



APPLETON PAPERS INC.
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Appleton Papers Reports Second Quarter 2002 Results

(Appleton, Wis., August 7, 2002) Appleton Papers Inc. today reported its results for the second quarter 2002. Net sales for the second quarter ended June 30, 2002, were \$228.7 million, a decrease of 4 percent from net sales of \$239.2 million for the same quarter of 2001, but up 2 percent from the first quarter of 2002. Adjusted EBITDA for the second quarter of 2002 was \$44.8 million, an increase of 11 percent over Pro Forma Adjusted EBITDA for the same quarter of 2001.

Strong cash flow generated from operations and a \$12 million reduction in working capital enabled Appleton to repay \$78.6 million in principal amount of its senior term loans during the six months ended June 30, 2002. Appleton paid \$65.6 million as voluntary principal repayments and \$13.0 million in scheduled principal repayments. In July, Appleton also purchased and retired \$19.8 million of its Series B Senior Subordinated notes due 2008.

In June 2002, Appleton refinanced the \$112 million term B component of its senior credit facilities with a new \$112 million term C component. Appleton expects to save approximately \$2 million in annual interest expense as a result of the refinancing. In connection with the refinancing, Appleton incurred a noncash charge of \$11.8 million in the second quarter of 2002 from the write-off of deferred debt issuance costs related to the original term B component of its senior credit facilities.

Appleton reported a net loss for the second quarter of 2002 of \$5.4 million compared to net income of \$13.6 million for the second quarter of 2001. Appleton's net income would have been \$6.4 million if the \$11.8 million debt extinguishment expenses related to the refinancing in the second quarter of 2002 were excluded.

Shipments of carbonless products for the second quarter 2002 decreased 7 percent compared to the same quarter in 2001, but increased 1 percent compared to the first quarter of 2002.

Shipments of thermal products increased 10 percent during the second quarter 2002 compared to the same quarter of 2001. Thermal shipments also grew 9 percent compared to the first quarter of 2002. A combination of nine new product introductions in the first half of 2002, new and existing account gains, and increased demand for transaction-based thermal products helped drive the growth of Appleton's thermal business.

Ongoing development of Appleton's noncarbonless security products produced a 51 percent increase in domestic shipments in the second quarter of 2002 compared to the same period in 2001. Appleton's goal is to establish its security business as a preferred provider of document and product authentication solutions for businesses, consumers and government agencies.

(more)

Appleton will host a conference call to discuss its second quarter 2002 results Thursday, August 8 at 1:00 p.m. CDT. The call will be broadcast through its Web site, www.appletonpapers.com/whatsnew A replay will be available for 10 days.

Appleton creates innovative product solutions for business, consumer and government applications worldwide through its unique development and use of coating formulations and applications and encapsulation technology. Appleton is the leading producer of substrates used to make multipart carbonless business forms. It also manufactures substrates used to make point-of-sale, tag, ticket and label products and develops document and product authentication solutions. Appleton Papers is headquartered in Appleton, Wis., and has manufacturing operations in Wisconsin, Ohio and Pennsylvania. The Company employs approximately 2,500 people and is 100 percent employee-owned.

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Notice regarding 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 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’s 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’s Registration Statement on Form S-4 dated June 12, 2002, which factors are incorporated herein by reference.

Appleton 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’s 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

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 second quarter and first half of fiscal 2001 presented gives effect to the acquisition of Appleton and related financing transactions as if they had been consummated on the first day of the applicable period.

Table 1

Appleton Papers Inc.
Condensed Consolidated Statement of Operations
For the Three Months Ended June 30, 2002 and July 1, 2001
(dollars in thousands)

	Historical For the Three Months Ended <u>June 30, 2002</u> (unaudited)	Historical For the Three Months Ended <u>July 1, 2001</u> (unaudited)
Net Sales	\$ 228,698	\$ 239,188
Cost of sales	<u>164,155</u>	<u>171,567</u>
Gross profit	64,543	67,621
Selling, general and administrative	40,330	38,865
Restructuring and other charges	-	504
Special charges (1)	<u>-</u>	<u>1,015</u>
Operating income	24,213	27,237
Interest expense, net of interest income	18,206	4,717
Debt extinguishment expenses	11,754	-
Other income	<u>(349)</u>	<u>(223)</u>
(Loss) income before income taxes from continuing operations	(5,398)	22,743
(Benefit) provision for income taxes	<u>(40)</u>	<u>8,837</u>
(Loss) income from continuing operations	<u>(5,358)</u>	<u>13,906</u>
Discontinued operations, net of tax:		
Loss from discontinued operations	<u>-</u>	<u>(325)</u>
Net (loss) income	<u>\$ (5,358)</u>	<u>\$ 13,581</u>
Other Financial Data:		
Operating income	\$ 24,213	\$ 27,237
Depreciation and amortization	16,997	10,956
Restructuring and relocation expense	-	705
ESOP non-cash compensation (2)	<u>3,595</u>	<u>-</u>
Adjusted EBITDA (3)	<u>\$ 44,805</u>	38,898
Pro Forma adjustments (4):		
ESOP non-cash compensation		2,950
Environmental expense (5)		814
Retirement, pension, 401(k), LIFO adjustments and management fees paid to parent company (6)		<u>(2,269)</u>
Pro Forma Adjusted EBITDA (3)		<u>\$ 40,393</u>

(1) Special charges for the three months ended July 1, 2001 consist of environmental expense of \$0.8 million and equipment relocation expenses of \$0.2 million.

(2) Represents noncash charges from employee compensation deferrals and employer matching contributions under the ESOP.

(3) We have included Adjusted EBITDA and Pro Forma Adjusted EBITDA data because we understand such data is used by certain investors to determine historical ability to service indebtedness. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles and is not indicative of operating profit or cash flow from operations as determined under generally accepted accounting principles.

- (4) 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.
- (5) 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.
- (6) Reflects 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 salaried and union hourly employees and elimination of a management fee paid to our former parent company.

Table 2

Appleton Papers Inc.
Condensed Consolidated Statement of Operations
For the Six Months Ended June 30, 2002 and July 1, 2001
(dollars in thousands)

	Historical For the Six Months Ended <u>June 30, 2002</u> (unaudited)	Historical For the Six Months Ended <u>July 1, 2001</u> (unaudited)
Net Sales	\$ 453,274	\$ 479,498
Cost of sales	<u>319,392</u>	<u>346,457</u>
Gross profit	133,882	133,041
Selling, general and administrative	80,183	74,755
Restructuring and other charges	-	868
Special charges (1)	<u>-</u>	<u>21,246</u>
Operating income	53,699	36,172
Interest expense, net of interest income	37,207	9,592
Debt extinguishment expenses	11,754	-
Other (income) expense	<u>(429)</u>	<u>57</u>
Income before income taxes from continuing operations	5,167	26,523
Provision for income taxes	<u>39</u>	<u>10,305</u>
Income from continuing operations	<u>5,128</u>	<u>16,218</u>
Discontinued operations, net of tax:		
Loss from discontinued operations	<u>-</u>	<u>(1,469)</u>
Net income	<u>\$ 5,128</u>	<u>\$ 14,749</u>
Other Financial Data:		
Operating income	\$ 53,699	\$ 36,172
Depreciation and amortization	33,995	22,448
Restructuring and relocation expense	-	1,190
ESOP non-cash compensation (2)	<u>7,190</u>	<u>-</u>
Adjusted EBITDA (3)	<u>\$ 94,884</u>	59,810
Pro Forma adjustments (4):		
ESOP non-cash compensation		5,900
Environmental expense (5)		20,924
Retirement, pension, 401(k), LIFO adjustments and management fees paid to parent company (6)	<u>-</u>	<u>(4,085)</u>
Pro Forma Adjusted EBITDA (3)		<u>\$ 82,549</u>

(1) Special charges for the six months ended July 1, 2001 consist of environmental expense of \$20.9 million and equipment relocation expenses of \$0.3 million.

(2) Represents noncash charges from employee compensation deferrals and employer matching contributions under the ESOP.

(3) We have included Adjusted EBITDA and Pro Forma Adjusted EBITDA data because we understand such data is used by certain investors to determine historical ability to service indebtedness. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles and is not indicative of operating profit or cash flow from operations as determined under generally accepted accounting principles.

- (4) 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.
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- (6) Reflects 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 salaried and union hourly employees and elimination of a management fee paid to our former parent company.