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## **Appleton Papers Reports First Quarter 2002 Results**

(Appleton, Wis., May 9, 2002) Appleton Papers Inc. today reported its results for the first quarter 2002. Net sales for the first quarter ended March 31, 2002, were \$224.6 million, a decrease of 7 percent from net sales of \$240.3 million for the same quarter of 2001. However, adjusted EBITDA as adjusted for the first quarter of 2002 was \$50.1 million, an increase of 19 percent from pro forma adjusted EBITDA as adjusted for the same quarter of 2001.

The Company's reported gross profit margins for the first quarter 2002 improved to 31 percent compared to 27 percent for the same quarter of 2001. Doug Buth, chief executive officer, said rigorous cost controls and the continuing benefits of a restructuring program that was completed in 2001 contributed to the company's strong performance.

Net income for the first quarter of 2002 increased \$9.3 million when compared to the first quarter of 2001.

Domestic shipments of the Company's carbonless products for the first quarter 2002 dropped by five percent as compared to the same quarter in 2001. The decline was less than the company expected for this mature product. Buth said the performance of the company's carbonless business was helped by a combination of account gains and improved economic conditions compared to the first quarter 2001.

The shipment of the Company's thermal products to U.S. and Canadian markets rose 15 percent during the first quarter 2002 compared to the same quarter of 2001. A combination of new product introductions, new and existing account gains and improvements to the U.S. economy increased demand for the company's transaction-based thermal products.

Ongoing development of the company's noncarbonless security products produced a 35 percent increase in shipments of those products in the first quarter 2002 compared to the same period in 2001. The company's security business is part of a comprehensive new business development effort aimed at leveraging Appleton Papers' strengths in coating chemistry, encapsulation technology and coating application processes.

*(more)*

Strong cash flow generated from operations enabled the Company to voluntarily prepay \$35 million in principal amount of its senior term loans as of March 31, 2002, in addition to a \$7 million mandatory principal repayment. In mid-April, the Company also made an additional voluntary principal prepayment of \$15 million.

Appleton Papers will host a conference call to discuss its first quarter 2002 results Friday, May 10 at 1:00 p.m. CST. The call will be broadcast through the Appleton Papers Web site, [www.appletonpapers.com/whatsnew](http://www.appletonpapers.com/whatsnew). A replay will be available for 10 days.

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.

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#### 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 April 17, 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.

Appleton Papers Inc. is a wholly owned subsidiary of Paperweight Development Corp. Paperweight Development has guaranteed Appleton Papers’ senior credit facilities and senior subordinated notes. All financial information contained in the following tables are presented for Paperweight Development on a consolidated basis.

#### Pro Forma Financial Information

Table 1 contains 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 first quarter of fiscal 2001 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.

**Table 1**

**Condensed Consolidated Statement of Operations**  
**For the Three Months Ended March 31, 2002 and April 1, 2001**  
(dollars in thousands)

	Historical For the Three Months Ended <u>March 31, 2002</u> (unaudited)	Historical For the Three Months Ended <u>April 1, 2001</u> (unaudited)
Net Sales	\$ 224,576	\$ 240,310
Cost of sales	<u>155,237</u>	<u>174,890</u>
Gross profit	69,339	65,420
Selling, general and administrative	39,853	35,890
Restructuring and other charges	-	364
Special charges (1)	<u>-</u>	<u>20,231</u>
Operating income	29,486	8,935
Interest expense, net	19,001	4,875
Other (income) expense	<u>(80)</u>	<u>280</u>
Income before income taxes for continuing operations	10,565	3,780
Provision for income taxes	<u>79</u>	<u>1,468</u>
Income from continuing operations	<u>10,486</u>	<u>2,312</u>
Discontinued operations, net of tax:		
Loss from discontinued operations	<u>-</u>	<u>(1,144)</u>
Net income	<u>\$ 10,486</u>	<u>\$ 1,168</u>
Adjusted EBITDA, as reported (2)	\$ 46,484	\$ 20,427
Restructuring and relocation expense	-	485
ESOP non-cash compensation	<u>3,595</u>	<u>-</u>
Adjusted EBITDA as adjusted	<u>\$ 50,079</u>	20,912
Pro Forma adjustments (unaudited):		
ESOP non-cash compensation		2,950
Environmental expense (3)		20,110
Retirement, pension, 401(k), LIFO adjustments and management fees paid to parent company (4)		<u>(1,816)</u>
Pro Forma Adjusted EBITDA as adjusted		<u>\$ 42,156</u>

The pro forma adjustments give effect to the acquisition and related financing transactions as if they had been consummated on the first day of fiscal 2001.

- (1) Special charges for the three months ended April 1, 2001 consist of environmental expense and equipment relocation expenses.
- (2) Adjusted EBITDA represents operating income plus depreciation and amortization.
- (3) Pro forma adjustment reflects inclusion of income associated with the Lower Fox River indemnification agreements. In connection with this acquisition, our former parent company has agreed to indemnify us for certain environmental expenses related to the Lower Fox River.
- (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 and elimination of management fee paid to parent company.