PRESSTEK INC /DE/
Form 10-K
March 27, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

RANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011
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 No. 0-17541

PRESSTEK, INC.

Delaware	02-0415170
(State or other jurisdiction of incorporation or organization)	(I.R.S.Employer Identification No.)

10 Glenville Street, Greenwich, Connecticut 06831
(Address of principal executive offices including zip code)

Registrant's telephone number, including area code:
(203) 769-8056

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

Title Of Each Class	Name Of Each Exchange On Which Registered
[Missing Graphic Reference] Common stock, par value $0.01 per share	[Missing Graphic Reference] The NASDAQ Global Market

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No R

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 R No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R 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 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer £ Accelerated filer £ Non-accelerated filer £ Smaller reporting company R

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

The aggregate market value of common stock held by non-affiliates of the registrant as of July 2, 2011 was $43,657,330.

The number of shares outstanding of the registrant's common stock as of March 15, 2012 was 37,395,228.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders scheduled for June 12, 2012 are incorporated by reference into Part III.

PRESSTEK, INC.

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2011*

* Capitalized terms not defined herein shall have the same meanings ascribed to them in the Glossary of Item 1.

** See Part I – Item 1A for cautionary statements regarding forward-looking statements included in this Annual Report on Form 10-K.

PART I

Item 1. Business.

General

Presstek, Inc. and its subsidiaries (collectively, "Presstek," "we," "us," "our," or the "Company") maintain principal executive offices at 10 Glenville Street, Greenwich, CT 06831. The Company's website is www.presstek.com.

Presstek was organized as a Delaware corporation in 1987. The Company is a leading manufacturer and marketer of environmentally-friendly digital offset printing solutions. These products are engineered to provide a streamlined workflow that shortens the print cycle time, reduces overall production costs, and meets the market's increasing demand for fast turnaround high quality short run color printing.

Our products include DI® digital offset presses and printing plates, computer-to-plate ("CTP") systems, workflow solutions, chemistry-free printing plates, preheat and no preheat thermal CTP plates and a complete line of prepress and press room consumables. We also offer a range of technical services for our customers.

Background

Since its incorporation in 1987 Presstek has served the commercial print segment of the graphic communications industry by offering innovative digital offset printing solutions for commercial printing applications. We:

- invented the technology that enables DI® digital offset presses;
- invented chemistry-free printing plates;
- have significantly streamlined the print production workflow;
- have helped transition offset printing from a craft-based manual process to an automated manufacturing process; and
- plan to continue to innovate by providing high quality fully integrated digital solutions and services.

Primary Markets

Presstek serves the global print market. The primary opportunities for Presstek's solutions lie in the packaging, commercial print and in-plant segments.

The packaging segment includes printers using flexo, gravure, offset, screen and digital technologies to print on paper, carton board, corrugated board, aluminum, plastics, and glass. Flexography is the most used process, followed by offset and gravure. Changing market dynamics and new offset press and prepress technologies are resulting in new opportunities in the offset printing of folding cartons, labels, and other packaging products.

Commercial markets include companies that provide printing and print-related services, such as design, prepress, and bindery, on a print-for-pay basis. Many firms in the commercial printing industry have some type of process expertise or geographic focus. This market is further segmented by employee size and by equipment capability (e.g. format size or type of equipment).

The in-plant market includes departments that provide copying and printing services to support the primary business of a company or organization. These are companies whose primary business includes anything other than printing (e.g., insurance, manufacturing, financial services, education, or government).

Historically, Presstek has primarily served smaller commercial printers with less than 20 employees as well as the in-plant printing market. However, recent and planned new product introductions have enabled the company to also serve the needs of larger commercial printers.

Presstek believes that new product developments will enable equipment placements in select vertical markets such as mailing and fulfillment and packaging.

Market Trends

The printing market is shifting to increasingly faster production of smaller order quantities (shorter runs of 5,000 copies or less) with an increasing use of color. Key trends include the following:

- 33% of all print jobs are expected to require a 24-hour turnaround;
- 80% of four-color jobs are now produced in runs of less than 5,000; and
- Approximately 90% of digital printing is non-personalized, and can be produced on a DI® press.

As a result of these structural shifts and accelerated by the recession, the print industry is being consolidated and essentially redefined. Recent bankruptcy announcements by Kodak USA and German-based press manufacturer manroland AG highlight the effects on the vendor side of the business.

Providing Solutions for New Market Requirements

Presstek offers a range of products to meet these changing market demands including DI® digital offset presses and chemistry-free as well as chemistry-based CTP systems. Presstek's 34DI® and 52DI® presses are two-page formatted presses that incorporate Presstek's ProFire® Excel laser imaging technology, unique press design, and thermal plates. The new Presstek 75DI®, a six-page format press incorporates Presstek's next-generation imaging technology and thermal plates. This new imaging technology utilizes a single lens imaging concept in which all diodes image through a single lens resulting in improved image quality and faster and easier makeready. All of Presstek's DI® digital offset presses are optimized to print high quality runs of 500 to 20,000.

Market studies indicate the number of print jobs with run lengths of 20,000 and below are increasing, while the frequency of longer run length jobs is decreasing. DI® presses fit well into print businesses that are experiencing this trend. These businesses, which include commercial print shops, quick printers, franchise shops, digital printers and in-plants, utilize Presstek DI® presses to profitably meet this run length requirement, according to research from industry consulting firm InfoTrends.

Presstek's DI® presses are automated print production systems. Digital files are sent to the offset printing press where all printing plates (one for each color) are imaged on-press in precise register, resulting in a highly streamlined digital workflow that is designed to allow the fastest way to finished offset press sheets.

With our CTP solutions, digital files are sent directly from the prepress workflow to the plate-imaging device; the plates are imaged off line, and then mounted on a conventional offset press. Presstek introduced the concept of chemistry-free printing to the market and this more environmentally friendly and efficient manner of producing offset printing plates remains an important focus of our marketing activities.

Presstek offers three open platform CTP plates. The first, Aurora EXP, is a chemistry-free plate that offers run lengths of up to 50,000. Aurora EXP is designed for printers that support the short-run color market and want to offer environmentally friendly printing. The second, Aeon, is a no preheat thermal plate that offers run lengths up to

200,000 and up to a 1,000,000 with an optional post-bake. The third, PhD, is a preheat thermal plate that offers run lengths up to 250,000 and run lengths of 1,000,000 or more with an optional post-bake. Aeon and PhD are targeted to the mid and large commercial print market. Presstek's open platform plates work on a range of external drum 830nm platesetters from various manufacturers and are compatible with Presstek's Compass and Dimension Pro CTP solutions.

Organizational Structure

To better address the worldwide print market, Presstek has aligned its resources into three strategic product lines. This structure allows the Company to continue to focus on its traditional base of small commercial and in-plant customers, while expanding the range of products it can bring to market around the world. This structure is also designed to better position the Company to more effectively address the needs of larger commercial printers. These strategic product lines are:

- Digital Printing, which includes DI® digital offset presses, consumables and workflow;
- CTP, which is responsible for digital platemaking systems, consumables and workflow; and
- Traditional, which operates as a graphic arts dealer for Presstek products such as polyester CTP platemaking and other partners' products for our customers.

Geographic Structure

Presstek supplies equipment, service and supplies to support the worldwide print market; currently 64% of Presstek's revenues come from the United States, 9% from the United Kingdom and 27% from other various countries. To facilitate growth we have established three sales regions to bring integrated solutions to local markets. The three sales regions are:

- EAMER (Europe, Africa, Middle East Region);
- Americas (North America and Latin America); and
- APAC (Asia Pacific).

Our Business Segments

Commencing with the second quarter of fiscal 2010, our reports filed with the Securities and Exchange Commission (the "SEC"), reflect that we conduct business in one industry segment. Prior to the sale of Lasertel on March 5, 2010, we conducted business in two segments: the Presstek segment, and the Lasertel segment. On September 24, 2008, the Company's Board of Directors approved a plan to sell the Lasertel subsidiary; as such we have presented the results of operations of this subsidiary as discontinued operations in this Annual Report on Form 10-K.

The Presstek segment is primarily engaged in the development, manufacture, sales, distribution, and servicing of digital offset printing solutions to the printing and communications industries. The Lasertel segment was primarily engaged in the manufacture and development of high-powered laser diodes for a variety of industry segments.

For an analysis of our assets by business segment as well as revenue from sales to external customer and long-lived assets by geographic area, see Note 16 of the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

The Presstek Segment

The Presstek segment provides plate manufacturing, new product development, systems integration, equipment manufacturing and research. It also serves as the center for marketing, sales and service for our digital offset printing solutions as well as the distribution of our third-party products.

Our products are sold to end-user customers through either our direct sales force, our dealer channel, or through original equipment manufacturer ("OEM") partners. We also have an established portfolio of pressroom supplies and consumables which is sold through our direct sales channel and our web storefront.

Presstek-branded equipment is serviced either by our direct service organization or by our dealer channel. Our direct service organization primarily serves customers located in the United States, Canada, and the United Kingdom.

Manufacturing

At our 165,000 square-foot facility in Hudson, New Hampshire, we (i) manufacture ProFire® Digital Media, PearlDry® Plus, and PearlDry® printing plates, (ii) assemble the ProFire® Excel imaging kits that are incorporated into 34DI® and 52DI® presses, (iii) assemble next generation 75DI® imaging kits, (iv) assemble the Dimension® Excel series, Vector FL52 and the ABDick®-branded Digital PlateMaster® system, and (v) conduct finishing operations for a portion of our aluminum-based Presstek Aeon CTP plates. Our DI® presses are assembled, including the integration of our proprietary imaging kits, by a third party equipment manufacturer using our intellectual property and to our specifications.

Plate manufacturing at our Hudson facility uses vacuum deposition technology to create ultra-thin imaging layers. We have a state-of-the-art solution coater capable of handling aqueous or solvent-based fluids with best available environmental controls throughout the process. Polyethylene terephthalate substrates are laminated to aluminum webs (“spools”) using electron beam curing technology. This eliminates the need for environmental emissions from a drying process. We utilize full converting capability, which provides high-speed slitting, spooling, formatting and final packaging. The Hudson facility also includes finishing operations for our DI® plates and our Aeon® CTP plates.

At our 100,000 square-foot facility located in South Hadley, Massachusetts, we manufacture aluminum-based printing plates, including chemistry-free Presstek-branded Anthem® Pro, Freedom® Pro and Aurora® EXP digital printing plates. The aluminum plate manufacturing includes in-line graining, anodizing, silicating, and multiple layer coatings. Raw aluminum is processed into lithographic printing plates for digital markets.

Distribution

Our sales strategy is designed to emphasize the distribution of Presstek’s DI® presses and CTP solutions and related consumables, as well as a full portfolio of conventional products. These products are offered to customers through our direct sales force, independent graphic arts dealers and strategic OEM partners. We have established distribution networks in North America, Latin America, Europe and Asia Pacific. We continually look to strengthen our position by better aligning our dealer network with the demands of the rapidly changing global print market.

Service and Support

Presstek also has an established service organization throughout the United States, Canada and the United Kingdom to service its equipment. In other regions, Presstek authorized dealers are the primary source of service, with Presstek providing training and advanced technical support.

Strategy

Our vision is to be a leading provider of digital offset printing solutions to the global graphic communications industry. Our business strategy is to offer innovative digital imaging and plate technologies that address the needs of the commercial, in-plant and packaging printing markets across the globe.

This strategy includes several imperatives:

1. Grow our consumables product line.

Presstek provides digital offset solutions that aid printers in meeting the changing needs of today's market – environmentally-friendly, shorter run lengths, faster turn-around times, and more color. Our DI® presses and CTP solutions use our thermal printing plates. With our direct sales force and network of dealers, we feel we are well positioned to expand our installed base of these solutions. A key step in growing our consumables business is to develop printing plates that can be imaged on non-Presstek manufactured devices. The first step in executing this "open platform" strategy was the launch in late 2008 of Aurora® Pro, our open-platform, chemistry-free printing plate, which is designed to be used on thermal CTP systems marketed by other manufacturers. In 2009 we introduced Aeon, a thermal CTP plate having run lengths of approximately 200,000 impressions unbaked, and 1,000,000 impressions with post-baking. Late in 2011 we announced PhD a preheat thermal plate that provides run lengths up to 250,000 and run lengths of 1,000,000 or more with an optional post-bake. By marketing printing plates capable of longer run lengths, we are able to pursue larger customers, which is an important element of our Company's strategy. We are also focused on stemming the erosion, caused by technology shifts, of our traditional consumables sales (ink, pressroom and proofing supplies, etc.) and believe that we can help achieve this goal by selling these products along with our digital plates.

2. Emphasize attractive market segments.

Large print providers were the first to adopt digital technology, and they have driven the digital transformation of the commercial printing market. Today the benefits of a digital workflow are well understood and all segments of the commercial print market are adopting digital technologies. With our range of digital solutions and our direct sales and service force, as well as our dealer network, we are focusing on the following market segments:

a. Commercial printers. Printers need to improve their response time, increase their production capacity, improve efficiency and provide high quality output while improving profitability. Many commercial printers, particularly small and mid size printers (generally those with less than 20 employees) have demonstrated success with our 34DI and 52DI digital offset press products, with success being defined as improved productivity, improved profitability and business growth. Presstek is now providing similar benefits to larger printers with the 52DI-AC and 75DI. Presstek DI® presses are engineered to produce print runs between 500 and 20,000 images at a very high quality with a very low cost per page. Since market demands are shifting to require an increasing number of jobs with run lengths in this range, it is leaving a gap in the production portfolio of many larger commercial print shops. They can efficiently produce very short-runs (less than 500) on their toner devices, and runs of 20,000 or more on their conventional offset presses. We believe that market conditions are now coming to Presstek's strengths and that larger print shops can be more profitable producing jobs with run lengths of 500 to 20,000 on a Presstek's DI®. Presstek believes that larger printers will increasingly look at DI® presses to fill this production gap in their equipment portfolio.

b. Digital printers and copy shops. These facilities that primarily operate toner-based digital printing equipment are acquiring DI® presses as complementary devices. They are using DI® presses for jobs that require run lengths greater than 500 copies, a higher level of quality, or a substrate (coated stock, thick stock, plastics, etc.) that cannot be effectively produced on a toner-based device. They are also combining digital toner devices and DI® presses into one workflow to create certain print jobs more profitably. For example, they may produce color book covers on a DI® press while they print the black and white text pages using their toner device. The result is a high quality book affordably produced in the quantity the print buyer requires.

c. In-plant print shops that operate within corporations, colleges and universities and government agencies. These print shops are attracted to the ease-of-use, compact footprint and environmentally responsible nature of our solutions. It is becoming increasingly important that these shops be self-sustaining. The productivity, efficiency and versatility of Presstek solutions help in-plants reach this goal.

d. Packaging Printers. Like other areas of print communication, there is a growing need in the packaging industry for versioned and short run printing with a fast turnaround time. Seasonal messaging, market test designs, on-package offers, and multiple language editions are just a few factors driving the trend toward versioning. Growing numbers of niche market products, test market product launches, and the popularity of local brands are increasing the number of short-run package jobs. At all levels, manufacturers are looking for suppliers who can provide on-demand package solutions that support inventory management and cost control. We believe the Presstek 75DI with aqueous coater which can be configured with up to 10 colors, has a maximum sheet size of 31.02" × 23.62" (788mm × 600mm) and can print on stocks as thin as 0.031” (0.8mm) is an ideal solution to cost-effectively produce runs in the 500 to 20,000 sheet range.

In addition to shorter runs and faster turnaround times the packaging market is being affected by the brand owners continued investment in innovative packaging solutions and better graphics in order to gain a competitive edge and to enhance shelf appeal. Presstek DI presses have the ability to print 300 lpi with FM screening, fluorescent ink, metallic ink, varnishes, and on a wide range of stocks to further Presstek’s opportunity in this segment.

3. Focus on key growth areas.

a. Growth within the existing market segments that Presstek serves today. Historically, Presstek has served print shops with less than 20 employees, and this segment makes up approximately 75% of the industry (i.e., number of printers). Many of these printers have not yet fully embraced digital printing technologies. In addition, owners of existing DI® presses and CTP systems may be looking to add capacity or to upgrade their capabilities (i.e., upgrade a 34DI® press to a 52DI® press, a 52DI® to a 52DI®-AC or a 75DI® press, a semi-automated CTP system to a fully automated solution, or add Latitude, a PDF workflow solution).

b. Growth up-market to larger print shops. As print buyers request more jobs in the 500 to 20,000 run length range with faster turnaround times, larger shops often need to outsource these jobs or run them inefficiently on their larger offset presses or toner presses. A Presstek DI® press is a good solution for these shops, because it allows them to bridge the production gap between the high-end of toner devices (~500) and the low-end of conventional offset presses (~20,000). DI® presses also use offset ink and print on standard paper (as well as many other substrates) so output is easily matched to the production of larger presses. The DI® press may also open up new opportunities for the larger print shop.

c. Growth of CTP consumables. Recent market studies estimate that the worldwide market for digital plates to be approximately $3.9 billion. This market is expected to grow by as much as 15% to $4.5 billion by 2014. Presstek plans to further penetrate this large consumables market by aggressively marketing its expanding range of CTP plates. Presstek's "open platform" plates will work on both Presstek and third party imaging devices. Aurora EXP, PhD 830 and Aeon are examples of products that fit into this area of growth.

d. Growth in geographic regions. The largest portion of Presstek's sales has historically come from the United States and Canada. The largest portion of the worldwide print market, however, is outside North America. Presstek has established three sales regions; Americas, EAMER, and APAC, to establish distribution by region and to help develop solutions that fit each market's specific requirements.

4. Enable customers to better compete by offering diverse range of products.

Because our goal is to provide high quality, fully integrated digital solutions and services that form an all-encompassing relationship with our customers, we deliver solutions that allow printers to differentiate their print businesses in a competitive marketplace. Presstek's products can be divided into two primary categories: DI® presses and plates and CTP systems, along with the plates, supplies and services that they require. Ease of use, environmental benefits, streamlining the print process, lowering production cost, and a small footprint are common benefits of the two product lines.

Our DI® presses, the Presstek 34DI®, Presstek 52DI® and Presstek 75DI®, allow printers to offer high quality offset printing on a wide range of substrates at run lengths starting at 500 sheets for a highly competitive cost per sheet. DI® presses are able to do this because of their short make-ready time and reduction of production steps, which is possible because of three Presstek technologies—laser imaging, press design, and DI® plate technology—working in unison to create an optimized printing system. Aqueous coating further enhances DI capability by allowing customers to add an aqueous based coating that enhances not only the cosmetics of the printed sheet (satin, matte and gloss finishes), but also the durability, since the coating protects the image when handled or mailed. The fast drying tendency of aqueous coating also facilitates faster turnaround time allowing jobs to be quickly moved to the bindery process.

Presstek offers a full range of CTP systems, from a two-page polyester system to an eight-page fully automated thermal plate system. Our thermal plate portfolio consists of chemistry-free, preheat, no preheat and waterless technologies; two-, four-, and eight-page format sizes are available. Presstek branded plates are imaged on 830nm CTP systems from Presstek and other suppliers.

Presstek also offers third party workflow offerings. This allows users to better implement Presstek's DI® and CTP solutions while improving the flow of jobs through production. An example of this is the agreement signed with EskoArtwork Odystar to offer a PDF workflow solution; Presstek markets this product as Latitude.

5. Provide solutions that meet the growth in demand for short-run, fast turnaround high quality color printing.

Much of the print industry's decline in shipment volume has been in long-run printed documents such as newspapers and magazines. Short-run printing is now mainstream. Presstek as a company, and print as a medium, are at a fascinating crossroads of technology, market opportunities, and competition. The Company's products allow printers to compress their workflow to eliminate costly steps, leveraging the modern content creator's capabilities to make better, richer, and more predictable printable files, according to market research commissioned by Presstek and conducted by industry consultant Dr. Joseph Webb of Strategies for Management.

6. Provide environmentally responsible solutions.

Our thermally imaged chemistry-free plate technologies are designed to provide both a streamlined workflow and an environmentally responsible solution. Not only are we contributing to a cleaner and safer printing operation, environmental responsibility is sound business practice in that our DI® and CTP solutions reduce labor needs, reduce space requirements, eliminate plate-oriented waste disposal, and result in fewer manufacturing process errors.

7. Expand into the packaging market.

While other segments of the print market have been declining the packaging segment continues to experience growth. Market studies are forecasting an annual average growth rate of 6.2% in the 2011 to 2015 period, with key trends in the package printing industry including:

- Environmental and recycling factors
- Focus on regionalized packaging
- Printing shorter runs for versioned, seasonal, and test packaging
- Use of different inks and substrates
- Multi-part packaging

These trends align nicely with the strength of Presstek DI presses, especially the 75DI and 52DI-AC. Presstek DI presses deliver a low cost per unit in run lengths from 500 to 20,000 which are becoming more prevalent in the packaging industry. The ability to print a wide range of inks, including vegetable-based varieties and protective varnishes, on stock up to 31 pt. thick, make DI presses well suited to meet many of the printing needs of packaging customers.

For high volume packaging suppliers, DI presses are a cost-effective solution for profitably meeting customers' short-run and fast turnaround needs, and for printing small package components without burdening large presses and imposing on production schedules.

The format size of Presstek DI presses accommodates many of the printed components commonly used in packaging, such as skin cards for blister packs, inserts for plastic clamshells, and the small folded boxes used in many industries. The 29-inch format Presstek 75DI handles larger folded boxes and facilitates multiple-up sheets and gang runs. Presstek 52DI and 75DI presses are available with inline aqueous coating. UV models of the 34DI and 52DI are also available.

Technology

Imaging Technology

Presstek developed the imaging technology for the world's first DI® press. Since 1987, we have continuously improved on this technology. Today we offer our fourth generation of imaging technology which we call ProFire® Excel on our Presstek 34DI®and Presstek 52DI® digital offset presses. The ProFire® Excel system has three major components: the laser diode system, made up of four-beam laser diodes and laser drivers; the integrated motion system that controls the placement of the laser diodes; and the digital controller and data server. The image data board of the ProFire® Excel controls 16-micron diodes with patented Image Plus technology. Among the advantages of Image Plus is a writing mode that increases image quality while significantly reducing moiré patterns in standard screen sets, allowing for a range of FM (stochastic) screening options. The Presstek 75DI® press incorporates

significant technological advances, including utilization of new on-press imaging technology. This next-generation imaging technology utilizes a single lens imaging concept in which all diodes image through a single lens resulting in improved image quality and even easier makeready.

The laser diodes that we use for our ProFire® Excel imaging system are manufactured by Lasertel and other suppliers. We assemble supplier-manufactured laser imaging modules into imaging kits that are designed for DI® presses. These kits are then incorporated into DI® printing presses, by our manufacturing partner.

Before direct-to-plate imaging, platemaking and prepress activities had occurred separately in the printing operation, primarily using analog film-based technology, chemical processing and manual skill-based processes. Conventional or analog printing plates are produced using labor-intensive and chemical-intensive, multi-step processes. By consolidating or eliminating process steps required to prepare a digital file for printing, Presstek's DI® presses and CTP systems deliver efficiencies that allow increased print productivity at a lower cost and with better quality than conventional offset methods. At the same time, by imaging chemistry-free plates, Presstek chemistry-free products eliminate the reliance on the chemical processing that is generally associated with imaging traditional printing plates. In addition to being more efficient to operate, our solutions are more environmentally responsible than traditional methods of printing. The result is higher quality, faster turnaround offset printing with a lower cost of operation that is also environmentally safe.

Plate Technology

We manufacture digital printing plates for both on-press imaging with DI® presses and off-press imaging with CTP printing applications. Presstek manufactured plates are based on our patented chemistry-free thermal imaging technology. Our printing plates respond to heat generated by high-powered lasers (thermal imaging) using ablation and sub-ablation processes.

Thermal ablation refers to the process in which the thermal laser ablates (removes) areas of the emulsion while the plate is being imaged. This is the method employed in Presstek's plates. Plates that are imaged using thermal ablation typically consist of a basic substrate such as a grained aluminum plate or polyester, an oleophilic (ink receptive) imaging layer, and an ink-rejecting micro porous hydrophilic (water receptive) layer.

The high-powered laser of the imaging system selectively burns tiny holes in the thin plate coating, causing it to burst away from the base. This technique thus requires the imaging system to be equipped with a means of collecting the debris, typically a vacuum with filters. The result is a high-contrast image that can be examined and measured prior to mounting on a printing press.

Products

DI® Presses

Presstek 75DI® Digital Offset Press
The Presstek 75DI® is a 6-up or B2 format digital offset printing press with a maximum sheet size of 31.02" x 23.62" and a maximum image area of 29.92" x 22.83." This press is highly automated and designed to deliver superior economics and faster turnaround times. It requires less skilled operators and reduces a printer's overall environmental footprint. The 75DI® simultaneously images its chemistry-free printing plates on press in precise register at 2540 dpi and supports up to 300 lpi and FM screening. The 75DI goes from digital file to sellable printed sheet in six minutes. The tower press design allows configurations of four to ten colors with a range of productivity enhancing options including aqueous coating, resulting in a press built to meet a specific customer's needs. The 75DI® offers consistent quality - an exceptionally fast make-ready time and reliable handling across a wide range of substrates. The 75DI® has a maximum operating speed of 16,000 full size sheets per hour which is the equivalent of 96,000 letter-sized sheets.

Presstek 52DI® Digital Offset Press
The Presstek 52DI® is a landscape format 52cm digital offset press with a maximum sheet size of 20.47” x 14.76” and a maximum image area of 20.07” x 14.17,” one of the largest in its class. This press is highly automated and designed to deliver superior economics and faster turnaround times, requires less skilled operators and reduces paper waste. The 52DI® images all four chemistry-free printing plates on press in precise register at 2540 dpi and supports up to 300 lpi and FM screening. The 52DI goes from digital file to sellable printed sheet in 10 minutes. The press design which features Zero Transfer Printing technology, results in consistent quality, an exceptionally fast make-ready time and reliable handling across a wide range of substrates. The 52DI® has a maximum operating speed of 10,000 full size sheets per hour which is the equivalent of 20,000 letter-sized sheets.

Presstek 52DI®-AC Digital Offset Press
The Presstek 52DI®-AC is a 52DI press with an integrated aqueous coater. With the Presstek 52DI®-AC, coating is applied to sheets in one pass through the press without drying problems. Anilox metering precisely measures and controls the amount of coating being applied, reducing waste and further enhancing the quality of the printed sheet. Flood and spot coatings can be applied in a variety of finishes including matte, dull, satin and gloss. The entire printing operation, from plate advancing and imaging to printing and coating, is automated in one compact, easy-to-use press. High quality results are easy to achieve, and print providers will be able to produce more jobs per shift. The 52DI®-AC offers the same format size and resolution as the 52DI®.

Presstek 34DI® Digital Offset Press
The Presstek 34DI® is a portrait format 34cm digital offset press with a maximum sheet size of 13.39” x 18.11” and a maximum image area of 12.99” x 17.22”. This press is highly automated and designed to deliver superior economics, faster turnaround times, require lower skilled operators and reduce paper waste. The Presstek 34DI® images all four chemistry-free printing plates on press in precise register at 2540 dpi and supports up to 300 lpi and FM screening. The 34DI goes from digital file to sellable printed sheet in 10 minutes. The press design which features Zero Transfer Printing technology, results in consistent quality, an exceptionally fast make-ready time and reliable handling across a wide range of substrates. The 34DI® has a maximum operating speed of 7,000 full size sheets per hour which is the equivalent of 14,000 letter-sized sheets.

Both the Presstek 52DI® and 34DI® can be equipped with the DI® Ultra Violet (“UV”) option. The UV option converts a standard DI® press to a UV press. UV presses are well-suited for printing on non-porous materials such as plastics and foils.

DI® Plates

ProFire® Digital Media
ProFire® Digital Media is designed to work as a system with the laser imaging and press components of ProFire® and ProFire® Excel enabled DI® presses (such as the Presstek 34DI®, 52DI® and 75DI®). ProFire® Digital Media for DI® presses is rated for 20,000 impressions. It is manufactured with an ink-accepting polyester base layer, a middle layer of titanium, and a top layer of silicone. During imaging, the heat from lasers removes the top two layers of the plate, exposing the ink receptive polyester layer. Areas that remain covered with the top layer of silicone will repel the ink. The imaging process is a highly consistent, heat sensitive, physical reaction without the variables of exposure and chemistry. The result is sharper and better-defined details and halftone dots. ProFire® Digital Media supports 300lpi and FM screening.

PearlDry® Plus
Formulated in a similar fashion as ProFire® Digital media, PearlDry® Plus is designed to work in conjunction with previous generation DI® presses. In conjunction with Presstek’s direct-to-press imaging, PearlDry® Plus allows

presses to produce a high resolution, 21 micron spot and supports print quality up to a 200-line screen. For DI® applications, PearlDry® Plus is delivered in polyester-based spools. PearlDry® Plus is rated for 20,000 impressions.

PearlDry®
PearlDry® is used for direct-to-press applications that require an aluminum-backed plate such as the 74Karat press manufactured by Koenig & Bauer, AG of Germany ("KBA"). The plate uses a specially formulated silicone material that is coated over the metalized infrared absorbing layer that is then bonded to an aluminum base. PearlDry® is rated for 100,000 impressions.

CTP Products

Compass Series
The Compass Series of platesetters includes the 4-page Compass 4000 Series and the 8-page Compass 8000 Series. These highly productive platesetters range in production speeds from 15 to 40 plates per hour. Presstek Compass platesetters, imaging up to 450 lpi (180 l/cm), are ideal for use with Presstek's Aurora EXP, PhD, and Aeon thermal plates. It also images a range of other low energy (830 nm laser) third-party thermal plates. Users can add several options to further increase automation and productivity; including single or multiple cassette autoloaders and in-line standard or custom plate punches.

Dimension Pro Series
Presstek's Dimension Pro Series of platesetters are entry-level to mid-range CTP solutions that image thermal plates. The Dimension Pro 800 8-page platesetter images plates up to 45" x 33", at speeds of up to 16 plates per hour and the Dimension Pro 400 4-page platesetter images plates up to 33" x 39", at speeds of up to 50 plates per hour. Presstek's Aeon, PhD, Aurora EXP and Anthem® Pro plates are well suited for the Dimension Pro Series. It also images a range of other low energy (830 nm laser) third-party thermal plates. An autoloader option is available enabling users to leave the device unattended.

Dimension Excel Series
The Dimension Excel Series of platesetters are CTP imaging devices that are engineered to image our chemistry-free Anthem® Pro thermal plates in an A2 (4-page) format size. The Dimension Excel is available in both standard (Dimension425) and automated (Dimension450-AL) configurations. The standard model offers operator-attended throughput of up to 11 plates per hour, while automated models provide an operating speed of up to 17 plates an hour without any operator intervention.

Vector
The Vector FL52 platesetter is a CTP imaging system that is engineered to image our chemistry-free Freedom thermal plates. The Vector FL52 is a 2-page (52 cm and under) metal CTP system that can produce up to 16 plates per hour.

DPM Pro 400
The Presstek DPM Pro 400 is an easy-to-use, fully automated, high resolution polyester plate CTP system that produces up to 78 plates an hour. It is designed for use with small-format presses and supports plate widths up to 16.31" (414mm). The DPM Pro 400 is more economical to use, environmentally-friendly, and compact than comparable choices. It also features an advanced internal plate processor. The DPM Pro 400's automation, speed, and low cost of operation help make a business more efficient.

Digital PlateMaster®
Digital PlateMaster® ("DPM") is an easy-to-use platesetter that is equipped with an integrated Harlequin RIP and uses conventional polyester-based plates. DPM is designed for use with small-format portrait presses. The internal plate processor and daylight-loading materials cassette help facilitate plate production. DPM also supports paper-based printing plates.

CTP Plates

Anthem® Pro
Anthem® Pro delivers improved print performance with the addition of Presstek's exclusive PRO graining technology. Anthem® Pro plates feature our patented polymer-ceramic technology and combine ablative imaging and chemistry-free cleaning (a simple water wash) with run lengths of up to 100,000 impressions. The Anthem® Pro plate accommodates a wide range of fountain chemistry and inks.

Freedom Pro
The Freedom Pro plate operates in conjunction with Presstek’s Vector FL52 CTP solution. Like our Anthem® Pro plate, Freedom Pro requires only a simple wash with water before printing. The unique surface structure of the plate results in a fast make-ready and greater ink/water latitude. In addition, Freedom Pro accommodates a wide range of inks and fountain solutions.

Aurora Pro
Aurora Pro is Presstek’s first chemistry-free CTP thermal plate designed to operate with thermal CTP systems from other manufacturers. This further extends the opportunity for printers to leverage innovative Presstek chemistry-free technology with their existing installed base of CTP systems, eliminating the need to purchase, store and dispose of toxic chemicals.

Aeon
Aeon is a high resolution, no preheat, thermal CTP plate that offers run lengths to 200,000 without baking; an optional post-bake will enable runs of up to one million impressions. Aeon is a versatile product that operates in 830 nm external drum platesetters. In the pressroom the Aeon plate provides excellent ink/water balance and durability making it an ideal solution for a broad range of printing applications.

PhD 830
PhD 830 is high resolutions preheat, thermal CTP plate that offers run lengths to 250,000 without baking; an optional post-bake will enable runs of one million plus impressions. PhD is a versatile product that operates in 830 nm external drum platesetters. In the pressroom the PhD plate provides fast rollup, excellent ink/water balance, high resistance to ink and chemistry, and durability making it an ideal solution for a broad range of printing applications

Workflow Products

Latitude
Presstek Latitude is a scalable, highly automated and advanced prepress workflow solution powered by EskoArtwork Odystar. Based on native PDF 1.7 format, it supports the latest standards in JDF and Certified PDF. It offers a complete range of prepress tools, from preflight, PDF certification and automated document correction all the way to advanced trapping, imposition, proofing and screening. It is designed to automate the daily work in a prepress production environment. In addition to driving output devices, it provides extremely flexible workflow tools that automate many processes and communications.

Momentum RIP
Momentum RIP is designed to drive Presstek’s CTP and DI® systems as well as ABDick branded CTP systems. Momentum comes complete with input and output mechanisms that allow flexibility for controlling jobs. Momentum is based on Harlequin RIP technology.

Momentum Pro Integrated

Presstek Momentum Pro is a fully integrated workflow and RIP. Building on Momentum RIP technology, the Momentum Pro workflow is designed to streamline and automate the production process using Certified PDF tools. The workflow can be used as a centralized PDF creation and preflight system, ensuring consistent output to multiple devices. Momentum Pro is a simple, easy-to-use and affordable PDF workflow solution for small to mid-size printers.

Competition

The markets for our products are characterized by evolving industry standards and business models, rapid software and hardware technology developments and frequent new product introductions. Our future success will depend on our ability to enhance our existing products, introduce new products in a timely and cost-effective manner, meet changing customer needs, extend our core technology into new applications, and anticipate and respond to emerging standards, business models and other technological changes.

We believe that our patented technologies, other intellectual property, thermal plate manufacturing facilities, strategic alliances, distribution network and knowledge of the marketplace positions us to compete in today's market. Several other companies, however, address markets in which our products are used and have products that are competitive.

Most of the companies marketing competitive products, or with the potential to do so, are well established, have substantially greater financial, marketing and distribution resources than us, and have established records in the development, sale and servicing of products. There can be no assurance that any of our products or any products incorporating our technology will be able to compete successfully in the future.

DI® Presses

Potential competition for DI® presses comes from several areas including manufacturers of high-end electrophotographic and inkjet technology as well as manufacturers of conventional offset printing presses.

Manufacturers of high-end electrophotographic technology include, among others, Canon Inc., Hewlett Packard Company, Ricoh Company, Ltd., Eastman Kodak Company, and Xerox Corporation. These electrophotographic imaging systems use either liquid or dry toners to create one to four (or more) color images on paper and typically offer resolutions of between 400 and 1200 dots per inch. These technologies are generally best suited for runs of less than 500 copies or for printing variable data.

Manufacturers of high-end inkjet technology include, Fujifilm Corporation, Xerox Corporation, Hewlett Packard, Dainippon Screen Mfg. Co., Ltd., and Eastman Kodak Company. These devices are new to the market and use inkjet technology to produce color images up to 1200dpi. These devices generally require a special treated paper.

Manufacturers of conventional offset printing presses include, among others, Heidelberger Druckmaschinen AG, Koenig & Bauer AG (KBA), Ryobi Limited ("Ryobi") and manroland AG. The level of automation on new presses is improving and when combined with an automated CTP system an effective workflow can be established. We believe that conventional offset is best suited for production runs of 20,000 or longer. The quality of print from a conventional offset press will depend on the skill of the operator as well as the process the print establishment uses to deliver the plate to the press.

Screen Dainippon Screen Graphics (USA), LLC offers the Truepress 344 press. This press is an A3 four color digital offset press that prints up to 7,000 impressions per hour with a conventional wet offset process.

The Presstek 34DI® also competes against the Ryobi 3404DI for end user sales. Ryobi is an OEM partner of Presstek and the Ryobi 3404DI uses Presstek's imaging technology, printing plates and press design.

VIM Technologies, Ltd., an Israeli company ("VIM"), has been selling a plate for DI® presses. During 2009, in an action initiated by the Company against VIM and several of its North American dealers, the United States International Trade Commission ruled that the VIM printing plates infringe Presstek's valid and enforceable patents

and banned the importation of the VIM plates into the United States. Also during 2009, the Regional Court in Dusseldorf, Germany ruled that the VIM plates infringe Presstek's valid and enforceable patents, and ordered VIM plate sales in Germany halted, and this ruling was upheld on appeal.

These competitive plates could have an impact on Presstek's revenue. They could also lead to downward pricing pressure on our full line of spooled consumable products, which could have a material adverse effect on our business, results of operations and financial condition.

Computer-to-Plate

Most of the major companies in the industry have developed or sourced off-press CTP imaging systems. Potential competitors in this area include, among others, Agfa Gevaert N.V. ("Agfa"), Kodak, Screen, Fuji Photo Film Co., Ltd. ("Fuji"), and Heidelberg, combinations of these companies, and other smaller or lesser-known companies. Many of these devices utilize printing plates that require a post-imaging photochemical developing step and/or other post processing steps such as post bake treatment.

We are seeing competition from printing plate companies that manufacture, or have the potential to manufacture, digital thermal plates. Such companies include, among others, Agfa, Kodak, and Fuji. Some companies, including Agfa, Kodak, and Fuji, have announced or released plates that reportedly eliminate the need for post image chemical processing.

Products incorporating our technologies can also be expected to face competition from products using conventional methods of creating and printing plates and producing printed product. While these methods are considered to be more costly, less efficient and not as environmentally conscious as those we implement, they do offer their users the ability to continue to employ their existing means of print and plate production. Companies offering these more traditional means and methods are also refining these technologies to make them more acceptable to the market.

Supplies

Our broad portfolio of equipment, supplies, and service has several competitors. In addition to those mentioned above, competitors include for Prepress: ECRM and RIPit; for Press: Ryobi, Hamada, Xerox Corporation, Canon Inc., Ricoh Company, Ltd. and Hewlett Packard Company; for Service: General Binding Corp., Kodak, Service On Demand and some independent providers; for Dealers: Xpedx, Pitman and Fuji Graphic Systems.

Patents, Trademarks and Proprietary Rights

Our general policy has been to seek patent protection for those inventions and improvements likely to be incorporated into our products and services or where proprietary rights will improve our competitive position. As of December 31, 2011, our worldwide patent portfolio included over 400 patents. We believe these patents, which expire from 2012 through 2027, are material in the aggregate to our business. We have applied for and are pursuing applications for 17 additional U.S. patents and 6 foreign patents. We have registered, or applied to register, certain trademarks in the U.S. and other countries, including Presstek, DI®, Dimension, ProFire®, Anthem®, Aeon, and PearlDry®. We anticipate that we will apply for additional patents, trademarks, and copyrights, as deemed appropriate.

We rely on proprietary know-how and employ various methods to protect our source code, concepts, trade secrets, ideas and the documentation of our proprietary software and laser diode technology. Such methods, however, may not afford complete protection and there can be no assurance that others will not independently develop such know-how or obtain access to our know-how, software codes, concepts, trade secrets, ideas, and documentation.

We also protect our intellectual property by instituting legal proceedings against parties suspected of infringing on the Company's legally protected patent and trademark rights.

Research and Development

Research and development expenses related to our continued development of products incorporating DI® and CTP technologies were $4.4 million, $4.3 million and $5.0 million in fiscal 2011, fiscal 2010 and fiscal 2009, respectively. Additionally, the Company capitalizes costs related to the design and development of prototypes by third parties that incorporate Presstek products and technology. Capitalized development costs were $1.2 million, $1.2 million and $1.1 million in fiscal 2011, fiscal 2010 and fiscal 2009, respectively.

Environmental Protection

The Company is subject to various laws and governmental regulations concerning environmental matters. In the United States, federal laws and state regulatory programs having an impact on the Company include: the Toxic Substances Control Act; the Resource Conservation and Recovery Act; the Clean Air Act; the Clean Water Act; and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

It is the Company’s policy to carry out its business activities in a manner consistent with sound health, safety and environmental management practices, and to comply with applicable health, safety and environmental laws and regulations. The Company continues to engage in programs for environmental, health and safety protection and control.

Based upon information presently available, future costs associated with environmental compliance are not expected to have a material effect on the Company's capital expenditures, results of operations or competitive position. Such costs, however, could be material to results of operations in a particular future quarter or year.

Backlog

We sell our products under standard sales orders and dealer contracts. Customer orders are generally filled within a short time period, and therefore our backlog, at any point in time, is minimal.

Employees

At December 31, 2011, we had 384 employees worldwide. Of these, 20 are engaged primarily in engineering, research and development; 70 are engaged in sales and marketing; 165 are engaged in service and customer support; 86 are engaged primarily in manufacturing, manufacturing engineering and quality control; and 43 are engaged primarily in corporate management, administration and finance.

Available Information

Financial and other information about us is available on our website, www.presstek.com. We make available, free of charge on our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Glossary

Set forth below is a glossary of certain terms used in this Annual Report on Form 10-K:

A1	a printing term referring to a standard paper size capable of holding eight 8.5” x 11” pages on a sheet of paper
A2	a printing term referring to a standard paper size capable of holding four 8.5” x 11” pages on a sheet of paper
A3/B3	a printing term referring to a standard paper size capable of holding two 8.5” x 11” pages on a sheet of paper
B2 press	A printing term commonly used in Europe to describe a press format capable of printing B2 size paper. A B2 sheet of paper is 500mm × 707mm (19.7” × 27.8”)
Ablation	a controlled detachment/vaporization caused by a thermal event, this process is used during the imaging of Presstek’s PEARL and Anthem® Pro consumables
Bindery	operations done after printing an image. Can include punching, folding, perforating, trimming and slitting.
Computer-to-plate (CTP)	a general term referring to the exposure of lithographic plate material from a digital database, off-press
DI®	Presstek’s registered trademark for direct-to-press imaging systems that allow image carriers (film and plates) to be imaged from a digital database, on and off-press
Dots per inch (dpi)	a measurement of the resolving power or the addressability of an imaging device
FM screening	referred to as stochastic screening. A process that converts images into small dots of variable spacing rather than regularly spaced dots or lined screens. This technique of laying down halftone dots can produce superior color results.
Infrared	light lying outside of the visible spectrum beyond its red-end, characterized by longer wavelengths; used in our thermal imaging process
Lines per inch (lpi)	The number of lines in an inch, as found on screens that create four-color process images, the more lines per inch the more detailed the printed image will be.
Lithography	printing from a single plane surface under the principle that the image area carries ink and the non-image area does not, and that

	ink and water do not mix
Off-press	making a printing plate from either an analog or digital source independent of the press on which it will be used
On-press	the use of Presstek's direct imaging technologies to make a plate directly from a digital file on the press
Makeready	all activities required to transition from the end of one print job to the first sellable sheet of a second print job
Moiré patterns	undesirable pattern in halftones and screen tints made by improperly aligned screens
Open platform CTP Plates	CTP plates that work on a range of platesetters from various manufacturers, allowing access to a broader market segment

PEARL	the name associated with Presstek's first generation laser imaging technologies and related products and consumables
ProFire® and ProFire® Excel imaging systems	the Presstek components required to convert a conventional printing press into a direct imaging press, including laser diode arrays, computers and electronics
Platemaking	the process of applying a printable image to a printing plate
Prepress	graphic arts operations and methodologies that occur prior to the printing process; typically these include photography, scanning, image assembly, color correction, exposure of image carriers (film and/or plate), proofing and processing
Semiconductor laser diode	a high-powered, infrared imaging technology employed in the DI® imaging systems
Short-run markets/printing	a graphic arts classification used to denote an emerging growth market for lower print quantities
Thermal	a method of digitally exposing a material via the heat generated from a laser beam
Vacuum deposition process	a technology to accurately, uniformly coat substrates in a controlled environment
Waterless	a lithographic printing method that uses dry offset printing plates and inks and does not require a dampening system

Item 1A. Risk Factors.

Certain of the statements contained in this Annual Report on Form 10-K (other than the historical financial data and other statements of historical fact), including, without limitation, statements as to management's expectations and beliefs, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. Words such as "believe(s)," "should," "plan," "expect(s)," "project(s)," "anticipate(s)," "may," "like "potential," "opportunity" and similar expressions identify forward-looking statements. Forward-looking statements are made based upon management's good faith expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with such expectations or that the effect of future developments on the Company will be those anticipated by management.

Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made and readers are advised to consider such forward-looking statements in light of the risks set forth below. Presstek undertakes no obligation to update any forward-looking statements contained in this Annual Report on Form 10-K.

Significant factors that could cause actual results to differ materially from management's expectations or otherwise impact the Company's financial condition or results of operations include, without limitation, the following risks:

Current economic conditions and future market disruptions may adversely affect the Company's business and results of operations. Adverse economic conditions in the United States and internationally, leading to reduced capital spending, may adversely impact our business.

A substantial portion of our business depends on our customers' demand for our products and services, the overall economic health of our current and prospective customers, and general economic conditions. As widely reported, financial markets throughout the world experienced extreme disruption in the past three years, including extreme volatility in securities prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others, failure and potential failures of major financial institutions and unprecedented government support of financial institutions and large businesses. These developments and the continuing effects of the related general economic downturn have and will adversely impact the Company's business and financial condition in a number of ways, including impacts beyond those typically associated with other recent downturns in the U.S. and foreign economies. The slowdown has caused reduced capital spending by end users, which has adversely affected and may continue to adversely affect the Company's product sales. Additional cost reduction actions may be necessary which would lead to additional restructuring charges. The tightening of credit in financial markets and the general economic downturn has, and will likely continue to, adversely affect the ability of the Company's customers, suppliers, outsource manufacturers and channel partners (e.g., dealers and resellers) to obtain financing for significant purchases. The tightening could result in a decrease in or cancellation of orders for the Company's products and services, could negatively impact the Company's ability to collect its accounts receivable on a timely basis, could result in additional reserves for uncollectible accounts receivable being required, and in the event of continued contraction in the Company's sales, could lead to dated inventory and require additional reserves for obsolescence.

The Company is unable to predict the pace, strength, or duration of recovery from the economic downturn and disruption in financial markets or their future effects on the Company's business and results of operations, but the consequences of a slow or weak recovery or future downturn may be materially adverse.

The current capital and credit market conditions may adversely affect our access to capital, cost of capital and business operations.

The general economic and capital market slowdown in the United States and other parts of the world over the past three years have adversely affected access to capital and increased the cost of capital. If these conditions continue or become worse, our future access to capital markets could be adversely affected and the cost of debt and equity capital could increase. While the Company has a revolving credit facility, if the need arises for additional financing, the inability to obtain adequate financing from debt and/or equity sources could force us to self-fund capital expenditures and strategic initiatives, forgo some opportunities, or possibly discontinue certain operations.

Our credit agreement expires in March 2013 and requires that we meet certain financial performance metrics and restricts certain activities.

The Company's current credit agreement expires in March 2013, and there can be no assurance that the Company will be able to obtain an extension of the current credit agreement or obtain adequate financing from another source. Under the terms of the Company's credit agreement, the Company is required to meet or exceed certain financial performance metrics. The Company's failure to achieve these performance metrics would result in a default under the credit agreement, which could have a material adverse effect on our business, results of operations and financial condition. In addition, we are restricted under the credit agreement in our ability to enter into certain transactions, and to make certain investments and capital expenditures above established levels. These restrictions, among others in the credit agreement, may restrict our ability to meet our growth and financial performance targets.

We are substantially dependent on our manufacturing and distribution relationships to produce products and to develop and grow our business. The loss or failure of one or more of these partners could significantly harm our business.

Our business strategy includes working with manufacturing and distribution partners to produce our products on an OEM basis and to aid in developing new market channels for our products. We are dependent on many of these partners for the supply of products as well as the future sales of both existing and planned products. This means that the timetable for finalizing development, commercialization and distribution of both existing and planned products is dependent upon the needs and circumstances of our partners. Any delay in meeting production and distribution targets with our partners may harm our relationships with them and may cause them to terminate their relationship with us. Our distribution partners may not develop markets for our products at the pace or in the manner we expect, which may have an adverse effect on our business. Our manufacturing and distribution partners may terminate their relationships with us for reasons beyond our control or we may mutually agree to terminate our relationship. Our partners may also experience disruptions in their ability to manufacture or distribute our products for reasons beyond our control, including factors unique to their businesses, factors that are political in nature and related to their region or country, factors related to acts of war or acts of nature, or factors associated with the current global economic downturn. We cannot be assured that the termination of any of our relationships with our manufacturing and distribution partners, and the disruption of their ability to manufacture and distribute our products will not have an adverse impact on our business in the future.

Our business strategy may include the licensing or acquisition of technologies, which entail a number of risks.

As part of our strategy to grow our business, we may license technologies from third parties. We may not be successful in integrating the acquired technology into our existing business to achieve the desired results.

Our lengthy and variable sales cycle makes it difficult for us to predict when or if sales will occur and therefore we may experience an unplanned shortfall in revenues. A shortfall in anticipated revenues may have an adverse effect on

our business, results of operations and financial condition.

Many of our products have a lengthy and unpredictable sales cycle that contributes to the unpredictability of our operating results; this issue has been compounded by the economic downturn. Customers view the purchase of our products as a significant capital outlay and, therefore, a strategic decision. As a result, customers generally evaluate these products and determine their impact on existing infrastructure over a lengthy period of time. The sales of our

products may be subject to delays if the customer has lengthy internal budgeting, approval and evaluation processes. The severe economic downturn has significantly impacted this decision-making process of many of our customers and prospective customers, and some businesses are either deferring or canceling significant capital purchasing decisions due to the uncertainty of their own financial futures. If revenues anticipated during a particular period are not realized or are delayed, we may experience a shortfall in anticipated revenues, which could have an adverse effect on our business, results of operations and financial condition.

We face risks associated with our efforts to expand into international markets.

We intend to continue expanding our global sales operations and enter additional international markets in order to increase market awareness and acceptance of our line of products and generate increased revenues, which will require significant management attention and financial resources. International sales are subject to a variety of risks, including difficulties in establishing and managing international distribution channels, in serving and supporting products sold outside the U.S.and in translating products and related materials into foreign languages. International operations are also subject to difficulties in collecting accounts receivable, staffing and managing personnel and enforcing intellectual property rights. Other factors that can adversely affect international operations include the impact of local laws and regulations, fluctuations in the value of foreign currencies and currency exchange rates, changes in import/export duties and quotas, introduction of tariff or non-tariff barriers and economic or political changes in international markets.

If our international sales increase, our revenues may also be affected to a greater extent by seasonal fluctuations resulting from lower levels of sales that typically occur during the summer months in Europe and other parts of the world. There can be no assurance that these factors will not have an adverse effect on our business, results of operations and financial condition.

We have experienced losses in the past, could incur substantial losses in the future, and may not be able to maintain profitability.

The Company has sustained significant losses in prior periods. The ability of the Company to generate profits in fiscal 2012 and beyond is dependent upon its ability to generate revenues and effectively manage costs. We may need to generate significant increases in revenues to generate profits, and we may not be able to do so. If our revenues grow more slowly than we anticipate or decrease, or if our operating expenses increase more than we expect or cannot be reduced in the event of lower revenues, our business will be adversely affected. Additionally, future losses could negatively impact our borrowing availability under our existing credit agreement and/or our ability to meet the covenants of our existing credit agreement which could limit our access to additional resources and have a negative affect on our liquidity. Even if we become profitable in the future on a quarterly or annual basis, we may not be able to sustain or increase such profitability year to year.

We have intangible assets, and if we are required to write-down any of these assets, it would reduce our net income, which in turn could have a material adverse effect on our results of operations.

We have intangible assets. Intangible assets with estimated lives and other long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with FASB Accounting Standards Codification (“ASC”)Topic 360, (originally issued as SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets (“SFAS 144”)). Recoverability of intangible assets with estimated lives and other long-lived assets is measured by comparison of the carrying amount of an asset or asset group to future net undiscounted pretax cash flows expected to be generated by the asset or asset group. If these comparisons indicate that an asset is not recoverable, the Company will recognize an impairment loss for the amount by which the carrying value of the asset or asset group exceeds the related estimated fair

value. Reductions in our net income caused by the write-down of any of these intangible assets could materially and adversely affect our results of operations.

Our quarterly revenues and operating results are likely to fluctuate significantly.

Due primarily to the high cost of the Company's digital off-set presses relative to the amount of our quarterly revenues, our quarterly revenues and operating results are difficult to predict since a small fluctuation in the number of presses sold could cause a significant fluctuation in quarterly revenues. Our revenue levels have varied in the past, and may fluctuate significantly from quarter to quarter. Accordingly, our quarterly results may fluctuate from quarter to quarter based upon the number of digital off-set presses that are sold in a particular quarter. In addition, we base our current and future expense levels in part on our estimates of future revenues. Our expenses are largely fixed in the short-term and we may not be able to adjust our spending in a timely manner if our revenues fall short of our expectations. Accordingly, a revenue shortfall in a particular quarter would have an adverse effect on our operating results for that quarter. In addition, our quarterly operating results may fluctuate for many other reasons, including, without limitation:

- a long and unpredictable sales cycle;
- changes in demand for our products and consumables, including seasonal differences;
- changes in the mix of our products and consumables; and
- the continued global economic slowdown.

We are dependent on third party suppliers for critical components and certain products. Our inability to maintain an adequate supply for these critical components and important products could adversely affect us.

We are dependent on third-party suppliers for critical components and certain important products. Our demand for these components may strain the ability of our third party suppliers to deliver such components and products in a timely manner. For example, we have a requirement for advanced technology laser diodes for use in products incorporating our direct-to-press technology. If we are unable for any reason to secure an uninterrupted source of critical components at prices acceptable to us, our operations could be materially adversely affected. There can be no assurance that we will be able to obtain alternative suppliers should our current supply channels prove inadequate.

Our manufacturing capabilities may be insufficient to meet the demand for our products.

Our manufacturing processes are sophisticated and demand specific environmental conditions. Although we take precautions to avoid interruptions in manufacturing and to ensure that the products that are manufactured meet our exacting performance standards, our yields may be affected by difficulties in our manufacturing processes. If such an effect occurs, it could increase manufacturing costs, detrimentally impacting margins, or cause a delay in the finishing and shipping of products.

New products may not be commercially successful and may not gain market acceptance.

As part of the Company's strategy, we have recently introduced several new products. Achieving and maintaining market acceptance for any product requires substantial marketing and distribution efforts and the dedication of financial and other resources. We may not have sufficient resources to achieve and maintain market acceptance of new products. Additionally, there can be no assurance that our existing product offerings will achieve and maintain market acceptance or that any of our other current products or any future products that we may develop or any future products produced by others that incorporate our technologies will achieve market acceptance or become commercially successful. If these product offerings do not achieve anticipated market acceptance, we may not achieve anticipated revenue and profitability.

If we fail to maintain an effective system of internal and disclosure controls, we may not be able to accurately report our financial results or prevent fraud. As a result, investors may lose confidence in our financial reporting and disclosures.

The Sarbanes-Oxley Act of 2002 and SEC rules require that management report annually on the effectiveness of our internal control over financial reporting. Among other things, management must conduct an assessment of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act.

Management's Report on Internal Control over Financial Reporting included in this Annual Report on Form 10-K, concludes that as of December 31, 2011 our internal control over financial reporting was effective. Although we exercise significant efforts to maintain effective controls, our continued assessment may reveal deficiencies in our internal control over financial reporting and our disclosure controls or procedures. Such deficiencies may adversely impact our ability to report accurately and in a timely manner our financial condition and results of operations in the future, which may cause investors to lose confidence in our financial reporting. Moreover, effective internal and disclosure controls are necessary to produce accurate, reliable financial reports and to detect and prevent fraud.

Our success is partially dependent on our ability to maintain and protect our proprietary rights.

Our future success will depend, in part, upon our intellectual property, including patents, trademarks, trade secrets, proprietary know-how, source codes and continuing technological innovation. We have been issued a number of U.S. and foreign patents and we intend to register for additional patents where we deem appropriate. These patents expire on various dates from 2012 to 2027. We also hold several registered trademarks and we may register additional trademarks where we deem appropriate. There can be no assurance, however, as to the issuance of any additional patents or trademarks or the breadth or degree of
protection that our patents, trademarks or other intellectual property may afford us. The steps we have taken to protect our intellectual property may not adequately prevent misappropriation or ensure that others will not develop competitive technologies or products. Further, the laws of certain territories in which our products are or may be developed, manufactured or sold, may not protect our products and intellectual property rights to the same extent as the laws of the United States.

There is rapid technological development in the electronic image reproduction industry, resulting in extensive patent filings and a rapid rate of issuance of new patents. Although we believe that our technology has been independently developed and that the products we market do not infringe the patents or violate the proprietary rights of others, it is possible that such infringement of existing or future patents or violation of proprietary rights may inadvertently occur.

In this regard, third parties may in the future assert claims against us concerning our existing products or with respect to future products under development by us. In such event, we may be required to modify our product designs or obtain a license. No assurance can be given that we would be able to do so in a timely manner, upon acceptable terms and conditions or even at all. The failure to do any of the foregoing could have a material adverse effect on our business, results of operations and financial condition. Furthermore, we have agreements with several of our partners which require us to indemnify the partner from claims made by third parties against them concerning our intellectual property, and to defend the validity of the patents or otherwise ensure the technology's availability to the partner. The costs of an indemnification claim under any such agreement could have a material adverse effect on our business.

We have taken and may take in the future, legal action to protect our patent and trademark rights from infringement by others. We have also defended actions brought against us relating to the validity of our patent rights. In the course of pursuing or defending any of these actions we could incur significant costs and diversion of our resources. Due to the competitive nature of our industry, it is unlikely that we could increase our product prices to cover such costs. There can be no assurance that we will have the financial or other resources necessary to successfully defend a patent infringement or proprietary rights violation action. Moreover, we may be unable, for financial or other reasons, to enforce our rights under any patents we may own. Such litigation is costly and is subject to uncertain results that could have a material effect on our business, results of operations and financial condition.

We also rely on proprietary know-how and employ various methods to protect the source codes, concepts, trade secrets, ideas and documentation relating to our proprietary software and laser diode technology. Such methods, however, may not afford complete protection and there can be no assurance that others will not independently develop such know-how or obtain access to our know-how or software codes, concepts, trade secrets, ideas and documentation. Although we have and expect to have confidentiality agreements with our employees and appropriate vendors, there can be no assurance, however, that such arrangements will adequately protect our trade secrets and proprietary know-how.

We use hazardous materials in the production of many of our products at our various manufacturing facilities.

As a manufacturing company, we are subject to environmental, health and safety laws and regulations, including those governing the use of hazardous materials. The cost of compliance with environmental, health and safety regulations is substantial. Some of our business activities involve the controlled use of hazardous materials and we cannot eliminate the risk or potential liability of accidental contamination, release or injury from these materials. In the event of an accident or environmental discharge, we may be held liable for any resulting damages, which may exceed our financial resources and the limits of any insurance coverage, and our production of plates could be delayed indefinitely, which could materially harm our business, financial condition and results of operations.

We face competition in the sale of our products.

We compete with manufacturers of conventional presses and products utilizing existing plate-making technology, as well as presses and other products utilizing new technologies, including other types of direct-to-plate solutions such as companies that employ electrophotography as their imaging technology. Canon Inc., Hewlett Packard Company, Kodak and Xerox Corporation are companies that have introduced color electrophotographic copier products. Various companies are marketing product versions manufactured by these companies.

We also compete with stand-alone CTP imaging devices for single and multi-color applications. Most of the major corporations in the graphic arts industry have developed and are marketing off press CTP imaging systems. To date, devices manufactured by our competitors, for the most part, utilize printing plates that require a post imaging photochemical developing step, and in some cases, also require a heating process. Competitors in this area include, among others, Agfa, Screen, Heidelberg, Fuji and Kodak.

We also have competition from plate manufacturing companies that manufacture printing plates, including digital thermal plates. These companies include Agfa, Kodak and Fuji. The introduction of a competitive plate could reduce the revenue generated by Presstek and could have a material adverse effect on our business, results of operations and financial condition.

Products incorporating our technologies can also be expected to face competition from conventional methods of printing and creating printing plates. Most of the companies marketing competitive products, or with the potential to do so, are well established, have substantially greater financial, marketing and distribution resources than us and have established reputations for success in the development, sale and service of products. There can be no assurance that we will be able to compete successfully in the future.

While we believe we have strong intellectual property protection covering many of our technologies, there is no assurance that the breadth or degree of such protection will be sufficient to prohibit or otherwise delay the introduction of competitive products or technologies. The introduction of competitive products and technologies may have a material adverse effect on our business, results of operations and financial condition.

We may not be able to adequately respond to changes in technology affecting the printing industry.

The printing and publishing industry has been characterized in recent years by rapid and significant technological changes and frequent new product introductions. Current competitors or new market entrants could introduce new or enhanced products with features, which render our technologies, or products incorporating our technologies, obsolete or less marketable. Our future success will depend, in part, on our ability to respond to changing technology and industry standards in a timely and cost-effective manner. We may not be successful in effectively using new technologies, developing new products or enhancing our existing products and technology on a timely basis. Our new technologies or enhancements may not achieve market acceptance. Our pursuit of new technologies may require substantial time and expense.

We may need to license new technologies to respond to technological change. These licenses may not be available to us on terms that we can accept. Finally, we may not succeed in adapting our products to new technologies as they emerge.

Changes in accounting standards could affect our financial results.

New accounting standards or pronouncements that may become applicable to us from time to time, or changes in the interpretation of existing standards and pronouncements, could have a significant effect on our reported results for the affected periods.

The loss or unavailability of our key personnel would have a material adverse effect on our business.

Our success is largely dependent on the personal efforts of our senior management team. The loss or interruption of the services of any or all of these individuals could have an adverse effect on our business and prospects.

Our stock price has been and could continue to be extremely volatile.

The market price of our common stock has been subject to significant fluctuations. The securities markets have experienced, and may experience in the future, significant price and volume fluctuations that could adversely affect the market price of our common stock without regard to our operating performance. In addition, the trading price of our common stock could be subject to significant fluctuations in response to:

- actual or anticipated variations in our quarterly operating results;
- significant announcements by us or other industry participants;
- changes in national or regional economic conditions;
-

changes in securities analysts' estimates for us, our competitors or our industry, or our failure to meet analysts' expectations; and

- general market conditions.

If we do not meet the NASDAQ Stock Market continued listing requirements, our common stock may be delisted.

We were notified by the NASDAQ Stock Market ("NASDAQ") on October 24, 2011 that we were no longer in compliance with the NASDAQ's minimum bid price listing requirement. We have until April 23, 2012 to regain compliance with the minimum bid price rule that requires, among other things, that the average closing price of our common stock be above $1.00 per share for a minimum of ten consecutive trading days prior to that date. During this time, our common stock continues to be listed on the NASDAQ and trades as usual. Despite our efforts, there can be no assurance that we will be in compliance with the NASDAQ's continued listing requirements at or prior to April 23, 2012, or that we will not subsequently fail to satisfy the continued listing requirements. If at the end of any cure period, we are not in compliance with the NASDAQ's continued listing requirements, our common stock may be subject to delisting. A delisting could: (i) reduce the liquidity and market price of our common stock; (ii) negatively impact our ability to raise equity financing; (iii) prevent us from accessing the public capital markets; and (iv) materially and adversely impact our results of operations and financial condition. We would seek shareholder approval to authorize a reverse stock split in order to increase the price of the common stock and satisfy the minimum bid price requirement, although there can be no assurance that we would be able to obtain such shareholder approval.

Foreign exchange rates may adversely affect the Company's financial results.

Significant volatility and fluctuations in the rates of exchange for the U.S. dollar against currencies such as the Euro, the British pound and the Japanese yen could negatively impact the Company's customer pricing, purchase price of sourced product, and adversely affect the Company's financial results.

These factors may materially and adversely affect our stock price, regardless of our operating performance.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

The following table summarizes our significant occupied properties:

Location	Functions	Square footage (approximate)	Ownership status/ lease expiration
Hudson, NH	Manufacturing, research and development, marketing, demonstration activities, administrative and customer support	165,000	Owned
South Hadley, MA (two buildings)	Manufacturing, research and development, administrative support	100,000	Owned
Greenwich, CT	Corporate headquarters, executive offices	11,500	Lease expires in May 2013
Des Plaines, IL	Distribution center	127,000	Lease expires in February 2013
Heathrow, United Kingdom	European headquarters, sales, service	20,000	Lease expires in November 2020

In addition to the properties referenced above, we also lease a number of small sales and marketing offices in the U.S. and internationally. We believe that our existing facilities are adequate for our needs for at least the next twelve months.

All of the properties we own are pledged as security for our credit facility; please refer to Note 8 of the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

We believe that our existing facilities are well maintained, in good operating condition and are adequate for our current and expected future operations.

Item 3. Legal Proceedings.

Presstek is a party to litigation that it considers routine and incidental to its business, however it does not expect the results of any of these actions to have a material adverse effect on its business, results of operation or financial condition.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchasers of Equity Securities.

Our common stock is quoted on The NASDAQ Global Market under the symbol "PRST". The following table sets forth the high and low closing sales prices per share of common stock for each full quarterly period within the two most recently completed fiscal years as reported by The NASDAQ Global Market.

	High	Low
Fiscal year ended December 31, 2011		
First quarter	$2.73	$1.98
Second quarter	$2.06	$1.38
Third quarter	$1.87	$0.67
Fourth quarter	$0.85	$0.43
Fiscal year ended January 1, 2011	High	Low
First quarter	$5.09	$2.15
Second quarter	$5.19	$2.35
Third quarter	$3.41	$1.55
Fourth quarter	$2.33	$1.73

On March 15, 2012, there were 2,024 holders of record of our common stock. The closing price of our common stock was $0.62 per share on March 15, 2012.

Dividend Policy

To date, we have not paid any cash dividends on our common stock. Under the terms of our credit agreement, we are prohibited from declaring or distributing dividends to shareholders. The payment of cash dividends in the future is within the discretion of our Board of Directors, and will depend upon our earnings, capital requirements, financial condition and other relevant factors, including the current prohibition on such dividends described above. The Board of Directors does not intend to declare any cash dividends in the foreseeable future, but instead intends to retain all earnings, if any, for use in our business operations.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during fiscal 2011.

Item 6. Selected Financial Data.

The selected consolidated financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included as Part II Item 7 of this Annual Report on Form 10-K and our consolidated financial statements and notes thereto included in Part II Item 8 of this Annual Report on Form 10-K.

(in thousands, except per-share data)

	Fiscal year ended				
	December 31, 2011	January 1, 2011	January 2, 2010	January 3, 2009	December 29, 2007
Revenue	$120,005	$128,577	$134,458	$193,252	$246,573
Cost of revenue	85,350	86,679	92,266	124,511	177,346
Gross profit	34,655	41,898	42,192	68,741	69,227
Operating expenses					
Research and development	4,398	4,305	4,975	5,144	4,969
Sales, marketing and customer support	20,280	21,562	24,967	29,937	39,194
General and administrative	17,319	21,468	21,912	25,496	33,172
Amortization of intangible assets	869	805	926	1,084	2,168
Restructuring and special charges (credits)	1,911	564	1,684	2,108	2,714
Goodwill impairment	-	-	19,114	-	-
Total operating expenses	44,777	48,704	73,578	63,769	82,217
Operating income (loss)	(10,122)	(6,806)	(31,386)	4,972	(12,990)
Other income (expense), net	(2,083)	(1,244)	(1,389)	938	(1,254)
Income (loss) from continuing operations before income taxes	(12,205)	(8,050)	(32,775)	5,910	(14,244)
Provision (benefit) for income taxes	223	2,503	16,334	2,780	(3,889)
Income (loss) from continuing operations	(12,428)	(10,553)	(49,109)	3,130	(10,355)
Loss from discontinued operations, net of income tax	-	(70)	(740)	(2,606)	(1,849)
Net income (loss)	$(12,428)	$(10,623)	$(49,849)	$524	$(12,204)
Earnings (loss) per share - basic					
Income (loss) from continuing operations	$(0.33)	$(0.29)	$(1.34)	$0.09	$(0.29)
Loss from discontinued operations	-	(0.00)	(0.02)	(0.08)	(0.05)
	$(0.33)	$(0.29)	$(1.36)	$0.01	$(0.34)
Earnings (loss) per share - diluted					
Income (loss) from continuing operations	$(0.33)	$(0.29)	$(1.34)	$0.09	$(0.29)
Loss from discontinued operations	-	(0.00)	(0.02)	(0.08)	(0.05)
	$(0.33)	$(0.29)	$(1.36)	$0.01	$(0.34)
Weighted average shares outstanding					
Basic	37,287	36,898	36,744	36,596	36,199
Diluted	37,287	36,898	36,744	36,605	36,199

	As of				
	December 31, 2011	January 1, 2011	January 2, 2010	January 3, 2009	December 29, 2007
Working capital (this excludes discontinued operations)	$14,772	$22,312	$19,324	$34,670	$35,337
Total assets	$69,813	$80,525	$104,535	$157,513	$192,827
Total debt and capital lease obligations	$13,757	$10,252	$17,910	$16,489	$35,535
Stockholders' equity	$39,216	$49,178	$56,848	$102,531	$106,892

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis should be read in connection with "Item 1. Business", "Item 1A. Risk Factors", "Item 6. Selected Financial Data", "Item 7A. Quantitative and Qualitative Disclosures about Market Risks" and our consolidated financial statements and notes thereto included in Part II Item 8 of this Annual Report on Form 10-K. Certain terms used in the discussion below are defined in Item 1 of this Annual Report on Form 10-K.

Overview of the Company

The Company is a provider of high-technology, digital-based printing solutions to the commercial print segment of the graphic communications industry. The Company designs, manufactures and distributes proprietary and non-proprietary solutions aimed at serving the needs of a wide range of print service providers worldwide. Our proprietary digital imaging and advanced technology consumables offer superior business solutions for commercial printing focusing on the growing need for short-run, high quality color applications. We have helped to lead the industry's transformation from analog print production methods to digital imaging technology. We are a leader in the development of advanced printing systems using digital imaging equipment, workflow and consumables-based solutions that economically benefit the user through streamlined operations and chemistry-free, environmentally responsible solutions. We are also a leading sales and service channel across the entire commercial and in-plant printing segments.

Presstek's business model is a capital equipment and consumables model. In this model, approximately two-thirds of our revenue is recurring revenue. Our model is designed so that each placement of either a DI® press or a CTP system generally results in recurring aftermarket revenue for consumables and service. We also provide consumables for use on equipment purchased by end users from other manufacturers and suppliers.

Through our various operations, we:

- provide advanced digital print solutions through the development, manufacture, and sourcing of digital laser imaging equipment and advanced technology chemistry-free and chemistry-based printing plates, which we call consumables, for commercial and in-plant print providers targeting the growing market for high quality, fast turnaround short-run color printing; and

- are a leading sales and services company delivering Presstek digital solutions and solutions from other manufacturing partners through our direct sales and service force and through distribution partners worldwide.

We have developed the enabling technology for DI® digital offset presses. DI® presses are Presstek's proprietary system by which digital images are transferred directly onto printing plates that are already mounted on press. Our advanced DI® presses are a waterless, easy to use, high quality printing press that is fully automated and provides our users with competitive advantages over alternative print technologies. We believe that our DI® digital offset presses, in combination with our proprietary printing plates and streamlined workflow, produces a superior offset printing solution. By combining advanced digital technology with the reliability and economic advantages of offset printing, we believe our customers are better able to grow their businesses, generate higher profits and better serve the needs of their customers.

Similar digital imaging technologies are used in our CTP systems. We also design and manufacture CTP systems that incorporate our technology to image our chemistry-free printing plates. Our chemistry-free digital imaging systems enable customers to produce high quality, full color lithographic printed materials more quickly and cost effectively than conventional methods that employ more complicated workflows and toxic chemical processing. This results in

reduced printing cycle time and lowers the effective cost of production for commercial printers. Our solutions make it more cost effective for printers to meet the increasing demand for shorter print runs, higher quality color and faster turn-around times.

In addition to marketing, selling and servicing our proprietary digital products, we also market, sell and service traditional (or analog) products for the commercial print market. This analog equipment is manufactured by third party strategic partners and the analog consumables are manufactured by either us or our strategic partners.

We currently have one reporting segment; the Presstek segment. Presstek is primarily engaged in the development, manufacture, sourcing, selling and servicing of our business solutions using patented digital imaging systems and patented printing plate technologies. We also provide traditional analog systems and related equipment and supplies for the graphic arts and printing industries.

We generate revenue through three main sources: (i) the sale of our equipment and related workflow software, including DI® presses and CTP devices; (ii) the sale of our proprietary and non-proprietary consumables and supplies; and (iii) the servicing of offset printing systems and analog and CTP systems and related equipment.

Prior to March 5, 2010, we conducted business in two segments: the Presstek segment, and the Lasertel segment. Lasertel manufactured and developed high-powered laser diodes and related laser products. On September 24, 2008, the Board of Directors approved a plan to market the Lasertel subsidiary for sale; as such the Company has presented the results of operations of this subsidiary within discontinued operations. On March 5, 2010, the Lasertel subsidiary was sold to SELEX as previously discussed. Commencing with the second quarter of the fiscal 2010, the Company's reports filed with the SEC reflect that the Company conducts business in one industry segment as a result of its sale of Lasertel.

Strategy

Our business strategy is centered on maximizing the sale of consumable products, such as printing plates, and therefore our business efforts focus on the sale of "consumable burning engines" such as our DI® presses and CTP devices, as well as the servicing of customers using our business solutions.

To complement our direct sales efforts, in certain territories, we maintain OEM reseller agreements with Heidelberg and Ryobi around DI consumables which they resell to their legacy installed base of DI equipped presses. Presstek continues to sell DI consumables to the legacy installed base of KBA Karat ("KBA") presses.

Another method of growing the market for consumables is to develop and distribute consumables that can be imaged by non-Presstek devices (i.e., "open platform" plates). In addition to expanding the base of our DI® and CTP units, an element of our focus is to reach beyond our proprietary systems and penetrate the installed base of CTP devices in all market segments with our thermal plate offerings. The first step in executing this strategy was the launch of our Aurora Pro chemistry-free printing plate designed to be used with CTP units manufactured by other thermal CTP device manufacturers. In December 2009 we introduced Aeon, a no preheat thermal CTP plate that offers run lengths to 200,000 without baking. We continue to work with other CTP manufacturers to qualify our consumables on their systems. We believe this shift in strategy fundamentally enhances our ability to expand and control our business.

During fiscal 2010 we took a major step forward in our up-market growth strategy with the introduction of the new Presstek 75DI® digital offset press. The 75DI® incorporates Presstek's next-generation imaging technology and DI® thermal plates into a larger six-page format. This new larger format press, which can also be purchased with integrated aqueous coating capability, will provide us greater access to the up-market, larger customers.

Since 2007, management has been taking steps to improve the Company's cost structure and strengthen its balance sheet in order to enable Presstek to improve profitability and strengthen its overall financial position. Our reduced cost levels and balance sheet improvements to date are, in large part, the result of our cost reduction initiatives as described in more detail below, as well as a continuing focused effort to review and manage working capital.

Fiscal 2011 Highlights

The worldwide economic conditions continued to adversely impact our business in 2011. Overall commercial print industry volume was low again as companies held back on general advertising and promotional materials, and uncertainty regarding the economy and tightening credit markets led to delays in capital purchase decisions. As a result of the continuing economic slowdown, as well as continuing erosion due to technological changes impacting our traditional product business, revenues in fiscal 2011 of $120.0 million were down $8.6 million, or 6.7%, compared to the prior year.

Management Objectives

Our vision is to provide high quality, fully integrated digital solutions and services that enable us to form an all-encompassing relationship with our customers. Our business strategy is to offer innovative digital imaging and plate technologies that address the opportunities of today and tomorrow in the graphic arts and commercial printing markets across the globe.

This strategy includes several imperatives: (1) focus on the growth of our consumables product line; (2) emphasize attractive market segments such as larger print providers and global sales expansion; (3) focus on growing existing segments such as print shops with less than 20 employees, (4) enable customers to better compete by offering a more diverse range of products; (5) continue to expand solutions that meet the growth in demand for short-run, fast turnaround high quality color printing; and (6) provide environmentally responsible solutions through our application of technology.

Cost Reduction Initiatives

Over the last three years the Company has made substantive changes to reduce its cost structure and scale its business to match its revenue stream. The Company is currently positioned to meet the demand of its existing customer base and has the capacity to increase production when demand improves.

Use of Non-GAAP Measures

Adjusted EBITDA is a financial measure which is not prescribed or authorized by the U.S. generally accepted accounting principles ("GAAP"). Adjusted EBITDA, as we define it, reflects earnings excluding the impact of interest expense, provision for income taxes, depreciation expense, amortization expense, stock-based compensation expense, restructuring and special charges and other non-recurring charges or credits.

Our Credit Agreement includes a similar measure as a basis for a material covenant under the agreement. Additionally, we believe that EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired. We believe that investors commonly adjust EBITDA information to eliminate the effect of restructuring and other expenses, which vary widely from company to company and impair comparability. We adjust for these items in our Adjusted EBITDA as our management believes that these items would distort their ability to efficiently view and assess our core operating trends.

In summary, our management uses Adjusted EBITDA as a measure of operating performance to assist in comparing performance from period to period on a consistent basis and to readily view operating trends, as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations, and in communications with our Board of Directors, shareholders, creditors, analysts and investors concerning our financial performance.

Adjusted EBITDA was negative $1.4 million, positive $4.0 million and negative $1.6 million in fiscal 2011, 2010 and 2009, respectively. The following table represents a reconciliation of GAAP amounts ("Net Income (Loss) from Continuing Operations") to Non-GAAP amounts ("Adjusted EBITDA") for fiscal 2011, 2010 and 2009 (in thousands of dollars).

	2011	2010	2009
Net Income (Loss) from Continuing Operations	(12,428)	$(10,553)	$(49,109)
Add Back:			
Interest expense, net	1,218	1,049	1,116
Provision for income taxes	223	2,503	16,334
Depreciation and amortization	4,786	4,841	4,733
Non-cash portion of equity compensation(1)	1,512	3,662	1,702
Impairment and other non-cash charges(2)	1,399	1,935	21,938
Restructuring and other charges	1,911	564	1,684
Adjusted EBITDA	(1,379)	$4,001	$(1,602)

(1) includes charges for bonus plan payable in Presstek stock and stock-based compensation

(2) includes a customer bad debt charge in 2011 and 2010 and for 2009 a goodwill write-off and inventory charge

General

The Company operates and reports on a 52- or 53-week fiscal year ending on the Saturday closest to December 31. Accordingly, the financial statements presented herein include the financial results for the 52-week fiscal year ended December 31, 2011 ("fiscal 2011" or "2011"), the 52 – week fiscal year ended January 1, 2011 ("fiscal 2010" or "2010"), and the 52-week fiscal year ended January 2, 2010 ("fiscal 2009" and "2009").

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist in understanding our consolidated financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our consolidated financial statements.

The discussion of results of operations at the consolidated level is presented below.

Results of Operations

Results of operations in dollars and as a percentage of revenue were as follows (in thousands of dollars):

	Fiscal year ended					
	December 31, 2011		January 1, 2011		January 2, 2010	
		% of revenue		% of revenue		% of revenue
Revenue						
Equipment	$20,743	17.3	$21,413	16.7	$19,646	14.6
Consumables	76,276	63.5	82,300	64.0	85,741	63.8
Service and parts	22,986	19.2	24,864	19.3	29,071	21.6
Total revenue	120,005	100.0	128,577	100.0	134,458	100.0
Cost of revenue						
Equipment	22,941	19.1	21,924	17.1	23,916	17.8
Consumables	43,702	36.4	44,920	34.9	46,765	34.8
Service and parts	18,707	15.6	19,835	15.4	21,585	16.0
Total cost of revenue	85,350	71.1	86,679	67.4	92,266	68.6
Gross profit	34,655	28.9	41,898	32.6	42,192	31.4
Operating expenses						
Research and development	4,398	3.7	4,305	3.3	4,975	3.7
Sales, marketing and customer support	20,280	16.9	21,562	16.8	24,967	18.6
General and administrative	17,319	14.4	21,468	16.7	21,912	16.3
Amortization of intangible assets	869	0.7	805	0.6	926	0.7
Restructuring and other charges	1,911	1.6	564	0.4	1,684	1.3
Goodwill impairment	-	-	-	-	19,114	14.2
Total operating expenses	44,777	37.3	48,704	37.9	73,578	54.8
Operating loss	(10,122)	(8.4)	(6,806)	(5.3)	(31,386)	(23.4)
Interest and other income (expense), net	(2,083)	(1.7)	(1,244)	(1.0)	(1,389)	(1.0)
Loss from continuing operations before income taxes	(12,205)	(10.2)	(8,050)	(6.3)	(32,775)	(24.4)
Provision for income taxes	223	0.2	2,503	1.9	16,334	12.1
Loss from continuing operations	(12,428)	(10.4)	(10,553)	(8.2)	(49,109)	(36.5)
Loss from discontinued operations, net of income taxes	-	-	(70)	(0.1)	(740)	(0.6)
Net loss	$(12,428)	(10.4)	$(10,623)	(8.3)	$(49,849)	(37.1)

Fiscal 2011 Compared to Fiscal 2010

Revenue

Consolidated revenues were $120.0 million in 2011 compared to $128.6 million in the prior year, a decrease of 7%. The decline in revenues was driven primarily by the continuing erosion of our traditional plates and consumables product lines as well as our overall service business.

Net equipment revenues were $20.7 million in 2011 compared to $21.4 million in the prior year, a decrease of 3%. Customers are continuing to delay capital equipment purchases during this weak economy and financing remains difficult to obtain. Gross revenue of DI® presses increased by $1.6 million, or 10%, to $16.9 million in 2011, driven by the successful launch of our 75DI press. Gross revenue of our CTP portfolio of equipment, defined as Dimension Excel, Dimension Pro, Compass, and Vector platesetters, declined from $3.7 in 2010 to $2.4 million in the current year. Gross revenue of our traditional line of equipment, defined as polyester CTP platesetters and conventional equipment and peripherals, declined from $3.1 million in 2010 to $2.2 million in the current year.

Consumables product revenues declined 7%, from $82.3 million in 2010 to $76.3 million in the current year, due primarily to the impact of the weakening economy and the continuing erosion of our traditional plate and consumables product lines. Sales of DI plates declined from $17.1 million in 2010 to $15.8 million in 2011. Sales of Presstek's line of proprietary CtP plates declined from $12.9 million in 2010 to $11.2 million in 2011. Sales of Presstek's line of open platform CtP plates, defined as Aurora, AEON, and PhD, increased by 38% to $3.2 million in 2011 compared to the prior year. Sales of the remaining lines of traditional plates and consumables decreased from $49.6 million in 2010 to $45.8 million in the current year.

Service and parts revenues were $23.0 million in 2011 reflecting a decrease of $1.9 million, or 8%, from the prior year. The decrease is due primarily to the impacts on service of the overall decrease in equipment placements, a reduction in installation and training revenues, and a general trend by customers to defer service maintenance in order to save money in a difficult economy.

Cost of Revenue

Consolidated cost of product, consisting of costs of material, labor and overhead, shipping and handling costs and warranty expenses, was $66.6 million in 2011 compared to $66.8 million in the prior year.

Consolidated cost of service and parts declined from $19.8 million in 2010 to $18.7 million in 2011, a reduction of 6%. These amounts represent the cost of spare parts and labor and overhead expense associated with the ongoing service of products. The reduction in overall cost is due primarily to lower field service expenses resulting from cost reduction initiatives, as well as lower revenues.

Gross Profit

Gross profit as a percentage of product revenues was 31.3% in 2011 compared to 35.5% in 2010. Lower margins were primarily the result of unfavorable equipment and consumables product mix, a stronger Yen, and unabsorbed manufacturing overhead in our factories resulting from lower overall production.

Gross profit as a percentage of service revenues was 18.6% in 2011 compared to 20.2% in 2010. The decrease is primarily due to reduced revenues, the impact of which was not fully offset by field service cost reductions.

Research and Development

Research and development expenses primarily consist of payroll and related expenses for personnel, parts and supplies, and contracted services required to conduct our equipment and consumables development efforts. Research and development expenses increased to $4.4 million in fiscal 2011 compared to $4.3 million in the prior year.

Sales, Marketing and Customer Support

Sales, marketing and customer support expenses primarily consist of payroll and related expenses for personnel, advertising, trade shows, promotional expenses, and travel costs associated with sales, marketing and customer support activities.

Sales, marketing and customer support expenses decreased from $21.6 in fiscal 2010 to $20.3 million in 2011. Favorable expense levels were due primarily to lower payroll related costs resulting from cost reduction actions as well as lower trade show expense.

General and Administrative

General and administrative expenses are primarily comprised of payroll and related expenses, including stock compensation, for personnel, contracted professional services necessary to conduct our general management, finance, information systems, human resources, legal and administrative activities and bad debt reserves.

General and administrative expenses declined from $21.5 million in 2010 to $17.3 million in 2011, a reduction of $4.2 million, or 19%. Favorable expense levels in 2011 were due in large part to cost reduction initiatives undertaken throughout the year in response to the ongoing difficult economic environment, as well as lower non-cash stock compensation.

Amortization of Intangible Assets

Amortization expense was $0.9 million in fiscal 2011 compared to $0.8 million in 2010. This expense relates to intangible assets recorded in connection with the Company’s 2004 acquisition of assets from A.B. Dick, 75DI development costs, patents, and other purchased intangible assets.

Restructuring and Other Charges

Restructuring and other charges of $1.9 million in fiscal 2011 increased from $0.6 million in fiscal 2010. Expenses incurred during 2011 include restructuring costs related to various cost reduction activities taken in response to the weakening economy. The Company anticipates that the majority of the payments related to the above restructuring

actions will be completed by the fourth quarter of 2012.

Interest and Other Income (Expense), Net

Consolidated interest and other income (expense), net, was an expense of $2.1 million in 2011 compared to expense of $1.2 million in 2010. The increase in expense is comprised of additional foreign currency translation expense of $0.5 million, increased interest expense of $0.2 million, and lower miscellaneous other income of $0.2 million.

Provision for Income Taxes

Our effective tax rate was (1.83%) in fiscal 2011 and (31.1%) in fiscal 2010. The variance from the federal statutory rate for fiscal 2011 is mainly due to the fact that the Company has not provided a tax benefit on its current year losses due to the uncertainty of the realization of its net operating loss carryforwards and other net deferred tax assets. The Company's 2011 provision for income taxes consists of deferred tax expense related to a change in the elimination of profit in ending inventory, current state taxes payable and a return to provision adjustment related to an international subsidiary. The variance from the federal statutory rate in fiscal 2010 was primarily due to an increase in the valuation allowance provided against the Company's deferred tax assets in the UK, Canada and Germany and the fact that the Company did not provide a tax benefit on U.S. losses in fiscal 2010 due to the uncertainty of the realization of its net operating loss carryforwards and other net deferred tax assets in the U.S.

Fiscal 2010 Compared to Fiscal 2009

Revenue

Consolidated revenues were $128.6 million in 2010, compared to $134.5 million in the prior year, a decrease of 4%. The decline in revenues was driven primarily by the continuing decline in our traditional consumables business and service. Overall, sales of Presstek's "growth" portfolio of products, defined as 34DI® and 52DI® digital offset solutions and the Presstek family of chemistry-free CTP solutions, increased $0.3 million, or 1% in 2010 compared to the prior year.

Equipment revenues were $21.4 million in 2010 compared to $19.6 million in the prior year, an increase of 9%. Equipment sales continued to be impacted by the deterioration of the economy and we continue to see some reluctance by small to mid-size customers in our North American market to make capital equipment purchases in this environment, and financing remains difficult to obtain. Gross revenue of growth portfolio DI® presses and peripherals declined slightly from $15.7 million in 2009 to $15.3 million in the prior year. Gross revenue of our remaining growth portfolio of equipment, Dimension Excel, Dimension Pro, Compass, and Vector platesetters, declined from $4.3 in 2009 to $3.7 million in the prior year. Our "traditional" line of equipment is defined as QMDI presses, polyester CTP platesetters, and conventional equipment. Gross revenues from our traditional line of equipment products increased from $2.2 million in 2009 to $3.1 million in the prior year. As a percentage of gross equipment product revenue, net sales of growth portfolio products decreased to 85.9% of revenue in fiscal 2010 from 90.0% of revenue in fiscal 2009.

Consumables product revenues declined 4% from $85.7 million in 2009 to $82.3 million in the current year due primarily to the increases in our "growth" consumables being more than offset by the anticipated lower sales of our "traditional" portfolio of consumables as customers move away from analog to digital workflows. Sales of Presstek's "growth" portfolio of consumables, defined as 52DI®, 34DI®, and chemistry-free CTP plates, increased from $31.0 million in 2009 to $32.3 million in the prior year. Overall sales of Presstek's growth portfolio of DI plates increased from $16.7 million in 2009 to $17.1 million in 2010. Sales of chemistry-free CTP plates increased by 6% in 2010 from $14.4 million in 2009. Sales of Presstek's traditional plate products, consisting of QMDI, other DI®, and

polyester plates, declined from $32.1 million in 2009 to $29.1 million in the prior year, while sales of other traditional consumables products declined from $22.2 million to $20.5 million in the year.

Service and parts revenues were $24.9 million in 2010 reflecting a decrease of $4.2 million, or 14%, from the prior year. The decrease is due primarily to the impacts on service of the overall decrease in equipment placements, a reduction in installation revenue and a general trend by customers to delay service calls and maintenance to save money in a difficult economy.

Cost of Revenue

Consolidated cost of product, consisting of costs of material, labor and overhead, shipping and handling costs and warranty expenses, was $66.8 million in 2010 compared to $70.7 million in the prior year, a decrease of 5%. The overall decrease in product cost was due primarily to lower revenues. Additionally, cost of product in 2009 included a charge of $2.7 million related to lower production volume levels in our equipment manufacturing plant and the impact of a change in certain product strategies.

Consolidated cost of service and parts declined 8% to $19.8 million in 2010 from $21.6 million in 2009. These amounts represent the cost of spare parts, labor and overhead associated with the ongoing service of products. The reduction in overall cost is due primarily to lower field service expenses resulting from cost reduction initiatives, as well as lower revenues.

Gross Profit

Gross profit as a percentage of product revenues was 35.5% in 2010 compared to 32.9% in 2009. The primary cause for the change in gross profit percentage was reduced costs and improved efficiencies in 2010 in both equipment and consumables manufacturing.

Gross profit as a percentage of service revenues was 20.2% in 2010 compared to 25.7% in 2009. The decrease is primarily due to reduced revenues, the impact of which was not fully offset by field service cost reductions.

Research and Development

Research and development expenses primarily consist of payroll and related expenses for personnel, parts and supplies, and contracted services required to conduct our equipment and consumables development efforts. Research and development expenses declined to $4.3 million in fiscal 2010 compared to $5.0 million in the prior year due primarily to lower payroll and consulting related costs.

Sales, Marketing and Customer Support

Sales, marketing and customer support expenses primarily consist of payroll and related expenses for personnel, advertising, trade shows, promotional expenses, and travel costs associated with sales, marketing and customer support activities.

Sales, marketing and customer support expenses decreased from $25.0 in fiscal 2009 to $21.6 million in 2010. Favorable expense levels were due primarily to lower payroll and consulting related costs resulting from cost reduction actions as well as reduced advertising and travel costs.

General and Administrative

General and administrative expenses are primarily comprised of payroll and related expenses, including stock compensation, for personnel, contracted professional services necessary to conduct our general management, finance, information systems, human resources, legal and administrative activities and bad debt reserves.

General and administrative expenses were $21.5 million in 2010 compared to $21.9 million in the prior year. Favorable expense levels in 2010 were due in large part to lower payroll related costs and lower professional

services fees which more than offset increased costs related to the 2010 non-cash equity-based bonus plan and a $1.9 million bad debt charge recognized in the fourth quarter of 2010 related to a single customer.

Amortization of Intangible Assets

Amortization expense was $0.8 million in fiscal 2010 compared to $0.9 million in 2009. This expense relates to intangible assets recorded in connection with the Company's 2004 A.B. Dick acquisition, patents and other purchased intangible assets.

Restructuring and Other Charges

Consolidated restructuring and other charges of $0.6 million in fiscal 2010 decreased from $1.7 million in fiscal 2009. Expenses incurred during 2010 relate to certain cost reduction efforts in the Company's United States operations. The majority of these expenses are anticipated to be completed by the second quarter of 2011.

Goodwill Impairment

During 2009 the Company wrote off its entire goodwill balance, resulting in an impairment loss of $19.1 million in the second quarter of 2009. The Company had no goodwill balance remaining as of January 2, 2010 and no charge occurred during fiscal 2010.

Interest and Other Income (Expense), Net

Consolidated interest and other income (expense), net, was an expense of $1.2 million in 2010 compared to expense of $1.4 million in 2009. The reduction in expense is comprised primarily of a favorable swing in foreign currency impacts of $0.5 million, offsetting the net impact in 2009 of a $0.4 million charge related to the estimated SEC penalty (See Note 12), a $0.3 million charge related to forbearance fees (See Note 8) and $1.2 million of proceeds from favorable resolution of an insurance contract lawsuit settlement.

Provision for Income Taxes

Our effective tax rate was (31.1%) in fiscal 2010 and (49.8%) in fiscal 2009. The variance from the federal statutory rate for fiscal 2010 was primarily due to an increase in the valuation allowance provided against our net deferred tax assets in the UK, Canada and Germany and the fact that the Company did not provide a tax benefit on U.S. losses in fiscal 2010 due to the uncertainty of the realization of its net operating loss carryforwards and other net deferred tax assets in the U.S. The variance from the federal statutory rate in fiscal 2009 was primarily due to an increase in the valuation allowance provided against the Company's U.S. deferred tax assets since it was not deemed to be more likely than not that the benefits from these deferred tax assets would be realized.

Discontinued Operations

The Company accounts for its discontinued operations under the provisions of FASB ASC Topic 360, (originally issued as SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets ("SFAS 144")). Accordingly, results of operations and the related charges for discontinued operations have been classified as "Loss from discontinued operations, net of income taxes" in the accompanying Consolidated Statements of Operations. Assets and liabilities of discontinued operations have been reclassified and reflected on the accompanying Consolidated Balance Sheets as "Assets of discontinued operations" and "Liabilities of discontinued operations". For comparative purposes, all prior periods presented have been reclassified on a consistent basis.

On September 24, 2008, the Board of Directors approved a plan to sell the Lasertel subsidiary as the Lasertel operations were not considered a core focus for the Presstek graphics business. The Company has presented the results of operations of this subsidiary within discontinued operations, classified the assets as "Assets of discontinued operations" and liabilities as "Liabilities of discontinued operations". On March 5, 2010, Presstek sold Lasertel to SELEX Galileo Inc. ("SELEX"). The sale of Lasertel to SELEX was for $8.0 million in cash and, in addition, Presstek was able to retain approximately $2.0 million of laser diodes inventory for Presstek's future production requirements. Lasertel, as a subsidiary of SELEX, and in accordance with a supply agreement established between Lasertel and Presstek on March 5, 2010, will continue to manufacture semiconductor laser diodes for Presstek for an initial period of three years.

In 2008, prior to and independent of the plan to sell the Lasertel business, the Company completed a sale-leaseback transaction of its Lasertel property located in Tucson, Arizona (the "Property"). The Company sold the Property to an independent third party for approximately $8.75 million resulting in a gain of approximately $4.6 million. Concurrent with the sale, the Company entered in to an agreement to lease a portion of the property back from the purchaser for a term of 10 years. The gain associated with the transaction was deferred at the inception of the arrangement and was being amortized ratably over the lease term. Included within the liabilities of discontinued operations as of January 2, 2010 is the aforementioned deferred gain associated with the Arizona property in which Lasertel conducted its operations. The related amortization of the gain is included in "Income (loss) from discontinued operations, net of tax". As part of the sale of Lasertel to SELEX on March 5, 2010, the buyer assumed all of the Company's obligations under the lease.

Lasertel incurred an operating loss of $0.6 million during the first quarter of fiscal 2010 prior to the sale date. Presstek recorded a gain on the disposition of Lasertel of $0.5 million during the first quarter of 2010, bringing the aggregate loss from discontinued operations for fiscal 2010 to approximately $0.1 million. Lasertel incurred a loss of $0.7 million during fiscal 2009, as compared to a loss of $2.7 million during 2008. The 2009 loss includes a non-cash impairment charge of $1.4 million and $0.9 million of legal fees related to the negotiation and signing of a definitive agreement to sell the business.

Results of operations of the discontinued business of Lasertel consist of the following (in thousands, except per-share data):

	January 1, 2011	January 2, 2010
Revenue	$1,394	$13,488
Profit (loss) before other charges	(555)	1,621
Impairment charge	-	(1,428)
Transaction costs related to sale	-	(933)
Gain on disposition	485	-
Loss before income taxes	(70)	(740)
Provision (benefit) for income taxes	--	--
Net loss from discontinued operations	$(70)	$(740)
Loss per diluted share	$0.00	$(0.02)

There were no assets and liabilities of the discontinued business of Lasertel at December 31, 2011.

Liquidity and Capital Resources

We finance our operating and capital investment requirements primarily through cash flows from operations and borrowings. At December 31, 2011, we had $2.5 million of cash and cash equivalents and $14.8 million of working capital, compared to $4.2 million of cash and cash equivalents and $22.3 million of working capital at January 1, 2011.

Continuing Operations

Our operating activities used $3.9 million of cash generation in fiscal 2011. Cash used by operating activities came from a net loss of $12.4 million offset by positive adjustments of $8.6 million for non-cash charges including depreciation, amortization, provisions for warranty costs, accounts receivable allowances, stock compensation expense and loss on disposal of assets.

We used $1.5 million of net cash for investing activities during fiscal 2011 primarily for additions to property, plant and equipment and additions to developed technology costs. The addition to developed technology relate to the design and prototyping of our new 75DI® digital offset press.

Our financing activities provided $3.6 million of cash, consisting primarily of $3.5 million of cash borrowings under our lines of credit.

Liquidity

On March 5, 2010, the Company entered into a Revolving Credit and Security Agreement ("Credit Agreement") among the Company and PNC Bank, National Association ("PNC"), as Lender and as administrative agent for Lenders (PNC, in such agency capacity, the "Agent").

The Credit Agreement, which has a term expiring on March 5, 2013, provides for funding of up to $25.0 million through a revolving credit facility (the "Revolver"). Borrowing availability under the Revolver is determined based on a percentage of eligible accounts receivable and inventory of the Company and certain of its subsidiaries. The Company may terminate the Credit Agreement at any time prior to the maturity date upon thirty (30) days' prior written notice and upon payment in full of all outstanding obligations under the Credit Agreement. If the Company terminates the Credit Agreement within the first 35 months the Company must pay an early termination fee as specified in the Credit Agreement. The Credit Agreement requires the Company to prepay a portion of borrowings under the Credit Agreement out of the proceeds of certain dispositions of property.

Borrowings under the Credit Agreement bear interest at the Revolving Interest Rate. The Revolving Interest Rate is calculated differently for domestic rate loans and for Eurodollar rate loans. For domestic rate loans the interest rate per annum is equal to the sum of the Alternate Base Rate plus two and one half percent (2.50%). The Alternate Base Rate is defined as a rate per annum, for any day, equal to the higher of (i) PNC's published reference rate, (ii) the Federal Funds Open rate in effect on such day plus one half of one percent (0.50%) or (iii) the Daily LIBOR Rate in effect on such day plus one percent (1.0%). For Eurodollar rate loans the interest rate per annum is equal to the sum of three and one-half percent (3.50%) plus the greater of (a) the Eurodollar rate, or (b) one percent (1.0%). The Credit Agreement requires monthly interest payments with respect to domestic rate loans and a payment at the end of each interest period with respect to Eurodollar rate loans.

Borrowings under the Credit Agreement are secured by all of the assets of Presstek, Inc. and certain of its domestic and foreign subsidiaries that guaranty the obligations of Presstek, Inc., including all receivables, equipment, general intangibles, inventory, investment property, subsidiary stock, owned real property and leasehold interests of the Company.

Under the Credit Agreement the Company is required to provide monthly Borrowing Base Certificates to the Agent that become the basis for calculating the Credit Agreement's Formula Amount. The Formula Amount, capped at $25 million, represents the maximum amount of advances available to the Company at a given point in time. The Formula Amount is normally calculated 20 days subsequent to the close of each fiscal month. Because of the timing delay, the Agent utilizes a process that estimates the maximum amount available daily during each fiscal period. As of December 31, 2011 the Formula Amount was $17.9 million and the Company had outstanding balances on its line of credit of $13.8 million. The amount available under the credit line, based on the Formula Amount, was $4.1 million as of December 31, 2011. The computed preliminary availability based on the daily estimation process was $3.6 million as of that date.

Under the terms of the Credit Agreement, the Company is required to comply with certain financial and non-financial covenants. Among other restrictions, the Company is restricted in its ability to pay dividends, incur additional debt and make acquisitions and divestitures, with certain exceptions. The key financial covenants include a requirement for the Company to maintain a certain fixed charge coverage ratio and a limit on capital expenditures for the Company's first, second, third and fourth fiscal quarters in 2010 of $385,000, $1,238,000, $1,139,000 and $614,000, respectively, and $4,000,000 in each fiscal year thereafter. As of December 31, 2011 the Credit Agreement required the Company to maintain a rolling four quarter cumulative fixed charge coverage ratio of 1.0 to 1.0. Pursuant to an amendment to the Credit Agreement dated February 7, 2012, the fixed charge coverage ratio has been changed. The Company is required to maintain a fixed charge coverage ratio of 1.25 to 1.0 for the following periods: with respect to the fiscal quarter ending on or about March 31, 2012, for the fiscal quarter then ending; with respect to the fiscal quarter ending on or about June 30, 2012, for the two fiscal quarters then ending; with respect to the fiscal quarter ending on or about September 30, 2012, for the three fiscal quarters then ending; with respect to the fiscal quarter ending on or about December 31, 2012 and for each fiscal quarter ending thereafter, in each case for the four fiscal quarters then ending. In addition, pursuant to the amendment dated February 7, 2012, the Availability Block (as defined in the Loan Agreement) of $2 million, which was to be re-established on January 31, 2012, will be re-established on the following schedule: (i) for the period commencing on January 31, 2012 and ending on the last day of the fiscal quarter ending on or about March 31, 2012, $1.0 million, (ii) for the period commencing on the first day of the fiscal quarter commencing on or about April 1, 2012 and ending on the last day of such fiscal quarter, $1.25 million, (iii) for the period commencing on the first day of the fiscal quarter commencing on or about July 1, 2012 and ending on the last day of such fiscal quarter, $1.5, (iv) for the period commencing on the first day of the fiscal quarter commencing on or about October 1, 2012 and ending on the last day of such fiscal quarter, $1.75 million and (v) for the period commencing on the first day of the fiscal year commencing on or about January 1, 2013 and through the expiration of the Loan Agreement, $2.0 million.

As of December 31, 2011 the Company was fully in compliance with all financial covenants. The fixed charge ratio for the quarter ended December 31, 2011 was 1.3 to 1.0, in excess of the 1.0 to 1.0 minimum required ratio. Additionally, since the inception of the Credit Agreement, the Company's quarterly capital expenditures have been well below the maximum levels allowed.

Our liquidity is dependent on availability under our current Credit Agreement. This availability is a function of both our cash generated by operations and our borrowing base availability (primarily based on eligible inventories and accounts receivable) and compliance with our debt covenants. Management believes there will be adequate availability and compliance with debt covenants throughout 2012. However, a significant decline in operating results could have a negative impact and may require management to scale back on capital expenditures and/or other operating activities.

The weighted average interest rate on the Company's short-term borrowings was 4.50% at December 31, 2011 and 4.59% at January 1, 2011.

Contractual Obligations

Our contractual obligations at December 31, 2011 consisted of the following (in thousands):

	Payments due by period	
Total	Less than one year	