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Appleton Papers Reports Fourth Quarter and Year End 2001 Results

(Appleton, Wis., March 6, 2002) Appleton Papers Inc. today reported its results for the fourth quarter and full year ended December 29, 2001. Net sales for the fourth quarter ended December 29, 2001, were \$227.2 million, a decrease of 15 percent from net sales of \$266.3 million for the same quarter of 2000. However, due to strong cost controls and the benefits of a restructuring program begun in 1999, pro forma adjusted EBITDA for the fourth quarter of 2001 was \$51.2 million, an increase of 1 percent from pro forma adjusted EBITDA for the same quarter of 2000. The Company's gross profit margins for the fourth quarter 2001 improved to 33 percent compared to 30 percent for the same quarter of 2000.

The Company improved its gross profits by 16 percent in the second half of 2001 compared to the first half of the year. Second half performance benefited from the completion of the eighteen-month restructuring project that included the closing of the Harrisburg plant and relocation of strategic pieces of manufacturing equipment to the Company's Appleton, Wis., plant and Roaring Spring, Pa., mill. The first half of 2001 experienced the forecasted impact of start-up costs related to the equipment transferred from the Harrisburg plant.

Doug Buth, chief executive officer, said the positive financial impact of closing the Harrisburg plant and the successful relocation of key pieces of equipment contributed significantly to the company's strong second half performance and leaves the Company well-positioned for the future. For the year, the West Carrollton, Ohio, mill produced record volumes from its paper machines and recycling plant which helped to increase manufacturing efficiencies and reduce external base stock purchases.

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Net sales for the year ended December 29, 2001, decreased \$124.2 million, or approximately 11 percent to \$955.8 million, compared to \$1.08 billion for 2000. Carbonless net sales decreased \$106.4 million, or 12 percent, compared to 2000 due to a similar volume decline. Thermal net sales for 2001 decreased \$12.4 million, or 7 percent, compared to 2000 primarily due to import pricing pressure.

EBITDA for full year 2001 was \$151 million compared to EBITDA of \$178 million for 2000. Pro forma adjusted EDITDA for the full year 2001 was \$190 million compared to \$216 million for 2000. The 2001 results were negatively impacted by approximately \$15 million of one-time charges related to start-up and learning curve costs for the equipment transferred from the Harrisburg plant.

The year over year sales declines were due to the expected decline in the maturing North American carbonless market and the impact of the slowing U.S. economy on end use demand for carbonless and thermal products. According to Buth, Appleton Papers performed well despite difficult economic conditions and in light of the time, energy and resources required to complete the employee purchase of the company in November.

On Nov. 9, 2001, Appleton Papers completed an \$810 million employee buyout of the Company from its European parent company, Arjo Wiggins Appleton p.l.c. "Our purchase of the company was a milestone in our corporate history," said Buth. He also noted that the company's new status as a 100-percent employee-owned organization provides a unique advantage to its strong market positions.

"This is now our company and there is a tremendous determination to make our customers and our company successful," Buth said. "We have our entire organization focused on delivering quality, containing costs, maximizing manufacturing efficiencies and driving innovation." He added that the company's strong cash flow enabled the Company to voluntarily prepay \$20 million in principal amount of its senior term loans in early February 2002.

Buth said he is encouraged by the strength of domestic order patterns for both carbonless and thermal during the first two months of 2002. Carbonless order patterns for the first two months of 2002 have declined less than 5 percent over the stable trends experienced throughout the full year 2001. Thermal order patterns for the first two months of 2002 have experienced double-digit growth compared to the comparable period for 2001.

Appleton Papers will host a conference call to discuss its fourth quarter and year-end results Thursday, March 7 at 2:30 p.m. CST. The call will be broadcast through the Appleton Papers Web site, www.appletonpapers.com, click to "Our Company," then "What's New." A replay will be available for 10 days.

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Appleton Papers is an applied technologies company that creates products for business and consumer markets. Appleton Papers is the market leader in carbonless paper, typically used to make multipart business forms; thermal papers used for point-of-sale, tag, ticket and label applications; and document and product authentication solutions for business and government. The company also uses its expertise in coating and encapsulation to develop new products for industrial, scientific and consumer applications. Appleton Papers is a 100-percent employee-owned company.

Forward-looking Statements

This news release contains forward-looking statements. The words “will,” “believes,” “anticipates,” “intends,” “estimates,” “expects,” “projects,” “plans,” or similar expressions are intended to identify forward-looking statements. All statements in this news release other than statements of historical fact, including statements which address our strategy, future operations, future financial position, estimated revenues, projected costs, prospects, plans and objectives of management and events or developments that Appleton Papers expects or anticipates will occur, are forward-looking statements. All forward-looking statements speak only as of the date on which they are made. They rely on a number of assumptions concerning future events and are subject to a number of risks and uncertainties, many of which are outside of Appleton Papers’ control, that could cause actual results to differ materially from such statements. These risks and uncertainties include, but are not limited to, the factors listed under the heading “Risk Factors” in Appleton Papers’ Registration Statement on Form S-4 dated February 4, 2002, which factors are incorporated herein by reference.

Appleton Papers disclaims any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Paperweight Development Corp. is the parent guarantor for Appleton Papers Inc. All financial information contained in the following tables are presented at a consolidated Paperweight Development Corp. level.

Pro Forma Review

Tables 1 and 2 contain unaudited pro forma consolidated financial data that has been derived by the application of pro forma adjustments to our historical consolidated financial statements. The unaudited pro forma consolidated statements of operations data for the periods presented gives effect to the acquisition of Appleton Papers and related financing transactions as if they had been consummated on the first day of the applicable period.

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Table 1

Consolidated Statement of Operations
For the Three Months Ended December 29, 2001 and December 30, 2000
(dollars in thousands)

	Historical For the Three Months Ended December 29, 2001	Historical For the Three Months Ended December 30, 2000
Net Sales	\$ 227,208	\$ 266,304
Costs and expenses:		
Cost of sales	152,537	186,996
Selling, general and administrative	43,409	40,700
Restructuring and other charges	-	6,974
Special charges (1)	<u>1,774</u>	<u>14,270</u>
Operating income	29,488	17,364
Interest expense, net	12,256	5,768
Other expense	<u>78</u>	<u>316</u>
Income before income taxes for continuing operations	17,154	11,280
Provision for income taxes	<u>7,739</u>	<u>3,814</u>
Income from continuing operations	<u>9,415</u>	<u>7,466</u>
Discontinued operations, net of tax:		
Income (loss) from discontinued operations	<u>5,034</u>	<u>(5,096)</u>
Income before extraordinary item and cumulative effect of accounting change	14,449	2,370
Extraordinary item, net of tax:		
Loss on debt extinguishment	<u>(6,443)</u>	<u>(4,651)</u>
Net income (loss)	<u>\$ 8,006</u>	<u>\$ (2,281)</u>
EBITDA, as reported (2)	\$ 39,602	\$ 26,333
Restructuring and relocation expense	-	9,837
Loss on investment	<u>-</u>	<u>6,500</u>
Adjusted EBITDA	39,602	42,670
Pro Forma adjustments (unaudited):		
ESOP non-cash compensation	2,950	2,950
Environmental expense (3)	1,686	1,282
Retirement, pension, 401(k), LIFO adjustments, management fees paid to parent company and management incentive payments for sale of Appleton Papers (4)	<u>6,999</u>	<u>3,950</u>
Unaudited Pro Forma Adjusted EBITDA (5)	\$ 51,237	\$ 50,852

The unaudited pro forma adjustments give effect to the acquisition and related financing transactions as if they had been consummated on the first day of each fiscal year.

- (1) Special charges for the three months ended December 29, 2001 consist of environmental expense, litigation settlement and equipment relocation expenses. In addition to these items, for the three months ended December 30, 2000, is a

loss on investment in Paperhub.com.

- (2) EBITDA represents operating income plus depreciation and amortization.
- (3) Pro forma adjustment reflects elimination of environmental expense related to the Lower Fox River. In connection with this acquisition, our former parent company has agreed to indemnify us for certain of these costs.
- (4) Pro forma adjustments include adjustments to postretirement health and pension expense based upon actuarial valuations at the date of the acquisition, adjustment to LIFO expense based on estimated fair market inventory valuation, additional 401(k) employer matching contributions for manufacturing salaried and union hourly employees, elimination of management incentive payments triggered upon the sale of API and elimination of management fee paid to parent company.
- (5) Unaudited Pro forma Adjusted EBITDA represents Adjusted EBITDA plus pro forma adjustments related to the acquisition, the related financing transactions and noncash charges from estimated employee deferrals and the 401(k) employer matching contributions under the ESOP.

Table 2

Consolidated Statement of Operations
For the Years Ended December 29, 2001 and December 30, 2000
(dollars in thousands)

	Historical For the Period November 10, 2001 to <u>December 29, 2001</u>	Historical For the Period December 31, 2000 to <u>November 9, 2001</u>	Historical For the Year Ended <u>December 29, 2001</u>	Historical For the Year Ended <u>December 30, 2000</u>
Net Sales	\$ 112,950	\$ 842,868	\$ 955,818	\$ 1,080,013
Costs and expenses:				
Cost of sales	76,345	591,741	668,086	752,616
Selling, general and administrative	18,693	133,874	152,567	165,699
Restructuring and other charges	-	2,558	2,558	7,816
Special charges (1)	<u>-</u>	<u>24,301</u>	<u>24,301</u>	<u>18,488</u>
Operating income	17,912	90,394	108,306	135,394
Interest expense, net	10,232	16,623	26,855	29,494
Other (income) expense	<u>(53)</u>	<u>5,571</u>	<u>5,518</u>	<u>(637)</u>
Income before income taxes for continuing operations	7,733	68,200	75,933	106,537
Provision for income taxes	<u>117</u>	<u>24,574</u>	<u>24,691</u>	<u>35,725</u>
Income from continuing operations	<u>7,616</u>	<u>43,626</u>	<u>51,242</u>	<u>70,812</u>
Discontinued operations, net of tax:				
Loss from discontinued operations	<u>-</u>	<u>(4,462)</u>	<u>(4,462)</u>	<u>(13,063)</u>
Income before extraordinary item and cumulative effect of accounting change	7,616	39,164	46,780	57,749
Extraordinary item, net of tax:				
Loss on debt extinguishment	<u>-</u>	<u>(6,443)</u>	<u>(6,443)</u>	<u>(4,651)</u>
Net income	<u>\$ 7,616</u>	<u>\$ 32,721</u>	<u>\$ 40,337</u>	<u>\$ 53,098</u>
EBITDA, as reported (2)			\$ 150,970	\$ 178,291
Restructuring and relocation expense			3,021	13,031
Loss on investment			<u>-</u>	<u>6,500</u>
Adjusted EBITDA			153,991	197,822
Pro Forma adjustments (unaudited):				
ESOP non-cash compensation			11,800	11,800
Environmental expense (3)			23,389	3,148
Retirement, pension, 401(k), LIFO adjustments, management fees paid to parent company and management incentive payments for sale of Appleton Papers (4)			<u>1,019</u>	<u>2,805</u>
Unaudited Pro Forma Adjusted EBITDA (5)			\$ 190,199	\$ 215,575

The unaudited pro forma adjustments give effect to the acquisition and related financing transactions as if they had been consummated on the first day of each fiscal year.

(1) Special charges for fiscal 2001 consist of environmental expense, litigation settlement and equipment relocation expenses.

In addition to these items, fiscal 2000 also includes a loss on investment in Paperhub.com.

- (2) EBITDA represents operating income plus depreciation and amortization.
- (3) Pro forma adjustment reflects elimination of environmental expense related to the Lower Fox River. In connection with this acquisition, our former parent company has agreed to indemnify us for certain of these costs.
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