



## **Appleton Reports Fourth Quarter and Year End 2002 Results**

(Appleton, Wis., February 27, 2003) Appleton Papers Inc. today reported its results for the fourth quarter and the full year ended December 28, 2002. Net sales for the fourth quarter ended December 28, 2002, were \$215.7 million, a decrease of 5 percent from net sales of \$227.2 million for the same quarter of 2001.

Appleton recorded a noncash environmental expense of \$21.0 million during the fourth quarter of 2002 which represents the Company's discounted share of its future obligation for the Lower Fox River environmental liability. As a result, Appleton reported a net loss for the fourth quarter of 2002 of \$12.0 million.

During the fourth quarter of 2002, Appleton made \$5.0 million in scheduled principal repayments of its senior term loans and purchased and retired \$25.1 million of its Series B Senior Subordinated Notes due 2008.

In the fourth quarter 2002, Appleton redefined its segment reporting. The coated solutions segment combines the operation of the Company's carbonless business with its specialty business, its emerging digital products business and its business of engineered manufacturing solutions or toll coating services. Shipments of coated solutions products decreased 7 percent for the fourth quarter 2002 compared to the same quarter in 2001.

The technical products segment consists of the Company's thermal business as well as the development of non-thermal label products and related substrates. Shipments of technical products increased 16 percent in the fourth quarter of 2002 compared to the same quarter in 2001.

The security products segment consists of the Company's security business. Growing demand for Appleton's new security bond products produced a 24 percent increase in shipments of those products in the fourth quarter of 2002 compared to the same quarter in 2001. Appleton focuses its security business on checks, business and government documents, and the emerging brand protection market. The Company introduced two new security products in 2002 that contain the Company's TechMark® Taggants. Taggants provide substantial protection against fraud, copying and counterfeiting by adding unique identifying characteristics to the paper.

Appleton's net sales for fiscal 2002 decreased approximately 6 percent to \$898.0 million compared to \$955.8 million for fiscal 2001.

Coated solutions net sales decreased 8 percent in 2002, compared to 2001 due primarily to a volume decline for the company's carbonless business in 2002 that was comparable to the decline in 2001. The year over year sales decline was due to the expected decline of the maturing North American carbonless market.

Net sales of the Company's technical products increased 3 percent in 2002 compared to 2001 due primarily to volume increases. The Company also introduced 12 new thermal products in 2002. Net sales of the Company's new security bond products increased 23 percent in 2002 compared to 2001 also due to volume increases.

The November 9, 2001, employee buyout of the Company caused the financial results for the fourth quarter and full year 2001 to be reported on both a predecessor and a successor basis. Full year 2002 financial results are reported on a successor basis with several significant differences.

Those differences for fiscal 2002 include an increase in interest expense as a result of the incurrence of a substantial amount of debt in connection with the purchase of Appleton Papers by its employees. The Company elected to be taxed as a subchapter S corporation in connection with the buyout which resulted in a reduced tax burden for the Company. The Company recorded increased depreciation and amortization expenses as a result of purchase accounting related to the acquisition of Appleton Papers. As a result of those changes, simple comparisons of Appleton's financial data for the fourth quarter and full year 2001 to the same periods in 2002 can be misleading.

Net income for the year ended December 28, 2002, was \$10.1 million. The 2002 results reflect the \$21 million noncash environmental expense related to the Lower Fox River.

In conjunction with the employee buyout of the Company in 2001, Arjo Wiggins Appleton agreed to indemnify Appleton for the first \$75 million and for all amounts over \$100 million in liabilities relating to the Lower Fox River remediation and has provided financial assurance in support of its indemnification obligations.

An accurate estimate of the Company's ultimate share of remediation and natural resource damage liability cannot be made at this time. However, the January 2003 issuance of the Record of Decision by the government managers of the Fox River PCB cleanup reduces the uncertainty about the remedy which will be selected and provides Appleton the ability to reasonably estimate a potential liability of \$25 million, which was discounted to \$21 million and charged against earnings in 2002.

Strong cash flows generated from operations and a \$24 million reduction in working capital enabled Appleton to repay \$113.7 million in principal amount of its senior term loans during fiscal 2002, consisting of \$95.7 million in voluntary principal repayments and \$18.0 million in scheduled principal repayments. In addition, Appleton purchased and retired \$50.0 million of its Series B Senior Subordinated Notes due 2008 during fiscal 2002.

Appleton will host a conference call to discuss its fourth quarter and year-end 2002 results Friday, Feb. 28 at 11:00 a.m. EST. The call will be broadcast through its Web site, [www.appletonideas.com/investors](http://www.appletonideas.com/investors) A replay will be available for 10 days.

Appleton creates product solutions through its unique development and use of coating formulations and applications and encapsulation technology. Appleton produces carbonless, thermal, security, digital and other coated products. Appleton is headquartered in Appleton, Wisconsin, and has manufacturing operations in Wisconsin, Ohio and Pennsylvania. The Company employs approximately 2,500 people and is

100 percent employee-owned. For more information visit [www.appletonideas.com](http://www.appletonideas.com)

Media Contact: Bill Van Den Brandt  
Manager, Corporate Communications  
920-991-8613 [bvandenbrandt@appletonideas.com](mailto:bvandenbrandt@appletonideas.com)

**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 and such other factors as may be described from time to time in our filings with the Securities and Exchange Commission, 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.

**Table 1**

**Appleton Papers Inc.**  
**Consolidated Statement of Operations**  
(dollars in thousands)

	For the Three Months Ended <u>December 28, 2002</u> (unaudited)	Successor Basis For the Period November 10, 2001 to <u>December 29, 2001</u> (unaudited)	Predecessor Basis For the Period October 1, 2001 to <u>November 9, 2001</u> (unaudited)	Combined Total For the Three Months Ended <u>December 29, 2001</u> (unaudited)
Net Sales	\$ 215,669	\$ 112,950	\$ 114,258	\$ 227,208
Cost of sales	<u>153,006</u>	<u>76,345</u>	<u>76,192</u>	<u>152,537</u>
Gross profit	62,663	36,605	38,066	74,671
Selling, general and administrative	38,695	18,693	24,716	43,409
Restructuring and other charges	-	-	-	-
Special charges (1)	<u>21,017</u>	<u>-</u>	<u>1,774</u>	<u>1,774</u>
Operating income	2,951	17,912	11,576	29,488
Interest expense, net of interest income	14,629	10,232	2,024	12,256
Debt extinguishment expenses (2)	-	-	10,392	10,392
Other (income) expense	<u>-</u>	<u>(53)</u>	<u>131</u>	<u>78</u>
(Loss) income before income taxes from continuing operatic	(11,678)	7,733	(971)	6,762
Provision for income taxes	<u>336</u>	<u>117</u>	<u>3,673</u>	<u>3,790</u>
(Loss) income from continuing operations	<u>(12,014)</u>	<u>7,616</u>	<u>(4,644)</u>	<u>2,972</u>
Discontinued operations, net of tax:				
Gain from discontinued operations	<u>-</u>	<u>-</u>	<u>5,034</u>	<u>5,034</u>
Net (loss) income	<u>\$ (12,014)</u>	<u>\$ 7,616</u>	<u>\$ 390</u>	<u>\$ 8,006</u>
Other Financial Data:				
Depreciation and amortization	\$ 16,745	\$ 6,005	\$ 4,109	\$ 10,114

February 27, 2003

(1) Special charges for the three months ended December 28, 2002 consist of noncash environmental expense of \$21.0 million. Special charges for the three months ended December 29, 2001 consist primarily of environmental expense of \$1.7 million.

(2) Debt extinguishment expenses for the three months ended December 29, 2001 are primarily from a prepayment penalty and from the write-off of deferred debt issuance costs.

**Table 2**

**Appleton Papers Inc.**  
**Consolidated Statement of Operations**  
(dollars in thousands)

	For the Year Ended <u>December 28, 2002</u>	Successor Basis For the Period November 10, 2001 to <u>December 29, 2001</u>	Predecessor Basis For the Period December 31, 2000 to <u>November 9, 2001</u>	Combined Total For the Year Ended <u>December 29, 2001</u>
Net Sales	\$ 897,973	\$ 112,950	\$ 842,868	\$ 955,818
Cost of sales	<u>630,712</u>	<u>76,345</u>	<u>591,741</u>	<u>668,086</u>
Gross profit	267,261	36,605	251,127	287,732
Selling, general and administrative	156,577	18,693	135,126	153,819
Restructuring and other charges				
Special charges (1)	-	-	6,385	6,385
	<u>21,017</u>	<u>-</u>	<u>24,301</u>	<u>24,301</u>
Operating income	89,667	17,912	85,315	103,227
Interest expense, net of interest income	67,364	10,232	16,623	26,855
Debt extinguishment expenses (2)	11,754	-	10,392	10,392
Other (income) expense	<u>(46)</u>	<u>(53)</u>	<u>492</u>	<u>439</u>
Income before income taxes from continuing operations	10,595	7,733	57,808	65,541
Provision for income taxes	<u>503</u>	<u>117</u>	<u>20,625</u>	<u>20,742</u>
Income from continuing operations	<u>10,092</u>	<u>7,616</u>	<u>37,183</u>	<u>44,799</u>
Discontinued operations, net of tax:				
Loss from discontinued operations	<u>-</u>	<u>-</u>	<u>(4,462)</u>	<u>(4,462)</u>
Net income	<u>\$ 10,092</u>	<u>\$ 7,616</u>	<u>\$ 32,721</u>	<u>\$ 40,337</u>
Other Financial Data:				
Depreciation and amortization	\$ 67,977	\$ 6,005	\$ 36,659	\$ 42,664

(1) Special charges for the year ended December 28, 2002 consist of noncash environmental expense of \$21.0 million. Special charges for the year ended December 29, 2001 consist primarily of environmental expense of \$23.4 million.

February 27, 2003

(2) Debt extinguishment expenses for the year ended December 28, 2002 are noncash charges from the write-off of deferred debt issuance costs. Debt extinguishment expenses for the year ended December 29, 2001 are primarily from a prepayment penalty and from the write-off of deferred debt issuance costs.