

BANTA CORP  
Form 10-Q  
November 02, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended October 1, 2005

OR

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

Commission File Number 1-14637

BANTA CORPORATION

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(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction  
of incorporation or organization)

39-0148550  
(IRS Employer  
I.D. Number)

225 Main Street, Menasha, Wisconsin  
(Address of principal executive offices)

54952  
(Zip Code)

Registrant's telephone number, including area code: (920) 751-7777

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 /X/ No //

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

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

Common stock outstanding as of October 24, 2005 23,979,318 shares.

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BANTA CORPORATION AND SUBSIDIARIES  
Quarterly Report on Form 10-Q  
For the Quarter Ended October 1, 2005

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## Part 1 Item 1. Financial Statements

BANTA CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

|                           | (Dollars in thousands) |                 |
|---------------------------|------------------------|-----------------|
|                           | October 1, 2005        | January 1, 2005 |
| <u>ASSETS</u>             |                        |                 |
|                           | <u>(unaudited)</u>     |                 |
| Current Assets            |                        |                 |
| Cash and cash equivalents | \$ 141,821             | \$ 133,093      |
| Receivables               | 258,271                | 263,087         |
| Inventories               | 83,594                 | 102,892         |
| Other current assets      | 21,043                 | 25,169          |
|                           | <u>504,729</u>         | <u>524,241</u>  |
| Plant and equipment       | 969,850                | 999,935         |

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|  | (Dollars in thousands) |                   |
|--|------------------------|-------------------|
| Less accumulated depreciation  | 706,170                | 711,808           |
| Plant and equipment, net   | 263,680                | 288,127           |
| Goodwill   | 43,603                 | 66,371            |
| Other assets   | 32,839                 | 26,834            |
| <b>Total Assets</b>  | <b>\$ 844,851</b>      | <b>\$ 905,573</b> |
| <br><b><u>LIABILITIES AND SHAREHOLDERS' INVESTMENT</u></b>   |                        |                   |
| <b>Current Liabilities</b>   |                        |                   |
| Accounts payable   | \$ 94,303              | \$ 105,656        |
| Accrued salaries and wages   | 39,070                 | 44,410            |
| Other accrued liabilities  | 39,969                 | 47,946            |
| Current maturities of long-term debt   | 11,286                 | 25,594            |
| <b>Total Current Liabilities</b>   | <b>184,628</b>         | <b>223,606</b>    |
| Long-term debt   | 57,262                 | 62,333            |
| Deferred income taxes  | 20,639                 | 25,622            |
| Other non-current liabilities  | 56,323                 | 56,046            |
| <b>Total Liabilities</b>   | <b>318,852</b>         | <b>367,607</b>    |
| <b>Shareholders' Investment</b>  |                        |                   |
| Preferred stock-\$10 par value;<br>authorized 300,000 shares; none issued  | --                     | --                |
| Common stock-\$.10 par value, authorized 75,000,000 shares;<br>29,649,436 and 29,278,884 shares issued, respectively | 2,965                  | 2,928             |
| Amount in excess of par value of stock   | 53,896                 | 41,454            |
| Retained earnings  | 641,599                | 582,973           |
| Unearned compensation  | (1,304)                | (840)             |
| Treasury stock, at cost - 5,670,118 and 4,232,412 shares, respectively   | (179,270)              | (114,046)         |
| Accumulated other comprehensive earnings   | 8,113                  | 25,497            |
| <b>Total Shareholders' Investment</b>  | <b>525,999</b>         | <b>537,966</b>    |
|  | <b>\$ 844,851</b>      | <b>\$ 905,573</b> |

See accompanying notes to unaudited condensed consolidated financial statements

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**BANTA CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS  
(UNAUDITED)**

(Dollars in thousands, except per share amounts)

|  | Three Months Ended |                 | Nine Months Ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | October 1, 2005    | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| Continuing operations:                     |                    |                 |                   |                 |
| Revenue                                    | \$ 381,099         | \$ 355,854      | \$ 1,133,436      | \$ 1,046,444    |
| Cost of printing and supply-chain services | 294,351            | 275,582         | 883,457           | 821,584         |

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(Dollars in thousands, except per share amounts)

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Gross earnings   | 86,748    | 80,272    | 249,979   | 224,860   |
| Selling and administrative expenses  | 56,013    | 52,100    | 177,853   | 154,138   |
| Earnings from operations   | 30,735    | 28,172    | 72,126    | 70,722    |
| Interest expense   | (1,150)   | (1,396)   | (4,247)   | (4,974)   |
| Interest income  | 757       | 536       | 2,417     | 1,539     |
| Other income (expense), net  | (6)       | (119)     | 791       | 600       |
| Earnings from continuing operations before income taxes                          | 30,336    | 27,193    | 71,087    | 67,887    |
| Provision for income taxes   | 8,646     | 9,618     | 21,686    | 24,062    |
| Earnings from continuing operations  | 21,690    | 17,575    | 49,401    | 43,825    |
| Discontinued operations:   |           |           |           |           |
| Earnings from operations of discontinued Healthcare segment, net of income taxes | --        | 1,521     | 702       | 4,549     |
| Gain from sale of Healthcare segment, net of income taxes                        | --        | --        | 21,375    | --        |
| Net earnings   | \$ 21,690 | \$ 19,096 | \$ 71,478 | \$ 48,374 |
| Basic earnings per share of common stock:  |           |           |           |           |
| Earnings from continuing operations  | \$ 0.90   | \$ 0.71   | \$ 2.01   | \$ 1.74   |
| Earnings from discontinued operations  | --        | 0.06      | 0.03      | 0.18      |
| Earnings from gain on sale of Healthcare segment                                 | --        | --        | 0.87      | --        |
| Total  | \$ 0.90   | \$ 0.77   | \$ 2.91   | \$ 1.92   |
| Diluted earnings per share of common stock:                                      |           |           |           |           |
| Earnings from continuing operations  | \$ 0.89   | \$ 0.70   | \$ 1.98   | \$ 1.72   |
| Earnings from discontinued operations  | --        | 0.06      | 0.03      | 0.17      |
| Earnings from gain on sale of Healthcare segment                                 | --        | --        | 0.86      | --        |
| Total  | \$ 0.89   | \$ 0.76   | \$ 2.87   | \$ 1.89   |
| Cash dividends declared per share of common stock                                | \$ 0.18   | \$ 0.17   | \$ 0.53   | \$ 0.51   |

See accompanying notes to unaudited condensed consolidated financial statements

BANTA CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(Dollars in thousands)  
Nine Months Ended  
October 1, 2005    October 2, 2004

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|  | (Dollars in thousands) |                   |
|--|------------------------|-------------------|
| Cash Flows from Operating Activities                               |                        |                   |
| Net earnings   | \$ 71,478              | \$ 48,374         |
| Depreciation   | 42,102                 | 45,556            |
| Deferred income taxes  | --                     | (729)             |
| Tax benefit from the exercise of stock options                     | 3,263                  | 1,110             |
| Non-cash stock compensation  | 478                    | 148               |
| Gain on sale of Healthcare segment                                 | (21,375)               | --                |
| Gain on sale of plant and equipment                                | (308)                  | (637)             |
| Change in assets and liabilities                                   |                        |                   |
| Increase in receivables  | (1,533)                | (14,744)          |
| Decrease (increase) in inventories                                 | 9,885                  | (17,536)          |
| (Decrease) increase in accounts payable<br>and accrued liabilities | (17,028)               | 12,363            |
| Net change in other current assets and liabilities                 | (6,095)                | 12,322            |
| Net change in other non-current assets and liabilities             | (5,728)                | (7,688)           |
|  | <u>75,139</u>          | <u>78,539</u>     |
| Cash provided from operating activities                            |                        |                   |
| Cash Flows From Investing Activities                               |                        |                   |
| Capital expenditures   | (31,989)               | (54,282)          |
| Proceeds from the sale of Healthcare segment and related warehouse | 69,145                 | --                |
| Proceeds from the sale of plant and equipment                      | 1,097                  | 2,384             |
|  | <u>38,253</u>          | <u>(51,898)</u>   |
| Cash provided from (used for) investing activities                 |                        |                   |
| Cash Flows From Financing Activities                               |                        |                   |
| Repayments of long-term debt                                       | (19,379)               | (17,988)          |
| Dividends paid   | (12,796)               | (13,007)          |
| Proceeds from exercise of stock options, net                       | 8,690                  | 2,053             |
| Repurchase of common stock   | (65,571)               | (44,353)          |
| Other  | (68)                   | --                |
|  | <u>(89,124)</u>        | <u>(73,295)</u>   |
| Cash used for financing activities                                 |                        |                   |
| Effect of exchange rate changes on cash and cash equivalents       | (15,540)               | (412)             |
|  | <u>8,728</u>           | <u>(47,066)</u>   |
| Net increase (decrease) in cash                                    |                        |                   |
| Cash and cash equivalents at the beginning of period               | 133,093                | 181,112           |
|  | <u>\$ 141,821</u>      | <u>\$ 134,046</u> |
| Cash and cash equivalents at the end of the period                 |                        |                   |
| Cash payments for:   |                        |                   |
| Interest, net of capitalized interest                              | \$ 3,875               | \$ 4,366          |
| Income taxes   | 20,755                 | 7,224             |

See accompanying notes to unaudited condensed consolidated financial statements

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The unaudited condensed consolidated financial statements of Banta Corporation (the Corporation) included herein have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Corporation believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Corporation's latest Annual Report on Form 10-K.

In the opinion of management, the aforementioned financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. Results for the three and nine months ended October 1, 2005 are not necessarily indicative of results that may be expected for the year ending December 31, 2005. Certain prior year amounts have been reclassified to conform to the 2005 presentation.

### 2) Inventories

Inventories consist of the following (dollars in thousands):

|                                    | October 1, 2005 | January 1, 2005 |
|------------------------------------|-----------------|-----------------|
| Raw materials                      | \$ 45,959       | \$ 49,055       |
| Work-in-process and finished goods | 37,635          | 53,837          |
|                                    | \$ 83,594       | \$ 102,892      |

### 3) Earnings Per Share of Common Stock

Basic earnings per share of common stock is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share of common stock is computed by dividing net earnings by the weighted average number of common shares and common equivalent shares outstanding during the period. The common equivalent shares relate to the assumed exercise of stock options and the assumed vesting of restricted stock.

The weighted average shares used in the computation of earnings per share consist of the following (in millions of shares):

|         | Three Months Ended |                 | Nine Months Ended |                 |
|---------|--------------------|-----------------|-------------------|-----------------|
|         | October 1, 2005    | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| Basic   | 24.0               | 24.9            | 24.5              | 25.2            |
| Diluted | 24.4               | 25.2            | 24.9              | 25.6            |

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### 4) Comprehensive Earnings

Comprehensive earnings consist of the following (dollars in thousands):

|                                      | Three Months Ended |                 | Nine Months Ended |                 |
|--------------------------------------|--------------------|-----------------|-------------------|-----------------|
|                                      | October 1, 2005    | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| Net earnings                         | \$ 21,690          | \$ 19,096       | \$ 71,478         | \$ 48,374       |
| Other comprehensive earnings (loss): |                    |                 |                   |                 |

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|  | Three Months Ended |           | Nine Months Ended |           |
|--|--------------------|-----------|-------------------|-----------|
|  |                    |           |                   |           |
| Foreign currency translation adjustments | (459)              | 2,205     | (17,384)          | (542)     |
| Comprehensive Earnings                   | \$ 21,231          | \$ 21,301 | \$ 54,094         | \$ 47,832 |

5) Goodwill

Changes in the carrying amount of goodwill by segment during the nine months ended October 1, 2005 consist of the following (dollars in thousands):

|  | Printing Services | Supply-Chain Management | Healthcare | Total     |
|--|-------------------|-------------------------|------------|-----------|
| Balance at January 1, 2005   | \$ 37,552         | \$ 6,855                | \$ 21,964  | \$ 66,371 |
| Sale of Healthcare segment   | -0-               | -0-                     | (21,964)   | (21,964)  |
| Translation adjustments for goodwill denominated in foreign currencies | -0-               | (804)                   | -0-        | (804)     |
| Balance at October 1, 2005   | \$ 37,552         | \$ 6,051                | \$ -0-     | \$ 43,603 |

6) Stock-Based Compensation

The Corporation has three stock-based employee compensation plans. The Corporation's stock-based employee compensation plans are accounted for under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Because the number of shares is fixed and the exercise price of the stock options equals the market price of the underlying stock on the date of grant, no cost is reflected in net earnings for stock options granted under these plans. The Corporation amortizes restricted stock awards to net earnings over the vesting period based on the fair value of the stock at the date of grant.

Had compensation cost been determined based upon the fair value at the grant date for awards under the plans based on the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, the Corporation's pro forma net earnings and earnings per share would have been as follows (dollars in thousands, except per share amounts):

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|  | Three Months Ended |                 | Nine Months Ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | October 1, 2005    | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| Net earnings, as reported  | \$ 21,690          | \$ 19,096       | \$ 71,478         | \$ 48,374       |
| Add: Compensation expense related to restricted stock included in net earnings, net of related taxes | 98                 | 52              | 287               | 89              |
| Deduct: Compensation expense determined  |                    |                 |                   |                 |

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|   | Three Months Ended |           | Nine Months Ended |           |
|---|--------------------|-----------|-------------------|-----------|
|   | (1,173)            | (1,086)   | (2,977)           | (3,471)   |
| under SFAS No. 123, net<br>of related taxes |                    |           |                   |           |
| Pro forma net earnings                      | \$ 20,615          | \$ 18,062 | \$ 68,788         | \$ 44,992 |
| Earnings per share                          |                    |           |                   |           |
| As reported:                                |                    |           |                   |           |
| Basic                                       | \$ 0.90            | \$ 0.77   | \$ 2.91           | \$ 1.92   |
| Diluted                                     | \$ 0.89            | \$ 0.76   | \$ 2.87           | \$ 1.89   |
| Pro forma:                                  |                    |           |                   |           |
| Basic                                       | \$ 0.86            | \$ 0.73   | \$ 2.80           | \$ 1.79   |
| Diluted                                     | \$ 0.84            | \$ 0.72   | \$ 2.76           | \$ 1.76   |

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), Share Based Payment. SFAS No. 123(R) requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS No. 123(R) include stock options, restricted stock, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS No. 123(R) are effective as of the first fiscal year that begins after June 15, 2005. Accordingly, the Corporation will implement the revised standard in the first quarter of fiscal year 2006. Currently, the Corporation accounts for its share-based payment transactions under the provisions of APB Opinion No. 25, which generally does not require the recognition of compensation cost for employee stock options in the financial statements. Management believes that the disclosures above appropriately reflect the impact this standard would have on reported net earnings if it had been adopted in the periods presented.

During the nine months ended October 1, 2005, the Corporation awarded an aggregate of 25,537 shares of restricted stock to certain employees. Restricted stock is granted in the name of the employee, who has all the rights of a shareholder, subject to certain restrictions. The restricted stock vests ratably over three years from the date of grant, subject to acceleration in certain cases. The shares issued were previously acquired treasury shares. Upon issuance of the restricted stock, unearned compensation of \$1,092,000 was charged to shareholders' investment for the fair value of the restricted stock and is being recognized as compensation expense ratably over the three-year vesting period. The Corporation had 38,147 and 23,988 shares of restricted stock outstanding at October 1, 2005, and January 1, 2005, respectively. Compensation expense related to restricted stock for the nine months ended October 1, 2005, and October 2, 2004 was \$478,000 (\$287,000 net of related taxes) and \$148,000 (\$89,000 net of related taxes), respectively.

7) Employee Benefit Plans

The Corporation and certain of its unions have two pension plans covering substantially all employees. The plans are non-contributory and benefits are based on an employee's years of service and earnings. The Corporation also maintains a non-qualified supplemental retirement plan, which is not funded. The disclosures for this plan for all years presented are combined with the pension plans. The Corporation makes contributions to the qualified plans each year in an amount that is at least equal to the minimum required contributions as defined by the Employee Retirement Income Security Act of 1974.

The Corporation and its subsidiaries also provide non-contractual limited healthcare benefits for certain retired employees. The program provides for defined initial contributions by the Corporation toward the cost of postretirement healthcare coverage. The balance of the cost is borne by the retirees. The program provides that increases in the Corporation's contribution toward coverage will not exceed 4% per year. Due to the terms of the Corporation's postretirement healthcare program, assumed healthcare cost rate trends do not materially affect the Corporation's costs.



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The Corporation's postretirement healthcare program provides for prescription drug benefits. On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduced a prescription drug benefit under Medicare ( Medicare Part D ). In May 2004, the FASB issued Staff Position No. 106-2 ( FSP 106-2 ), which provides accounting guidance to employers that offer prescription drug benefits under retiree healthcare benefit plans to Medicare eligible retirees. FSP 106-2 requires that the benefit attributable to past service be accounted for as an actuarial gain and the benefit related to current service be reported as a reduction in service cost. The Corporation has elected to integrate retiree healthcare coverage with the new Medicare Part D, in a method similar to the way benefits currently integrate with Medicare Parts A and B. In the third quarter of 2004, the Corporation adopted FSP 106-2 retroactive to January 4, 2004.

Net periodic pension and post-retirement benefit costs for the Corporation-sponsored plans were as follows (dollars in thousands) for the periods presented:

|   | Pension Benefits   |                 |                   |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | Three months ended |                 | Nine months ended |                 |
|   | October 1, 2005    | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| Service cost-benefits earned during the year  | \$ 2,584           | \$ 2,267        | \$ 7,712          | \$ 6,921        |
| Interest cost on projected benefit obligation | 2,712              | 2,545           | 8,062             | 7,419           |
| Expected return on plan assets                | (3,387)            | (3,377)         | (10,170)          | (9,219)         |
| Amortization of prior service cost            | 3                  | 42              | 6                 | 152             |
| Amortization of net loss                      | 396                | 209             | 1,100             | 453             |
| <b>Net pension expense</b>                    | <b>\$ 2,308</b>    | <b>\$ 1,686</b> | <b>\$ 6,710</b>   | <b>\$ 5,726</b> |

|   | Post-retirement Benefits |                 |                   |                 |
|---|--------------------------|-----------------|-------------------|-----------------|
|   | Three months ended       |                 | Nine months ended |                 |
|   | October 1, 2005          | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| Service cost-benefits earned during the year  | \$ 96                    | \$ 148          | \$ 318            | \$ 542          |
| Interest cost on projected benefit obligation | 99                       | 145             | 320               | 547             |
| Amortization of transition obligation         | 52                       | 52              | 156               | 156             |
| Amortization of net gain                      | (129)                    | (86)            | (343)             | (152)           |
| <b>Net post-retirement benefits expense</b>   | <b>\$ 118</b>            | <b>\$ 259</b>   | <b>\$ 451</b>     | <b>\$ 1,093</b> |

The Corporation made a contribution of \$10 million to its qualified pension plans during the third quarter of 2005. A contribution of \$716,000 is expected to be made as benefit payments to retired participants under the Corporation's supplemental retirement plan during fiscal 2005. A contribution of \$496,000 is expected to be made as benefit payments to retirees under the postretirement healthcare plan during fiscal 2005.

### 8) Repurchase of Common Stock

In February 2005, the Board of Directors approved a \$150,000,000 share repurchase program, which replaced the Corporation's previous repurchase program. During the quarter ended October 1, 2005, the Corporation purchased 374,400 shares of outstanding common stock under the existing repurchase program at an aggregate cost of \$17,734,000. During the nine months ended October 1, 2005, the Corporation purchased 1,458,500 shares under the repurchase program at an aggregate cost of \$65,571,000.

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The shares of common stock held in treasury may be reissued pursuant to the Corporation's equity incentive plans, or for other purposes. As of October 1, 2005, the Corporation had authority to repurchase up to an additional \$84,429,000 in common stock under the current share repurchase program.

On March 19, 2004, the Corporation announced that it had entered into an Accelerated Share Repurchase (ASR) agreement whereby 1,000,000 shares of the Corporation's common stock were repurchased at an initial price of \$43.69 per share. The ASR required the counterparty to acquire the shares in the open market over a fixed period of time. On July 27, 2004, the Corporation paid \$663,000 to settle the ASR. The final settlement amount was based on the volume-weighted average price of \$44.35 per share for actual repurchases made by the counterparty.

### 9) Sale of Healthcare Segment

On April 12, 2005, the Corporation sold substantially all of the assets of its single-use healthcare products subsidiary, Banta Healthcare Group, Ltd. (Healthcare), to an affiliate of Fidelity Capital Investors, Inc. for \$67 million, subject to net working capital adjustments. This transaction generated net proceeds of \$62.4 million, subject to the final working capital adjustment. The results of operations of Healthcare for the period up to the date of sale and the gain on the sale have been reflected in the discontinued operations line item in the accompanying condensed consolidated statements of earnings. The Corporation recognized a \$23.7 million gain on the sale of the segment (\$20.1 million net of related income taxes). The effective tax rate of the transaction was favorably impacted by the Corporation's ability to offset a portion of the gain with previously incurred capital losses. The deferred tax assets related to the aforementioned capital loss carryforwards had been offset in full by a valuation allowance until the sale transaction closed, due to uncertainty regarding realization of the capital loss carryforwards.

The accompanying condensed consolidated balance sheets include the following assets and liabilities of Healthcare at January 1, 2005 (dollars in thousands):

|                                       | January 1, 2005 |
|---------------------------------------|-----------------|
| Current assets                        | \$19,554        |
| Long-lived assets, including goodwill | 30,126          |
| Current liabilities                   | 10,066          |
| Non-current liabilities               | 12              |

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During the first quarter of 2005, in a transaction related to the sale of Healthcare, the Corporation sold its warehouse in Rialto, California, to a California real estate investment company for \$7.0 million. A gain of \$1.3 million, net of income taxes, with respect to the sale of the warehouse is included in gain on the sale of discontinued operations in the accompanying condensed consolidated statements of earnings for the nine months ended October 1, 2005.

### 10) Segment Information

The Corporation operates in two business segments, printing services and supply-chain management services. Summarized segment data for the three- and nine-month periods ended October 1, 2005 and October 2, 2004 are as follows (dollars in thousands):

|   | Three Months Ended |                 | Nine Months Ended |                 |
|---|--------------------|-----------------|-------------------|-----------------|
|   | October 1, 2005    | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| <b>Revenue from continuing Operations</b> |                    |                 |                   |                 |
| Printing services                         | \$ 283,761         | \$ 256,708      | \$ 815,445        | \$ 741,522      |
| Supply-chain management services          | 97,338             | 99,146          | 317,991           | 304,922         |
| Total                                     | \$ 381,099         | \$ 355,854      | \$ 1,133,436      | \$ 1,046,444    |

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|  | Three Months Ended |           | Nine Months Ended |           |
|--|--------------------|-----------|-------------------|-----------|
| <b>Earnings from continuing operations</b> |                    |           |                   |           |
| Printing services                          | \$ 26,160          | \$ 23,083 | \$ 59,596         | \$ 56,787 |
| Supply-chain management services           | 11,085             | 12,234    | 34,606            | 34,028    |
| Total                                      | \$ 37,245          | \$ 35,317 | \$ 94,202         | \$ 90,815 |

The following table presents a reconciliation of segment earnings from operations to the totals contained in the condensed consolidated financial statements for the three- and nine-month periods ended October 1, 2005 and October 2, 2004 (dollars in thousands):

|  | Three Months Ended |                 | Nine Months Ended |                 |
|--|--------------------|-----------------|-------------------|-----------------|
|  | October 1, 2005    | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| Reportable segment earnings from operations    | \$ 37,245          | \$ 35,317       | \$ 94,202         | \$ 90,815       |
| Corporate expenses (not allocable to segments) | (6,510)            | (7,145)         | (22,076)          | (20,093)        |
| Interest expense                               | (1,150)            | (1,396)         | (4,247)           | (4,974)         |
| Interest income                                | 757                | 536             | 2,417             | 1,539           |
| Other income (expense), net                    | (6)                | (119)           | 791               | 600             |
| Earnings from continuing operations            | \$ 30,336          | \$ 27,193       | \$ 71,087         | \$ 67,887       |

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS  
THIRD QUARTER AND FIRST NINE MONTHS OF 2005 COMPARED TO 2004

**Organization of Information**

Management's Discussion and Analysis is intended to provide investors a narrative of the recent performance, financial condition and prospects of Banta Corporation (the Corporation). It should be read in conjunction with the accompanying financial statements and includes the following sections:

- Overview
- Operating Unit Realignment
- Results of Operations and Related Information
- Liquidity and Capital Resources
- Critical Accounting Policies
- Forward Looking Statements

**Overview**

The Corporation operates in two business segments, printing services and supply-chain management services. The Corporation's printing services segment provides a comprehensive combination of printing and digital imaging solutions to leading publishers and direct marketers. Products and services in this segment include books, catalogs, publications, product brochures, literature management services, educational materials, packaging and fulfillment, and e-business services. The Corporation's global supply-chain management services segment provides a wide range of outsourcing capabilities, primarily to some of the world's largest technology companies. Services in this segment range from materials sourcing, product configuration and customized kitting to order fulfillment and global distribution.

As discussed in detail in Note 9 to the condensed consolidated financial statements, the Corporation completed the sale of substantially all of the assets of its single-use healthcare products subsidiary, Banta Healthcare Group, Ltd. (Healthcare), to an affiliate of Fidelity Capital Investors, Inc. on April 12, 2005, for \$67 million, subject to net working capital adjustments. This transaction generated net proceeds of \$62.4 million, subject to the final working capital adjustment. A gain of \$20.1 million, net of income taxes, was recorded in the second quarter of 2005 as a result of the transaction. In accordance with Statement of Financial Accounting Standards (SFAS) 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the operations of Healthcare, which previously comprised the entire healthcare segment, and the gain on the sale of the assets have been reflected as discontinued operations in the accompanying condensed consolidated statements of earnings. The following discussion and analysis relating to results of operations is based on a comparison of the Corporation's results of operations from continuing operations.

**Operating Unit Realignment**

Beginning with the current fiscal year, the Corporation strategically realigned certain components of the printing services segment. The Corporation's literature management services had previously been included as a part of the book operating unit. Effective January 2, 2005, the Corporation's literature management services became a separately managed operating unit. The literature management operating unit provides print related outsourcing services involving digital printing, package assembly, fulfillment and distribution for healthcare organizations, financial service providers, retailers and other large corporations.

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**Results of Continuing Operations and Related Information**

The Corporation's third quarter 2005 results from continuing operations exceeded the prior year period for revenue, earnings and diluted earnings per share. Revenue for the third quarter of 2005 was \$381.1 million, an increase of 7.1% above the third quarter 2004 revenue of \$355.9 million. Revenue for the third quarter of 2005 increased in the printing services segment while the supply-chain management segment experienced a slight decrease in revenue when compared with the third quarter of 2004. Earnings from continuing operations for the third quarter of 2005 were \$21.7 million, compared with \$17.6 million during the same period last year, an increase of 23.4%. Diluted earnings per share from continuing operations for the third quarter were 89 cents compared with 70 cents in the third quarter of 2004.

Revenue from continuing operations for the first nine months of 2005 was \$1.13 billion, an increase of 8.3% above the \$1.05 billion in the first nine months of 2004. Earnings from continuing operations of \$49.4 million for the first nine months of 2005 were 12.7% above the \$43.8 million earned in the same period in the prior year. Diluted earnings per share from continuing operations for the first nine months of 2005 were \$1.98 compared with \$1.72 in the same period of 2004.

The discontinued operations related to the Healthcare segment reported earnings, net of income taxes, of \$702,000 through the date of sale on April 12, 2005. A gain of \$21.4 million, net of income taxes, was recorded through the date of sale on April 12, 2005. The gain of \$21.4 million includes \$20.1 million as a result of the sale of the segment in April 2005 and \$1.3 million from the sale of a related warehouse in January 2005. Diluted earnings per share from both the results of discontinued operations and from the gain recorded on the sale of assets totaled 89 cents for the nine months ended October 1, 2005.

Diluted earnings per share for the third quarter were 89 cents compared with 76 cents in the third quarter of 2004. Diluted earnings per share for the first nine months of 2005 were \$2.87 compared with \$1.89 in the same period of 2004.

**Revenue**

Revenue for the quarter by segment is shown below (dollars in thousands):

| Segment | Quarter 3<br>2005 | Quarter 3<br>2004 | Change % |
|---------|-------------------|-------------------|----------|
|         |                   |                   |          |

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|                                  | Quarter 3  | Quarter 3  |       |
|----------------------------------|------------|------------|-------|
| Printing Services                | \$ 283,761 | \$ 256,708 | 10.5% |
| Supply-Chain Management Services | 97,338     | 99,146     | -1.8% |
|                                  | 381,099    | 355,854    | 7.1%  |
| Total                            | \$ 381,099 | \$ 355,854 | 7.1%  |

Printing services revenue for the third quarter of 2005 was 10.5% higher than the comparable quarter in the prior year. Key issues related to revenue for the third quarter of 2005 in this segment were:

Paper price increases accounted for approximately 50% of the revenue increase for the segment compared with the prior year period. Paper prices were approximately 13% higher than the prior year, and these increases are generally passed onto the customer.

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Revenue in the Book operating unit was up 3% compared with the prior year third quarter. Higher educational volumes accompanied by a shift toward more customized work combined to increase revenue approximately 5 percentage points over the prior year period, with higher paper prices increasing revenue approximately 3 percentage points over the prior year period. Offsetting this was a decrease in revenue from the prior year period related to the movement by customers of several business-to-business catalogs into the fourth quarter from their historical position in the third quarter.

Revenue for the Literature Management operating unit increased 15% compared with the third quarter of 2004. The revenue growth was the result of increased promotional activity from several key customers.

Revenue in the Catalog operating unit increased by 35% compared with the prior year third quarter. Higher volumes increased revenue approximately 27% as the work that had been moved from the second quarter of 2005 into the third quarter to accommodate the major press rebuild was completed. The remaining increase was largely the result of higher paper prices compared with the prior year.

Revenue for the Publications operating unit was up 6% compared with the third quarter last year. Higher paper prices increased revenue by approximately 5 percentage points over the prior year period, with the remainder of the increase due to improved mix and market share gains.

The Direct Marketing operating unit increased revenue by 11% for the third quarter of 2005 compared with the prior year period. Higher paper prices resulted in approximately half of the increase in revenue, with the remainder of the increase due to increased volume and continued mix improvement as demand for more complex services, primarily in-line finishing and on-press personalization, increased.

Revenue for the supply-chain management services segment declined 1.8% in the third quarter of 2005 compared with the third quarter of 2004. The decrease in revenue was due primarily to lost production at the supply-chain management services facility in Houston. This facility was closed temporarily as a result of hurricane Rita, which struck the Gulf Coast of the United States in late September 2005.

Printing services revenue increased by 10.0% in the first nine months of 2005 compared with the first nine months of 2004. Paper price increases accounted for approximately 40% of the revenue increase in the nine months of 2005 compared with the same period in 2004. The remaining increase was the result of the factors described above for the third quarter, tempered slightly by the impact of press rebuilds and relocations in the second quarter of 2005.

For the first nine months of 2005, net revenue for the supply-chain management services segment was 4.3% higher than the first nine months of 2004. Approximately \$5.6 million, or 40%, of the increase for the nine month period resulted from favorable changes in foreign currency exchange rates. The remaining increase was the result of improved sales to the segment's major technology customers.

The Corporation has a contract with Hewlett-Packard Company, subject to one-year extensions pursuant to an evergreen provision. Pursuant to this evergreen clause, the contract has been extended through 2006. Revenue from Hewlett-Packard Company under this agreement totaled approximately \$134 million in 2004 and comparable revenue is expected under this contract in 2005. The loss of this contract could have a material adverse impact on the Corporation's financial results.

### Earnings from operations (operating earnings)

Consolidated earnings from operations of \$30.7 million in the third quarter of 2005 increased 9.1% from \$28.2 million in the prior year third quarter. Operating earnings as a percentage of revenue were 8.1% for the third quarter of 2005, up from 7.9% in the prior year period. Changes in operating earnings as a percentage of revenue are discussed below by segment.

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Consolidated earnings from operations of \$72.1 million in the first nine months of 2005 increased 2.0% compared with \$70.7 million in the first nine months of 2004. Operating earnings as a percentage of revenue were 6.4% for the first nine months of 2005, down from 6.8% in the comparable period in 2004.

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Segment operating margins were as follows for the third quarter:

| Segment                          | 2005  | 2004  |
|----------------------------------|-------|-------|
| Printing Services                | 9.2%  | 9.0%  |
| Supply-Chain Management Services | 11.4% | 12.3% |

Operating margins for the printing services segment in the third quarter of 2005 improved to 9.2% from 9.0% in the third quarter of 2004. Overall operating margins in the segment were higher than the prior year primarily due to increased volume and a mix shift to more customized service product offerings. Partially offsetting the volume and mix increases were higher costs related to productivity programs, the costs to launch the new Literature Management operating unit, higher employee healthcare costs and higher energy prices. These decreases were offset by operating margin improvements in the Book operating unit due primarily to improved pricing and mix, in the Direct Marketing operating unit as mix shifted to more complex, personalized services, and in the Catalog operating unit based on increased volume and continuing operational improvements. Printing services segment operating margins for the first nine months of 2005 declined to 7.3% from 7.7% in the first nine months of 2004. The slight decrease was primarily the result of lower margins on paper revenue (which constituted a larger percentage of overall sales in 2005 than in the first nine months of 2004), the loss of productivity from several press rebuilds completed in the second quarter of 2005, and promotional work in the Literature Management operating unit in the first six months of 2004 that did not repeat in the first six months of 2005.

The principal raw material used by the Corporation in the printing services segment is paper. Paper prices in the third quarter of 2005 were approximately 13% higher than prices in the third quarter of 2004. The cost of paper is generally passed onto the customer and has no significant impact on operating earnings.

Operating margins for the supply-chain management services segment of 11.4% in the third quarter of 2005 were lower than the prior year third quarter margins of 12.3%. This decrease in operating margins was primarily the result of reduced absorption on lower sales volumes related to the closing of the Houston facility in preparation for hurricane Rita.

Operating margins for the supply-chain management services segment of 10.9% for the first nine months of 2005 were slightly lower than 2004's first nine months margins of 11.2%. The operating margin decrease described above for the third quarter combined with one-time costs related to customer service requirements and personnel expenses in the second quarter more than offset the increased mix of higher margin activities experienced by the supply-chain management services segment in the first quarter of 2005. Operating margins in this segment continue to be at a level which may be higher than can be sustained long-term, and may continue to decrease in the future based on the expectation of a lesser proportion of value-added content in the product mix and anticipated continued pricing pressure from existing and new customers.

### Geographic analysis of revenue and earnings from operations

Revenue and earnings from operations (excluding unallocated corporate expenses) by geographic area for the three and nine months ended October 1, 2005 and October 2, 2004 are presented below (dollars in thousands). Virtually all revenue for the printing services segment was from customers in the United States. Revenue in the supply-chain management services segment was from customers in the United States, Europe and Asia.

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|                   | Three Months Ended |                 | Nine Months Ended |                 |
|-------------------|--------------------|-----------------|-------------------|-----------------|
|                   | October 1, 2005    | October 2, 2004 | October 1, 2005   | October 2, 2004 |
| <b>Revenue</b>    |                    |                 |                   |                 |
| United States     | \$ 309,116         | \$ 279,685      | \$ 901,821        | \$ 810,246      |
| Non-United States | 71,983             | 76,169          | 231,615           | 236,198         |
| Total             | \$ 381,099         | \$ 355,854      | \$ 1,133,436      | \$ 1,046,444    |

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|                                 | Three Months Ended |           | Nine Months Ended |           |
|---------------------------------|--------------------|-----------|-------------------|-----------|
| <b>Earnings from operations</b> |                    |           |                   |           |
| United States                   | \$ 28,127          | \$ 27,373 | \$ 70,305         | \$ 68,429 |
| Non-United States               | 9,118              | 7,944     | 23,897            | 22,386    |
|                                 |                    |           |                   |           |
| Total                           | \$ 37,245          | \$ 35,317 | \$ 94,202         | \$ 90,815 |
|                                 |                    |           |                   |           |

Revenue in the United States increased by 11% in both the third quarter of 2005 and for the first nine months of 2005 compared with the same period in 2004. This increase was the result of both the growth of printing services revenue in the United States and strong growth in supply-chain management services in the United States. Revenue in the United States in the supply-chain management services segment increased 10% and 26%, respectively, for the third quarter and first nine months of 2005 and was primarily due to increased demand from the segment's technology customers. Non-United States revenue decreased slightly in the third quarter and the first nine months of 2005 from the comparable periods in the prior year. Growth with new and existing customers outside the United States was more than offset by the loss of two customers in foreign locations.

Operating earnings in the United States increased by 3% in the third quarter and for the nine months ended October 1, 2005 compared with the respective prior year periods. The improvements in both periods were the result of the increased, higher margin activities in the printing services segment in the United States, which more than offset the decrease in operating earnings experienced by the supply-chain management services segment. Non-United States operating earnings increased by approximately 15% in the third quarter of 2005 and 7% for the first nine months of 2005 when compared to the equivalent prior year period. The increase in the third quarter was the result of a shift in mix to higher margin activities outside the United States. The shift in mix was partially offset in the first nine months of 2005 by the one-time customer service and personnel costs that occurred in the supply-chain management services segment in the second quarter of 2005.

### Interest Expense

Interest expense for the third quarter of 2005 was \$1.2 million, 18% lower than interest expense of \$1.4 million in the prior year's third quarter. Interest expense for the nine month period ended October 1, 2005 was \$4.2 million, a reduction of 15% from the comparable period in the prior year. The reduction in interest expense for both the quarter and the first nine months of the year was the result of scheduled repayments of long-term debt. Total long-term debt at October 1, 2005 of \$68.5 million was 27% less than the \$93.8 million of long-term debt outstanding at the end of the third quarter of 2004. Essentially all of the Corporation's long-term debt is at fixed interest rates. As a result, changes in market interest rates have not significantly impacted the Corporation's interest expense.

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### Income Taxes

The Corporation's effective tax rate of 28.5% for the third quarter of 2005 was lower than the 35.4% effective tax rate in the third quarter of 2004. The Corporation's effective tax rate of 30.5% for the first nine months of 2005 was lower than the 35.4% effective tax rate in the first nine months of 2004. The reduction in the effective tax rate in the third quarter and nine months ended October 1, 2005, results from an increase in the expected proportion of foreign earnings generated by the supply-chain management services segment, which has extensive operations in countries whose tax rates are more favorable than the tax rates in the United States.

### Liquidity and Capital Resources

The Corporation's cash increased approximately 7% during the first nine months of 2005. The increase in cash is the result of cash provided from operations and the receipt of the proceeds from the sale of Healthcare being more than sufficient to cover the Corporation's share repurchases, capital expenditures, repayment of long-term debt and payment of quarterly dividends.

The Corporation has in effect a stock repurchase program pursuant to which it may repurchase shares of its common stock on the open market or in privately negotiated transactions from time to time. During the quarter ended October 1, 2005, the Corporation purchased 374,400 shares of outstanding common stock under the repurchase program at an aggregate cost of \$17,734,000. For the nine months ended October 1, 2005, the Corporation purchased 1,458,500 shares of outstanding common stock under the repurchase program at an aggregate cost of \$65,571,000. The third quarter share repurchases were principally financed from the proceeds from the sale of Healthcare. As of October 1, 2005, the Corporation had authority to repurchase up to an additional \$84,429,000 in common stock under the current share repurchase program.

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Capital expenditures were \$8.0 million during the third quarter and \$32.0 million during the first nine months of 2005, a decrease of \$22.3 million from the amount expended during the prior year's first nine months. Capital expenditures for the full year are expected to be \$50-\$55 million and will be funded by cash on hand or cash provided from operations.

Total long-term debt as a percentage of total capitalization at October 1, 2005 was 11.5%, which was a decrease from the 14.0% at January 1, 2005. This decrease was the result of scheduled repayments of long-term debt in the first nine months of 2005, partially offset by the reduction of total equity affected by the repurchase of common stock in the first nine months of 2005. Given cash and cash equivalents on hand as well as borrowing capacity currently in place, the Corporation believes it has sufficient liquidity to fund its operations for the foreseeable future.

### **Critical Accounting Policies**

The Corporation's accounting policies are more fully described in Note 1 to the consolidated financial statements included in the Corporation's Annual Report on Form 10-K for the fiscal year ended January 1, 2005. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and footnotes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The most significant accounting estimates inherent in the preparation of the Corporation's consolidated financial statements include estimates as to the recovery of receivables and the realization of inventories, plant and equipment and goodwill. Significant assumptions are also used in the determination of liabilities related to pension and post-retirement benefits, obligations for lease terminations, income taxes and environmental matters. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix and, in some cases, actuarial assumptions. The Corporation re-evaluates these significant factors as facts and circumstances dictate. Historically, actual results have not differed significantly from those determined using the estimates described above.

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The Corporation believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements:

**Revenue Recognition.** Revenue is recognized, net of estimated discounts, when title and risk of loss transfers to the customer and the earnings process is complete. The Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition provides guidance on the application of accounting principles generally accepted in the United States to selected revenue recognition issues. In addition, revenue in the supply-chain management services segment is recognized in accordance with Emerging Issues Task Force (EITF) Issue No. 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent. Each major contract is evaluated based on various criteria, with management's judgment required to assess the importance of each criterion in reaching the final decision. In general, revenue is recognized on a gross basis if the Corporation has the risks and rewards of ownership, latitude in establishing component vendors and pricing, and bears all credit risk. Revenue from contracts that do not meet these criteria is recognized on a net basis, recording only the portion that is related to services or products provided directly by the Corporation.

**Goodwill.** The Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, effective December 30, 2001. Under SFAS No. 142, goodwill is not amortized, but is reviewed for impairment on an annual basis. The Corporation's analysis, which is performed in the fourth quarter of each fiscal year unless other indicators of impairment exist, is based on the comparison of the fair value of its reporting units to the carrying value of the net assets of the respective reporting units.

**Retirement Benefits.** The Corporation has significant pension and postretirement benefit costs that are developed from actuarial valuations. The valuations reflect key assumptions regarding, among other things, discount rates, expected return on plan assets, retirement ages and years of service. Consideration is given to current market conditions, including changes in interest rates and investment returns, in making these assumptions. Changes in these assumptions will affect the amount of pension and postretirement expense recognized in future periods.

**Asset Impairments.** Impairments of long-lived assets are accounted for under SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

**Income taxes.** The Corporation's annual tax rate is determined based on income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Tax law requires some items to be included in the tax return at different times than the items reflected in the financial statements. As a result, the annual tax rate in the financial statements is different than the



rate reported on the Corporation's tax return. Some of these differences are permanent, such as expenses that are not deductible in the tax return and some differences are temporary, reversing over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities.

Inherent in determining the annual tax rate are judgments regarding business plans, planning opportunities and expectations about future outcomes. Significant management judgments are required for the following items:

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Management reviews the Corporation's deferred tax assets for realizability. Valuation allowances are established when management believes that it is more likely than not that some portion of the deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the tax provision.

The Corporation establishes accruals for certain tax contingencies when, despite the belief that the Corporation's tax return positions are fully supported, the Corporation believes that certain positions may be challenged. The tax contingency accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law and emerging legislation.

The Corporation has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely.

The Corporation is currently evaluating the effects of repatriating certain foreign earnings. The Corporation may repatriate as much as \$135 million of its foreign earnings, which would carry a one-time tax charge to the Corporation's consolidated results of operations of up to approximately \$5.5 million.

### **Forward-Looking Statements**

This document includes forward-looking statements. Statements that describe future expectations, including revenue and earnings projections, plans, results or strategies, are considered forward-looking. The statements that are not purely historical should be considered forward-looking statements. Often they can be identified by the use of forward-looking words, such as may, will, could, project, believe, anticipate, expect, estimate, continue, potential, plan, forecasts, and the like. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those currently anticipated. Factors that could affect actual results include, among others, changes in customers order patterns or demand for the Corporation's products and services, pricing, changes in raw material and energy costs and availability, unanticipated changes in sourcing of raw materials (including paper) by customers, unanticipated changes in operating expenses, unanticipated production difficulties, unanticipated issues associated with the Corporation's non-U.S. operations, changes in the pattern of outsourcing supply-chain management functions by customers, unanticipated costs or delays associated with ongoing productivity-enhancing projects, unanticipated acquisition or loss of significant customer contracts or relationships, unanticipated issues associated with the strategic objective of growing the supply-chain management business, unanticipated difficulties and costs associated with the design and implementation of new administrative systems, the impact of any acquisition or divestiture effected by the Corporation, unanticipated changes in the Corporation's effective income tax rate, unanticipated swings in foreign currency exchange rates and any unanticipated weakening of the economy. These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. The forward-looking statements included herein are made as of the date hereof, and the Corporation undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Corporation is exposed to market risk from changes in interest rates and foreign exchange rates. As of October 1, 2005, the Corporation had no notes payable outstanding against lines of credit with banks. Since essentially all the Corporation's long-term debt is at fixed interest rates, exposure to interest rate fluctuations is minimal.

Exposure to adverse changes in foreign exchange rates is not considered material. Potential market risk associated with changes in foreign exchange is considered in contractual arrangements with customers.

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### **Item 4. Controls and Procedures**

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Evaluation of Disclosure Controls and Procedures. The Corporation's management, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Corporation's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act.

Changes in Internal Controls. There have not been any changes in the Corporation's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal period to which this report relates that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

### PART II: OTHER INFORMATION

#### Item 1. Legal Proceedings

In the ordinary course of its business, the Corporation is involved in litigation matters. Based on the Corporation's assessment of these matters and on the existing reserves provided for them, the Corporation does not believe that any of these matters, either individually or in the aggregate, will have a material adverse effect on its results of operations, cash flows, or financial condition.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about repurchases of common stock effected by the Corporation during the quarter ended October 1, 2005:

| Period                              | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program |
|-------------------------------------|----------------------------------|------------------------------|--|--|
| July 3, 2005 - August 6, 2005       | 178,000                          | \$ 46.33                     | 178,000  | \$ 93,917,000  |
| August 7, 2005 - September 3, 2005  | 79,300                           | 47.73                        | 79,300   | \$ 90,132,000  |
| September 4, 2005 - October 1, 2005 | 117,100                          | 48.70                        | 117,100  | \$ 84,429,000  |
| Total                               | 374,400                          | \$ 47.37                     | 374,400  |  |

During the quarter ended October 1, 2005, the Corporation purchased 374,400 shares of outstanding common stock under its repurchase program at an aggregate cost of \$17,734,000. The share repurchase program was approved in February 2005 and authorizes the repurchase of shares with an aggregate value of up to \$150 million. The share repurchase program does not have an expiration date.

In addition, during the fiscal months of July and August 2005, 126 shares at a cost of \$5,777, and 128 shares at a cost of \$6,208, respectively, were tendered by and reacquired from current employees in connection with the vesting of restricted stock.

#### Item 6. Exhibits

##### (a) Exhibits

- 31.1 Certification by the Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification by the Chief Financial Officer pursuant to Rule 13a-14(a).
- 32 Written Statement of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BANTA CORPORATION

/s/ Geoffrey J. Hibner  
Geoffrey J. Hibner  
Chief Financial Officer  
(Principal Financial Officer)

Date: November 2, 2005

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**BANTA CORPORATION EXHIBIT  
INDEX TO FORM 10-Q  
For The Quarter Ended October 1, 2005**

Exhibit Number

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