

Building Customer Share

Successful book and magazine publishers turn to Banta for a variety of print and digital-imaging solutions. The reasons are clear. Banta can be counted on to provide the speed, responsiveness, efficiency and creativity customers need to achieve success in today's dynamic publishing marketplace. Educational and trade book publishers call on Banta for advanced electronic prepress services and softcover book manufacturing, as well as a full range of packaging, fulfillment and distribution services. Banta also serves the specialized needs of magazine publishers. Three operations print and distribute more than 700 different titles, short- to medium-run publications that focus on hobbies, professions and other special interests.



Publishing Market

- Expanded the Kansas City magazine facility by 60,000 square feet to accommodate a new, eight-unit web press and various support equipment.
- Successfully completed a full year of operational progress at the Greenfield, Ohio, magazine plant, which Banta acquired in late 1997.
- Added a new eight-unit web press at the Book Group's Menasha, Wis., plant to provide much-needed capacity to meet the growing needs of its customers.
- Substantially expanded Banta's project management capacity to serve publishers' outsourcing needs for product assembly, inventory management and distribution.
- Acquired 30 percent ownership in Chilean printer Morgan Impresores S.A., providing Banta with a South American presence from which to serve publishers' international needs.

- Educational, Trade, Professional & Religious Books
- Business, Trade, Association & Consumer Special-Interest Magazines
- Journals & Newsletters
- Technical Manuals & Business Directories
- Specialty Calendars
- Multimedia Kits & Instructional Games
- Web Site & E-Commerce Services

High-speed production and the ability to create cost-effective, consumer-targeted mailings make Banta an attractive source for direct marketers. Specialty and retail catalogers benefit from Banta's high-productivity presses and demographic binding capabilities to create multiple catalog versions for large-volume mailings. Banta also produces thick business-to-business and industrial catalogs, whose pages often number well over 1,000. In the direct response print category, Banta's high-speed in-line imaging and finishing capabilities significantly expand the promotional possibilities for major direct mailers in the financial services, packaged goods, retailing and pharmaceutical industries.



Direct Marketing

- Installed new imaging system to enhance the Direct Marketing Group's on-press personalization capabilities, providing more highly personalized print pieces, enhanced graphics and remote proofing.
- Achieved industry-leading customer service levels at the Catalog Group by raising on-time catalog delivery to an impressive 99 percent, while simultaneously establishing a new quality assurance program.
- Acquired 30 percent of Chilean printer Morgan Impresores S.A., enabling Banta to serve direct marketers expanding into Latin America.
- New Innovation Team helped catalogers improve customer retention with Banta's Advanced Integrated Marketing Services™ (AIMS) program, which customizes print programs and provides electronic media options.

- Consumer and Business Catalogs
- Direct Mail Packages
- Marketing Communication Materials
- Package & Publication Inserts
- "Take-One" Applications
- Coupons
- Labeling
- Inserting, Mailing & Fulfillment
- Product Sampling
- Web Site & E-Commerce Services

Innovative digital technologies are both revolutionizing the printing industry and creating new communications media. The Banta Digital Group stands at the industry's technology forefront with an exciting array of electronic solutions ranging from digital prepress to electronic commerce, on-demand printing and enterprisewide digital content management. Banta's digital workflow expertise, spearheaded by a topflight software engineering team, helps customers in all markets take advantage of the speed, cost-efficiency and ability to process and repurpose information for both print and electronic information delivery. This broad technology capability makes Banta an ideal source for companies adopting integrated-media strategies.

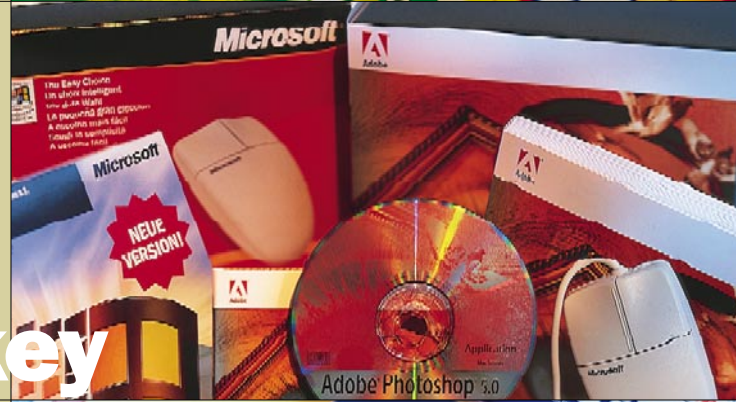


Digital Services

- Introduced the *B•media*™ enterprisewide digital content management system, which streamlines the management and distribution of print and electronic information.
- Banta's *B•media* product received "Hot Pick" designation at the 1998 Seybold Publishing Conference.
- Acquired Atlanta-based Type Designs to provide a high-level graphic design capability for the "creative" segment of Banta's Value Chain.
- Acquired Meadows Information Systems, developer of enhancements to desktop design software.
- Introduced Image-Sitter™, an online digital asset management system.
- Developed Real-Time Net™, a virtual production network that connects customers to Banta via high-speed telecommunication lines.

- Digital Prepress
- Digital Printing
- Digital Content Management Software & Services
- Creative Design for Print, Packaging & Interactive Media
- Online Publishing
- Electronic Commerce
- Web Site Hosting & Maintenance

Banta provides organizations with an impressive and complete range of supply chain management, fulfillment and global distribution services for computer hardware, software, telecommunication products and other materials. These value-added services help companies maintain their competitive edge by allowing them to focus on their core product development and marketing competencies, while outsourcing non-core activities like product assembly, inventory management and distribution. In addition, a variety of major corporations rely on Banta to manage their literature-intensive marketing programs, which involve producing and distributing products such as healthcare program enrollment kits and financial service promotional packages.



Global Turnkey

- Formally designated one of three full-turnkey suppliers to Microsoft Corp. in Europe, a Banta customer since 1988.
- Relocated to new custom-built facility in Dublin to serve the supply chain management needs of Microsoft and other companies.
- Supported European launch of Microsoft's Windows 98.
- Won significant new business from Intel, Cisco Systems and Dell Computer, serving them from facilities in Scotland and The Netherlands.
- Formed alliance with Fingerhut Business Services to operate a fully automated distribution center near Salt Lake City, Utah.
- Relocated to larger Turnkey facilities in both Minneapolis and Seattle, more than doubling the combined square footage from 61,000 to 125,000.

- Comprehensive Supply Chain Management, including:*
- Documentation Printing
 - Vendor Management & Component Procurement
 - Software duplication
 - Product Configuration, Kitting & Electro/Mechanical Assembly
 - Order Fulfillment
 - Inventory Management
 - Logistics & Distribution

The large, aging baby-boomer generation bodes well for the healthcare market, and Banta Healthcare is positioned as an industry leader in the production of sterile and non-sterile disposable products used in hospitals, outpatient clinics and dental offices. The products are primarily composed of paper, non-woven materials and polyethylene film. Global demand for disposable medical and dental products is increasing as more countries adopt U.S. medical protocol, which is considered the best in the world. With more than a quarter century of market and production experience, Banta views single-use healthcare products as a core competency – and an important component of the Corporation's non-print growth strategy.



Healthcare Products

- Completed consolidation of Banta Healthcare and the former Omnia Group, relocating certain operations to Banta's Wisconsin facility.
- Constructed 200,000-square-foot, state-of-the-art distribution center adjacent to the Wisconsin facility.
- Solidified presence in the dental market through the first full year of producing and distributing the Tidi™ and Omnisorb®II product brands.
- The Tidi™ brand celebrated 50-year anniversary.
- Operations earned European certification, allowing products to be sold throughout Europe.
- Banta Healthcare elevated from subsidiary to full Group status, reflecting Banta's growing commitment to single-use healthcare products.

- Healthcare & Dental Products*
- Examination Gowns
 - Table Paper & Stretcher Sheets
 - Thermometer Sheaths
 - Emergency blankets
 - Surgical & Dental Equipment Drapes
 - Dental Bibs & Headrest Covers
- Food Service Products*
- Table Covers, Aprons & Gloves
 - Disposable Bibs & Hand Puppets
 - Food Storage & Cooking Bags

Company Profile

Banta Corporation is a technology and market leader in printing and digital imaging. The Corporation serves publishers of educational and general books, special-interest magazines, consumer and business catalogs, and direct marketing materials. Banta also offers global project management services, multimedia and software packages, interactive media, online services, and single-use healthcare products.

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On the Cover

Building Customer Share reflects a business growth strategy that emphasizes selling additional products and services to existing customers. When combined with the traditional new-customer-acquisition efforts, Banta gains additional revenue opportunities and more chances to acquaint customers with the benefits of the Corporation's unique Value Chain, illustrated on page 5.

FINANCIAL HIGHLIGHTS

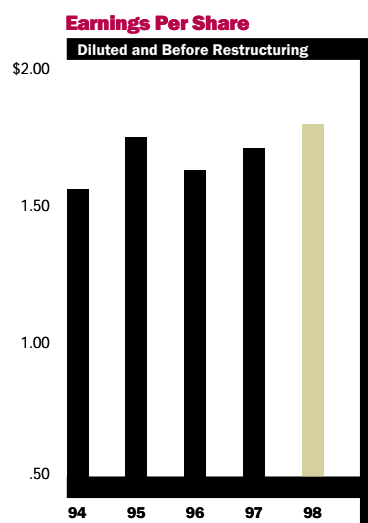
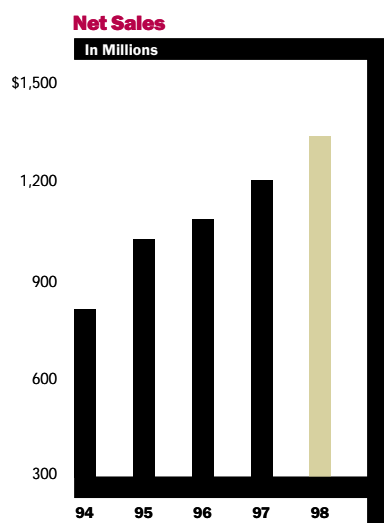
Dollars in thousands (except per share data)

	1998	1997	Percent Change
Statement of Earnings			
Net sales	\$1,335,796	\$ 1,202,483	11.1%
Net earnings before income taxes	86,090	70,823	21.6
Net earnings ¹	52,940	43,323	22.2
Net earnings before restructuring charge	52,940	51,423	3.0
Return on average shareholders' investment ²	12.8%	12.3%	—
Balance Sheet			
Working capital	\$ 158,129	\$ 165,308	(4.3)%
Plant and equipment at cost	758,440	718,669	5.5
Long-term debt	120,628	130,065	(7.3)
Shareholders' investment	409,931	414,103	(1.0)
Debt to total capitalization ³	22.7%	23.9%	—
Per Share			
Basic earnings ¹	\$ 1.80	\$ 1.45	24.1%
Diluted earnings ¹	1.80	1.44	25.0
Diluted earnings before restructuring charge	1.80	1.71	5.3
Cash dividends paid	.51	.47	8.5
Book value	14.51	13.90	4.4
Stock price range	21%–34%	22½–29%	—

¹ Results of operations for 1997 include a restructuring charge of \$8.1 million, after tax, or \$.27 per common share.

² Calculated based on earnings before 1997 restructuring charge.

³ Long-term debt to long-term debt and shareholders' investment.





Letter to Shareholders

Chairman Donald Belcher, at podium with Banta management and guests, rang the New York Stock Exchange opening bell Dec. 18, 1998, beginning Banta's first day of trading on the NYSE. From left, Gerald Henseler, Peter Workman (President of Workman Publishing), Mark Fleming, Ron Musil, Nancy Wiggins, Richard Grasso (NYSE Chairman), Mr. Belcher, Jamison Adkins Baxter (Banta Board member), Marie Belcher and Ron Kneezel.

Banta Corporation achieved record sales and earnings per share during 1998. Just as importantly, however, we made great strides during the year to develop new products and services that enabled us to gain a greater share of our customers' business. That effort forms the theme for this year's Annual Report: *Building Customer Share*, a market-share growth strategy that emphasizes selling additional products and services to existing customers.

Within this report are examples of where we have applied this strategy by first performing well for customers in one initial area of service, then introducing them to a wider range of Banta capabilities. During 1998 we combined our customer-share-building strategy with our continuing efforts to attract new customers and the results were encouraging – more revenues per customer and more new customers.

Diluted earnings per share for 1998 reached a record \$1.80 compared with the previous year's \$1.71, which excludes the restructuring charge taken during 1997's third quarter. Net earnings totaled \$52.9 million versus \$51.4 million in 1997, before the restructuring. Sales increased to \$1.34 billion, an 11 percent increase over 1997's \$1.20 billion.

While sales and earnings per share represent all-time highs for Banta, we expected even better performance. Our most difficult challenges during the year came from our Direct Marketing Group, where customer demand for both the longer-run, personalized print products and our mailing and fulfillment services was not enough to produce acceptable returns. The Corporation is currently reviewing remedial actions to eliminate this underperformance in the future.

Value Chain Progress

Overall, 1998 was a year of progress. We have many excellent examples of gaining a greater share of our customers' business by providing additional print products and an entire range of value-added services, as illustrated by our business model, or "Value Chain," on page 5.

On the front end of the Value Chain we continued to advance our ability to convert, store, transmit and process our customers' information in digital form. A highlight of the year was the initial release of Banta's new *B-media*[™] digital content management product, which gives us industry-leading capabilities for storing, archiving, retrieving and repurposing digital information for print or electronic distribution. Two product milestones are worth mentioning. First, our *B-media* product received a valuable third-party endorsement by being selected a "Hot Pick" at last year's Seybold Publishing Conference, an honor that goes to noteworthy new technologies, concepts or product breakthroughs. And, secondly, the *B-media* product has begun generating revenue, with several active projects underway and many encouraging prospects in the pipeline.

We also expanded our front-end capabilities last year through two acquisitions. Atlanta-based graphic design firm Type Designs, Inc. brings us our first full-service creative capability, while Chicago-based Meadows Information Systems, Inc., an innovative developer of publishing-based software, gives us an additional digital-technology resource.

Information Output

At the center of our Value Chain is our core information output capabilities, which we continued to advance during 1998. Capital commitments during the year totaled more than \$67 million and much of that spending continued to support our world-class print engine. Additional print capacity was added at our Book and Publications groups to meet the growing volume and speed-to-market needs of our customers.

We also expanded globally by acquiring a 30 percent interest in Chilean printer Morgan Impresores S.A., effectively entering the high-growth Latin American market.

In electronic media output, we continued to refine our *B-commerce*[™] electronic-commerce product, providing our customers with the latest technologies for selling and distributing their products through the World Wide Web.

Project Management and Distribution

On the back end of our Value Chain, we have significantly enlarged our capacity over the past three years to provide customers with packaging, fulfillment, inventory management and distribution services. These broad value-added services target several customer groups and product markets, from educational and trade book publishers to technology and financial services companies. We currently have about 2 million square feet and 15 facilities dedicated to providing these important value-added functions.

During 1999 we will continue to expand in this important area by building a new 250,000-square-foot fulfillment and distribution center next to our printing plant in Harrisonburg, Va., a project that is literally the cornerstone of a 10-year, \$100 million contract with publisher IDG Books Worldwide. The contract covers the printing of IDGB's popular books,

including the ...*For Dummies*[®] series and other best-selling titles, however it also assigns us inventory management, order fulfillment, distribution and returns processing responsibilities for all IDGB products.

In the technology sector, our Global Turnkey Group had an excellent year building its business as a leading supplier of project management and distribution services to the computer software and hardware industries. Highlights in Europe included our designation as a Preferred Supplier to Microsoft Corp. (see page 8), and new business relationships with industry leaders Intel Corporation, Cisco Systems and Dell Computer.

Our Value Chain describes our commitment to being in the business of information management – not just printing – and it positions us with a unique and sustainable competitive advantage in today's *and* tomorrow's marketplace.

Building the Healthcare Business

Another business sector that achieved important progress last year was our Banta Healthcare Group, which produces single-use medical and dental products. It successfully merged operations and product lines with The Omnia Group, the company we acquired late in 1997.

The Healthcare Group also established a global growth initiative last year that should maximize our opportunities in world markets where U.S. medical and dental protocol is being increasingly adopted – along with a greater proportion of single-use healthcare products. To help drive our global healthcare initiative, we hired a President for Banta Healthcare Worldwide, a seasoned executive with substantial international business experience. With this important global initiative proceeding and the operational consolidation behind us, we expect our Healthcare business to become an even stronger contributor in 1999 and the years ahead.

Corporate News

Two outstanding additions were made to the Banta Corporation Board of Directors last year. Joining the Board were Raymond C. Richelsen, Executive Vice President of 3M's Transportation, Safety and Specialty Materials Markets; and

John F. Bergstrom, Chairman and Chief Executive Officer of Bergstrom Corporation. Ray's background brings us strong international business experience from a respected leader in product innovation, while John's successful history of customer-driven business development will help guide us as we continue to drive our growth in emerging technology markets.

William J. Cadogan, Chairman, President and CEO of ADC Telecommunications, retired from the Board this past year. Bill's strong technology background and insight proved extremely valuable during his five years of service. His contributions were many and his counsel will be missed.

Building Shareholder Value

Our efforts to increase shareholder value took several forms last year. We increased our cash dividends by 8 percent, effective with the May 1998 payment, and effective February 1 the Board approved a further increase of 8 percent, making 1999 the 22nd consecutive year of increased dividends.

We continued a program of aggressive stock repurchases during this past year because we view this activity as an excellent way to enhance our shareholders' investments. During 1998 we repurchased 1.7 million shares at a cost of approximately \$47 million. These investments represent an effective use of our available cash flow and we intend to continue this program as an important part of our on-going effort to improve shareholder returns.

We made encouraging progress during 1998 with our Economic Profit performance measurement system, the first full year we used EP to gauge our progress as a Corporation. Economic Profit has a close tie to shareholder value creation, requiring all asset investments and operating units to generate a return exceeding the cost of capital. I'm very pleased to report that during 1998 Banta Corporation as a whole generated Economic Profit above the prior year.

Our EP program provides a particular focus on asset management as well as on earnings improvement. The effect of our progress is particularly visible in our working capital manage-

ment. Although our sales increased 11 percent, our accounts receivables did not increase year over year and we maintained our inventories at their lowest point in our history. As a result, U.S. working capital improved by \$36 million, allowing us to deploy important assets to more productive use elsewhere in the Corporation.

Shareholder value enhancement was also the overriding factor in our decision to switch from the Nasdaq Market to the New York Stock Exchange, effective December 18, 1998. We believe that by trading on the world's largest and most prestigious exchange, our stock will benefit from increased liquidity and broader investment appeal on the part of both individual and institutional investors. We also believe the NYSE listing will give us greater visibility in the international business community as we expand our presence globally.

Outlook

The progress we made during 1998 in developing new products and services, expanding customer relationships, acquiring companies, and enhancing shareholder value will help produce even stronger results for 1999 and beyond. Our many areas of progress in 1998 have further strengthened Banta's leadership position in its markets and with its customers.

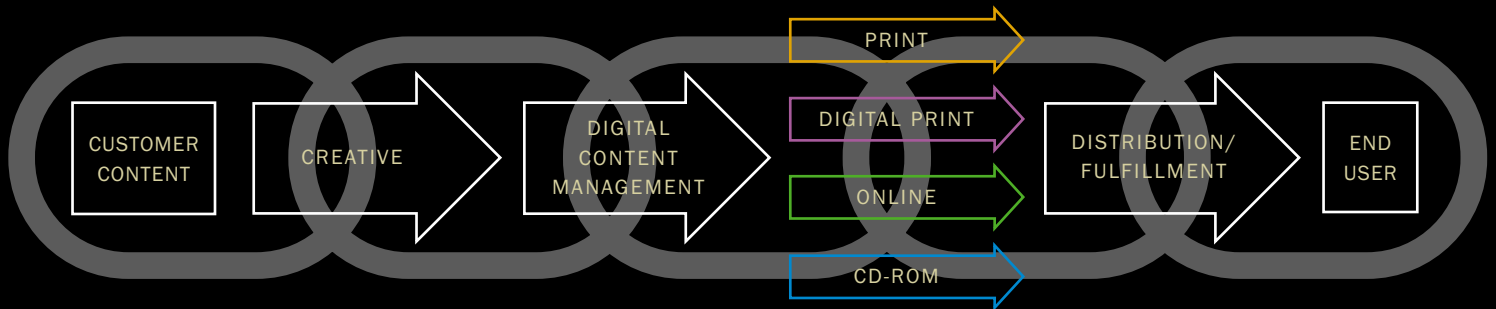
Our employees are the source of our strength. Their talent, dedication and commitment remain our primary and sustainable competitive advantage. Through their efforts, and with your support as a valued shareholder, Banta Corporation will continue to build upon its industry leadership and achieve new levels of success in the years ahead.

Sincerely,



Donald D. Belcher
Chairman, President and
Chief Executive Officer
February 22, 1999

A BUSINESS MODEL



Banta's Value Chain, or business model, shown above, illustrates the comprehensive role Banta plays in the entire printing, digital imaging and graphic communications process. Our Value Chain begins on the left with our customers' content. We start by providing creative services that include print and electronic media design and digital photography. Next, we convert our customers' images, text and data into digital form to be stored and managed within Banta's sophisticated Digital Content Management system. This system, called *B•media™*, allows our customers to manipulate and change their data – building new catalog pages or adding product images or changing prices, all in digital form, so the content is exactly the way they want it. Then, of course, we provide information output in several forms: offset or digital printing, CD-ROM, or electronically over the Internet. Finally, we provide a complete range of project management services, managing our customers' inventory, assembling and packaging their products, fulfilling their orders, and distributing their products worldwide. This business model defines today's Banta, the products we produce, the services we offer, and the increasingly comprehensive role we play in the information management and distribution process. Simply stated, "Our customers create the intellectual property, or content – and Banta does the rest." On the pages that follow, you will see examples of our Value Chain at work.



Home Depot's ProBook catalogs are huge print products. They're hundreds of pages thick and contain thousands of different kinds of building materials, home improvement supplies, and lawn and garden products. Home Depot wanted a printer with specific business-to-business catalog production experience to provide the right combination of service, schedule flexibility and competitive pricing for its professional-market catalog. Banta Book Group responded with its unique business and industrial catalog expertise to successfully print, bind and distribute multiple ProBook versions for Home Depot's various divisions.



Banta's digital content management system provides Home Depot with an innovative solution for managing all the text, images and data associated with more than 40,000 products. Banta converts to digital form and manages Home Depot's product information and marketing data within a centralized system, which links the elements together to automate catalog production and significantly reduces costs and cycle times. In producing approximately 20 catalog versions for Home Depot, Banta obtains a list of products, contacts vendors to obtain information on each product, groups the items by category, develops product description copy and populates the database for automated page production.

Home Depot Banta Corporation is proud to contribute to the phenomenal success of Home Depot, the world's largest home improvement retailer. Founded just 20 years ago, the company opened 137 new stores in 1998 alone, with the objective of reaching 1,600 stores by the end of fiscal 2002.

Home Depot is credited as being the innovator in the home improvement retail industry by combining the economies of scale inherent in a warehouse format with a level of customer service unprecedented among warehouse-style retailers. To assure continued growth,

Home Depot caters to do-it-yourselfers, as well as home improvement, construction and building maintenance professionals.

Products and services targeted to professionals represent an expanding business for Home Depot, and Banta assists in reaching that important market segment by offering a variety of capabilities from prepress services and the printing of high-page-count catalogs to developing a sophisticated digital content management system.



As the largest producer of the popular day-by-day calendars, Banta approached Home Depot with the concept of producing a 1999 calendar containing daily tips on home improvement projects. As a result, a test calendar promotion was authorized and the unique products appeared in Home Depot stores across the U.S. Banta managed the entire project from calendar design, copywriting and construction of product displays, through the distribution of calendars to Home Depot stores.



Service is the key to building customer share with Home Depot. A team representing the Banta Book and Digital groups works closely to provide seamless solutions that help give Home Depot an edge in the highly competitive and fast-moving home improvement industry. Managing the digital content management process from Needham, Mass., is Nancy Koren, while coordinating Home Depot's print production from Harrisonburg, Va., and Menasha, Wis., are Casey Ruliffson, center, and Michael Thomas.



As one of three Preferred Suppliers to Microsoft's European Distribution Center located in Dublin, Ireland, Banta more than doubled its international business from the technology leader during 1998. Banta's responsibilities entail managing the entire supply chain for Microsoft, including the outsourcing of printing, packaging and CD-ROM replication. To meet Microsoft's high-volume needs during 1998, four of Banta's European Turnkey facilities packaged and distributed products in 21 different languages. In total, Banta manufactured more than half of Microsoft's products for the European marketplace, including most of the company's European hardware products, from joysticks to mouse kits.



Keeping pace with the speed of a global technology leader like Microsoft requires service teams that are capable, flexible and creative. From left, Seamus Casey and Helen Langford of Banta Global Turnkey in Dublin, Ireland, oversee a full range of services involving Microsoft's European product distribution. Meanwhile in the U.S., Paul Nieves, Stephanie Johnson and Heidi Boe of the Marketing Distribution Center in Seattle interact daily with Microsoft buyers and process on-going product requests from the company's sales representatives.



Effectively handling daily requests for items like press kits, discount coupon pads, brochures and promotional binders can test any marketing organization's internal capabilities. Microsoft's challenge also included interaction with buyers at several large corporate groups and more than 450 representatives across the U.S. Not wanting to divert resources from its core business activities, Microsoft looked to outside providers for help. The solution came from Banta's Marketing Distribution Center (MDC) in Seattle. More than just a fulfillment center, the MDC provides printing, kit assembly, complete project management services and fulfillment for Microsoft's marketing materials.

Microsoft Banta and Microsoft both focus relentlessly on core competencies. It's part of the reason Microsoft achieved record sales of \$14.5 billion in fiscal year 1998, and why Banta continues to expand its business with leaders in the technology marketplace.

Microsoft's mission is to create software for the personal computer that empowers and enriches people in the workplace, at school and at home. The company's early vision of a computer on every desk and in every home is coupled today with a strong commitment to Internet-related technologies that expand the power and reach of the PC and its users.

Substantial investments in product development, along with a strong commitment to customer feedback, enables Microsoft to offer technological advancements that ensure customers the highest-quality software products available today. As an example of how Microsoft applies maximum resources to the areas of greatest importance, the company committed approximately 85 percent of its 28,000 employees to just two critical areas – research and development, and sales support.

So how does Microsoft address other, non-core business activities necessary to compete in the whirlwind, global marketplace of advanced technology products? World-class services in areas such as printing, literature management, kit assembly, fulfillment and distribution are provided by proven experts like Banta Corporation. During 1998, Microsoft significantly expanded its relationship with Banta, both in the U.S. and Europe, by taking advantage of Banta's innovative Value Chain.



Keeping distributors and retail outlets supplied with up-to-date price catalogs for Kohler's ultra-popular faucets and fixtures is no simple task. Each of the thick, perfect-bound catalogs is produced in quantities of 250,000. Publishing a quality product in the shortest possible time is a high priority for Kohler, and Banta offers both the flexibility and the special long-run printing and binding capabilities required.

Kohler Co. Banta Corporation and Kohler Co. are two venerable organizations with 225 years of combined business experience. Both companies have prospered through the years by staying on the leading edge of technology while strategically expanding product offerings and geographic reach. From a tiny foundry that produced cast iron and steel implements for Wisconsin farmers, the Kohler family of businesses now extends around the globe in categories ranging from plumbing and power systems to fine furniture, cabinetry and tile, as well as resort, recreation and real estate properties.

Establishing new levels of excellence means that suppliers like Banta must focus on what Kohler does and help them do it even better. One way Banta helped Kohler in 1998 was by applying specialized printing and distribution capabilities to help reduce costs and speed delivery of two major price catalogs. On another front, Banta created a highly efficient product and component label program that earned the company Impact Supplier status, a designation Kohler gives to organizations that produce 80 percent or more of a given product.



The efficient print production of complex, multi-component programs is challenging enough, but manufacturers like Kohler often find that distribution is where the real challenge begins. Fortunately, Banta's Value Chain provides state-of-the-art mailing and distribution capabilities that ensure getting printed materials to their destinations in top-quality condition at the lowest possible cost. Banta's services to Kohler include assembling and distributing packages with varying components to field representatives, distributors and retail outlets, in addition to more than 50,000 recipients of single-copy, polybagged catalogs.



Banta Sales Executive Scott Rinden, seated, leads the multifaceted sales service effort for Kohler Co., supported by Customer Service Representative David Pichler, who spearheads the print and distribution process, and Account Manager Ann Fritz, who manages label production on-site at Kohler's plant in Kohler, Wis.



Banta's strong performance in catalog production and distribution resulted in Kohler offering Banta an opportunity to expand the business relationship to include product label production for four Kohler divisions. Banta was awarded the business based on a unique proposal to consolidate Kohler's entire label program by providing a complete project management solution that placed Banta personnel on-site at Kohler procurement and manufacturing locations. The result was a more cost-efficient and streamlined process that fully leveraged opportunities to reduce raw material costs, and standardize tooling sizes and engineering specifications.



HEALTHCARE MEDICAL PRODUCTS

Banta Healthcare Group A consolidating healthcare industry turns more and more toward large suppliers who can provide a wide range of products at the lowest costs. The purchase of The Omnia Group in late 1997 positioned the Banta Healthcare Group as the number one manufacturer of its specialized disposable products for the medical and dental markets. With the 1998 consolidation of manufacturing and distribution in Neenah, Wis., Lakeland, Fla., and Rialto, Calif., Banta's plants are optimally equipped and strategically located to provide industry-leading customer service.

Healthcare products represent one of Banta's largest non-print sectors and today's leading market position results from a quarter century of experience serving the expanding needs of healthcare providers. Banta

entered the paper- and film-based healthcare products business through acquisition in 1973, recognizing the market's growth prospects, and production similarities in converting and distribution.

Banta's enthusiasm for the healthcare market also stems from today's favorable demographics and healthcare trends both domestically and abroad. The maturing baby-boom generation, the growth of managed healthcare service environments that enable more frequent doctor visits and the worldwide recognition of the superiority of U.S. medical services all favor strong growth. Important goals for Banta include further penetration of the healthcare market with new products, additional acquisitions and global expansion.

EMPLOYEES THE BANTA TEAM



The 1998 consolidation of Banta Healthcare with the former Omnia Group was a complex year-long process of integrating facilities, processes and human resource talent into a single, industry-leading organization. The process was a challenging task that was spearheaded by 10 specially formed consolidation teams, supported by the efforts of hundreds of individuals from both organizations. Representing those teams — and that Herculean effort — are, from left, Todd Guyes, Mike Hogan, Scott Weber, Anne Scott and Michelle Taves.



Banta Healthcare's products literally cover just about everything and everyone associated with medical treatment. Applications span a wide range of infection barrier materials, from patient exam gowns and operating room equipment drapes to specialty printed exam table papers for pediatric patients. Marketed under the brand names Tidi™, Century II™, Venture™ and Encore™ — as well as numerous private labels — Banta provides a broad selection of products to meet the growing need for single-use medical products.



HEALTHCARE DENTAL PRODUCTS



The next time your dentist says, "Open wide," chances are you'll be protected by a Banta Healthcare dental bib while reclining against one of our headrest covers. Then depending upon your treatment, any number of Banta-manufactured disposable products could come into play, such as cotton rolls, gauze and dental camera covers. Dentists nationwide use Banta's industry-leading products, marketed under the Tidi™ and Omnisorb®II brands, and various private labels. Helping apply Banta's customer-share-building initiative to its healthcare products business is a product line extension strategy, which has resulted in such products as mouth-rinse cups and autoclave envelopes for sterilizing dental instruments.

HEALTHCARE FOOD SERVICE PRODUCTS



Manufacturing disposable products for the food service industry was a natural extension of Banta's single-use product capabilities. Children's and adult bibs, banquet table rolls, aprons, gloves, food cooking and storage bags, and a host of other items have manufacturing characteristics similar to Banta's medical and dental products.



A Banta Corporation flag flew outside the New York Stock Exchange December 18, 1998, recognizing the Corporation's first day of trading on the NYSE. Executive Vice President and Chief Financial Officer Gerald Henseler, left, and Chairman Donald Belcher pause on a balcony of the New York Stock Exchange building. To qualify for listing on the world's largest and most prestigious stock exchange, companies must meet certain financial requirements, such as revenues, income and market value — and for many years Banta has exceeded the various financial requirements. Details of Banta's financial strength are contained within the following Financial Section.

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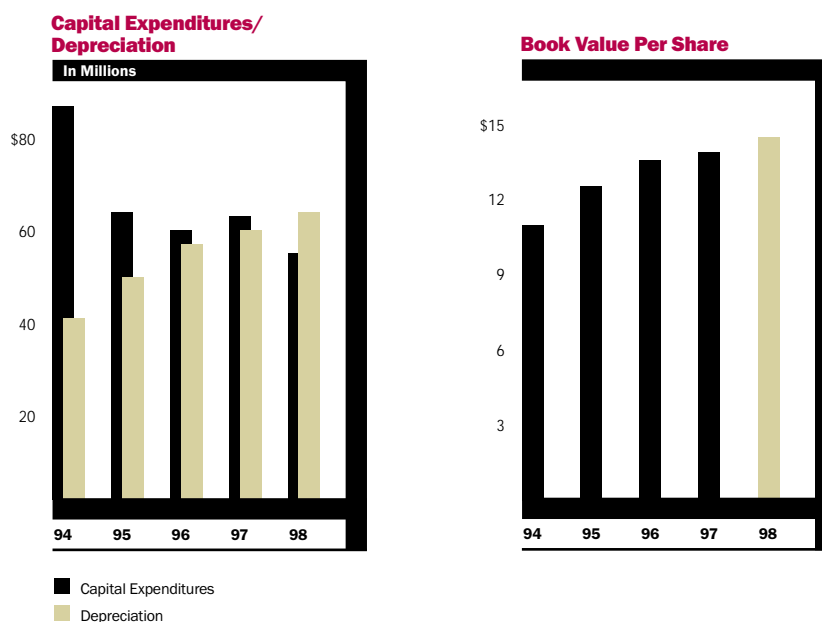
FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA Not Covered by Report of Independent Public Accountants

Dollars in thousands (except per share data)	1998	1997	1996	1995	1994
Summary of Earnings¹					
Net sales	\$1,335,796	\$1,202,483	\$1,083,763	\$1,022,650	\$811,330
Net earnings ²	52,940	43,323	50,907	53,550	47,228
Net earnings before restructuring charge	52,940	51,423	50,907	53,550	47,228
Net earnings per common share:					
Basic ²	1.80	1.45	1.64	1.76	1.57
Diluted ²	1.80	1.44	1.63	1.75	1.56
Diluted before restructuring charge	1.80	1.71	1.63	1.75	1.56
Dividends paid per common share	.51	.47	.44	.37	.35
Financial Summary					
Working capital	158,129	165,308	219,630	187,956	101,422
Net plant and equipment	318,635	338,357	319,939	313,718	293,662
Total assets	769,966	781,216	719,218	678,809	577,763
Long-term debt	120,628	130,065	133,696	134,953	67,834
Interest expense	10,825	11,062	10,214	9,891	5,902
Shareholders' investment	409,931	414,103	420,592	387,112	331,587
Book value per share of common stock ³	14.51	13.90	13.58	12.55	10.98

¹ All years comprised 52 weeks, except 1997 which comprised 53 weeks.

² Results of operations for 1997 include a restructuring charge of \$8.1 million, after tax, or \$.27 per common share.

³ Book values per share of common stock are based on shares outstanding at year-end.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATIONS

Highlights Results for 1998 included the following:

- Sales increase of \$133 million, up 11%
- Increased net earnings and record earnings per share
- Working capital reductions and improved Economic Profit
- Cash provided from operating activities of \$135 million which was used to support investments and key initiatives, including:
 - Investment in the Corporation's *B-media*[™] digital content management system
 - Investment in digital technologies
 - Expansion into the South American print market
 - Integration of the Corporation's late 1997 acquisitions
 - 1.7 million shares of stock repurchased
 - Capital expenditures including capacity expansions for the book and magazine markets

Sales for 1998 were \$1.34 billion, an 11% increase over the prior year sales of \$1.20 billion. Influencing 1998 sales were the acquisitions effected in the third and fourth quarters of 1997, increased volume within turnkey services, increased print volume for the book and magazine markets and a slight reduction in paper prices. Although the reduction in 1998 paper prices was less significant than in prior years, fluctuations impact the Corporation's sales proportionately given the substantial amount of purchased paper in the printing operations.

Net earnings of \$52.9 million for 1998 were 3% higher than the prior year earnings of \$51.4 million, prior to the 1997 restructuring charge of \$8.1 million after tax (\$.27 per share). Diluted earnings per share in 1998 reached a record high at \$1.80 per share compared with \$1.71 per share in 1997, prior to the restructuring charge.

During 1998, the Corporation increased its focus on asset management with its Economic Profit model. Economic Profit monitors the contribution of asset investments compared to the cost of capital with the expected benefit of reducing working capital. With this continued focus during 1998, the Corporation lowered year-end inventories by 22% compared to the prior year. Also, with an 11% increase in sales, receivables were only slightly above the prior year. As a result of these initiatives and cost-containment efforts, the Corporation was able to improve its Economic Profit during the first full year it used Economic Profit to gauge its progress.

With strong cash flow from operating activities in 1998, Banta continued to invest in new technologies and key growth sectors along with a continued improvement in shareholder value through an aggressive share repurchase initiative. During 1998, resources were devoted to developing the Corporation's *B-media* digital content management system to automate customers' production processes by streamlining information storage and retrieval for print and electronic distribution. Initial software programs were developed in 1998 and additional enhancements are expected to be available by mid-year 1999. Banta also strengthened its digital and graphic design capabilities in 1998 through two complementary acquisitions. These acquisitions will further position Banta as a single-source provider of multiple graphic communications solutions. During 1998, the Corporation expanded into the South American print market by acquiring a 30% equity interest in one of Chile's leading printers.

Also in 1998, the consolidation and integration of the single-use medical and dental products supplier acquired in late 1997 was

completed. Efforts included the consolidation of a major production facility and a distribution facility requiring the construction of a 200,000-square-foot distribution center. Financial and manufacturing systems were also integrated during 1998. The consolidation efforts will benefit 1999 and future years.

Finally, Banta continued to make a substantial investment in its share repurchase initiative. The Corporation repurchased 1.7 million shares totaling approximately \$47 million in 1998 in addition to the \$36 million of shares repurchased in 1997. The previously authorized program has a remaining balance available in excess of \$60 million for repurchase. The Corporation will continue its efforts to actively repurchase shares in 1999 as an opportunity to create shareholder value.

Net Sales The Corporation operates in one primary business segment, print, with other business operations in turnkey services and healthcare products. The print segment provides comprehensive single source print and print-related services to publishers of educational and general books, direct marketing materials, consumer and business catalogs and special-interest magazines. Turnkey services provides project management, product assembly, fulfillment and product localization services primarily to technology companies in the U.S. and Europe. Healthcare products is primarily engaged in the production of disposable products used in outpatient clinics, dental offices and hospitals. This business also has product lines with related applications for the food service industry and film sales.

Printing segment net sales of \$1.0 billion for 1998 were \$68 million, or 7% higher than the prior year total of \$936 million. Net sales for the printing segment market classifications, as a percent of total print segment sales, were as follows:

	1998	1997	1996
Books	29%	30%	29%
Direct Marketing	25	25	25
Catalogs	24	23	24
Magazines	16	14	14
Other	6	8	8
	100%	100%	100%

The print operations serving the magazine market achieved strong sales growth in 1998 with its late 1997 acquisition of the Greenfield Printing & Publishing Company and a significant capacity expansion at the Kansas City, Mo., facility. Advertising page counts were consistent with the high level in 1997, which resulted in a continued favorable capacity utilization. Improvement in book market sales resulted from increased trade book printing activity. This increase was partially offset by the cyclically lower number of textbook adoption programs in 1998 and lower customer order quantities to control inventory levels. A strong textbook adoption period is projected for years 2000 and 2001, with some potential benefit for late 1999. Sales for direct marketing materials were above 1997 due to sales volume added from the prior year acquisition and added volumes at existing facilities. Catalog market sales in 1998 were above the prior year primarily due to increased volume for business catalogs, however

consumer catalog sales volume was lower. Sales in the “other” category, which primarily includes digital imaging services, were flat compared to the prior year.

Turnkey services sales were \$226 million in 1998, an increase of 22% over 1997 sales. The European segment of turnkey services achieved strong sales growth influenced by the successful launch of Microsoft’s Windows 98 and new opportunities to serve other large software customers. 1998 sales for the U.S. segment of turnkey services were slightly above the prior year. Sales levels within turnkey services are subject to greater variations, as several of the Corporation’s facilities are dependent on a small number of large customers. The Corporation’s sales levels are therefore closely correlated to the success of its customers’ products in the marketplace.

Healthcare products sales of \$106 million in 1998 were significantly higher than the prior year due to the acquisition of The Omnia Group (“Omnia”) in the third quarter of 1997.

In 1997, printing segment net sales were \$936 million compared to \$857 million in 1996. Book market sales in 1997 increased significantly over the prior year as a result of higher educational volume and products for the trade market. Catalog sales were level with the prior year while sales in direct marketing materials increased due to added volume from both new and existing facilities. A competitive pricing environment in catalogs and direct marketing materials reduced both sales and margins. Sales volume grew in the magazine market due to increased advertising pages and market share gains. The sales increase in the “other” classification was primarily attributed to increased digital imaging activity.

Increased 1997 sales for turnkey services resulted primarily from added sales volume generated by new facilities opened during the year. This increase was partially offset by the closing of three U.S. turnkey facilities in the third quarter of 1997 that no longer met location or customer requirements. Sales for healthcare products increased in 1997 due primarily to the inclusion of sales from Omnia, which was acquired in the third quarter of 1997.

Cost of Goods Sold In 1998, cost of goods sold as a percent of sales was 80.1% compared with 80.2% in 1997 and 79.8% in 1996.

Margins for the Corporation’s printing segment were impacted by several factors in 1998. Margins improved through increased utilization and efficiencies within the magazine market. Improved productivity and utilization within the information services division of the book market also led to increased margins. These margin improvements were substantially offset by competitive pricing, particularly in the markets for catalogs and direct marketing materials, and underutilized plant capacity. Inefficiencies and underutilization negatively impacted margins at the direct marketing mailing and fulfillment facility acquired in late 1997. The Corporation is currently reviewing remedial actions to eliminate this underperformance in the future.

Turnkey services margins were higher as a result of increased utilization at both the U.S. and European operations. Successful product launches by European customers had a positive impact on margins. In 1997, margins were negatively impacted by losses incurred at the three facilities closed in late 1997 and start-up costs at new facilities opened during the year. Turnkey services expects to achieve single digit operating margins due to the substantial material content included in sales. However, with significantly less capital investment per facility, shareholder value can be created notwithstanding the lower operating margins.

Operating margins for healthcare products were below the prior year as a result of the consolidation and integration efforts related to the acquisition of Omnia. These efforts were substantially completed at the end of 1998.

The lower margins in 1997 compared to 1996 resulted from several factors. Increasingly competitive pricing, particularly in the commercial markets, impacted printing segment margins. This was partially offset by improved margins in the book and magazine markets due to higher levels of utilization. Margins in 1996 were favorably impacted by changes in the LIFO valuation adjustment.

Turnkey services margins were lower in 1997 as a result of start-up costs at three locations opened during the year, as well as losses incurred at three other facilities prior to their shutdown. Margins for healthcare products in 1997 compared to 1996 were comparable.

Expenses Selling and administrative expenses as a percent of sales were 12.6%, 12.1% and 11.7% in 1998, 1997 and 1996, respectively. Selling and administrative expenses increased \$22.4 million (15.4%) in 1998 and \$18.7 million (14.7%) in 1997. The acquisitions made late in 1997 accounted for approximately 60% of the 1998 increase. Also in 1998, Banta continued its investment in the *B-media* digital content management system. Selling and administrative expenses as a percent of sales were substantially higher since the initial software versions related to this investment were released late in 1998. The remainder of the increase was primarily a result of costs required to support 1998’s increased sales volume, including sales commissions and other support costs. The 1997 increase is attributable to the acquisitions made during the year and costs required to support 1997’s increased sales volume.

Earnings From Operations Earnings from operations as a percent of sales were 7.3%, 6.6% and 8.5% in 1998, 1997 and 1996, respectively. In 1997, earnings from operations as a percent of sales were 7.7% before the restructuring charge. The slight reduction in the 1998 percent was due to the aforementioned increase in selling and administrative expenses to support the 1997 acquisitions and investment initiatives. This decrease was partially offset by margin improvements within the print and turnkey segments. The reduction in the percent from 1996 to 1997 primarily resulted from margin erosion caused by competitive pricing and increased selling and administrative expenses in 1997.

In the third quarter of 1997, the Corporation recorded a restructuring charge of \$13.5 million (\$8.1 million after tax or \$.27 per common share) related to the sale, closing and discontinuation of certain businesses. At January 3, 1998, the remaining reserve totaled \$3.7 million. During 1998, the restructuring initiatives were completed with the balance of the reserve used.

Interest Expense and Other Income (Expense) Interest expense was \$10.8 million, \$11.1 million and \$10.2 million in 1998, 1997 and 1996, respectively. During 1998, the Corporation incurred no significant new long-term debt. Lower interest expense in 1998 primarily resulted from the repayment of long-term obligations during 1997 and 1998. The impact on interest expense due to lower weighted-average interest rates was substantially offset with higher levels of average short-term borrowings. Interest expense rose in 1997 compared to 1996 as a result of the short-term credit facilities used in the latter part of 1997 to finance three acquisitions. Other expense was

\$0.6 million in 1998 compared to other income of \$2.3 million in 1997. The change is primarily due to reduced interest income and other non-operating income, offset slightly by a gain of \$0.9 million on the sale of a building in 1998.

Pre-tax Earnings and Provision for Income Taxes Pretax earnings as a percent of sales were 6.4%, 5.9% (7.0% before the restructuring charge), and 7.8% in 1998, 1997 and 1996, respectively. The reduction in 1998 pre-tax earnings as a percent of sales compared to 1997, before restructuring, is due to increased operating expenses offset partially by 1998 margin improvements.

Effective income tax rates were 38.5%, 38.8% and 39.5% in 1998, 1997 and 1996, respectively. The reduction in the effective tax rates in 1998 and 1997 was due to lower tax rates on earnings of the European operations and the impact of tax exempt interest earned on short-term investments.

Liquidity and Capital Resources The Corporation has historically raised long-term debt financing by issuing unsecured promissory notes to insurance companies on a private placement basis. No significant long-term borrowings were required over the last three years.

The Corporation generally raises short-term funds by selling commercial paper. Such borrowings are primarily supported by a credit facility with a total borrowing capacity of \$70 million. Average outstanding short-term borrowings during 1998, 1997 and 1996 were \$24.5 million, \$11.6 million and \$0.8 million, respectively. The 1998 increase resulted primarily from borrowings used to repurchase shares of common stock and to finance acquisitions made late in 1997. The 1997 increase resulted primarily from borrowings used to finance acquisitions. Management believes the Corporation's liquidity continues to be strong and the degree of leverage allows the Corporation to finance, at attractive borrowing rates, its capital expenditures and share repurchase initiatives, as well as any other investment opportunities that may arise.

During 1998, U.S. working capital decreased \$36 million. This improvement was primarily due to enhanced asset management. With an 11% increase in sales, receivables were essentially flat with the prior year and inventories were down \$21 million. These improvements were partially offset by an increase in short-term investments at European operations. The 1997 decrease in working capital was due to financing acquisitions with cash and short-term borrowings.

The Corporation repurchased approximately 1.7 million shares of its common stock at an average price of \$27.67 in 1998 and approximately 1.5 million shares at an average price of \$24.89 in 1997. The share repurchase program authorized by the Corporation's Board of Directors during 1998 has in excess of \$60 million remaining for future investment. During 1999 the Corporation expects to continue its repurchase of shares pursuant to this authorization as market conditions warrant. Any future stock repurchases will be funded by a combination of cash provided from operations and short-term borrowings.

The Corporation's capital investment program, which resulted in capital spending of \$55 million in 1998, reflects its commitment to maintain modern, efficient plants and to be able to utilize new printing and digital imaging technologies. Preliminary plans for 1999 are for capital commitments to exceed \$70 million. Cash requirements are expected to exceed that amount as the unpaid balance of prior commitments exceeded \$30 million at the end of 1998.

Other Matters During 1998, the Corporation completed an evaluation of its computer software to determine its ability to handle dates beginning with the year 2000. It was determined that a significant portion of the Corporation's software was already year-2000 compliant. This evaluation also resulted in the development of detailed plans to replace certain software and to reprogram other software. Banta also implemented a program to confirm that business and manufacturing system hardware, control systems and software supplied by significant third party vendors is year-2000 ready. Although complete assurance cannot be given, management currently believes it is devoting the necessary resources to resolve all significant year-2000 issues, both Information Technology ("IT") and non-IT related, by mid-1999. The Corporation is currently conducting audits and operational readiness testing as well as pursuing certification of year-2000 readiness from significant third party vendors.

The Corporation's contingency plan related to third party vendors is to identify additional suppliers and alternate sources for essential materials, primarily paper, in case one or more of its suppliers were not year-2000 ready. The majority of the Corporation's internal IT-related systems has either been replaced or is in the process of being replaced with year-2000 compliant systems. Accordingly, a contingency plan has not been developed for internal IT-related systems and is not currently considered necessary. The Corporation is currently testing non-IT-related systems (HVAC, safety and security) and has not determined whether a contingency plan is needed.

The risk of not being year-2000 compliant on a timely basis is that product shipments could potentially be delayed, which could have an adverse impact on, among other things, the Corporation's revenues and earnings. Additional resources, which cannot be accurately estimated at this time, would be required to process and fulfill customer orders.

During 1998, the Corporation spent approximately \$3.5 million to upgrade and replace its systems to ensure year-2000 readiness. The Corporation estimates it will incur additional costs of \$3 to \$4 million in 1999. The majority of the systems development costs will be capitalized.

Future Accounting Pronouncement In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires that an entity recognize derivatives as either assets or liabilities on its balance sheet and measure those instruments at fair value. The Corporation intends to adopt this standard in 2000. The adoption of this standard is not expected to have a material effect on the Corporation's financial statements.

Forward Looking Statements Due to the forward-looking nature of the preceding information, the Corporation recommends readers reference the "Safe Harbor" Statement which is reproduced on page 35 of this Annual Report to Shareholders.

Risk Management The Corporation is exposed to market risk from changes in interest rates and foreign exchange rates. However, since essentially all long-term debt is at fixed interest rates, exposure to interest rate fluctuations is minimal. Exposure to adverse changes in foreign exchange rates is also considered immaterial. Accordingly, management believes the Corporation is not subject to market risk as defined in Item 305 of Regulation S-K.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Banta Corporation:

We have audited the accompanying consolidated balance sheets of Banta Corporation (a Wisconsin corporation) and subsidiaries as of January 2, 1999 and January 3, 1998, and the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the fiscal years in the three-year period ended January 2, 1999. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banta Corporation and subsidiaries as of January 2, 1999 and January 3, 1998, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended January 2, 1999, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Milwaukee, Wisconsin
February 1, 1999

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Consolidated Financial Statements and other financial references appearing in this Annual Report were prepared by management in conformity with generally accepted accounting principles appropriate for the circumstances. Where acceptable alternative accounting principles exist, as described in Note 1 of the Notes to the Consolidated Financial Statements, management uses its best judgment in selecting those principles that reflect fairly the financial position and results of operations of the Corporation. The accounting records and systems of internal control are designed to reflect the transactions of the Corporation in accordance with established policies and procedures. Financial and operational reviews are undertaken by management to provide assurance that the books and records properly reflect transactions authorized by the Corporation.

The Consolidated Financial Statements appearing in this Annual Report have been audited by Arthur Andersen LLP. Its audits were made in accordance with generally accepted auditing standards and provide an independent review of those management responsibilities that relate to the preparation of this Annual Report.

The Audit Committee of the Board of Directors, comprised of directors who are not officers or employees, reviews the financial and accounting reports of the Corporation, including a review and discussion of the principles and procedures used by management in preparation of the financial statements. The independent auditors have full and free access to the Audit Committee and meet with it to review the results of the audit engagement, the preparation of the Annual Report and to discuss auditing and financial reporting matters.

CONSOLIDATED BALANCE SHEETS January 2, 1999, and January 3, 1998

<i>Dollars in thousands</i>	1998	1997
Assets		
Current Assets:		
Cash and cash equivalents	\$ 26,584	\$ 16,432
Receivables, less reserves of \$3,835 and \$3,708, respectively	233,200	228,483
Inventories	74,724	95,341
Prepaid expenses	7,887	8,922
Deferred income taxes	12,225	16,498
	354,620	365,676
Plant and Equipment:		
Land	8,371	8,544
Buildings and improvements	111,143	107,298
Machinery and equipment	638,926	602,827
	758,440	718,669
Less accumulated depreciation	(439,805)	(380,312)
	318,635	338,357
Other Assets		
Cost in Excess of Net Assets of Businesses Acquired	20,989	14,524
	75,722	62,659
	\$ 769,966	\$ 781,216
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short-term debt	\$ 36,140	\$ 33,880
Accounts payable	107,649	106,235
Accrued salaries and wages	25,085	22,575
Other accrued liabilities	20,706	32,492
Current maturities of long-term debt	6,911	5,186
	196,491	200,368
Non-current Liabilities:		
Long-term debt	120,628	130,065
Deferred income taxes	22,214	19,831
Other non-current liabilities	20,702	16,849
	163,544	166,745
Shareholders' Investment:		
Common stock — \$.10 par value, authorized 75,000,000 shares; 28,260,957 and 29,793,279 shares issued and outstanding, respectively	2,826	2,979
Amount in excess of par value of stock	—	35,542
Accumulated other comprehensive loss	(2,308)	(3,498)
Retained earnings	409,413	379,080
	409,931	414,103
	\$ 769,966	\$ 781,216

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

CONSOLIDATED STATEMENTS OF EARNINGS For the Periods Ended January 2, 1999, January 3, 1998, and December 28, 1996

<i>Dollars in thousands (except earnings per share)</i>	1998	1997	1996
Net sales	\$1,335,796	\$1,202,483	\$1,083,763
Cost of goods sold	1,070,319	963,920	864,736
Gross Earnings	265,477	238,563	219,027
Selling and administrative expenses	167,932	145,519	126,855
Restructuring charge	—	13,500	—
Earnings from Operations	97,545	79,544	92,172
Interest expense	(10,825)	(11,062)	(10,214)
Other (expense) income, net	(630)	2,341	2,249
Earnings Before Income Taxes	86,090	70,823	84,207
Provision for income taxes	33,150	27,500	33,300
Net Earnings	\$ 52,940	\$ 43,323	\$ 50,907
Basic Earnings per Share of Common Stock	\$ 1.80	\$ 1.45	\$ 1.64
Diluted Earnings per Share of Common Stock	\$ 1.80	\$ 1.44	\$ 1.63

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS For the Periods Ended January 2, 1999, January 3, 1998, and December 28, 1996

<i>Dollars in thousands</i>	1998	1997	1996
Cash Flows from Operating Activities			
Net earnings	\$ 52,940	\$ 43,323	\$ 50,907
Adjustments to reconcile net earnings to net cash provided by operating activities, net of acquisitions:			
Depreciation and amortization	66,862	62,107	58,270
Deferred income taxes	195	(5,128)	1,326
Restructuring charge	—	13,500	—
Restructuring charges paid	(3,733)	(1,843)	—
Change in assets and liabilities, net of effects of acquisitions:			
(Increase) in receivables	(4,077)	(2,603)	(6,562)
Decrease (increase) in inventories	20,017	(10,931)	1,831
Decrease (increase) in other current assets	1,036	(1,806)	(1,179)
(Decrease) increase in accounts payable and accrued liabilities	(4,625)	23,843	2,250
Decrease (increase) in other non-current assets	3,462	(832)	1,406
Other, net	3,782	(1,890)	2,574
Cash provided by operating activities	135,859	117,740	110,823
Cash Flows from Investing Activities			
Capital expenditures	(55,412)	(63,065)	(60,461)
Proceeds from sale of plant and equipment	6,634	3,571	2,376
Cash used for acquisitions, net of cash acquired	(7,434)	(75,598)	—
Additions to long-term investments	(5,741)	(1,806)	—
Cash used for investing activities	(61,953)	(136,898)	(58,085)
Cash Flows from Financing Activities			
Short-term debt proceeds, net	2,260	29,260	4,620
Proceeds from issuance of long-term debt	—	1,600	—
Payments on long-term debt	(7,712)	(5,697)	(9,210)
Proceeds from exercise of stock options	3,738	3,418	2,797
Dividends paid and stock redemptions	(15,018)	(14,146)	(13,560)
Repurchase of common stock	(47,022)	(36,262)	(7,098)
Cash used for financing activities	(63,754)	(21,827)	(22,451)
Net increase (decrease) in cash and cash equivalents	10,152	(40,985)	30,287
Cash and cash equivalents at beginning of year	16,432	57,417	27,130
Cash and cash equivalents at end of year	\$ 26,584	\$ 16,432	\$ 57,417
Cash payments for:			
Interest, net of amount capitalized	\$ 12,101	\$ 10,818	\$ 10,312
Income taxes	33,481	30,583	30,292

The accompanying notes to consolidated financial statements are an integral part of these statements.

For the Periods Ended January 2, 1999, January 3, 1998,
and December 28, 1996**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT**

Dollars in thousands

	Common Stock		Amount in Excess of Par Value	Accumulated Other Compre- hensive Income	Retained Earnings	Total
	Shares Outstanding	Par Value				
Balance, December 30, 1995	20,559,614	\$2,056	\$ 70,138	\$ (118)	\$ 315,036	\$387,112
Net earnings					50,907	50,907
Other comprehensive income				1,591		1,591
Comprehensive income						52,498
Cash dividends (\$.44 per share)					(13,553)	(13,553)
Stock options exercised	183,894	18	2,779			2,797
Repurchase of common stock	(303,600)	(30)	(7,068)			(7,098)
Three-for-two stock split effected in the form of a 50% stock dividend	10,292,824	1,029	(7)		(1,029)	(7)
Stock issued for acquisition	236,337	24	277		(1,458)	(1,157)
Balance, December 28, 1996	30,969,069	3,097	66,119	1,473	349,903	420,592
Net earnings					43,323	43,323
Other comprehensive income				(4,971)		(4,971)
Comprehensive income						38,352
Cash dividends (\$.47 per share)					(14,146)	(14,146)
Stock options exercised	204,914	20	3,397			3,417
Repurchase of common stock	(1,456,900)	(146)	(36,116)			(36,262)
Stock issued for acquisition	75,715	8	2,131			2,139
Other	481		11			11
Balance, January 3, 1998	29,793,279	2,979	35,542	(3,498)	379,080	414,103
Net earnings					52,940	52,940
Other comprehensive income				1,190		1,190
Comprehensive income						54,130
Cash dividends (\$.51 per share)					(15,018)	(15,018)
Stock options exercised	166,578	17	3,721			3,738
Repurchase of common stock	(1,698,900)	(170)	(39,263)		(7,589)	(47,022)
Balance, January 2, 1999	28,260,957	\$2,826	\$ —	\$(2,308)	\$ 409,413	\$409,931

There are 300,000 shares of \$10 par value preferred stock authorized, none of which is issued.

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTE 1

Summary of Accounting Policies

Significant accounting policies followed by the Banta Corporation (the "Corporation" or "Banta") in maintaining financial records and preparing financial statements are:

Business The Corporation provides a wide variety of print and print-related services to publishers of educational and general books, special-interest magazines, consumer and business catalogs, and direct marketing materials. Banta also offers global project management services, digital services and single-use healthcare products. Customers, who are primarily located throughout the United States and Europe, are granted credit on an unsecured basis. No single customer accounted for more than 10% of consolidated sales during 1998, 1997 or 1996.

Year-end The Corporation's operating year ends on the Saturday closest to December 31. Operating years 1998 and 1996 ended on January 2, 1999, and December 28, 1996, respectively, and comprised 52 weeks each. The year 1997 ended on January 3, 1998, and comprised 53 weeks.

Principles of Consolidation The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Recognition of Sales In accordance with trade practices of the printing industry, sales are recorded by the Corporation primarily upon completion of manufacturing. Substantially all such sales are produced to customer specifications, therefore, the Corporation has no material amounts of finished goods inventory.

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, which relate entirely to the assumed exercise of stock options. Average common shares for computation of basic earnings per share were 29,334,298, 29,973,736 and 31,103,078 in 1998, 1997 and 1996, respectively. Average common and common equivalent shares for computation of diluted earnings per share were 29,474,873, 30,113,098 and 31,249,169 in 1998, 1997 and 1996, respectively.

The shares outstanding used to compute diluted earnings per share for the fourth quarter of 1998, 1997 and 1996 excluded outstanding options to purchase 1,295,246, 408,300 and 701,600 shares of common stock, respectively, with weighted-average exercise prices of \$26.67, \$27.64 and \$26.09, respectively. The options were excluded because their exercise prices were greater than the average market price of the common shares during the respective quarter and their inclusion in the computation would have been antidilutive.

Foreign Currency Translation Financial statements of foreign subsidiaries are translated into United States dollars in accordance with the provisions of Statement of Financial Accounting Standards No. 52. Foreign currency transaction gains and losses were insignificant in 1998, 1997 and 1996.

Capitalized Interest The Corporation capitalizes interest on major building and equipment installations and depreciates the amount over the lives of the related assets. The total interest incurred was \$11,756,000 in 1998, \$12,007,000 in 1997, and \$12,030,000 in 1996 of which \$931,000, \$945,000 and \$1,816,000 was capitalized in 1998, 1997 and 1996, respectively.

Cash and Cash Equivalents Short-term investments, with maturities of less than 90 days at the date of purchase, are considered cash equivalents for purposes of the accompanying consolidated balance sheets and statements of cash flows. These investments are stated at cost which approximates market.

Inventories Approximately 32% and 34% of total inventories in 1998 and 1997, respectively, and the majority of the Corporation's inventories used in its printing operations, are accounted for at cost, determined by a last-in, first-out (LIFO) basis, which is not in excess of market. The remaining inventories are stated at the lower of cost or market using the first-in, first-out (FIFO) basis.

Inventories include material, labor and manufacturing overhead. Inventory amounts at year-end are as follows:

<i>Dollars in thousands</i>	1998	1997
Raw materials and supplies	\$35,270	\$55,026
Work-in-process and finished goods	43,963	44,908
FIFO value (current cost) of all inventories	79,233	99,934
Excess of current cost over carrying value of LIFO inventories	(4,509)	(4,593)
Net inventories	\$74,724	\$95,341

Plant and Equipment Plant and equipment (including major renewals and betterments) are carried at cost and depreciated over the estimated useful life of the assets. Substantially all depreciation is computed using the straight-line method for financial reporting purposes. Accelerated depreciation methods are used for tax purposes. Leasehold improvements are generally amortized over the term of the leases on a straight-line basis. The general range of useful lives for financial reporting is 15 to 25 years for buildings and improvements and 3 to 10 years for machinery and equipment.

Product Development Costs incurred in the development of new products, prior to establishing technological feasibility, are charged to expense as incurred. Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," requires capitalization of

certain software development costs subsequent to the establishment of technological feasibility. Based upon the Corporation's product development process, technological feasibility is established upon completion of a detailed design. Capitalized software costs are amortized on a product-by-product basis over a period of three to five years, depending on the estimated useful life of the software. The unamortized balance, as included in other assets, was \$7,547,000 and \$1,806,000 at January 2, 1999 and January 3, 1998, respectively.

Income Taxes Deferred tax liabilities and assets are determined based on the difference between the book and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Cost in Excess of Net Assets of Businesses Acquired Cost in excess of net assets of businesses acquired ("goodwill") is amortized and charged against operations on a straight-line method over periods of 20 to 25 years. The realizability of goodwill is evaluated annually based upon the undiscounted earnings of the businesses acquired compared with the unamortized amount of goodwill. Accumulated amortization of goodwill was \$10,700,000 and \$8,128,000 as of January 2, 1999, and January 3, 1998, respectively.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Comprehensive Income The Corporation adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" in 1998. Other comprehensive income (loss) was comprised solely of foreign currency translation adjustments. The Corporation does not record U.S. income taxes on foreign currency translation adjustments because it does not provide for taxes on undistributed earnings of foreign subsidiaries.

Derivative Financial Instruments In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires that an entity recognize derivatives as either assets or liabilities on its balance sheet and measure those instruments at fair value. The Corporation intends to adopt this standard in 2000. The Corporation occasionally utilizes interest rate swaps and foreign currency forward exchange contracts to hedge specific interest rate and foreign currency exposures. These derivative financial instruments are not used for trading purposes. The Corporation was party to no material derivative financial instrument contracts in 1998, 1997 or 1996.

Internal-use Software The Corporation has elected early adoption of Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," issued by the Accounting Standards Executive Committee of the AICPA. Amortization of capitalized software is computed on an item-by-item basis over a period of three to five years, depending on the estimated useful life of the software.

Acquisition of Morgan Impresores S.A. In November 1998, the Corporation acquired a 30 percent equity interest in Morgan Impresores S.A. ("Morgan") for approximately \$4.2 million in cash. Morgan, a Santiago, Chile-based company, provides a wide variety of print materials and specialty product labels. The equity method of accounting will be used to account for this investment prospectively as of the acquisition date.

Acquisition of The Omnia Group In September of 1997, the Corporation acquired The Omnia Group ("Omnia") for approximately \$50.7 million in cash. Omnia is a supplier of single-use medical and dental products. The purchase price plus the liabilities assumed exceeded the fair value of the tangible assets and identified intangible assets by \$19.4 million. This acquisition was accounted for as a purchase and accordingly, the accompanying financial statements of the Corporation include the results of Omnia beginning with the acquisition date.

Acquisition of Greenfield Printing & Publishing In October of 1997, the Corporation acquired Greenfield Printing & Publishing Company ("Greenfield") for approximately \$21.3 million in cash. Greenfield is a printer of special-interest and trade magazines. The purchase price plus the liabilities assumed exceeded the fair value of the tangible assets and the identified intangible assets by \$13.8 million. This acquisition was accounted for as a purchase.

Other Acquisitions During 1998, the Corporation acquired all the outstanding capital stock of Type Designs, Inc., which provides a full range of design and graphic production services. The Corporation also acquired the assets and assumed certain liabilities of Meadows Information Systems, Inc., which develops page layout and design software products. These acquisitions were accounted for as purchases with a combined acquisition price of \$4.2 million.

In September of 1997, the Corporation acquired Bock West, Inc. ("Bock West") for 75,715 shares of the Corporation's common stock valued at \$2.1 million. Bock West provides mailing and fulfillment services. In connection with this transaction the Corporation repaid \$3.3 million of Bock West's debt which was classified as cash used for acquisitions in the Statement of Cash Flows.

During 1996, the Corporation acquired Packaging Fulfillment Specialists, Inc., which provides fulfillment services to publishers. This purchase price consisted of 236,337 shares of the Corporation's common stock.

NOTE 3

Short-term Debt

The Corporation generally obtains short-term financing through the issuance of commercial paper and borrowing against lines of credit with banks. At January 2, 1999, the Corporation had credit facilities totaling \$78 million. Of this total, \$70 million represents a credit facility made available by three banks, which can be used to support both commercial paper and unsecured borrowings. The remaining \$8 million is a secured credit facility denominated in Irish punts, which is used to finance the Corporation's European operations.

At January 2, 1999, the Corporation had notes payable outstanding aggregating \$36.1 million against the credit facilities, which consisted entirely of commercial paper with a weighted average interest rate of 5.6%. At January 3, 1998, the Corporation had notes payable outstanding aggregating \$33.9 million, which consisted entirely of commercial paper with a weighted average interest rate of 6.0%. The maximum outstanding borrowings during 1998 and 1997 were \$44.5 million and \$40.1 million, respectively. The average outstanding borrowings during 1998 and 1997 were \$24.5 million and \$11.6 million, respectively. The weighted-average interest rates on such borrowings during 1998 and 1997 were 5.6% and 5.8%, respectively.

NOTE 4

Long-term Debt

Long-term debt, including amounts payable within one year, consists of the following:

<i>Dollars in thousands</i>	Maturities	1998	1997
Promissory Notes:			
6.81%	2004-2010	\$ 35,000	\$ 35,000
7.62%	1999-2009	25,000	25,000
7.98%	2000-2010	25,000	25,000
9.53%	1999-2005	12,727	14,545
7.38%	2005-2015	15,000	15,000
10.11%	1999	1,500	4,000
Notes Payable and Capital Lease Obligations, generally fixed rates of interest, 6.0% to 9.8%	1999-2002	6,322	7,926
Industrial Revenue Bonds:			
Floating rates of interest, approximating 80% of the prime rate	1999-2015	6,450	6,600
Fixed rate of interest at 5.8% to 7.5%	1999-2002	540	2,180
		127,539	135,251
Less current maturities		(6,911)	(5,186)
Long-term debt		\$120,628	\$130,065

Maturities of long-term debt during the next five years are: 1999, \$6,911,000; 2000, \$7,117,000; 2001, \$9,261,000; 2002, \$12,489,000; and 2003, \$6,580,000. Industrial Revenue Bonds aggregating \$1,790,000 are secured by certain real estate and equipment.

The Promissory Note agreements contain various operating and financial covenants. The more restrictive of these covenants require that working capital be maintained at a minimum of \$40,000,000, current assets be 150% of current liabilities and consolidated tangible net worth be not less than \$125,000,000. Funded debt of up to 50% of the sum of consolidated net worth and consolidated funded debt may be incurred without prior consent of the noteholders. The Corporation may incur short-term debt of up to 25% of consolidated net worth at any time and is required to be free of all such obligations in

excess of 12.5% of consolidated net worth for 60 consecutive days each year. The agreements also contain limitations on leases and ratable security on certain types of liens. The Corporation was in compliance with all of its significant debt covenants throughout 1998, 1997 and 1996.

One of the Promissory Note agreements contains covenants, which restrict the payment of dividends. As of January 2, 1999, \$127,162,000 of retained earnings was available for the payment of dividends under the most restrictive of such covenants.

Based on the borrowing rates currently available to the Corporation for loans with similar terms and average maturities, the fair value of long-term debt as of January 2, 1999, including current maturities, was \$145,493,000.

NOTE 5

Stock Option Plans for Management Employees

At January 2, 1999, the Corporation had options outstanding or available for grant under two stock option plans – the 1995 Equity Incentive Plan and the 1991 Stock Option Plan. Under the plans, options to purchase common stock are granted to officers and key employees at prices not less than the fair market value of the common stock on the date of the grant. Options granted under the 1991 plan may be exercised up to five years after the date of the grant. Options granted under the 1995 plan may be exercised up to ten years from the date of the grant. At January 2, 1999, 96,984 shares of the Corporation's common stock were reserved for future option grants.

The plans permit participants to use option shares for the purpose of offsetting income tax liabilities incurred upon the exercise of stock options and allow for grants of either Incentive Stock Options or Non-statutory Stock Options. The plans include provisions that authorize options to be granted to non-employee Directors.

The following table summarizes activity under the stock option plans:

	Options	Price Range	Weighted Average Price
Outstanding at			
December 30, 1995	1,712,030	\$11-\$29	\$21
Granted	442,300	21 - 29	21
Exercised	(316,911)	11 - 24	14
Canceled or expired	(58,188)	21 - 28	24
Outstanding at			
December 28, 1996	1,779,231	15 - 29	22
Granted	402,500	25 - 26	26
Exercised	(398,461)	15 - 23	18
Canceled or expired	(60,003)	21 - 28	25
Outstanding at			
January 3, 1998	1,723,267	18 - 29	24
Granted	575,200	24 - 31	26
Exercised	(287,777)	18 - 28	23
Canceled or expired	(65,320)	21 - 29	25
Outstanding at			
January 2, 1999	1,945,370	\$20 - \$31	\$25

Of the options outstanding at January 2, 1999, 968,534 were exercisable at prices ranging from \$20 to \$31, and a weighted average of \$24. The balance of the options become exercisable at various times through 2001 at prices ranging from \$21 to \$29, and a weighted average of \$26.

During 1998, 1997 and 1996, 121,199, 193,547 and 133,017 shares, respectively, were submitted to the Corporation in partial payment for stock option exercises and to offset income tax liabilities. The Corporation canceled these shares.

The Corporation accounts for stock options pursuant to the provisions of APB Opinion No. 25, which requires no compensation cost to be recognized when stock options are granted. If the Corporation had charged earnings for the compensation cost related to its stock option grants determined consistent with Financial Accounting Standards Board Statement No. 123, its net earnings and earnings per share would have been reduced to the following pro forma amounts:

Dollars in thousands, except per share amounts	1998	1997	1996
Net Earnings:			
As Reported	\$52,940	\$43,323	\$50,907
Pro Forma	50,895	42,032	50,168
Earnings per share			
of common stock:			
Basic: As Reported	\$ 1.80	\$ 1.45	\$ 1.64
Pro Forma	1.74	1.40	1.61
Diluted: As Reported	1.80	1.44	1.63
Pro Forma	1.73	1.40	1.61

Because the Statement No. 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rates of 4.5%, 6.2% and 6.6%; expected dividend yields of 2.0%, 1.7% and 1.9%; expected lives of 5.7, 4.9 and 4.9 years; expected volatility of 30%, 25% and 26%. The weighted average fair value of the options granted in 1998, 1997 and 1996 was \$6.73, \$7.65 and \$5.86, respectively.

NOTE 6

Operating Leases

The Corporation leases a variety of assets used in its operations including manufacturing facilities, warehouses, office space, office equipment, automobiles and trucks. Annual rentals amounted to \$16,219,000, \$12,748,000 and \$9,816,000 in 1998, 1997 and 1996, respectively. Minimum rental commitments for the years 1999 through 2003 aggregate \$10,234,000, \$10,570,000, \$9,538,000, \$8,060,000 and \$8,159,000, respectively, and \$34,662,000 thereafter.

NOTE 7

Restructuring Charge

In the third quarter of 1997, the Corporation recorded a restructuring charge of \$13.5 million (\$8.1 million after tax and \$.27 per common share) related to the sale of its point-of-purchase sign and display business, the discontinuation of the intaglio print-based security products business and the interactive video operation, and the

closing of three Banta Global Turnkey facilities. During 1998, the restructuring initiatives were completed.

The following table presents the components of the Corporation's restructuring reserves together with the payments against the reserves from their establishment through January 2, 1999:

<i>Dollars in thousands</i>	Original Restructuring Charge	Used in 1997	Used in 1998	Year-End Balance
Write down of property, plant and equipment, and other assets	\$ 7,924	\$(7,924)	\$ —	\$ —
Expenditures for closing facilities	5,576	(1,843)	(3,733)	—
Total	\$13,500	\$(9,767)	\$(3,733)	\$ —

NOTE 8

Employee Benefit Plans

The Corporation and its unions have several 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 makes contributions to the qualified plans each year, at least equal to the minimum required contributions as defined by the Employee Retirement Income Security Act (ERISA) of 1974. The Corporation also maintains a non-qualified supplemental retirement plan, which is not funded.

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 affect the Corporation's costs.

Net periodic pension and postretirement benefit costs for the Corporation-sponsored plans, were as follows:

<i>Dollars in thousands</i>	Pension Benefits			Other Benefits		
	1998	1997	1996	1998	1997	1996
Service cost-benefits earned during the year	\$ 5,261	\$3,952	\$ 4,137	\$1,011	\$ 572	\$ 641
Interest cost on projected benefit obligation	5,930	5,310	5,029	781	657	525
Expected return on plan assets	(8,001)	(6,606)	(5,602)	—	—	—
Amortization of prior service cost	437	444	417	26	—	—
Amortization of transition obligation (asset)	(395)	(400)	(400)	254	255	255
Amortization of net (gain) loss	(25)	(253)	54	18	—	—
Net pension and other benefits expense	\$ 3,207	\$ 2,447	\$ 3,635	\$2,090	\$1,484	\$1,421

Significant assumptions used in determining net pension and postretirement benefit expense for the Corporation's plans are as follows:

	Pension Benefits			Other Benefits		
	1998	1997	1996	1998	1997	1996
Discount rate	7.00%	7.75%	7.25%	7.00%	7.75%	7.25%
Expected rate of increase in compensation	4.0	4.0	5.0	—	—	—
Expected long-term rate of return on plan assets	9.5	9.0	9.0	—	—	—

All of the Corporation's pension plans, except the supplemental retirement plan, have assets in excess of the accumulated benefit obligation. The projected benefit obligation and accumulated benefit obligation for the supplemental retirement plan were \$8,792,000 and \$6,016,000 in 1998, respectively and \$7,903,000 and

\$5,457,000 in 1997, respectively. Plan assets for the funded plans include commingled funds, marketable equity securities and corporate and government debt securities. The following table presents a reconciliation of the funded status of the plans using an assumed discount rate of 7.00% for 1998 and 1997:

<i>Dollars in thousands</i>	Pension Benefits		Other Benefits	
	1998	1997	1998	1997
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 86,382	\$73,814	\$10,957	\$ 7,634
Service cost	5,261	3,952	1,011	572
Interest cost	5,930	5,310	781	657
Change in assumptions	798	8,127	(387)	2,209
Participants' contributions	—	—	279	221
Acquisitions	—	—	176	—
Plan amendments	—	(1,437)	506	—
Benefits paid	(4,117)	(3,384)	(528)	(336)
	94,254	86,382	12,795	10,957
Change in plan assets:				
Fair value of plan assets at beginning of year	94,069	81,299	—	—
Actual return on plan assets	13,307	12,850	—	—
Employer contributions	2,320	3,304	249	115
Participants' contributions	—	—	279	221
Benefits paid	(4,117)	(3,384)	(528)	(336)
	105,579	94,069	—	—
Plan assets (in excess of) less than benefit obligation	(11,325)	(7,687)	12,795	10,957
Unrecognized net gain (loss)	18,816	14,375	(1,427)	(1,833)
Unrecognized prior service cost	(3,049)	(3,486)	(481)	—
Unrecognized net asset (obligation)	1,340	1,735	(3,564)	(3,818)
Adjustment required to recognize minimum liability	1,343	1,626	—	—
Accrued pension cost	\$ 7,125	\$ 6,563	\$ 7,323	\$ 5,306
Intangible asset recognized in Consolidated Balance Sheets	\$ 1,343	\$ 1,626	\$ —	\$ —

Approximately 35% of the Corporation's non-salaried employees are covered by multi-employer union-sponsored, collectively bargained defined benefit pension plans. Pension expense includes \$2,275,000, \$2,284,000 and \$1,996,000 in 1998, 1997 and 1996, respectively, attributable to the multi-employer plans. These costs are determined in accordance with the provisions of negotiated labor contacts.

The Corporation has established an Incentive Savings Plan (401K) for substantially all of its non-bargaining unit employees. Employee contributions are partially matched by the Corporation in accordance with criteria set forth in the plan. Matching contributions charged to earnings for 1998, 1997 and 1996 were \$2,624,000, \$2,408,000 and \$2,341,000, respectively.

NOTE 9

Capital Stock

In March 1996, the Corporation distributed a three-for-two stock split effected in the form of a 50% stock dividend. The par value of the additional shares issued was capitalized by a transfer of \$1,029,000 from retained earnings to common stock.

Prior to 1997, the Corporation was authorized by the Board of Directors to purchase up to 1,500,000 shares of outstanding common stock in the open market. As of December 28, 1996, 303,600 shares of the Corporation's stock had been repurchased under this authority for an aggregate cost of \$7,098,000. During 1997 an additional 1,158,900 shares were repurchased under this authority for an aggregate cost of \$28,713,000. In 1997 the Corporation was authorized by the Board of Directors to purchase up to an additional 1,500,000 shares of outstanding common stock in the open market. As of January 3, 1998, 298,000 shares of the Corporation's stock had been repurchased under this authority at an aggregate cost of \$7,549,000. During 1998 an additional 125,000 shares were repurchased under this authority for an aggregate cost of \$3,232,000.

In April 1998 the Board of Directors authorized a new program for the repurchase of \$60 million of common stock. This program was expanded in October 1998 for the repurchase of an additional \$50 million of common stock. As of January 2, 1999, 1,573,900 shares of the Corporation's stock had been repurchased under this authority at an aggregate cost of \$43,790,000. All of the repurchased shares were subsequently canceled.

Pursuant to the Corporation's Shareholder Rights Plan, one common stock purchase right is included with each outstanding share of common stock. In the event the rights become exercisable, each right will initially entitle its holder to buy one-half of one share of the Corporation's common stock at a price of \$40 per share (equivalent to \$20 per one-half share), subject to adjustment. The rights will become exercisable if a person or group acquires 20% or more of the Corporation's common stock or announces a tender offer for 20% or more of the common stock. Upon the occurrence of certain events, including a person, or group, acquiring 20% or more of the Corporation's common stock, each right will entitle the holder to purchase, at the right's then-current exercise price, common stock of the Corporation or, depending on the circumstances, common stock of the acquiring corporation having a market value of twice such exercise price. The rights may be redeemed by the Corporation at a price of one cent per right at any time prior to the rights becoming exercisable or prior to their expiration in November 2001.

NOTE 10

Income Taxes

The provision for income taxes consists of the following:

<i>Dollars in thousands</i>	1998	1997	1996
Current:			
Federal	\$25,525	\$25,531	\$25,354
State	5,958	5,772	5,754
Foreign	1,472	1,325	866
	32,955	32,628	31,974
Deferred	195	(5,128)	1,326
Provision for income taxes	\$33,150	\$27,500	\$33,300

Below is a reconciliation of the statutory federal income tax rate and the effective income tax rate:

	1998	1997	1996
Statutory federal tax rate	35.0%	35.0%	35.0%
State and local income taxes, less applicable federal tax benefit	4.2	3.9	4.1
Other, net	(.7)	(.1)	.4
Effective income tax rate	38.5%	38.8%	39.5%

Temporary differences which give rise to the deferred tax assets and liabilities at January 2, 1999 and January 3, 1998 are as follows:

<i>Dollars in thousands</i>	1998	1997
Deferred tax assets:		
Vacation accrual	\$ 3,224	\$ 2,735
Other accrued liabilities	5,331	10,202
Reserve for uncollectible accounts	1,359	1,643
Other	2,311	1,918
	\$ 12,225	\$ 16,498
Deferred tax liabilities:		
Accelerated depreciation	\$(31,639)	\$(33,026)
Goodwill amortization	(1,143)	5,427
Accrued pension cost	2,296	2,139
Accrued postretirement benefit cost	2,958	2,109
Deferred compensation	2,290	2,159
Other	3,024	1,361
	\$(22,214)	\$(19,831)

No United States deferred taxes have been provided on the undistributed foreign subsidiary earnings which aggregated \$7,161,000 at January 2, 1999, and are considered permanently invested. If undistributed earnings were remitted, tax credits would substantially offset any resulting domestic tax liability.

The non-United States component of income before income taxes was \$5,498,000, \$3,886,000 and \$2,444,000 in 1998, 1997 and 1996, respectively.

NOTE 11

Contingencies

The Corporation is involved in various claims, including those related to environmental matters, and lawsuits arising in the normal course of business. In the opinion of management, the ultimate liability, if any, for these claims and lawsuits beyond any reserves already provided, will not have a material adverse effect on the consolidated statements of earnings of the Corporation.

NOTE 12

Segment Information

The Corporation operates in one primary business segment, print, with other business operations in turnkey services and healthcare products. The print segment provides printed products and print-related services to publishers of educational and general books, special-interest magazines, consumer and business catalogs, and direct marketing materials. Turnkey services provides project management, product assembly, fulfillment and product localization services primarily to technology companies in the United States and Europe. Healthcare products is primarily engaged in the production of disposable products used in outpatient clinics, dental offices and hospitals. This business also has a separate product line with related applications for the food service industry.

These operations are strategic business units that service different markets and offer different products and services. The accounting

policies of the segments are the same as those described in the Summary of Accounting Policies. Intersegment sales are not significant. The Corporation evaluates performance based on earnings from operations. Summarized segment data for 1998, 1997 and 1996 are as follows:

<i>Dollars in thousands</i>	Printing	All Other¹	Total
1998			
Net sales	\$1,003,913	\$331,883	\$1,335,796
Intersegment sales	6,699	688	7,387
Depreciation and amortization	59,274	5,560	64,834
Earnings from operations	92,764	22,122	114,886
Significant non-cash items	—	—	—
Total assets	542,508	204,506	747,014
Capital expenditures	43,420	9,942	53,362
1997			
Net sales	\$936,019	\$266,464	\$1,202,483
Intersegment sales	7,501	1,215	8,716
Depreciation and amortization	56,241	4,640	60,881
Earnings from operations ²	91,456	15,541	106,997
Significant non-cash items:			
Restructuring reserve	9,500	4,000	13,500
Total assets	568,298	191,793	760,091
Capital expenditures	54,092	7,460	61,552
1996			
Net sales	\$856,863	\$226,900	\$1,083,763
Intersegment sales	10,411	889	11,300
Depreciation and amortization	53,475	4,143	57,618
Earnings from operations	87,359	17,538	104,897
Significant non-cash items	—	—	—
Total assets	571,947	145,812	717,759
Capital expenditures	53,153	6,614	59,767

¹ "All Other" includes the operations within turnkey services and healthcare products which have been aggregated.

² Earnings from operations before restructuring charge of \$13.5 million.

The following table presents a reconciliation of certain segment information to the totals contained in the Consolidated Financial Statements:

<i>Dollars in thousands</i>	1998	1997	1996
Earnings from operations:			
Reportable segment earnings	\$ 92,764	\$ 91,456	\$ 87,359
Other segment earnings	22,122	15,541	17,538
Unallocated corporate expenses	(17,341)	(13,953)	(12,725)
Restructuring charge	—	(13,500)	—
Interest expense	(10,825)	(11,062)	(10,214)
Other income (expense)	(630)	2,341	2,249
Earnings before income taxes	\$ 86,090	\$ 70,823	\$ 84,207
Total assets:			
Reportable segment assets	\$542,508	\$568,298	\$571,947
Other segment assets	204,506	191,793	145,812
Intergroup receivable elimination	(1,219)	(2,297)	(3,071)
Advances to segments elimination	—	—	(19,990)
Other unallocated amounts	24,171	23,422	24,520
Consolidated total assets	\$769,966	\$ 781,216	\$ 719,218

Summarized geographic data for the Corporation's operations for 1998, 1997 and 1996 are as follows (net sales are attributed to countries primarily based on location of operation):

<i>Dollars in thousands</i>	1998	1997	1996
Net sales			
United States	\$ 1,144,741	\$1,056,791	\$ 945,740
Ireland	127,110	93,798	94,578
Other foreign countries	63,945	51,894	43,445
	\$ 1,335,796	\$1,202,483	\$1,083,763
Assets			
United States	\$ 666,678	\$ 703,833	\$ 639,730
Ireland	79,712	47,770	55,531
Other foreign countries	23,576	29,613	23,957
	\$ 769,966	\$ 781,216	\$ 719,218

UNAUDITED QUARTERLY FINANCIAL INFORMATION

The following table presents financial information by quarter for the years 1998 and 1997.

Dollars in thousands (except per share data)

	Quarter Ended March		Quarter Ended June		Quarter Ended September		Quarter Ended December	
	1998	1997	1998	1997	1998	1997	1998	1997
Net sales	\$330,810	\$275,363	\$316,000	\$276,217	\$343,681	\$298,322	\$345,305	\$352,581
Gross earnings	64,814	52,722	66,125	57,646	70,739	59,707	63,799	68,488
Net earnings	11,032	10,018	13,394	12,584	16,230	5,602*	12,284	15,119
Basic earnings per share	.37	.33	.45	.42	.55	.19	.43	.51
Diluted earnings per share	.37	.33	.45	.42	.55	.19	.43	.50

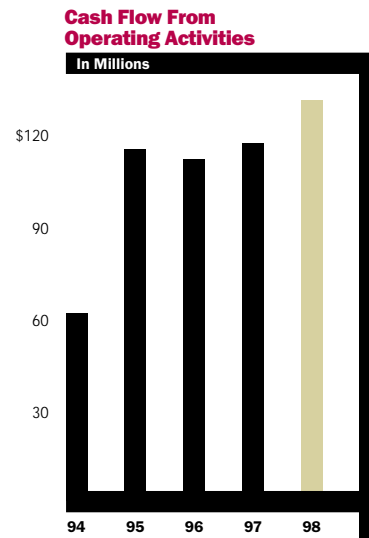
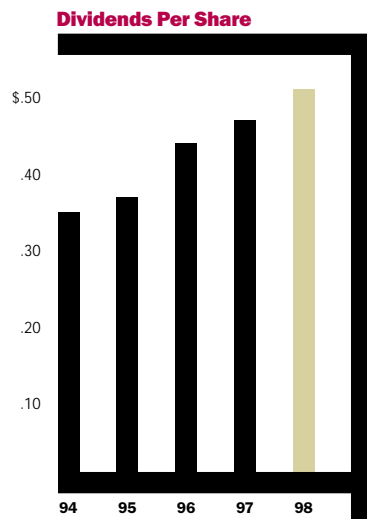
* Third quarter 1997 results of operations include a restructuring charge of \$8.1 million, after tax (\$.27 per common share).

DIVIDEND RECORD AND MARKET PRICES

Per Share of Common Stock

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Entire Year
1998 dividends paid	\$.12	\$.13	\$.13	\$.13	\$.51
Price range:					
High	\$32 ¹ / ₈	\$34 ¹ / ₈	\$31 ¹ / ₈	\$28 ¹ / ₈	\$34 ¹ / ₈
Low	24 ¹ / ₁₆	29 ¹ / ₈	25 ¹ / ₁₆	21 ¹ / ₈	21 ¹ / ₈
1997 dividends paid	\$.11	\$.12	\$.12	\$.12	\$.47
Price range:					
High	\$26 ¹ / ₈	\$29 ¹ / ₂	\$29 ¹ / ₈	\$28 ¹ / ₁₆	\$29 ¹ / ₈
Low	22 ¹ / ₂	24 ¹ / ₈	26 ¹ / ₈	24 ¹ / ₄	22 ¹ / ₂

Prior to December 18, 1998, Banta Corporation was included in the Nasdaq National Market List and the symbol was BNTA. On November 23, 1998, the Corporation formally received approval for listing its common stock on the New York Stock Exchange. Banta stock began trading on the New York Stock Exchange on December 18, 1998, under the new symbol BN. The stock prices listed above are the high and low trades. As of February 1, 1999, the Corporation had 2,384 shareholders of record.



Board of Directors



From left, Richard L. Gunderson, George T. Brophy, Henry T. DeNero, Donald D. Belcher, Raymond C. Richelsen, Michael J. Winkler, Gerald A. Henseler, Jameson Adkins Baxter, Bernard S. Kubale and John F. Bergstrom.

Jameson Adkins Baxter^{2,3,4} is President of Baxter Associates, Inc., a management consulting and private investments firm based in Palatine, IL. From 1974 to 1986 she was Vice President of First Boston Corporation. Mrs. Baxter has been a Director since 1991.

Donald D. Belcher³ is Chairman, President and Chief Executive Officer of Banta Corporation. He joined Banta in 1994 as President and Chief Operating Officer, having previously served in various executive management positions with Avery Dennison Corporation, Pasadena, CA. Mr. Belcher was Senior Group Vice President from 1990 to 1994; Group Vice President, Converted Products, 1982 to 1990; and Group Vice President, Europe, 1978 to 1982. He has been a Director since 1994.

John F. Bergstrom is Chairman and Chief Executive Officer of Bergstrom Corporation, Neenah, WI. He has served in that capacity since 1974 when he co-founded the Corporation, which today comprises businesses in three primary areas: automobile sales and service, credit life insurance, and automotive fleet leasing. Mr. Bergstrom has been a director since 1998.

George T. Brophy^{1,4} is the former Chairman and Chief Executive Officer of ABT Building Products Corporation, Neenah, WI. From 1989 to 1992 he was Chairman of GTB Enterprises, and from 1983 to 1989 President and Chief Executive Officer of Morgan Products Ltd. Prior to that he spent 16 years with Masonite Corporation, advancing to Executive Vice President and Chief Operating Officer. Mr. Brophy has been a Director since 1986.

Henry T. DeNero^{3,4} is an independent management consultant. From 1995 to 1998 he was Executive Vice President of First Data Corp., Hackensack, NJ. From 1992 to 1994 he was Vice Chairman of Dayton Hudson Corp. and prior to that was Director of McKinsey & Company, a management consulting firm. Mr. DeNero has been a Director since 1996.

Richard L. Gunderson^{1,2,3} is Chairman of Aid Association for Lutherans, Appleton, WI. From 1987 to 1996 he was President and Chief Executive Officer of Aid Association for Lutherans. Prior to that he was President and Chief Executive Officer of Western Life Insurance Company. Mr. Gunderson has been a Director since 1995.

Gerald A. Henseler is Executive Vice President and Chief Financial Officer of Banta Corporation. He had been Senior Vice President from 1989 to 1992, Treasurer from 1972 to 1992, and Vice President from 1981 to 1989. He has been a Director since 1982.

Bernard S. Kubale^{1,2,3} is a retired Partner, law firm of Foley & Lardner, Milwaukee, WI. From 1987 to 1994 he was Chief Executive of Foley & Lardner. Mr. Kubale has been a Director since 1973.

Raymond C. Richelsen is Executive Vice President of 3M's Transportation, Safety and Specialty Materials Markets, St. Paul, MN. He joined 3M in 1963 as a project engineer, advancing through several positions prior to becoming Manufacturing Director, 3M Europe in 1980. Mr. Richelsen was named Executive Director, International Manufacturing in 1982; Division Vice President/General Manager, Traffic Controls Materials in 1984; and Managing Director, 3M France in 1987. He then served as Group Vice President for three different 3M Groups prior to assuming his current position in 1998. Mr. Richelsen has been a director since 1998.

Michael J. Winkler² is Senior Vice President and Group General Manager, PC Products Group for Compaq Computer Corporation, Houston, TX. From 1991 to 1995 he was Vice President and General Manager for Toshiba America Information Systems, Inc. Prior to that he was Vice President of Worldwide Marketing, Printing Systems with Xerox Corporation. Mr. Winkler has been a Director since 1996.

¹ Member of Audit Committee

² Member of Compensation Committee

³ Member of Nominating Committee

⁴ Member of Stock Option Committee

CORPORATE OFFICERS

Donald D. Belcher

Chairman, President and Chief Executive Officer

Gerald A. Henseler

Executive Vice President and Chief Financial Officer

Ronald D. Kneezel

Vice President, General Counsel and Secretary

Dennis J. Meyer

Vice President

John E. Tiffany

Vice President

Henry M. Wells, III

Vice President

GROUP PRESIDENTS

James N. Andersen

Banta Information Services Group
Banta Global Turnkey Group

James M. Cartwright

Banta Direct Marketing Group

David L. Gurbach

Banta Healthcare Group

William J. Hepler

Banta Catalog Group

Ronald J. Musil

Banta Book Group

Larry L. Panozzo

Banta Publications Group

Preston N. Walklet

Banta Digital Group

SHAREHOLDER INFORMATION

Online Information

For more information on Banta Corporation, including copies of its latest news releases, visit the company's World Wide Web site at www.banta.com

Legal Counsel

Foley & Lardner, Milwaukee, WI

Auditors

Arthur Andersen LLP, Milwaukee, WI

Annual Meeting

The Annual Meeting will begin at 2 p.m. Central Time on Tuesday, April 27, 1999, at the Paper Valley Hotel and Conference Center, 333 W. College Avenue, Appleton, WI.

Form 10-K

Copies of the Form 10-K filed with the Securities and Exchange Commission can be obtained by writing:
Gerald A. Henseler, Executive Vice President
Banta Corporation
P.O. Box 8003
Menasha, WI 54952-8003

Transfer Agent

Firststar Trust Company, Milwaukee, WI

Dividend Reinvestment and Stock Purchase Plan

A common stock Dividend Reinvestment and Stock Purchase Plan is available to employees and shareholders of record from the Corporation's transfer agent, Firststar Trust Company. Dividends and optional cash investments are used to buy common shares at market value in accordance with the Plan. For information, please contact:
Senior Trust Officer
Firststar Trust Company
P.O. Box 2077
Milwaukee, WI 53201-2077
800-637-7549

"Safe Harbor" Statement under the Private Securities Litigation

Reform Act of 1995: *This Annual Report to Shareholders includes forward-looking statements. Statements that describe future expectations, plans 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' demand for the Corporation's products, changes in raw material costs and availability, seasonal or unanticipated changes in customer orders, pricing actions by competitors, success in implementing the Corporation's plan to enhance revenues and margins, unanticipated events relating to achieving Year-2000 compliance, and general changes in economic conditions. 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 Banta Corporation undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances.*

BANTA WORLDWIDE OPERATIONS**Banta Corporation***Corporate Office*

225 Main Street
Box 8003
Menasha, WI 54952-8003
920-751-7777

Banta Book Group

Curtis Reed Plaza
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920-751-7771

Group Operations

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920-997-3600

1003 Discovery Road
Green Bay, WI 54311
920-469-5222

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540-564-3900

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Kaukauna, WI 54130
920-766-6666

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920-751-7771

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Menasha, WI 54952-0060
920-751-7779

800 Midway Road
Menasha, WI 54952-0060
920-751-7771

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Oakdale, MN 55128
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612-424-7446

Group Operations

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Maple Grove, MN 55369-5699
612-424-7446

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612-937-5005

Group Operations

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Banta Global Turnkey Group

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353-21-397515

Woodford Business Park
Santry, Dublin 17, Ireland
353-1-8163400

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Raheen, Limerick, Ireland
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31-55-339003

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Kirkton Campus, Livingston
West Lothian EH54
7BU Scotland
441-506-461155

North American Operations

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715-341-0544

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Spanish Fork, UT 84660
801-798-5855

Banta Healthcare Group

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920-751-4300

Group Operations

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Group Operations

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253-395-8080

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