BANTA CORP
Form 10-Q
August 08, 2003

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

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 28, 2003

OR

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

Commission File Number 1-14637

BANTA CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	39-0148550
(State or other jurisdiction of incorporation or organization)	(IRS Employer I.D. Number)
225 Main Street, Menasha, Wisconsin	54952
(Address of principal executive offices)	(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 / /

Common stock outstanding as of August 6, 2003 - 25,441,747 shares.

BANTA CORPORATION AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Quarter Ended June 28, 2003

INDEX

Part 1 Item 1. Financial Statements

BANTA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

ASSETS	June 28, 2003 (unaudited)	December
Current Assets		
Cash and cash equivalents	$ 195,007	
Receivables	192,808	
Inventories	61,574	
Other current assets	24,798	
Total Current Assets	474,187	
Plant and equipment	938,029	
Less accumulated depreciation	658,815	
Plant and equipment, net	279,214	
Goodwill	65,269	

Other assets	5,503	
Total Assets	$ 824,173	
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Accounts payable	$ 114,734	
Accrued salaries and wages	33,998	
Other accrued liabilities	22,056	
Current maturities of long-term debt	19,408	
Total Current Liabilities	190,196	
Long-term debt	97,388	
Deferred income taxes	16,032	
Other non-current liabilities	45,938	
Total Liabilities	349,554	
Shareholders' Investment		
Preferred stock-$10 par value; authorized 300,000 shares; none issued	-	
Common stock-$.10 par value, authorized 75,000,000 shares; 28,678,930 and 28,503,446 shares issued, respectively	2,868	
Amount in excess of par value of stock	24,591	
Accumulated other comprehensive earnings (loss)	4,716	
Treasury stock, at cost - 3,256,400 shares	(70,175)	
Retained earnings	512,619	
Total Shareholders' Investment	474,619	
	$ 824,173	

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 a

	Three Months Ended		Six
	June 28, 2003	June 29, 2002	June 28, 200
Net sales	$ 336,731	$ 332,263	$ 673,16
Cost of goods sold	262,596	258,643	528,05
Gross earnings	74,135	73,620	145,10
Selling and administrative expenses	50,358	48,892	100,33
Restructuring charge	5,553	-	6,46

Litigation settlement	4,602	-	4,60
Earnings from operations	13,622	24,728	33,70
Interest expense	(2,005)	(2,943)	(4,62
Other income (expense), net	(31)	155	75
Earnings before income taxes	11,586	21,940	29,83
Provision for income taxes	4,330	8,560	11,33
Net earnings	$ 7,256	$ 13,380	$ 18,50
Basic earnings per share of common stock	$ 0.29	$ 0.53	$ 0.7
Diluted earnings per share of common stock	$ 0.28	$ 0.52	$ 0.7
Cash dividends per share of common stock	$ 0.17	$ 0.16	$ 0.3

See accompanying notes to unaudited condensed consolidated financial statements

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

	(Dol S June 28, 20
Cash Flows from Operating Activities	
Net earnings	$ 18,5
Depreciation and amortization	31,2
Deferred income taxes	2,0
Non-cash restructuring charges	5,5
Gain on sale of plant and equipment	(34
Change in operating assets and liabilities	
Decrease in receivables	20,2
(Increase) decrease in inventories	7,8
Increase (decrease) in accounts payable and accrued liabilities	(2,2
Net change in other current assets and liabilities	(5
Net change in other non-current assets and liabilities	2,7
Tax benefit from exercise of stock options	6
Cash provided from operating activities	85,6
Cash Flows From Investing Activities	
Capital expenditures	(31,7
Business acquisition	(2,3
Additions to long-term investments	
Cash used for investing activities	(34,1
Cash Flows From Financing Activities	
Repayments of long-term debt, net	(14,0
Dividends paid	(8,0
Proceeds from exercise of stock options	5,0

Other	(1,1
Cash used for financing activities	(18,1
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6,8
Net increase in cash	40,1
Cash and cash equivalents at the beginning of period	154,8
Cash and cash equivalents at the end of the period	$ 195,0
Cash payments for:	
Interest, net of capitalized interest	$ 4,7
Income taxes	9,7

See accompanying notes to unaudited condensed consolidated financial statements

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BANTA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 28, 2003
(UNAUDITED)

1) Basis of Presentation

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 six months ended June 28, 2003 are not necessarily indicative of results that may be expected for the year ending January 3, 2004. Certain prior year amounts have been reclassified to conform to the 2003 presentation.

2) Inventories

Inventories consist of the following (dollars in thousands):

	June 28, 2003	December 28, 2002
Raw materials and supplies	$28,419	$30,477
Work-in-process and finished goods	33,155	38,911
	$61,574	$69,388

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 entirely to the assumed exercise of stock options.

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

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2002
Basic	25.4	25.2	25.3	25.1
Diluted	25.6	25.6	25.5	25.5

4) Comprehensive Earnings

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

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 29, 2002	June 28, 2003	June 29, 2
Net earnings	$ 7,256	$13,380	$18,502	$23,
Other comprehensive earnings (loss):				
Foreign currency translation adjustments	5,420	6,347	6,842	5,
Comprehensive earnings	$12,676	$19,727	$25,344	$29,

5) 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 no longer amortized but is reviewed for impairment on an annual basis.

Changes in the carrying amount of goodwill by segment during the six months ended June 28, 2003 consist of the following (dollars in thousands):

	Print	Supply-chain management	Healthcare
Balance at December 28, 2002	$35,502	$5,624	$21,614
Translation adjustments for goodwill denominated in foreign currencies	-	529	-
Acquisition of business (see Note 9)	2,000	-0-	-0-
Balance at June 28, 2003	$37,502	$6,153	$21,614

6) Stock-Based Compensation

As of June 28, 2003, the Corporation's stock-based employee compensation plans were 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. In compliance with APB Opinion No. 25, no stock-based employee compensation cost is reflected in net earnings. The following table illustrates the effect on net earnings and earnings per share if the Corporation had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation (dollars in thousands, except per share amounts):

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	Three Months Ended		Six Mont
	June 28, 2003	June 29, 2002	June 28, 2003
Net earnings, as reported	$ 7,256	$ 13,380	$ 18,502
Less compensation expense determined under SFAS No. 123, net of related taxes	(733)	(711)	(1,372)
Pro forma net earnings	$ 6,523	$ 12,669	$ 17,130
Earnings per share			
As reported:			
Basic	$ .29	$ .53	$ .73
Diluted	$ .28	$ .52	$ .72
Pro forma:			
Basic	$ .26	$ .50	$ .68
Diluted	$ .25	$ .49	$ .67

7) Restructuring Charge

Effective January 1, 2003, the Corporation adopted SFAS No 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies the previous guidance on the subject. It requires, among other things, that a liability for a cost associated with an exit or disposal activity initiated after December 31, 2002 be recognized at fair value when the liability is incurred rather than at the commitment date to the exit or disposal plan.

On January 28, 2003, the Corporation announced a restructuring involving its consumer catalog business and a realignment of operating activities within its supply-chain management sector. The plan, which will be implemented throughout 2003, is expected to consolidate certain operations, leverage existing capacity, improve efficiencies and reduce costs. Implementation of the plan is expected to result in a pre-tax charge totaling between $15 million to $18 million. Through the six months ended June 28, 2003, the Corporation has recorded $6.5 million in pre-tax charges relating to this plan, $5.6 million of which was incurred in the second quarter. The majority of the remaining charge is expected to be recorded in the fourth quarter of 2003. The restructuring costs (based on the high end of the range) are projected as follows: employees' severance and benefits, $8.8 million; facility costs including lease terminations, $4.0 million; and impaired assets and other, $5.2 million.

The reconciliation of the beginning and ending restructuring account balances as of June 28, 2003 are as follows (dollars in thousands):

	Balance at December 28, 2002	Charges/ Additions	Payments/ Reductions	Balanc June 28,
Employee severance and benefits liabilities	$ -	$5,717	$1,101	$4,6
Impaired assets	-	536	-	5
Other liabilities	-0-	216	216	-
Total	$-0-	$6,469	$1,317	$5,1

Approximately $13.3 million of the restructuring expenses are expected for the print segment, with $5.4 million and $6.3 million incurred for the three and six months ended June 28, 2003, respectively. The remaining $4.7 million of these expenses are expected for the supply-chain management segment, with $217,000 incurred for the three and six months ended June 28, 2003.

8) Litigation Settlement

On June 26, 2003, the Corporation settled its lawsuit with Singapore-based Mentor Media, Ltd. (Mentor) relating to its proposed acquisition of Mentor. The Corporation recorded a charge of $4.6 million in the second quarter of 2003 in connection with the settlement.

9) Acquisition of Business

On February 24, 2003, the Corporation acquired Qualipak Incorporated

("Qualipak") for $2.4 million in cash. Qualipak is a provider of secondary packaging, kit assembly, fulfillment and distribution services for publishers, consumer healthcare markets and over-the-counter pharmaceuticals. The purchase price plus the liabilities assumed exceeded the fair value of the tangible and intangible assets acquired by $2.0 million, which has been recorded as goodwill. The Corporation has included the results of Qualipak in the consolidated financial statements since the acquisition date.

The purchase agreement relating to this acquisition includes a provision for additional contingent payments based on incremental qualified sales, as defined, for calendar 2003 and 2004. Should these payments be made, the Corporation would record a corresponding increase to goodwill.

10) New Accounting Standard

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation Number ("FIN") 46, "Consolidation of Variable Interest Entities." FIN 46 requires that companies that control another entity through "variable" interests other than voting interests consolidate the controlled entity. FIN 46 is effective for variable interest entities created after January 31, 2003 and to any variable interest entities in which the Corporation acquires an interest after that date. FIN 46 is effective for the quarter ending September 27, 2003 for variable interest entities in which the Corporation held a variable interest that it acquired before February 1, 2003. The Corporation is currently evaluating the

provisions of FIN 46, but does not currently expect adoption of FIN 46 will have a material effect on its financial condition or results of operations.

11) Segment Information

The Corporation operates in two primary business segments, print and supply-chain management, with other business operations in healthcare products. Summarized segment data for the three and six months ended June 28, 2003 and June 29, 2002 are as follows (dollars in thousands):

	Three Months Ended		Six Months
	June 28, 2003	June 29, 2002	June 28, 2003
Net sales			
Print	$231,240	$236,578	$463,601
Supply-Chain Management	80,011	69,424	161,546
Healthcare	25,480	26,261	48,014
Total	$336,731	$332,263	$673,161
Earnings from operations			
Print	$9,624	$20,847	$22,910
Supply-Chain Management	5,413	5,721	14,434
Healthcare	3,726	2,530	6,388
Total	$18,763	$29,098	$43,732

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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 six months ended June 28, 2003 and June 29, 2002 (dollars in thousands):

	Three Months Ended		Six Months
	June 28, 2003	June 29, 2002	June 28, 2003
Reportable segment earnings from operations	$18,763	$29,098	$43,732
Corporate expenses (not allocable to segments)	(5,141)	(4,370)	(10,030)
Interest expense	(2,005)	(2,943)	(4,626)
Other income (expense)	(31)	155	756
Earnings before income taxes	$11,586	$21,940	$29,832

Item 2.

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

RESULTS OF OPERATIONS
SECOND QUARTER AND FIRST SIX MONTHS OF 2003 COMPARED TO 2002

Net Sales

Net sales for the second quarter of 2003 on a consolidated basis totaled $337 million, 1% higher than the $332 million in the second quarter of 2002. Net sales for the quarter by segment are shown below (dollars in thousands):

Segment	Quarter 2 2003	Quarter 2 2002	Increase (Decrease) %
Print	$231,240	$236,578	(2%)
Supply-Chain Management	80,011	69,424	15%
Healthcare	25,480	26,261	(3%)
Total	$336,731	$332,263	1%

Print segment sales for the second quarter of 2003 were 2% lower than the prior year period. The key issues related to revenues in this segment were:

- Sales in the Book Group were down 6% from the prior year second quarter, primarily the result of less activity in the educational market. Publishers appear to remain concerned about the impact large state and local government budget deficits will have on educational spending. Educational sales within this group were down by approximately $4 million from the prior year second quarter. Mitigating this decline was the increase of $2 million in literature management sales during the quarter compared to the prior year second quarter.

- The Catalog Group sales for the second quarter were 3% below the prior year quarter. The restructuring and modernization of the catalog print platform was delayed during the second quarter, negatively affecting equipment availability and productivity. The group used less efficient, more costly capacity to continue to serve customers, increasing costs and reducing operating earnings. This will continue into the third quarter of 2003.
- Revenues for the Publications Group were up 8% from the second quarter last year despite a 5% reduction in advertising pages. The group continues to grow by targeting magazines that are less dependent on ad cycles, such as association publications, and adding new value-added services such as magazine issue reprints.
- Direct Marketing Group sales for the second quarter were 10% below the second quarter of 2002. The continued slow economy has negatively impacted both the commercial and direct mail segments. Retailers, consumer package goods companies and financial service companies have become increasingly conservative relative to the number and frequency of pieces mailed.

Net sales for the Supply-Chain Management segment were 15% higher in the second quarter of 2003 compared to the second quarter of 2002. The improved revenues reflect continued excellent year-over-year performance by a number of the Corporation's major technology customers, thereby driving demand for supply-chain services. This revenue increase was achieved despite an environment of weak technology sales overall. Revenue from Hewlett-Packard Company under a five-year supply-chain management contract expiring in 2004 totaled approximately $115 million in 2002, and these revenues are expected to be comparable in fiscal 2003. This contract provides for the possibility of annual extensions. The Corporation currently believes that it will either extend its contract with Hewlett-Packard or seek to develop replacement sources of revenue prior to the expiration of the contract.

Healthcare segment net sales in the second quarter were 3% lower versus the comparable period in 2002, impacted by lower sales to a few large customers.

Net sales for the Corporation for the first half of 2003 were $673 million, an increase of 1% from sales in the first half of 2002. Print segment sales for the six-month period were $464 million compared to $473 million in the first half of 2002, a decrease of 2%. Print sales for the first half of 2003 were below the prior year period as the result of the factors discussed above for the quarter, with the exception of the Catalog Group. The negative impact of the restructuring plan on revenues was not an issue during the first quarter of 2003, in which sales for this group exceeded the prior year quarter by 14%. For the first six months of 2003, sales for the Catalog Group were 5.5% higher than the prior year, with strong volume in the first quarter of 2003 offsetting the restructuring related decreases in the second quarter of 2003.

Net sales for the Supply-Chain Management segment in the first six months of 2003 were $162 million, an increase of 13% over the prior year first half sales of $143 million. Increased sales to customers in the technology sector was the primary factor for improvement in both the second quarter and the first half of 2003.

Healthcare sales in the first half of 2003 were 6% lower than the prior year. First half sales declined as a result of lower sales to a few large customers.

Earnings from operations

Consolidated earnings from operations, including the restructuring (Note 7) and litigation settlement (Note 8), of $13.6 million in the second quarter of 2003 decreased significantly from the $24.7 million in the prior year second quarter. Operating earnings as a percentage of sales were 4.0%, down from the prior year's 7.4%.

Operating margins for the Print segment in the second quarter of 2003 decreased to 4.2% from 8.8% in the second quarter of 2002. This decrease is primarily related to the following operational factors:

- Approximately $4.0 million in reduced operating earnings from the Catalog Group as the result of extra costs and disruption caused by the delay in consolidating the St. Paul facility to other locations. This delay accounted for 1.7 percentage points of the total 4.6 percentage point decline in the operating margin. In addition, the resulting unanticipated short-term loss of catalog production capacity is expected to reduce third quarter 2003 earnings from operations by an additional $4 to $5 million dollars.
- Restructuring charges of $5.4 million recorded during the quarter accounted for 2.3 percentage points of the operating margin decline.

Operating margins for the Supply-Chain Management segment were 6.8% in the second quarter of 2003, a reduction from the prior year second quarter operating margins of 8.2%. Operating margins were negatively impacted by the litigation settlement and restructuring costs recorded during the second quarter. Both costs totaled a reduction of 6.0 percentage points. These negative impacts were offset in part by a higher proportion of value-added content in the product mix.

The Healthcare segment improved operating margins in the second quarter of 2003 to 14.6%, as compared to 9.6% in the second quarter of 2002. Approximately 60% of the margin improvement is due to improved pricing and the balance is due to operating improvements.

Earnings from operations for the first half of 2003 decreased to $33.7 million from the $45.2 million for the prior period. Operating margins of 5.0% for the first half of 2003 were lower than the 6.8% for the same period in 2002. Print segment operating margins were 4.9% for the first six months of 2003,

compared to 8.4% in the prior year period. The factors affecting margins for this segment for the first half of 2003 were similar to those described above for the second quarter. Operating margins for the Supply-Chain Management segment were 8.9% for the six-month period ended June 28, 2003 compared to 7.3% for the prior year. The increased margin from product mix described above for the second quarter positively affected the first half of 2003, offset by the litigation settlement and restructuring costs in the second quarter of 2003.

Healthcare segment operating margins of 13.3% for the first half of 2003 compared to 10.0% in the first half of 2002. Approximately 40% of the margin improvement for the first half of 2003 is due to improved pricing, and the balance is due to operating improvements.

Interest Expense

Interest expense for the second quarter of 2003 was $2.0 million, a reduction of 32% compared to interest expense of $2.9 million in the prior year quarter. Interest expense for the first half of 2003 was $4.6 million, a reduction of 24% compared to the first half of 2002. The reduction in interest expense is the result of continuing reductions in long-term debt. Essentially all of the Corporation's long-term debt is at fixed interest rates. As a result, lower market interest rates have not significantly impacted the Corporation's interest expense.

Income Taxes

As reflected below, the Corporation's effective second quarter tax rate for 2003 was lower than the second quarter 2002 rate. The tax rate for the first half of 2003 was also lower than that of the prior year period. The reduction in the effective tax rate was due to lower tax rates on earnings of the Corporation's European and Asian operations and higher revenues within those jurisdictions.

	Effective Tax Rate	
	2003	2002
Second Quarter	37.4%	39.0%
First Half	38.0%	39.2%

Liquidity and Capital Resources

The Corporation's net working capital increased by $9.6 million at the end of the first half of 2003 compared to the end of fiscal 2002. Increased cash balances of $40.2 million offset decreases in receivables of $20.2 million and in inventories of $7.8 million. Increased cash is primarily the result of increased cash flow from operations.

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 June 28, 2003, the Corporation did not repurchase any shares of its common stock.

Capital expenditures were $32 million during the first half of 2003, an increase of $17 million from the amount expended during the first half of 2002. Capital expenditures for the full year are expected to be in the range of $90 - $100 million and will be funded by cash provided from operations.

Total debt as a percentage of total capitalization at June 28, 2003 was 20.0%, which was slightly lower than the 22.4% at December 28, 2002.

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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.

For discussion of certain pending litigation see Part II, Item 1.

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 December 28, 2002. 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, 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.

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. Revenues are recognized on products shipped to unaffiliated customers when the risk of loss transfers or when services are performed. The Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition" provides guidance on the application of accounting principles generally accepted in the United States to selected revenue recognition issues. In addition, revenues in the supply-chain management segment are 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 judgment required to assess the importance of each criterion in reaching the final decision.

- 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 no longer 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 post-retirement 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 post-retirement expense recognized in future periods.

CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

This document includes forward-looking statements. Statements that describe future expectations, including revenue and earnings projections, plans, results or strategies, are considered forward-looking. 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 costs and availability; unanticipated changes in sourcing of raw materials by customers; unanticipated changes in operating expenses; unanticipated production difficulties, including with respect to the Catalog Group modernization; changes in the pattern of outsourcing supply-chain management functions by customers; unanticipated acquisition or loss of significant customer contracts or relationships; unanticipated issues related to the restructurings in the catalog and supply-chain management businesses and expected cost savings related thereto; unanticipated results relating to ongoing litigation; and any unanticipated delay in the economic recovery. 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 June 28, 2003, 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.

Item 4. 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 Rule 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. 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 quarter 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

The Corporation is a defendant in an action commenced by the creditors' committee in the Xyan.com bankruptcy matter. The claim relates to transactions that occurred in 2001 in which the Corporation acquired certain assets from Xyan.com. The creditors' committee is currently seeking recovery of approximately $2 million to $6 million. The Corporation believes that it has meritorious grounds in the Xyan.com case to obtain results that are favorable to the Corporation. However, in the event that the case was decided in a manner unfavorable to the Corporation, such result could impact the Corporation's results of operations.

On June 26, 2003, the Corporation settled its lawsuit with Singapore-based Mentor Media, Ltd. (Mentor) relating to its proposed acquisition of Mentor. The Corporation recorded a charge of $4.6 million in the second quarter of 2003 in connection with the settlement.

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of shareholders held on April 29, 2003, the only matters submitted to a vote of the Corporation's shareholders was the election of nine directors. All of the persons nominated as directors were elected for terms expiring at the 2004 annual meeting. The following table sets forth certain information with respect to such election:

Name	Shares Voted For	Shares Withholding Authority
Jameson A. Baxter	20,904,207	172,733
Donald D. Belcher	20,938,939	138,001
John F. Bergstrom	20,933,720	143,220
Ursula M. Burns	20,939,133	137,807
Henry T. DeNero	20,920,457	156,483
Richard L. Gunderson	20,897,904	179,036
Raymond C. Richelsen	20,930,134	146,806
Stephanie A. Streeter	20,913,927	163,013
Michael J. Winkler	19,941,802	1,135,138

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits -

31.1 - Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 - Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 - Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K -

The Corporation filed a Current Report on Form 8-K, dated May 2, 2003, furnishing under Item 12 the Corporation's press release dated April 29, 2003, with respect to financial results for the quarter ended March 29, 2003 and earnings guidance for fiscal 2003.

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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/ Gerald A. Henseler

Gerald A. Henseler
Executive Vice President and Chief Financial Officer

Date: August 8, 2003

BANTA CORPORATION
EXHIBIT INDEX TO FORM 10-Q
For The Quarter Ended June 28, 2003

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