

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation is exposed to certain market risks from changes in interest rates and foreign currency exchange rates as a result of its global operating and financing activities. Although foreign currency translation had a favorable impact on sales and operating income in 2004, the Corporation seeks to minimize any material risks from foreign currency exchange rate fluctuations through its normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. The Corporation did not use such instruments for trading or other speculative purposes. The Corporation used interest rate swaps and forward foreign currency contracts to manage interest rate and currency rate exposures during the year ended December 31, 2004. Information regarding the Corporation's accounting policy on financial instruments is contained in Note 1-K to the Consolidated Financial Statements.

The Corporation's market risk for a change in interest rates relates primarily to the debt obligations. The Corporation shifted its interest rate exposure from 46% variable at December 31, 2003 to 65% variable at December 31, 2004. The variable rates on the revolving credit agreement and the interest rate swap agreements are based on market rates. The increase in variable interest rate exposure is due to the Corporation funding its 2004 acquisition activity through its revolving credit facility. A change in interest rates of 1% would have an impact on consolidated interest expense of approximately \$2 million. Information regarding the Corporation's Senior Notes, Revolving Credit Agreement, and Interest Rates Swaps is contained in Note 10 to the Consolidated Financial Statements.

Financial instruments expose the Corporation to counter-party credit risk for non-performance and to market risk for changes in interest and foreign currency rates. The Corporation manages exposure to counter-

party credit risk through specific minimum credit standards, diversification of counter-parties, and procedures to monitor concentrations of credit risk. The Corporation monitors the impact of market risk on the fair value and cash flows of its investments by investing primarily in investment grade interest bearing securities, which have short-term maturities. The Corporation attempts to minimize possible changes in interest and currency rates to amounts that are not material to the Corporation's consolidated results of operations and cash flows.

The acquisitions of Dy 4 and Primagraphics have increased the Corporation's exposure to foreign currency exchange rate fluctuations related primarily to the Canadian dollar. The Corporation currently has a hedging program in place to mitigate the Canadian dollar foreign currency risk. Although the majority of the Corporation's sales, expenses, and cash flows are transacted in U.S. dollars, the Corporation does have some market risk exposure to changes in foreign currency exchange rates, primarily as it relates to the value of the U.S. dollar versus the Canadian dollar, the British pound, the euro, and the Swiss franc. Any significant change in the value of the currencies of those countries in which the Corporation does business against the U.S. dollar could have an adverse effect on the Corporation's business, financial condition, and results of operations. Management seeks to minimize the risk from these foreign currency fluctuations principally through invoicing the Corporation's customers in the same currency as that of the manufacturer of the products. However, the Corporation's efforts to minimize these risks may not be successful. If foreign exchange rates were to collectively weaken or strengthen against the dollar by 10%, net earnings would have been reduced or increased, respectively, by approximately \$3 million as it relates exclusively to foreign currency exchange rate exposures.