



APPLETON PAPERS INC.
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Appleton Papers Reports Third Quarter 2002 Results

(Appleton, Wis., November 12, 2002) Appleton Papers Inc. today reported its results for the third quarter 2002. Net sales for the third quarter ended September 29, 2002, were \$229.0 million, a decrease of 8 percent from net sales of \$249.1 million for the same quarter of 2001, but level with sales from the second quarter of 2002. Appleton reported net income for the third quarter of 2002 of \$17.0 million compared to net income of \$17.6 million for the third quarter of 2001.

Adjusted EBITDA for the third quarter of 2002 was \$54.1 million, a decrease of 2 percent over Pro Forma Adjusted EBITDA for the same quarter of 2001. On a year-to-date basis, Adjusted EBITDA for 2002 was \$149.0 million, an increase of 8 percent over Pro Forma Adjusted EBITDA for the same period of 2001.

During the third quarter of 2002, Appleton paid \$30 million in voluntary principal repayments of its senior term loans. Appleton also purchased and retired \$24.9 million of its Series B Senior Subordinated Notes due 2008.

Shipments of carbonless products for the third quarter 2002 decreased 8 percent compared to the same quarter in 2001, but remained level with shipments made during both the first and second quarters of 2002.

After a strong first half of 2002, where shipments of thermal products were up 11 percent compared to the same period in 2001, shipments decreased 3 percent during the third quarter 2002 compared to the same quarter of 2001. However, within the third quarter of 2002, thermal shipments increased each month with strong improvement occurring in October. Appleton introduced two new thermal products for the gaming industry during the third quarter. Royale™ 700-4.5 is a premium gaming ticket grade designed for applications requiring image performance and durability. Résiste™ 600-3.3 is a new thermal lottery ticket product for state and provincial lotteries.

Ongoing development of Appleton's new security products produced a 10 percent increase in domestic shipments of those products in the third quarter of 2002 compared to the same period in 2001. Shipments of those products are up 29 percent during the first three quarters of 2002 compared to the same period in 2001.

In the third quarter Appleton introduced a security bond product and a label product. Both new products contain the Appleton's TechMark® Taggants which provide substantial protection against fraud, copying and counterfeiting by adding unique identifying characteristics to the paper. Appleton's goal for its security business is to become the preferred provider of document and product authentication solutions for businesses, consumers and government agencies.

(more)

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Appleton will host a conference call to discuss its third quarter 2002 results Wednesday, November 13 at 2:00 p.m. EST. The call will be broadcast through its Web site, www.appletonpapers.com/investors A replay will be available for 10 days.

Appleton Papers 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. The company also manufactures substrates used to make point-of-sale, tag, ticket and label products and develops document and product authentication solutions. Appleton is headquartered in Appleton, Wis., and has manufacturing operations in Wisconsin, Ohio and Pennsylvania. Appleton 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 third quarter and first nine months 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 Statements of Operations
For the Three Months Ended September 29, 2002 and September 30, 2001
(dollars in thousands)

	Historical For the Three Months Ended <u>September 29, 2002</u> (unaudited)	Historical For the Three Months Ended <u>September 30, 2001</u> (unaudited)
Net sales	\$ 229,030	\$ 249,112
Cost of sales	<u>158,314</u>	<u>169,092</u>
Gross profit	70,716	80,020
Selling, general and administrative	37,699	35,655
Restructuring and other charges	-	5,517
Special charges (1)	<u>-</u>	<u>1,281</u>
Operating income	33,017	37,567
Interest expense, net of interest income	15,528	5,007
Other expense	<u>383</u>	<u>304</u>
Income before income taxes from continuing operations	17,106	32,256
Provision for income taxes	<u>128</u>	<u>6,647</u>
Income from continuing operations	<u>16,978</u>	<u>25,609</u>
Discontinued operations, net of tax:		
Loss from discontinued operations	<u>-</u>	<u>(8,027)</u>
Net income	<u>\$ 16,978</u>	<u>\$ 17,582</u>
Other Financial Data:		
Operating income	\$ 33,017	\$ 37,567
Depreciation and amortization	17,237	10,102
Restructuring and relocation expense	-	5,658
ESOP non-cash compensation (2)	<u>3,844</u>	<u>-</u>
Adjusted EBITDA (3)	<u>\$ 54,098</u>	53,327
Pro forma adjustments (4):		
ESOP non-cash compensation		2,950
Environmental expense (5)		779
Retirement, pension, 401(k), LIFO adjustments and management fees paid to parent company (6)	<u>-</u>	<u>(1,894)</u>
Pro Forma Adjusted EBITDA (3)		<u>\$ 55,162</u>

(1) Special charges for the three months ended September 30, 2001 consist of environmental expense of \$0.8 million, equipment relocation expenses of \$0.1 million and a legal settlement of \$0.4 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 income 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 Statements of Operations
For the Nine Months Ended September 29, 2002 and September 30, 2001
(dollars in thousands)

	Historical For the Nine Months Ended <u>September 29, 2002</u> (unaudited)	Historical For the Nine Months Ended <u>September 30, 2001</u> (unaudited)
Net sales	\$ 682,304	\$ 728,610
Cost of sales	<u>477,706</u>	<u>515,549</u>
Gross profit	204,598	213,061
Selling, general and administrative	117,882	110,410
Restructuring and other charges	-	6,385
Special charges (1)	<u>-</u>	<u>22,527</u>
Operating income	86,716	73,739
Interest expense, net of interest income	52,735	14,599
Debt extinguishment expenses (2)	11,754	-
Other (income) expense	<u>(46)</u>	<u>361</u>
Income before income taxes from continuing operations	22,273	58,779
Provision for income taxes	<u>167</u>	<u>16,952</u>
Income from continuing operations	<u>22,106</u>	<u>41,827</u>
Discontinued operations, net of tax:		
Loss from discontinued operations	<u>-</u>	<u>(9,496)</u>
Net income	<u>\$ 22,106</u>	<u>\$ 32,331</u>
Other Financial Data:		
Operating income	\$ 86,716	\$ 73,739
Depreciation and amortization	51,232	32,550
Restructuring and relocation expense	-	6,848
ESOP non-cash compensation (3)	<u>11,033</u>	<u>-</u>
Adjusted EBITDA (4)	<u>\$ 148,981</u>	113,137
Pro forma adjustments (5):		
ESOP non-cash compensation		8,850
Environmental expense (6)		21,703
Retirement, pension, 401(k), LIFO adjustments and management fees paid to parent company (7)	<u>-</u>	<u>(5,979)</u>
Pro Forma Adjusted EBITDA (4)		<u>\$ 137,711</u>

(1) Special charges for the nine months ended September 30, 2001 consist of environmental expense of \$21.7 million, equipment relocation expenses of \$0.4 million and a legal settlement of \$0.4 million.

(2) Represents noncash charge from the write-off of deferred debt issuance costs as a result of refinancing a portion of senior credit facilities.

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

- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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 3

Appleton Papers Inc.
Condensed Consolidated Balance Sheets
(dollars in thousands)

	<u>September 29, 2002</u> (unaudited)	<u>December 29, 2001</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,225	\$ 35,702
Accounts receivable, less allowance for doubtful accounts of \$1,664 and \$1,585, respectively	115,094	105,348
Inventories	115,866	134,598
Other current assets	14,117	12,010
Total current assets	264,302	287,658
Property, plant and equipment, net	508,597	531,776
Intangible assets, less accumulated amortization of \$8,386 and \$1,289, respectively	129,382	136,479
Other assets	25,439	46,385
Totals assets	\$ 927,720	\$ 1,002,298
LIABILITIES, REDEEMABLE COMMON STOCK AND RETAINED EARNINGS		
Current liabilities		
Current portion of long-term bank debt	\$ 20,220	\$ 24,125
Accounts payable	46,687	49,217
Accrued interest expense	9,219	2,403
Accrued income taxes	23,531	6,578
Restructuring reserve	4,877	5,464
Other accrued liabilities	65,198	61,406
Total current liabilities	169,732	149,193
Other long-term bank debt	136,177	240,875
Variable rate industrial development bonds	8,650	8,650
Capital lease obligation	4,042	4,314
Postretirement benefits other than pension	58,283	57,178
Accrued pension	8,476	15,954
Other long-term liabilities	19,171	21,959
Senior subordinated notes payable	225,068	250,000
Deferred payment obligation	152,687	141,896
Redeemable common stock, \$0.01 par value		
shares authorized: 30,000,000		
shares issued and outstanding: 11,602,845 and 10,684,373, respectively	133,820	104,663
Retained earnings	11,614	7,616
Total liabilities, redeemable common stock and retained earnings	\$ 927,720	\$ 1,002,298