The Company cannot assure investors that it will be able to adapt to such technological changes or offer these services on a timely basis or establish or maintain a competitive position. The industry is changing rapidly due to, among other things, technological improvements and the globalization of the world's economies and free trade. In addition, the industry is in a period of rapid technological evolution. The Company is unable to predict which of the many possible future product and service offerings will be important to establish and maintain competitive position or what expenditures will be required to develop and provide these products and services. The Company cannot assure investors that one or more of these factors will not vary unpredictably, which could have a material adverse effect on the Company. In addition, the Company cannot assure investors, even if these factors turn out as it anticipates, that the Company will be able to implement its strategy or that the strategy will be successful in this rapidly evolving market.

Departure of key personnel could harm the Company's business.

The Company will be managed by a small number of key executive officers and operating personnel. The loss of key personnel could have a material adverse effect on the Company's business. Further, the Company believes that its future success will depend in large part on its continued ability to attract and retain skilled and qualified personnel with experience in its industry. These employees are in great demand and are often subject to competing offers of employment.

Because segments of the Company's operations are based in countries outside the United States, its business is subject to risks relating to economic and political uncertainty, including inflation and foreign taxes.

The Company is subject to economic, political or social instability or other developments not typical of investments made in the United States. These events could adversely affect the Company's financial condition and results of operations. During the past several years, countries in Latin America in which the Company operates have been characterized by varying degrees of inflation, uneven growth rates and political uncertainty. The Company currently does not have political risk insurance in the countries in which it conducts business. While the Company carefully considers these risks when evaluating investment opportunities and seeks to mitigate these and other risks by diversifying its operations, the Company may be materially adversely affected as a result of these risks.

The Company's operations depend upon the economies of the markets in which it operates. These markets include countries with economies in various stages of development or structural reform, some of which are subject to rapid fluctuations in terms of consumer prices, employment levels, gross domestic product and interest and foreign exchange rates. The Company is subject to fluctuations in the local economies in which it operates. To the extent such fluctuations occur, the growth of the Company's services in these markets could be impacted negatively.

Certain of the Company's markets are in countries in which the rate of inflation is significantly higher than that of the United States. The Company cannot make assurances that any significant increase in the rate of inflation in these countries could be offset, in whole or in part, by corresponding price increases by the Company, even over the long-term. Distributions of earnings and other payments, including interest, received from the Company's subsidiaries may be subject to withholding taxes imposed by the jurisdictions in which such entities are formed or operating, which will reduce the amount of after-tax cash the Parent can receive from these entities. In general, a United States corporation may claim a foreign tax credit against its federal income tax expense for such foreign withholding taxes and for foreign income taxes paid directly by foreign corporate entities in which it owns 10% or more of the voting stock. The Company may also be required to include in its income for United States federal income tax purposes its proportionate share of certain earnings of those foreign corporate subsidiaries that are classified as "controlled foreign corporations" without regard to whether distributions have been actually received from the Company's subsidiaries.

Strong labor unions in foreign markets may increase the Company's expenses.

In many countries in which the Company operates, labor unions are considered to be strong and influential. Accordingly, the Company may encounter strikes or other types of conflicts with labor unions or personnel in its markets, which could adversely affect the Company.

In each of the markets that it serves, the Company is a leading regional provider of secure transaction solutions, documents and systems for financial institutions, governments and corporations. The Company's regional operations are based in the United States, Brazil, Australia, New Zealand, France and Argentina. The Company's Brazilian and Australian subsidiaries hold a significant market position in virtually every material product line offered in their respective home markets.

Through its subsidiaries, the Company designs solutions and manufactures products that incorporate anti-fraud and counterfeit resistant facilities, processes and technologies, including stored-value (imbedded circuit) and prepaid telephone, magnetic-stripe, memory and microprocessor-based transaction cards ("smart cards"), licenses, identification and issuance systems, bank and other checks, stock and bond certificates and a wide variety of electronically or digitally produced personalized documents. Through strategic alliances and joint ventures funded through operating cash flow, as well as a program to realign and refine its manufacturing operations, the Company continues to look for ways to improve its financial performance and expand its technological base and product lines. There can be no assurance that the Company can continue to pursue these activities, particularly in light of the continued volatility of foreign currency (most notably the Brazilian Real), the significant contraction of business activities at ABN, (which have resulted in operating losses and restructuring changes generated by that subsidiary in 2003), competitive card pricing pressures, (which in many instances have created a low price commodity environment) and, to a lesser extent, the Argentine exchange rate and political environment (as more fully discussed herein).

During the past several years, the Company has undergone several major restructurings of its operations and has made strategic decisions to: (i) restructure, consolidate and reduce its manufacturing costs, (ii) diversify and expand its products and services in the major geographic regions where it conducts business, (iii) package complete "end-to-end" transaction, printing fulfillment and distribution solutions, products and services to retain and grow market share and (iv) create strategic joint ventures and alliances with partners who provide strong technology and/or value added products that are complementary to its business. These restructurings and strategic decisions were directed at reducing the Company's reliance on maturing product lines that have been declining, in favor of new products and services with growth potential, albeit at significantly lower gross margins.

The Company operates and manages its business based on geographic location. Each of its operating subsidiaries has a local management team that manages and makes daily business decisions in relation to their respective operations. The Company's corporate management provides general oversight of local management, supplies strategic focus and direction, establishes and oversees global and regional business strategies and corporate policies, and works with local management on potential acquisitions, divestitures, joint ventures, capital planning and financing opportunities. The Company's corporate and local management work closely together to refine the Company's operations, while at the same time pursuing new products and growth opportunities.

The Company has significant operations in Brazil, Australia, Argentina and France. On a consolidated basis, these operations have historically experienced significant foreign exchange rate fluctuations against the US Dollar. Significant foreign exchange rate fluctuations occurred in 2003, 2002 and 2001.

Although over the last twelve months, the Real and the Argentine Peso have each improved overall in relation to the US Dollar, the Company nevertheless experienced an average devaluation in each of these currencies against the US Dollar of approximately 5% and 1%, respectively, when compared to the prior year. The Australian and Euro currencies both experienced an average appreciation of approximately 20% during this same period resulting from an overall weakening of the US Dollar compared to such currencies.

Historically, and to date, the Brazilian Real has experienced tremendous volatility against the US Dollar. The average exchange rate for the twelve months ended December 31, 2003 was R\$3.08 to the US Dollar. As of March 17, 2004, the Real had strengthened to R\$2.90 to the US Dollar. Despite its continued improvement in 2004 and 2003, the Real still continues to experience exchange rate volatility, as the average exchange rate devaluation for the twelve months ended December 31, 2003 was 5%, against the US Dollar when compared to the prior year. The Real ended 2003 at R\$2.89 to the US Dollar, an improvement of approximately 22% from its rate at the beginning of that year (R\$3.53). However, in 2002, the Real devalued to its lowest level by over 41% against the US Dollar as of October 22, 2002 (R\$3.96), when compared to the beginning of 2002 (R\$2.35). Given its historic volatility there is no guarantee that the Real will either improve or stabilize at any certain level against the US Dollar.

ABNB is the Company's largest subsidiary, historically contributing on an annual basis, approximately half of the revenues, operating profit and cash flow of the consolidated group. Despite the recent strengthening of the Real, the currency's devaluation over the past two years has severely impacted ABNB's cash flow in US Dollar terms, and has therefore threatened its ability to pay dividends to the Parent at the same levels as in the past. Based on current estimates, it is anticipated that dividends from ABNB (along with those of other subsidiaries) will be sufficient to fund the Parent's operating expenses in the foreseeable future. There can be no assurance, however, that further devaluation of the Real or other business developments will not lead to a contrary result.

In an effort to end its lengthy recession, in January 2002 Argentina abandoned its Peso-Dollar currency peg system. Initially the Peso was reset at an official rate of US \$1 = AR \$1.40. In February 2002, the official rate was abandoned and the currency was allowed to float freely on currency markets. At March 17, 2004, the quoted exchange rate for the Peso on freely trading markets was approximately US\$1 = AR\$2.91.

The severe and ongoing economic and political instability in Argentina continues to negatively impact the carrying value of Transtex. However, despite these issues, Transtex has generated positive operating income and cash flow for the twelve months ended December 31, 2003. Throughout 2002, the Argentine government imposed a moratorium on dividend repatriations outside the country. The government has since lifted this ban and, as a result, the Parent was able to receive a dividend of approximately \$0.5 million from Transtex in 2003. Despite the lifting of this ban, there can be no assurance that the ability to repatriate dividends freely from Argentina will continue on a consistent basis or that Transtex will continue to generate positive cash flow.

As a result of the devaluation of the Argentine Peso, effective January 1, 2002, the Company's financial statements include the impact of foreign currency translation on Transtex in accordance with FASB Statement No. 52, "Foreign Currency Translation." The Argentine Peso was therefore adopted as the functional currency for translation purposes. As is the case with the Parent's other foreign subsidiaries, the balance sheet accounts of Transtex have been translated using the exchange rates in effect at the balance sheet date; and the income statement amounts have been translated using the average exchange rate for the twelve months ended December 31, 2003 and 2002 (both Successor and Predecessor Companies), as applicable.

Despite the Real's recent strengthening, the continued devaluation to date and the long-term threat of currency devaluation in Brazil and elsewhere, (along with the weakness of certain product lines at ABN, and the diminished value of LM) will severely impact the Company's ability to repay its Senior Notes due January 31, 2005. See "Liquidity and Capital Resources" for further information.

In addition to the above and the risks described under Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," the Company is subject to numerous risks in connection with doing business in its foreign countries, including the risk that the Company will be subject to future government imposed restrictions in these countries including, but not limited to, new laws or prohibitions on the repatriation of dividends and government action or intervention resulting in the nationalization or expropriation of the Company's assets.

#### FINANCIAL INFORMATION ABOUT SEGMENTS

The Company has five reportable segments: (1) United States, (2) Brazil, (3) Australia, (4) France and (5) Argentina. The Australian segment also has operations throughout New Zealand and in Taiwan. The Argentine segment has operations in Chile and a representative office in Peru and also services several other South American markets. The French company has a controlling interest in a joint venture in Morocco. The Company evaluates performance and allocates resources based on operating results of the reportable segments. There are no material intersegment sales or transfers between reportable segments. Each of these segments supplies products to their customers within one or more of the following three main product lines: (1) Transaction Cards and Systems, (2) Printing Services and Document Management and (3) Security Printing Solutions. For further information on the Company's reportable segments, as well as the accounting policies for these segments, see Note Q of Notes to Consolidated Financial Statements included herein.

#### United States

A provider of secure documents and transaction services of value, ABN operates principally within the Company's Security Printing Solutions product line. ABN offers a full range of security printing solutions to a wide array of government, corporate and commercial accounts. In addition to secure base printing, ABN offers its customers a wide variety of core competencies, including but not limited to secure storage, direct fulfillment, distribution, personalization, accountability, and inventory and database management. ABN and its predecessors have printed security documents for over 200 years.

ABN principally sells its products in the US markets, but from time to time sells into foreign markets, particularly in parts of Latin America, Eastern Europe and certain developing countries. US export sales in 2003, 2002 and 2001 were approximately \$0.8 million, \$0.7 million and \$1.1 million, respectively, or approximately 3%, 2% and 3%, respectively, of ABN's total sales.

Over the past several years, ABN has restructured and streamlined its operations in an attempt to exit negative margin product lines and to reduce its cost structure to a level more appropriate to its remaining business. However, over the past three years, ABN experienced a significant decline in demand for its mature high margin product lines (particularly food coupons and stock and bond certificates) and has been unable, thus far, to find a sufficient number of

opportunities in lower margin product lines to fully offset the significant decline. Sales of stock and bond certificates were approximately 33% lower in 2003 versus 2002 (\$7.0 million compared with \$10.5 million) and 20% lower in 2002 versus 2001 (\$10.5 million compared with \$12.5 million), with a reduction in gross margins of approximately 35% (approximately \$5.2 million versus \$8.0 million) and 16% (approximately \$8 million versus \$9.5 million), respectively. The Company believes the decline in this product line may continue in 2004 due to market and other external factors as more fully discussed in "Security Printing Solutions."

One of the Company's other significant concerns has been the elimination in food coupon volumes at ABN, resulting from the replacement by the USDA of printed food coupons with electronic card-based food coupon benefits. In the third quarter of 2002, ABN was verbally notified by the USDA that it did not anticipate the need to place any further purchase orders for the production of food coupons for the remainder of the term of its requirements contract with ABN. As a result of the USDA's notification, in the third quarter of 2002 ABN took a restructuring charge of \$0.2 million, which represents the write-down of the carrying value of certain equipment specifically dedicated to this contract.

In the third quarter of 2003, the USDA gave ABN final notification and delivery instructions for the remaining food coupons held in secure storage by ABN pursuant to its distribution contract with the USDA which expired on September 30, 2003. ABN fully performed and completed the remaining two months of service pursuant to the terms of this contract, and in the normal course billed the USDA approximately \$1.5 million in accordance with the contract. ABN formally requested in writing that it be paid in full pursuant to the terms of the contract and the USDA formally denied approximately \$1.4 million of ABN's claim. ABN believes it has fully complied with all terms under such contract. However, pursuant to the revenue recognition rules under Statement of Accounting Bulletin ("SAB") 101, the Company has not as of this date recognized any of the revenue on these services as a result of the USDA's rejection of ABN's claim. On March 19, 2004 ABN filed a complaint before the USDA Board of Contract Appeals, seeking a judgment in the amount of \$1.5 million plus interest thereon.

Furthermore, the failure by ABN to fully recover its final invoicings from the USDA under its distribution contract has and will continue to have a direct and significant effect on the cash flow of ABN as well as the level of dividends that will be available to the Parent.

Food coupon sales in 2003 to the USDA, which only reflected distribution revenue, was approximately \$0.8 million. Sales and gross margins (both print and distribution) for 2002 were \$7.1 million and \$4.0 million, respectively, which represented a significant part of ABN's gross margins (approximately 22%) for the twelve months ended December 31, 2002 (Predecessor and Successor Company combined). The reduction in operating margins from food coupon sales has and will continue to have a direct and significant effect on the cash flow of ABN and the level of dividends that will be available to the Parent. Although, based on current estimates, it is anticipated that dividends from ABN (along with those of ABNB) will be sufficient to fund the Parent's operating expense in the foreseeable future, no assurance can be made that further loss of business at ABN, devaluation of the Real or other business developments will not lead to a contrary result. Furthermore, these issues could severely impact the Company's ability to repay its Senior Notes due January 31, 2005. Please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Liquidity and Capital Resources" for further information.

In the first quarter of 2003, in light of the significant contraction in stock and bond and food coupon volume reductions, ABN consolidated its Philadelphia operations into its Tennessee operation, thereby placing all of ABN's manufacturing operations within a single location, resulting in the termination of approximately 50 employees. Accordingly, ABN recorded a one-time restructuring charge of \$0.9 million related primarily to employee terminations. In addition, one-time costs related to plant wind down and equipment relocation were approximately \$1.0 million and \$0.1 million, respectively and were funded through internal cash flow and expensed as incurred and have been included in cost of goods sold in accordance with SFAS 146. The total costs resulting from this restructuring were recovered within one year from its execution. Additionally, in the third quarter of 2003, ABN consolidated its two secure satellite storage and distribution facilities into a single facility. In January 2004, ABN sold its Philadelphia plant for approximately \$0.8 million and will record a gain of approximately \$0.4 million in the first quarter of 2004. Also, in January 2004, ABN sold currency equipment that was impaired in prior years for approximately \$0.5 million, with a corresponding gain in the same amount.

Based upon a comparison of the results of operations for the twelve months of 2003 versus 2002, 2002 versus 2001 and 2001 versus 2000, operating income at ABN in 2003, 2002 and 2001, (as adjusted for goodwill, fresh start and other asset impairments) declined by approximately \$6.5 million, \$2.3 million and \$3.3 million, respectively. As stated above, these lower levels of operating income have and will continue to have a negative effect on ABN's ability to upstream dividends to the Parent. In addition, cash flow at ABN is further impacted by payments made under various non-performing equipment and facility lease obligations that are fully reserved on its balance sheet as part of the various restructuring programs implemented. The Company estimates that payments under these obligations will be approximately \$0.5 million in 2004.

In October 2003, ABN entered into a settlement agreement on its lease with the landlord of its idle Chicago facility. Pursuant to the terms of the settlement, ABN and the landlord agreed to terminate the lease scheduled to expire in December 2009 in exchange for the following consideration from ABN: (i) ABN agreed to pay rent through December 31, 2003, (ii) ABN relinquished its security deposit in the amount of \$0.2 million, (iii) ABN assigned to the landlord an early termination payment of \$0.4 million owed by a sublessee of the facility, and (iv) ABN agreed to use reasonable commercial efforts to assure that the sublessee complies with its existing legal obligations. As a result of the settlement, ABN remeasured its obligation under the lease and in the third quarter of 2003 recorded a recovery of a previous impairment provision of approximately \$1.1 million that was established in the fourth quarter of 2002 based upon the difference between the present value of annual lease payments to the landlord net of the estimated sublease income. This recovery is reflected as part of the net overall annual impairment charge of the Company's Goodwill on the income statement line "Goodwill and Asset Impairment."

#### Brazil

In 1993, the Company acquired ABNB, currently the largest private-sector security printer and manufacturer of transaction cards in Brazil. ABNB is also one of the main providers of stored-value telephone cards to telephone companies in Brazil. ABNB provides a wide variety of document management systems and solutions, and related services, to many of the largest corporate, financial and government institutions in Brazil. Over 95% of ABNB's sales are in Brazil. The Company owns 77.5% of ABNB, with the balance owned by a subsidiary of the Bradesco Group, Brazil's largest privately owned commercial bank.

ABNB is the Company's largest subsidiary, contributing approximately half of the revenues, operating profit and cash flow of the consolidated group. Currency devaluation has severely impacted ABNB's cash flow in US Dollar terms, and has therefore threatened its ability to send dividends to the Parent at the same level as in the past. Although, based on current estimates, it is anticipated that dividends from ABNB (along with those of its other subsidiaries) will be sufficient to fund the Parent's operating expenses in the foreseeable future, no assurance can be made that further devaluation of the Real or other business developments will not lead to a contrary result.

In December 2001, ABNB agreed to an incentive bonus arrangement with Sidney Levy, President of ABNB, which would entitle Mr. Levy to a cash bonus based upon a success formula in the event that the Parent sells ABNB while Mr. Levy is employed by ABNB.

In July 2002, ABNB filed a tax claim with the Brazil federal government to utilize approximately \$3.5 million in certain value added tax credits not previously claimed. ABNB was permitted to carry forward these credits and fully utilize them in 2002 against Brazilian federal taxes. In the third quarter of 2002 and fourth quarter of 2002, ABNB utilized approximately \$2.0 million and \$1.5 million, respectively, of these credits. These credits were reflected as a recovery against cost of goods sold and resulted in an increase of \$3.5 million to pre-tax operating income and cash flow in 2002.

In January 2004 the Brazilian government enacted a new sales tax structure called the COFINS which will result in increased taxation. ABNB has taken all steps necessary in order to mitigate the effect of this tax on the 2004 operating income.

#### Australia

In 1996 the Company acquired LM, Australia and New Zealand's oldest, largest and only fully integrated provider of secure document and transaction card solutions.

In June 2001, the Company granted to LM's Managing Director options to purchase a 5% equity interest in LM, to vest over a period of 27 months, at an aggregate exercise price of \$10. The Company engaged in this transaction as a part of a management incentive plan to retain the services of LM's Managing Director into the future, and as a restructuring of a prior service agreement to reduce aggregate cash compensation. It is anticipated that the Parent will exit as controlling shareholder of LM in 2004, and, if that occurs, this option will be exchanged for new equity (See "Proposed 2004 LM Restructuring" below).

In an attempt to become more efficient, LM has undergone several restructurings of its business over the past several years. This resulted in the closure of several card personalization sites across Australia and New Zealand and the consolidation of its existing plants. In the first quarter of 2002, LM announced a restructuring program for the purpose of consolidating its check manufacturing operations. As a result, approximately 80 employees were terminated at one of its manufacturing facilities. This resulted in a total restructuring charge of \$1.9 million of which \$1.4 million was paid in the first quarter of 2002, \$0.3 million in the second quarter of 2002 and \$0.1 million in the third and fourth quarter of 2002, respectively. The payback on costs incurred on the restructuring was achieved within approximately one year from date of execution.

However, despite such restructurings, LM remains heavily leveraged and will require additional capital to sustain its business. Moreover, its bank debt is due in June 2004 and absent an agreement with the LM banking syndicate, (the "Banking Syndicate") there is a significant likelihood that LM will be unable to repay, refinance and/or restructure the \$59.9 million debt obligation upon maturity (See "Proposed 2004 LM Restructuring" below).

In the third quarter of 2002, the Parent's management evaluated the carrying value of Goodwill at LM in accordance with SFAS No. 142. In light of the Parent's concerns surrounding the potential restructuring, refinancing and/or re-capitalization of LM's bank debt along with the uncertainty surrounding additional internal and external capital funding required to grow significantly and/or further support the cost structure of LM's business, the Parent evaluated and wrote down the entire carrying value of LM's Goodwill of \$25.2 million at September 30, 2002 to more appropriately reflect the Parent's estimation of LM's fair value in accordance with SFAS No. 142.

LM's management continues to hold in abeyance certain short-term profit improvement programs requiring the use of capital, pending its ongoing discussions with LM's banking syndicate as to whether a further restructuring, refinancing and or re-capitalization of the LM bank debt in advance of the June 2004 loan maturity date can be accomplished. In April 2003, as a result of an agreement between the Company, LM and the Banking Syndicate to place LM up for sale, the Banking Syndicate consented to defer the June 2003 \$1.2 million principal repayment to the June 24, 2004 final maturity date of the loan. In addition, in the second quarter of 2003, the Banking Syndicate agreed to suspend all financial covenant testing on a monthly basis during the sale period, which has been extended during the ongoing restructuring discussion between the Company and the Banking Syndicate. As a result, the total amount of the loan has been classified as current. (See "Liquidity and Capital Resources and "Ability to Service Debt" for further information).

In the first quarter of 2004, the Company sold LM's New Zealand subsidiary to a local management group. As a result of the sale, LM will receive approximately \$4.3 million in cash resulting in a pre-tax gain from such sale of approximately \$ 3.5 million. The net proceeds from the sale will be utilized to pay down approximately \$3.6 million of LM's bank debt and approximately \$0.7 million will be used to fund working capital as mutually determined by the Company and the Banking Syndicate pursuant to the proposed restructuring plan discussed below.

#### PROPOSED 2004 LM RESTRUCTURING

In the third quarter of 2003, the Banking Syndicate evaluated the public sale process conducted by LM's financial advisors. After reviewing all options, the Banking Syndicate elected not to sell LM but instead entered into negotiations with LM and the Parent, and subsequently verbally agreed (subject to final documentation) in principle to restructure LM's bank debt through a combination of debt forgiveness of approximately \$45 million in exchange for a preferred and common equity swap, thereby leaving approximately \$15 million of debt on LM's books. This transaction would give the Banking Syndicate an initial controlling equity stake in LM and would result in the Parent relinquishing control in exchange for approximately 11% of the preference stock and a potential future equity interest of approximately 40% once the restructured bank debt is fully amortized. The final terms and conditions are expected to be completed sometime during the second quarter of 2004. The exchange is expected to result in a non-cash gain to the Company to the extent of the net discharge of the Parent's equity deficit in LM which is approximately \$53.9 million at December 31, 2003 and the value in its minority interest position based upon the fair value received in preference stock which is estimated to be approximately \$2.1 million.

The proforma effect of the LM restructuring on the Company's consolidated balance sheet, income statement and earnings per share as if the transaction occurred on December 31, 2003 would be as follows:

	Consolidated with LM December 31, 2003	LM Transaction	Consolidated Proforma without LM December 31, 2003
<b>PROFORMA BALANCE SHEET</b>			
Current assets	\$ 66,764	\$ (15,997)	\$ 50,767
Property & Equipment, net	53,285	(8,657)	44,628
Other assets	81,518	(170)	81,348
	201,567	(24,824)	176,743
Current liabilities	48,581	(20,434)	28,147
Current portion of long-term debt	59,943	(59,914)	29
	108,524	(80,348)	28,176
Long-term debt	100,667	-	100,667
Other long-term liabilities	39,853	(428)	39,425
Total liabilities	249,044	(80,776)	168,268
Stockholder's (deficit)	(47,477)	53,852	8,475
	\$ 201,567	(\$ 24,824)	\$ 176,743
<b>PROFORMA INCOME STATEMENT AND EARNINGS PER SHARE</b>			
Loss before taxes on income and minority interest	(\$ 47,807)	\$ 4,026	(\$ 43,781)
Taxes on income	4,249	-	4,249
Loss before minority interest	(52,056)	4,026	(48,030)
Minority interest	(5,474)	-	(5,474)
Net loss	(\$ 46,582)	\$ 4,026	(\$ 42,556)
Net loss per common share			
Basic and Diluted	(\$ 3.96)	\$ 0.34	(\$ 3.62)

While agreements in principle between the Company, LM and the Banking Syndicate have resulted in satisfactory arrangements in the past, there is no certainty that the above process will be satisfactorily concluded. As of March 26, 2004, the parties remained disagreed on certain material aspects of the agreement. In the event that these discussions are not satisfactorily concluded, there is a possibility LM may not be able to continue as a going concern absent further accommodation from the Banking Syndicate. Moreover, LM's capital constraints have caused local management difficulty in upgrading computer and other systems that, in turn, continue to hamper LM management's ability to effectively and efficiently operate, evaluate, restructure and report the operation of the business. It is anticipated that the restructuring will provide the future liquidity necessary to upgrade and enhance the quality of LM's overall financial reporting environment. Under the terms of the LM Debt, dividends payable to the Parent are prohibited.

#### France

In March 1998, the Company acquired CPS, a secure card personalization facility. CPS operates within the Company's Transaction Cards and Systems product line. All sales are generated locally in France. CPS is one of the largest personalizers of prepaid telephone, bank and other financial cards.

Through 2003, CPS had supplied prepaid phone cards under a supply agreement with a local telephone company which was completed in 2003. In 2003, the local telephone company requested a tender for a global supply agreement from qualified bidders. CPS was not one of the awarded bidders in this tender. Simultaneous with the phone company's decision, CPS determined to suspend its activities in prepaid phone cards, due to exceptionally low margins in that product line. While sales and gross margins on these phone cards are not material on a consolidated basis, they represent a significant component of the operating income of CPS. Sales and gross margins from prepaid phone cards were \$4.0 million and \$0.4 million in 2003, \$2.6 million and \$0.6 million in 2002 and \$ 2.4 million and \$0.6 million in 2001. During 2004, CPS will determine whether to resume its pursuit of phone card activities, and/or pursue other types of cards not previously sold by CPS.

In April 2003, CPS entered into a joint venture with a local partner in Morocco to establish a card personalization bureau. CPS has a fifty percent controlling interest in the joint venture and is providing technical expertise with a small capital contribution. There were no significant operating activities from the joint venture in 2003.

#### Argentina

In April 1999, the Company acquired Transtex, Argentina's leading manufacturer of transaction cards including debit, credit, telephone and smart cards for a total cash purchase price of approximately \$15.5 million. Transtex maintains a sales office in Chile, where the Company is also the leading supplier of secure transaction cards. It also maintains a representative office in Peru. Transtex operates within the Company's Transaction Card and Systems product line. Transtex principally sells its products within the three countries mentioned above but also services several other countries in South America.

#### PRODUCT LINES

Through its subsidiaries, the Company serves its customers in the regions where it does business through three principal product lines: Transaction Cards and Systems, Printing Services and Document Management, and Security Printing Solutions. The Company manages and oversees these product lines on a country-by-country basis.

The following table presents the principal product line components of these sales for the twelve months ended December 31, 2003 (Successor Company) and December 31, 2002 (Successor and Predecessor Companies combined) and December 31, 2001 (Predecessor Company). The table also reflects the three months ended December 31, 2002 with respect to the Successor Company, and, with respect to the Predecessor Company, the nine months ended September 30, 2002. (Dollars in thousands):

	December 31, 2003 Successor Company Sales	Percentage	December 31, 2002 Successor/Predecessor Companies Sales	Percentage	December 31, 2001 Predecessor Company Sales	Percentage
Transaction Cards and Systems	\$ 74,662	33.6%	\$ 64,079	31.7%	\$ 71,875	32.5%
Printing Services and Document Mgmt	59,501	26.7%	37,466	18.5%	37,422	16.9%
Security Printing Solutions	88,462	39.7%	100,731	49.8%	111,667	50.6%
	\$ 222,625	100.0%	\$ 202,276	100.0%	\$ 220,964	100.0%
	*****	*****	*****	*****	*****	*****

  

	Three Months Ended December 31, 2002 Successor Company Sales	Percentage	Nine Months Ended September 30, 2002 Predecessor Company Sales	Percentage
Transaction Cards and Systems	\$ 15,113	31.2%	\$ 48,966	32.0%
Printing Services and Document Mgmt	9,657	20.0%	27,809	18.0%
Security Printing Solutions	23,618	48.8%	77,113	50.0%
	\$ 48,388	100.0%	\$ 153,888	100.0%
	*****	*****	*****	*****

#### Transaction Cards and Systems

The Company is a leading supplier of a wide range of transaction cards, products and systems in the Latin American and Australasia (Australian and New Zealand) markets. In France, CPS is one of the largest personalizers of bank and other financial cards. The Company continues to expand and improve its production and service capabilities to capitalize on the trend toward cashless financial transactions. These products primarily include: (i) stored-value and prepaid cards, (ii) transaction cards and personalization services, (iii) licenses and issuance systems and (iv) micro-chip imbedded "smart-card" applications.

Stored-Value and Prepaid Cards. The Company is one of the main suppliers of stored-value and prepaid telephone cards in Latin America and France, and in Australia and New Zealand (through its joint venture arrangement). In Brazil, ABNS supplies stored-value telephone cards to many telephone companies as well as prepaid phone cards to



many mobile telecom operators. In Argentina, the Company is a major supplier of prepaid phone cards to its respective local telephone carriers. In France the Company supplied prepaid phone cards under a supply agreement with a local telephone company which was completed in 2003. In 2003, the local telephone company requested a tender for a global supply agreement from qualified bidders. CPS was not one of the awarded bidders in this tender. The Company's Australian subsidiary, LM, is a supplier of prepaid phone cards to Australia's and New Zealand's national telephone company. The Company also provides stored-value cards as well as contact and contactless cards to various firms in the financial and transportation industries.

**Transaction Cards and Personalization Services.** The Company is a leading producer and personalizer of magnetic-stripe transaction cards, including credit, debit, ATM, transportation, access and identification cards, supplying customers in Latin America, Australia, New Zealand and Taiwan. The Company supplies cards to financial institutions, including those issued for Visa(TM), MasterCard(TM) and American Express(TM), as well as cards for major corporations and other institutions. In France, CPS is a leading personalizer of debit cards for many of the major French banks.

In Latin America, Australia and New Zealand, the Company is a leader in the manufacture and personalization of other magnetic stripe transaction cards, including loyalty (frequent buyer) and health insurance program cards.

**License and issuance systems.** The Company handles large scale license contracts in a number of Brazilian and Australian states, including the production and personalization of driver and shooter licenses as well as various corporate identification programs. In Brazil, ABNB is a leading provider of issuance systems including management of motor vehicle departments for a number of states in Brazil.

**Smart card applications.** The Company's subsidiaries in Brazil and Australia have formed separate but similar joint venture companies with Gemplus S.A., the world's leading systems designer and manufacturer of smart cards. A smart card is a transaction card with an imbedded micro-chip which allows for the storage of materially more data than the traditional magnetic stripe card in a highly secure manner. The two joint venture companies each manufacture, market and sell smart card systems and products in the Brazilian and Australian markets. The Company has a 50% ownership interest in each of these joint ventures. In France, CPS is a third-party personalizer of smart GSM phone cards, and in Argentina, Transtex has started to supply a small volume of smart cards.

#### Printing Services and Document Management

The Company's Printing Services and Document Management business allows public and private sector institutions to outsource their printing, personalization and document processing operations. Utilizing advanced inventory control systems, e-commerce and web based solutions and "just-in-time" distribution capabilities, the Company helps businesses and governmental institutions effectively lower costs by supplying all of their printing, storage, processing, system and distribution needs.

**Electronic Printing Applications.** The Company is a full service provider of electronic printing applications to a number of its corporate and government customers. Electronic printing applications encompass the secure data handling, electronic printing, personalization and mailing of documents for large-scale essential mail document cycles. This process involves the computerized printing of an array of variable data onto pre-printed base stock. Some of the primary applications are billing and fund collection systems, check and credit card statements, letter checks and invoices.

In Brazil, Australia, and New Zealand, the Company provides electronic printing application services for institutions in the banking, insurance, utilities and telecommunication industries, as well as for a number of state and federal government agencies. In Australia the Company provides customers with efficient and cost effective mail aggregation solutions. While sales on the mail aggregation product line have increased, operating margins on this product line are very low in comparison to the margins on the Company's other product offerings.

**Printing, Storage & Distribution.** The Company prints products such as business forms and checks and provides storage and distribution services to the end user on behalf of its customers. For example, in Australia, LM prints and distributes medical forms for a government agency. In Brazil, ABNB performs print and document management and distribution services for leading financial institutions.

#### Security Printing Solutions

The Company supplies counterfeit-resistant documents of value in each of the countries where it offers this product line. Such documents include checks, money orders, passports, stock and bond certificates and other commercial documents of value such as gift certificates. The Company utilizes a variety of anti-counterfeiting features such as special inks and papers, computer generated bar and micro encoding, elaborate steel-engraved designs and distinctive lithographic printing techniques, all of which enable the Company to manufacture products containing various security features. As an

additional security feature, many of the Company's manufacturing, storage and distribution facilities employ high levels of plant security, including guards, alarms, video monitoring and extensive accountability controls.

**Checks.** The Company is the leading private sector supplier of personalized checks for major banks in Brazil, Australia and New Zealand. The Company supplies banks and other financial institutions with checks, same-day check personalization, and a wide array of security printing products such as money orders, vouchers and deposit books. With the advent of electronic payment systems, demand for bank checks in all three countries continues to decline. While in Brazil, checks represent a small percentage of ABNB's total revenue of approximately 11% in 2003 and 2002 and 9% in 2001, LM's revenue base for bank checks in Australia and New Zealand for 2003, 2002 and 2001, when compared to its total revenue, are much higher (approximately 27%, 32% and 36%, respectively).

**Stock and Bond Certificates.** ABN produces stock and bond certificates. ABN is one of the few remaining producers of engraved printed certificates with the unique border designs and vignettes that had traditionally been required by the New York Stock Exchange, Inc. (the "NYSE"). ABN maintains a library of engraving plates for a large percentage of publicly traded securities.

Stock and Bond certificates represent a declining product and there is considerable risk of further decline particularly in light of the continued trend toward next day settlement of securities. This risk has been further exacerbated by the Securities and Exchange Commission's order dated July 26, 2001, which granted approval to the NYSE to change its physical format requirements for stock and bond certificates (the "Rule Change"). The Rule Change eliminated the NYSE's Listed Company Manual's requirements pertaining to certificate printing and appearance, and retained only the requirements specifying content. As a result, those requirements no longer mandate the use of intaglio printing or the inclusion of a vignette on the face of the certificate. Sales of stock and bond certificates were approximately 33% lower in 2003 versus 2002 (\$7.0 million compared to \$10.5 million) and 20% lower in 2002 versus 2001 (\$10.5 million compared to \$12.5 million), with a reduction in gross margins of approximately 35% (approximately \$5.2 million versus \$8.0 million) and 16% (approximately \$8 million versus \$9.5 million), respectively. The Company believes the decline may possibly continue in 2004 due to the weak stock market and the other factors discussed above. In addition, the continued movement by many large companies towards paperless electronic transaction settlement could have a further impact on volume reduction in stock and bond certificates.

**Government Products.** Government products include a variety of security documents printed for federal, state and local governments throughout the world. The Company manufactures food coupons, passports, visas, tax revenue stamps, property tax vouchers, postal panels, gas coupons, and similar products for federal governments. The Company also supplies secure documents such as motor vehicle registrations, title certificates and licenses, birth certificates, identity cards, and transportation passes for its government customers. The Company, through ABN, also acts as the secure distribution and accountability agent for the United States Postal Service (the "USPS") for its Stamps on Consignment Program ("SOC") delivering stamps to private retailers throughout the United States. In 2002, the USPS replaced the USDA as the Company and ABN's largest single domestic customer, pursuant to a three-year requirements contract with two additional option years. ABN is presently in the third year of the contract with sales under the SOC program representing in 2003, 2002 and 2001 approximately 2.7%, 3.7% and 2.5%, respectively, of total consolidated sales of the Company, and approximately 28% in 2003, 23% in 2002 and 15% in 2001 of total sales of ABN. The USPS has verbally notified ABN of its intent to exercise the first option year under the SOC contract.

Until 2002, the USDA was the Company and ABN's largest single domestic customer, for which ABN has printed, stored and distributed food coupon requirements for more than 20 years. Food coupons are engraved printed documents accepted by grocery stores in lieu of cash. ABN was verbally notified by the USDA, during the third quarter of 2002, that it did not anticipate the need to place any further purchase orders for the production of food coupons for the remainder of the term of its requirements contract with ABN, which expired on September 30, 2003. In the third quarter of 2003, the USDA gave ABN final notification and delivery instructions for the remaining food coupons held in secure storage by ABN pursuant to its distribution contract with the USDA which expired on September 30, 2003. Revenue from food coupons as a percentage of total consolidated sales for 2003, 2002 and 2001 is approximately nil, 3.5% and 3.3%, respectively, but represents approximately 3.5% in 2003, 22% in 2002 and 21% in 2001 of total sales of ABN. In addition, the gross margins were \$4 million in both 2002 and 2001. The reduction in operating margins from the loss of food coupon sales has had a direct and significant effect on the cash flow of ABN as well as the level of dividends that are available to the Parent. The dispute with the USDA on the remaining \$1.5 million due to ABN under the distribution contract has further exacerbated cash flows available to the Parent. See "Special Note Regarding Forward-Looking Statements" for more information.

#### FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

The Company's foreign and domestic operations are managed by geographic region. As a result, the Company considers each geographic region a reportable segment. Financial information relating to foreign and domestic operations and export sales for the year ended December 31, 2003 (Successor Company), the three months ended December 31, 2002

(Successor Company) and the nine months ended September 30, 2002 and the years ended December 31, 2001 and December 31, 2000 with respect to the Predecessor Company were as follows (\$ in millions):

	Year Ended December 31, 2003 Successor Co	Three Months Ended December 31, 2002 Successor Co	Nine Months Ended September 30, 2002 Predecessor Co	Year Ended December 31, 2001 Predecessor Co	Year Ended December 31, 2000 Predecessor Co
			(in millions)		
Sales to unaffiliated customers					
United States	\$ 21.9	\$ 7.9	\$ 24.5	\$ 36.0	\$ 37.5
Brazil	98.3	20.3	78.4	111.3	132.9
Australia	80.1	16.5	41.1	57.0	69.8
France	17.2	2.9	6.6	8.5	9.9
Argentina	5.1	0.8	3.3	8.2	9.8
Operating profit or loss (1):					
United States (2)	\$ (13.5)	\$ (13.8)	\$ 0.1	\$ 0.9	\$ 1.6
Brazil (2)	(21.3)	(31.8)	12.1	11.1	14.2
Australia (2)	(1.4)	0.7	(25.7)	2.3	(0.2)
France	(4.2)	0.6	0.4	0.5	0.2
Argentina	1.0	0.1	0.8	(2.1)	(9.5)
United States: Export Sales	\$ 0.8	\$ -	\$ 0.7	\$ 1.1	\$ 1.4

(1) Before Fresh-Start adjustments

(2) Includes the goodwill and asset impairment write offs for the year ended December 31, 2003 (Successor Company) of US \$7.6 million, Brazil \$29.6 million, France \$4.4 million and Australia \$1.1 million and for the three months ended December 31, 2002 (Successor Company) of US \$14.2 million and Brazil \$33.2 million and for the nine months ended September 30, 2002 (Predecessor Company) of US \$0.2 million and Australia \$25.2 million.

For further information on the Company's foreign and domestic operations and export sales, see Note Q of Notes to Consolidated Financial Statements and the Report of Independent Auditors included herein.

#### Sales and Marketing

The Company sells its products and services through a combination of direct sales personnel, commissioned sales personnel, independent sales representatives and alliances. Each of the Company's subsidiaries maintains its own sales and marketing department. Each of the Company's subsidiaries markets and sells secure products and services to a number of financial institutions, corporations, governments and government agencies worldwide. Each sales force is supported by marketing professionals who provide research and product development assistance. The sales and marketing activity is focused on the three main product lines within each geographically defined market.

#### Major Customer

The Company derived \$18.2 million for 2003, \$17.6 million for 2002 (both Successor and Predecessor Companies combined) and \$24.5 million for 2001, or approximately 8.2%, 8.7% and 11.1%, respectively, of total consolidated revenue from the Bradesco Group under a supply contract which expires in September 2004. Bradesco Vida e Previdência S.A. ("Bradesco"), a subsidiary of the Bradesco Group, owns a 22.5% minority shareholder interest in ABNB. The Company has supplied products to Bradesco under multi-year supply arrangements since 1995. There can be no assurance that this supply contract will be renewed or if renewed, will be based upon the same prices and conditions that exist today.

#### Competition

Competition in the Company's markets is based upon price, service, quality, reliability and the ability to offer a broad range of secure transaction products and services. Certain of the Company's product lines have high costs of entry into these markets. Conversely, the cost to enter certain markets is much lower and in such markets, the Company faces many more diverse competitors who possess equal or greater technology infrastructures. In addition, certain of the Company's global competitors have greater financial resources than does the Company.

Each of the Company's domestic and foreign operations conducts its business in highly competitive markets. With respect to certain of its products, the Company competes with other non-secure commercial printers. Strong competitive pricing pressures exist, particularly with respect to products where customers seek to obtain volume discounts and economies of scale. The consolidation of certain financial and banking customers within certain of the Company's markets, particularly in Brazil, Australia and France, has created greater competitive pricing pressures and opportunities for increased volume solicitation. In addition, there are several smaller local competitors in Brazil who have

manufacturing and service capabilities in certain transaction cards and systems (including driver's license programs) and have therefore created additional competitive pricing pressures. Also, many of the Company's larger card competitors, particularly in Europe, have significant excess capacity and have therefore created an environment of significant competitive pricing pressures. Alternative goods or services, such as those involving electronic commerce, could replace printed documents and thereby also affect demand for the Company's products.

#### Patents

The Company may presently hold, or be licensed under, United States and foreign patents, trademarks and copyrights and continues to pursue protection when available in strategic markets. However, the Company believes that no one patent, license, trademark or copyright is critical to its business such that if one expired or became unavailable there would be no material adverse effect to the Company's financial position, results of operation or cash flow.

#### Backlog

At December 31, 2003, 2002 and 2001, the Company had an overall backlog of approximately \$16.3 million, \$13.1 million and \$21.4 million, respectively. This backlog principally consists of orders related to stored-value telephone cards, stamps on consignment distribution, personal checks and financial payment cards. Generally, a substantial portion of the Company's backlog is produced and shipped within twelve months. The Company believes that its backlog is not a meaningful representation of the Company's expected revenues.

#### Raw Materials

Sources of raw materials are generally reliable. However, the Company's dependency upon any one supplier for raw materials and consumables used in its businesses is dependent primarily upon the type of product and the region where the Company conducts business. For instance, with respect to certain product lines such as transaction cards, certain raw materials, such as specific chemicals or plastics for card manufacturing and consumables for card personalization, are available from either one or a limited number of suppliers. Furthermore, some of these materials may contain certain petroleum or precious metal based by-products that may cause periods of price volatility. In addition, the continual threat of volatile foreign currency swings could result in higher costs for raw materials from foreign suppliers who are based in countries with stronger denominated currencies. There can be no assurance that significant price increases in raw materials and consumables can be passed on either in whole or in part to the Company's customers. As a result, any significant price increase may have a material adverse effect on the results of operations, financial position and cash flow of the Company.

#### Environmental

The Company uses and disposes of substances that may be toxic or hazardous substances under applicable environmental laws. Management believes that its compliance with such laws has not had, and will not have, a material effect on its capital expenditures, earnings, financial, or competitive position. The Parent and its subsidiaries are involved in several civil and Environmental Protection Agency claims as one of many co-defendants arising in the ordinary course of business, and believes that none of the claims in the individual or in the aggregate would be expected to have a material adverse effect on the Company's financial condition or results of operations.

#### Employees

At December 31, 2003, the Company had approximately 2,950 employees consisting of 2,590 manufacturing employees, 220 plant administration and sales personnel and 140 executive, corporate and administrative personnel. Approximately 60% of LM's employees, 59% of Transtex's employees and all of ABNB's employees are represented by labor unions. None of ABN's or CPS' employees are represented by labor unions. The Company's future profitability will depend, in part, on its ability to maintain satisfactory relationships with labor unions and employees and in avoiding strikes and work stoppages. The Company considers its employee relations to be good.

## ITEM 2. PROPERTIES.

Business Segment and Location	Approximate Footage	Owned or Leased	Operations
<b>United States:</b>			
560 Sylvan Avenue, Englewood Cliffs, New Jersey	3,200	Leased	Executive, administration and offices, lease expires 8/06
Trevoose, Pennsylvania	11,000	Leased	Administration and sales offices; printing, lease expires 12/04
Columbia, Tennessee	50,000	Owned	Administration and sales offices; security printing
Mt. Pleasant, Tennessee	15,000	Leased	Storage, lease expires 1/06
Columbia, Tennessee	15,000	Leased	Storage, lease expires 2/05
Mt. Pleasant, Tennessee	49,800	Leased	Distribution and storage, lease expires 6/06
<b>Brazil:</b>			
Jandira, Sao Paulo	310,000	Leased	Printing, storage and distribution, electronic printing and smart-card manufacturing and personalization. Lease month to month
Rio de Janeiro, Rio de Janeiro	140,000	Owned	Checks, telephone cards, intaglio documents, printing and card personalization
Erechim, Rio Grande do Sul	40,000	Owned	Production of transaction cards
<b>Australia: (Includes New Zealand and Taiwan)</b>			
Highbett, Victoria	139,000	Leased	LM head office, administration, sales, plastic cards, manufacturing and personalization, base stock printing, check printing and personalization, smart card manufacturing and personalization and mail aggregation, lease expires 5/06
Kedron, Queensland	3,500	Leased	Sales, lease expired 07/04
Moorabbin, Highbett	16,610	Leased	Warehousing, lease expires with 90 day notice
Canberra, ACT	1,040	Leased	Sales, lease expires 10/04
Ingleburn, NSW	59,000	Leased	Sales, check and card personalization, printing services and document management, lease expires 3/07
Wellington, New Zealand	23,000	Leased	Sales, card manufacturing, check and card personalization, lease expires 2/06
Auckland, New Zealand	15,000	Leased	Check and card manufacturing and personalization, executive offices, lease expires 02/07
Perth, Western Australia	7,800	Leased	Sales, license card personalization, lease expires 12/05
Dry Creek, South Australia	37,000	Leased	Sales, PSDM, check manufacturing and personalization, lease expires 02/06
Taipei, Taiwan	15,200	Leased	Card personalization, lease expires 3/05
<b>France: (includes Morocco)</b>			
Craponne, Lyon	11,000	Leased	CPS head office, sales and card personalization, lease expires 7/07
Casablanca, Morocco	1,200	Leased	Sales and card personalization lease month to month
<b>Argentina: (includes Chile)</b>			
Buenos Aires, Argentina	32,000	Leased	Card manufacturing and personalization, lease expires 4/04
Santiago, Chile	100	Leased	Sales and card personalization, lease month to month

The Company believes that all its material property, plants and equipment are well maintained, in good operating condition and suitable for its purposes and needs through calendar year 2006. See Note S to Consolidated Financial Statements for additional information regarding lease costs. The Company believes that there will be no difficulty either negotiating renewals of its real property leases as they expire or in finding other satisfactory space.

## ITEM 3. LEGAL PROCEEDINGS.

### CHAPTER 11 FILING - CONFIRMATION AND CONSUMMATION OF THE PLAN

On December 8, 1999 (the "Petition Date"), the Parent (but none of its subsidiaries) filed a petition for reorganization relief under Chapter 11 of the United States Bankruptcy Code. On that date, the Parent also filed its initial plan of reorganization which set forth the manner in which claims against and interests in the Parent would be treated following its emergence from Chapter 11. Only the Parent filed a petition for reorganization relief under Chapter 11. None of the Parent's subsidiaries was a party to the Chapter 11 Proceeding or any other insolvency or similar proceeding.

The Parent's plan of reorganization was subsequently amended four times and on May 24, 2002, the Parent submitted its Final Disclosure Statement with respect to its proposed Fourth Amended Reorganization Plan to the

Bankruptcy Court. On August 22, 2002, the Bankruptcy Court confirmed the Plan. On October 1, 2002, the Effective Date, all conditions required for the consummation of the Plan were achieved and the Plan became effective.

On January 29, 2003, in accordance with the standard procedures of the Bankruptcy Court, the Parent filed final omnibus objections to expunge all claims that it believes have no basis or merit. The Parent's objections included objections to claims that were duplicative, inconsistent with the Company's books and records, untimely, already satisfied or resolved under the Plan, or otherwise without merit. The Bankruptcy Court will consider the Company's objections to the proofs of claim, and any responses by the affected claimants thereto, at a hearing scheduled May 6, 2004, or on such other adjourned dates as may be scheduled by the Bankruptcy Court. The Company has reinstated all known creditor claims that were recorded as pre-petition liabilities net of any negotiated settlements.

#### OTHER POTENTIAL CLAIMS AND PROCEEDINGS

Dispute with the Blackstone Group L.P. In the fourth quarter of 2003, the Parent and its Chapter 11 investment advisors, the Blackstone Group ("Blackstone"), agreed to settle Blackstone's asserted claim of \$1.6 million plus interest and costs (pursuant to an unsecured promissory note which was scheduled to be payable upon consummation of the Plan). As a result of the settlement, Blackstone received from the Parent approximately \$0.6 million in cash and approximately \$1.3 million in Senior Notes which were repurchased by the Company in the open market during 2003 at a cost of approximately \$0.6 million.

Lithuania Claim. In October 2003, the Parent notified the Bank of Lithuania, ("Lithuania"), that it would not make its scheduled installment settlement payment of \$0.5 million due October 1, 2003 due to its cash flow constraints. The payment was part of a remaining \$1.7 million settlement obligation between the Parent and Lithuania that was entered into the Bankruptcy Court and became effective upon the October 1, 2002 consummation of the Plan. Both parties initially entered into a discussion in an attempt to restructure the balance of the obligation to avoid further litigation. However, counsel for Lithuania indicated that the Parent's initial proposal was unacceptable and issued a notice of default. As a result of the default, the entire \$1.7 million obligation was recorded as a current liability in accounts payable and accrued expenses at December 31, 2003. On February 4, 2004, counsel for Lithuania filed a complaint against the Parent in the United States District court, Southern District of New York, seeking a judgment in the amount of \$1.7 million, as well as interest, costs and disbursements. On February 12, 2004, counsel for Lithuania filed the identical complaint in the United States District Court, District of New Jersey. The Parent has not yet formally responded to either Complaint.

Commonwealth of Australia Claim. In January 2003, LM received a repayment request from the Australian Treasury Department (the "Treasury") related to a contract under which LM provided services to the General Sales Tax Office (the "GST"). Services rendered under this contract were provided by LM to the GST between the years 2000 and 2001. The claim for repayment alleges that an overpayment of approximately \$1.0 million was made by the GST. In order to resolve this dispute, LM and the GST executed a settlement agreement whereby LM will pay \$0.8 million from (i) the proceeds received from LM's sales process if completed by December 31, 2003 or (ii) in twelve equal installments commencing January 2004 which balance would be accelerated upon the proceeds from any sale of LM after December 31, 2003. Accordingly, LM has fully reserved this amount as of December 31, 2003 with respect to the proposed settlement.

Potential SERP Claim. In the first quarter of 2004, the Parent notified former pre-petition participants of the Parent's Supplemental Executive Retirement Plan ("the SERP") that due to cash flow constraints it would indefinitely suspend any future payments until further notice under the SERP. One of the participants has formally filed a notice of default. The Parent intends to enter into discussions with various participants in an attempt to settle payments due under the SERP in an effort to avoid litigation. However there can be no assurance that a successful outcome between the parties can be achieved.

Dispute with the USDA. In the third quarter of 2003, the USDA gave ABN final notification and delivery instructions for the remaining food coupons held in secure storage by ABN pursuant to its distribution contract with the USDA which expired on September 30, 2003. ABN fully performed and completed the remaining two months of service pursuant to the terms of this contract, and in the normal course billed the USDA approximately \$1.5 million in accordance with the contract. ABN formally requested in writing that it be paid in full pursuant to the terms of the contract and the USDA formally denied approximately \$1.4 million of ABN's claim. ABN believes it has fully complied with all terms under such contract. However, pursuant to the revenue recognition rules under Statement of Accounting Bulletin ("SAB") 101, the Company has not as of this date recognized any of the revenue on these services as a result of the USDA's rejection of ABN's claim. On March 19, 2004 ABN filed a complaint before the USDA Board of Contract Appeals, seeking a judgment in the amount of \$1.5 million interest thereon.

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

None.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock trades on the over-the-counter market and is quoted on the NASDAQ OTC Bulletin Board under the symbol "ABNT." The Series 1 Warrants and Series 2 Warrants are traded on the same market under the symbols "ABNW" and "ABNZ", respectively. The Common Stock of the reorganized Company began trading on October 15, 2002 after the emergence of the Company from Chapter 11. Accordingly, prices for the old common shares are not shown because they are not comparable.

The following table sets forth the high and low per share bid quotations for the Common Stock as reported by the OTC Bulletin Board since October 15, 2002:

	High	Low
2003		
First Quarter	\$ 0.24	\$ 0.05
Second Quarter	0.33	0.24
Third Quarter	0.90	0.33
Fourth Quarter	0.75	0.41
2002		
Fourth Quarter	\$ 0.54	\$ 0.05

During the first quarter of 2004 through March 16, 2004, reported per share bid quotations for the Common Stock ranged from a high of \$0.61 to a low of \$0.36.

The OTC market quotations reflect inter-dealer quotations, without markup, markdown or commission and may not represent actual transactions. Although shares of the Common Stock are traded on the OTC Bulletin Board, trading of the shares is sporadic and, an established public trading market for the Company's securities does not exist.

As of March 18, 2004, the Parent had approximately 3,049 Common Stockholders of record.

Securities authorized for issuance under Equity Compensation Plans.

The following table represents compensation plans under which equity securities of the Parent were authorized for issuance as approved by security holders pursuant to the Plan. There were no equity compensation plans not previously approved by security holders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	780,000	\$ 2.50	337,700
Equity compensation plans not approved by security holders	-	-	-
Total	780,000	\$ 2.50	337,700

#### Dividend Policy

No cash dividends were paid on the Parent's common equity in 2003, 2002, or in 2001. The Parent is restricted from paying cash dividends on its Common Stock by the terms of its financing agreements. As a result, the Parent does not anticipate that any dividends with respect to the Common Stock will be paid in the foreseeable future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

As a holding company, the Parent is dependent on dividends from its subsidiaries to service its US publicly held debt and to fund its corporate office expenses. Currently, ABN, ABNB, CPS and Transtex are permitted to pay dividends, although presently only ABN and ABNB generate sufficient excess cash flow to fund any material portion of the Parent's obligations. With respect to LM, the Parent is unable to repatriate dividends due to restrictions under LM's banking facility. It is highly unlikely that ABN and ABNB will continue to generate sufficient excess cash flow from their respective operations to service and repay the principal on the Parent's remaining reorganized public debt structure and fund the Parent's corporate office expenses. This factor, combined with the Company's limited access to capital and financial markets to refinance the Senior Notes, makes it highly likely that the Company will require a further restructuring, bankruptcy or partial or total liquidation or sale of the Company on or before January 31, 2005. For a further discussion of these risks, please see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," and the Independent Auditors' Report with respect to the Company's Consolidated Financial Statements filed herewith.

#### Trading of the Company's New Common Stock

As a result of the consummation of the Plan, the Parent was able to reduce a significant principal amount of its outstanding indebtedness by converting a substantial portion of that indebtedness into Common Stock, the majority which is closely held by a small number of holders. Due to the closely held nature of the Common Stock and because of the continuing risks disclosed herein, management believes that the Common Stock may be speculative and therefore cannot predict its value, if any.

#### Post Reorganization Equity Structure

**Common Stock** - Pursuant to the terms of the Plan, on the Effective Date, the Parent authorized 20 million shares of Common Stock, \$.01 par value per share. 11,828,571 shares were issued pursuant to the Plan, which included 1,428 shares of Common Stock issued pursuant to a Rights Offering. There were no new shares issued in 2003. Each share of Common Stock represents one voting right and the Common Stock does not have any pre-emptive rights. Dividends on the Common Stock are payable solely at the discretion of the Board of Directors and are restricted pursuant to the terms of the Senior Note indenture.

**Warrants** - Under the Plan on the Effective Date, the Parent authorized and issued two series of warrants totaling 622,481, each representing the right to purchase one share of Common Stock. These warrants vested immediately upon issuance and will expire five years from the Effective Date. The 311,241 (Series 1 Warrants) will have a strike price of



\$10.00 and the 311,240 (Series 2 Warrants) will have a strike price of \$12.50. Both sets of warrants have certain anti-dilution rights which upon exercise shall be adjusted for stock splits, dividends, recapitalization, and similar events. Upon a merger or consolidation of the Company, holders of warrants shall receive the market value of the warrants or warrants in the merged or consolidated company.

Management Incentive Options- Under the Plan, the Parent was authorized to issue Management Incentive Options to certain employees and consultants of the reorganized Parent and its subsidiaries, following the Effective Date, pursuant to the Parent's 2002 Management Incentive Plan (the "Incentive Plan"). Such Management Incentive Options permit recipients to purchase shares of Common Stock at an option strike price of \$2.50 per share, upon the terms and conditions set forth in the Incentive Plan. The Incentive Plan permits the issuance of Management Incentive Options to purchase up to 1,117,700 shares or approximately 8.1% of the Common Stock on a fully diluted basis. Unless otherwise determined by the Board of Directors upon issuance, the options are scheduled to expire on the earlier of (i) 10 years after the initial grant, (ii) 90 days after termination of employment for any reason other than death, disability, retirement or cause, (iii) one year after termination of employment by reason of death, disability or retirement or (iv) termination of employment for cause. On September 12, 2002, the Board of Directors of the Parent approved a grant of 780,000 Management Incentive Options to key employees. No Management Incentive Options were issued to employees in 2003.

Consultant Options. Consultant Options were issued upon the Effective Date of the Plan that entitle the Company's former Chairman and Chief Executive Officer, Morris Weissman ("Weissman"), to purchase up to 88,531 shares of Common Stock or approximately 0.64% of the New Common Stock on a fully diluted basis at an exercise price of \$2.50 per share. The Consultant Options shall expire on the tenth anniversary of the Effective Date of the Plan in accordance with the terms of a settlement agreement with Weissman.

Equity Options. Equity Options were issued upon the Effective Date of the Plan that entitle the holders of old preferred stock and common stock claims to purchase (i) up to 88,531 shares of Common Stock, or approximately 0.64% of the Common Stock on a fully diluted basis, at an exercise price of \$2.50 per share exercisable at such time as the Common Stock trades at an average price of \$5.00 over twenty (20) consecutive trading days, and (ii) up to 88,531 shares of Common Stock or approximately 0.64% of the Common Stock on a fully diluted basis, at an exercise price of \$2.50 per share exercisable at such time as the Common Stock trades at an average price of \$7.50 over twenty (20) consecutive trading days. The term of an Equity Option shall commence on the grant date and terminate upon the expiration of ten years from the grant date. At the expiration date all rights under an Equity Option shall cease. To the extent all or any portion of an Equity Option becomes exercisable as described above, such Equity Option will remain exercisable until the expiration date even though the Common Stock subsequently trades at an average price less than the target levels described above, provided however that no portion of any Equity Options shall be exercisable after the expiration date.

Plan Administrative Claims. Administrative Claims under the Plan include primarily legal fees, investment advisors fees, US Trustee fees and various printing and public notification costs. Expenses incurred in the year ended December 31, 2003 (Successor Company), the twelve months ended December 31, 2002 (Predecessor and Successor Companies combined) and the year ended December 31, 2001 (Predecessor Company) pursuant to the restructuring is as follows (in thousands):

	Year Ended December 31, Successor Co 2003	Three Months Ended December 31, Successor Co 2002	Nine Months Ended September 30, Predecessor Co 2002	Twelve Months Ended December 31, Combined 2002	Year Ended December 31, Predecessor Co. 2001
Legal	\$ 93	\$ (30)	\$ 997	\$ 967	\$ 104
Investment Advisors	234	-	-	-	-
Trustees Fees	33	-	35	35	20
Printing and mailing	-	-	62	62	3
Information agent	-	-	66	66	-
	\$ 360	\$ (30)	\$ 1,160	\$ 1,130	\$ 127

Legal and other professional fees of approximately \$0.4 million, \$0.8 million and \$0.7 million were paid in 2003, 2002, and 2001, respectively in accordance with retentions approved by the Bankruptcy Court. In addition, the Parent agreed in the fourth quarter of 2003 to settle with Blackstone, the Parent's investment advisor, with respect to Blackstone's \$1.6 million asserted claim. As a result of the settlement, Blackstone received from the Parent in January 2004 approximately \$0.6 million in cash and approximately \$1.3 million in Senior Notes which were repurchased by the Company in the open market during 2003 at a cost of approximately \$0.6 million.

The Parent anticipates that additional legal expenses to wind down the Chapter 11 Proceeding including but not limited to the filing of omnibus claims objections will be required. It is anticipated that additional fees required to perform

additional wind down and other ministerial services will be incurred potentially in 2004 and should be less than \$0.1 million.

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data presented below is for the twelve months ended December 31, 2003 (Successor Company), the three months ended December 31, 2002 for the Successor Company and the nine months ended September 30, 2002 (Predecessor Company), and the year ended 2001 for the Predecessor Company and is derived from the consolidated financial statements, and should be read in conjunction with such consolidated financial statements, including the notes thereto, appearing elsewhere herein. With respect to the Company's operating results, the Company has presented the results of the Predecessor Company and the Successor Company for 2002 on a combined basis, as these combined results are capable of comparison to the results of the Successor Company for 2003 and the Predecessor Company for 2001 and 2000, except for changes in interest and depreciation expenses resulting from the reorganization of the Parent's debt and fair market value adjustments to the Company's property, plant and equipment as a consequence of the consummation of the Plan and related Fresh Start reporting. Additionally, pursuant to the "Final Judgment as to Defendant American Banknote Corporation" of the United States District Court of the Southern District of New York, dated July 19, 2001, the Parent is omitting from this report (and from any future report or statement filed with the Commission) the presentation of selected financial information for the fiscal year ended December 31, 1999. Therefore, only selected financial data for the above-mentioned years of both the Predecessor and Successor Company is included in this section.

	Year Ended December 31, 2003 (Successor Co)	Three Months Ending December 31, 2002 (Successor Co)	Nine Months Ending September 30, 2002 (Predecessor Co)
(Dollars in thousands, except share and per share data)			
INCOME STATEMENT DATA			
Continuing Operations			
Sales	\$ 222,625	\$ 48,388	\$ 153,888
Cost of good sold	171,167	36,673	110,485
Selling and administrative	34,553	5,946	22,534
Restructuring	933	79	1,829
Goodwill and asset impairments	42,668	47,435	25,383
Depreciation and amortization	12,658	2,454	5,958
Operating income (loss)	(39,354)	(44,199)	(12,301)
Post retirement benefit curtailment gain	(334)	(5,001)	-
Interest expense	12,942	2,795	10,086
Gain on senior note repurchases	(3,393)	-	-
Interest and other, net	(1,122)	(91)	631
Loss before reorganization items, taxes on income and minority interest	(47,447)	(41,902)	(23,018)
Fresh-Start Gain	-	-	(223,185)
Reorganization costs	360	(30)	1,160
Income (loss) before taxes on income and minority interest	(47,807)	(41,872)	199,007
Taxes on income	4,249	4,976	2,934
Income (loss) before minority interest	(52,056)	(46,848)	196,073
Minority interest	(5,474)	(7,417)	24,666
Income (loss) from continuing operations	(46,582)	(39,431)	171,407
Discontinued operations	-	-	-
Income from discontinued operations	-	-	-
Extraordinary items	-	-	-
Forgiveness of debt and debt reinstatement	-	-	89,520
Net Income (loss)	\$ (46,582)	\$ (39,431)	\$ 260,927
Income (loss) per commons share basic and diluted (1)			
Continuing operations	\$ (3.96)	\$ (3.35)	NA
Discontinued operations	-	-	NA
Extraordinary items	-	-	NA
Net income (loss) per share (1)	\$ (3.96)	\$ (3.35)	NA
Shares used in computing per share amounts - basic and diluted:			
Continuing operations	11,770,815	11,770,815	NA
Discontinued operations	11,770,815	11,770,815	NA
Extraordinary items	11,770,815	11,770,815	NA

	Twelve Months 2002 Combined (Successor & Predecessor Co)	Year Ended December 31, 2001 (Predecessor Co)	Year Ended December 31, 2000 (Predecessor Co)
(Dollars in thousands, except share and per share data)			
INCOME STATEMENT DATA			
Continuing Operations			
Sales	\$ 202,276	\$ 220,964	\$ 259,939
Cost of good sold	147,158	164,393	191,664
Selling and administrative	28,480	31,247	36,252
Restructuring	1,908	-	-
Goodwill and asset impairments	72,818	2,482	13,624
Depreciation and amortization	8,412	10,175	12,088
Operating income (loss)	(56,500)	12,667	6,311
Post retirement benefit curtailment gain	(5,001)	-	-
Interest expense	12,881	13,519	15,766

Gain on senior note repurchases	-	-	
Interest and other, net	540	355	(751)
	-----	-----	-----
Loss before reorganization items, taxes on income and minority interest	(64,920)	(1,207)	(8,704)
Fresh-Start Gain	(223,185)	-	-
Reorganization costs	1,130	127	2,740
	-----	-----	-----
Income (loss) before taxes on income and minority interest	157,135	(1,334)	(11,444)
Taxes on income	7,910	2,725	5,186
	-----	-----	-----
Income (loss) before minority interest	149,225	(4,059)	(16,630)
Minority interest	17,249	1,395	1,968
	-----	-----	-----
Income (loss) from continuing operations	131,976	(5,454)	(18,598)
Discontinued operations			
Income from discontinued operations	-	-	1,732
Extraordinary items			
Forgiveness of debt and debt reinstatement	89,520	-	-
	-----	-----	-----
Net Income (loss)	\$ 221,496	\$ (5,454)	\$ (16,866)
	=====	=====	=====
Income (loss) per commons share basic and diluted (1)			
Continuing operations	NA	NA	N/A
Discontinued operations	NA	NA	N/A
Extraordinary items	NA	NA	N/A
	-----	-----	-----
Net income (loss) per share (1)	NA	NA	N/A
	=====	=====	=====
Shares used in computing per share amounts - basic and diluted:			
Continuing operations	N/A	N/A	N/A
Discontinued operations	N/A	N/A	N/A
Extraordinary items	N/A	N/A	N/A

- (1) Per share amounts are not shown for the Predecessor Company and the Combined Successor and Predecessor Companies due to non-comparability.
- (2) Discontinued operations include the operations of a subsidiary sold and the gain on its sale of \$0.6 million in October 2000.

	As of December 31,			
	2003	2002	2001	2000
	(Successor Co)		(Predecessor Co)	
BALANCE SHEET DATA:				
Cash and cash equivalent	\$ 9,101	\$ 10,769	\$ 9,740	\$ 8,278
Working capital surplus (deficiency) (1)	18,183	13,964	(184,046)	(181,716)
Total assets	201,567	217,751	164,786	181,098
Long-term debt including current portion (2)	160,610	141,451	41,814	46,303
Stockholders' deficit	(47,477)	(8,781)	(161,533)	(148,620)

- (1) Includes Parent liabilities subject to compromise totaling \$209.4 million and \$203.2 million in 2001 and 2000 which were exchanged, reinstated and /or modified upon consummation in accordance with the Plan.
- (2) Includes Parent Company Senior Notes of \$100 million and \$95.5 million in 2003 and 2002, respectively which were reinstated on consummation in October 2002 pursuant to the Plan.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations relates entirely to the comparison of the twelve months ended December 31, 2003 (Successor Company) to the twelve months ended December 31, 2002 (both Predecessor and Successor Companies combined), the twelve months ended December 31, 2002 (both Predecessor and Successor Companies combined) to the twelve months ended December 31, 2001 (Predecessor Company) and the comparison of the Predecessor Company for the twelve months ended December 31, 2001 and 2000. The Company's combined results of operations for 2002 (Predecessor and Successor Companies) are capable of comparison to the results of operations of the Successor Company for 2003 and the Predecessor Company for 2001, except for changes in interest and depreciation expenses resulting from the reorganization of the Parent's debt and fair market value adjustments to the Company's property, plant and equipment as a consequence of the consummation of the Plan and related Fresh Start reporting. As a result, unless otherwise indicated the discussion of results of operations for the years 2003 versus 2002 and 2002 versus 2001 will be on a twelve month basis.

The Company operates and manages its businesses based on geographic location. See Note P of "Notes to Consolidated Financial Statements," which include geographic information for the Company's businesses.

THE COMPARISONS THAT FOLLOW ISOLATE AND QUANTIFY THE EFFECT THAT CHANGES IN FOREIGN EXCHANGE RATES HAVE HAD ON THE RESULTS OF OPERATIONS OF THE COMPANY, THEREBY ENABLING COMPARISON OF OPERATING RESULTS OF THE COMPANY'S SUBSIDIARIES IN US CONSTANT DOLLAR TERMS ("CONSTANT DOLLARS"). IN PERFORMING THIS COMPARISON, THE COMPANY UTILIZES A CONSTANT DOLLAR EXCHANGE RATE AS IF THE EXCHANGE RATE FOR THE MOST RECENT PERIOD REMAINED AT THE SAME LEVELS AS THE PRIOR PERIOD FOR WHICH THE COMPARISON IS BEING PERFORMED.

The following abbreviations are used to refer to the Company's three principal product lines: Transaction Cards and Systems - "TCS"; Printing Services and Document Management - "PSDM"; and Security Printing Solutions - "SPS".

#### COMPARISON OF RESULTS OF OPERATIONS - 2003 (SUCCESSOR COMPANY) WITH 2002 (PREDECESSOR AND SUCCESSOR COMPANIES)

Sales for the years ended 2003 (Successor Company) and 2002 (Predecessor and Successor Companies, combined) were \$222.6 million and \$202.3 million, respectively. Sales, in millions, and as a percentage of total sales for each of the Company's geographic locations is as follows: