FIBERMARK INC
Form 10-Q
August 14, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2003

Commission File Number: 0-20231

FiberMark, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of Identification No.)	82-0429330 (I.R.S. Employer Identification No.)

161 Wellington Road, P.O. Box 498, Brattleboro, VT 05302
(Address of principal executive office and zip code)

802-257-0365
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

The registrant had 7,066,226 shares of FiberMark common stock outstanding as of July 28, 2003.

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ITEM 1.

FIBERMARK, INC.
Consolidated Statements of Operations
Three Months Ended June 30, 2003 and 2002

(In thousands, except per share amounts)

Unaudited

	2003	2002
Net sales	$ 104,176	$ 105,124
Cost of sales	89,423	81,317
Gross profit	14,753	23,807
Selling, general and administrative expenses	10,828	9,878
Income from operations	3,925	13,929
Other expense, net	304	332
Interest expense, net	8,774	8,953
Income (loss) before income taxes	(5,153)	4,644
Income tax expense	3,363	2,088
Net income (loss)	$ (8,516)	$ 2,556
Basic earnings (loss) per share	$ (1.21)	$ 0.36

Diluted earnings (loss) per share	$ (1.21)	$ 0.36
Average Basic Shares Outstanding	7,066	7,052
Average Diluted Shares Outstanding	7,066	7,087

See accompanying notes to consolidated financial statements.

FIBERMARK, INC.
Consolidated Statements of Operations
Six Months Ended June 30, 2003 and 2002

(In thousands, except per share amounts)

Unaudited

	2003	2002
Net sales	$ 208,842	$ 202,282
Cost of sales	173,888	159,869
Gross profit	34,954	42,413
Selling, general and administrative expenses	23,066	18,795
Income from operations	11,888	23,618
Other expense, net	261	743
Interest expense, net	17,473	17,515
Income (loss) before income taxes	(5,846)	5,360
Income tax expense	8,073	2,410
Net income (loss)	$ (13,919)	$ 2,950
Basic earnings (loss) per share	$ (1.97)	$ 0.42
Diluted earnings (loss) per share	$ (1.97)	$ 0.42
Average Basic Shares Outstanding	7,066	6,978
Average Diluted Shares Outstanding	7,066	7,021

See accompanying notes to consolidated financial statements.

FIBERMARK, INC.
Consolidated Balance Sheets

(In thousands, except share and per share amounts)

Unaudited

ASSETS	June 30, 2003	December 31, 2002
Current assets:		
Cash	$ 14,926	$ 35,567
Accounts receivable, net of allowances	56,915	50,386
Inventories	65,942	64,569
Prepaid expenses	1,253	1,591
Total current assets	139,036	152,113
Property, plant and equipment, net	239,067	225,506
Goodwill	99,020	98,460
Other intangible assets, net	10,628	11,478
Other long-term assets	1,477	1,347
Other pension assets	5,011	5,011
Total assets	$ 494,239	$ 493,915
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 4,481	$ 3,188
Accounts payable	23,430	27,344
Accrued liabilities	24,044	22,461
Accrued income taxes payable	7,118	4,330
Deferred income taxes	589	538
Total current liabilities	59,662	57,861
Long-term liabilities:		
Revolving credit line	-	-
Long-term debt, less current portion	342,443	341,073
Deferred income taxes	16,476	14,952
Other long-term liabilities	45,144	43,800
Total long-term liabilities	404,063	399,825
Total liabilities	463,725	457,686
Stockholders' equity		
Preferred stock, par value $.001 per share; 2,000,000 shares authorized, and none issued	-	-
Series A Junior participatory preferred stock, par value $.001; 7,066 shares authorized, and none issued	-	-
Common stock, par value $.001 per share; 20,000,000 shares authorized 7,070,026 and 7,066,226 shares issued and outstanding in 2003 and 6,911,058 and 6,907,258 shares issued and outstanding in 2002	7	7
Additional paid-in capital	65,496	65,496
Accumulated deficit	(43,850)	(29,931)

Accumulated other comprehensive income		8,896		692
Less treasury stock, 3,800 shares at cost in 2003 and 2002		(35)		(35)
Total stockholders' equity		30,514		36,229
Total liabilities and stockholders' equity	$	494,239	$	493,915

See accompanying notes to consolidated financial statements.

FIBERMARK, INC.

Consolidated Statements of Cash Flows

Six Months Ended June 30, 2003 and 2002

(In thousands)

Unaudited

		2003		2002
Cash flows from operating activities:				
Net income (loss)	$	(13,919)	$	2,950
Adjustments to reconcile net income (loss) to net cash				
provided by (used in) operating activities:				
Depreciation and amortization		8,401		7,140
Amortization of bond discount		86		86
Amortization of deferred gain		(222)		-
Loss on disposal of property, plant & equipment		-		-
Deferred income taxes		123		-
Changes in operating assets and liabilities:				
Accounts receivable		(4,649)		(7,689)
Inventories		334		2,065
Prepaid expenses		366		(113)
Other long-term assets		(4)		(3,040)
Accounts payable		(4,913)		(2,978)
Accrued liabilities		1,144		763
Accrued income taxes payable		1,981		1,278
Other long-term liabilities		(334)		262
Net cash provided by (used in) operating activities		(11,606)		724
Cash flows used for investing activities:				
Additions to property, plant and equipment		(13,868)		(6,631)
Increase in other intangible assets		-		(234)
Net cash used in investing activities		(13,868)		(6,865)
Cash flows from financing activities:				

Proceeds from issuance of debt		5,595		1,852
Net borrowings under revolving credit line		-		11,117
Repayment of debt		(3,018)		(667)
Net proceeds from exercise of stock options		-		542
Net cash provided by financing activities		2,577		12,844
Effect of exchange rate changes on cash		2,256		3,145
Net increase (decrease) in cash		(20,641)		9,848
Cash at beginning of period		35,567		23,266
Cash at end of period	$	14,926	$	33,114

See accompanying notes to consolidated financial statements.

FIBERMARK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002

(Unaudited)

1. Basis of Presentation

In the opinion of management the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring items, necessary to present fairly the consolidated financial position and the consolidated results of operations and cash flows for the interim periods.

Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2002, included in the company's Annual Report on Form 10-K.

2. Changes in Accounting Principles and Recently Issued Standards

On January 1, 2003, we adopted Statement of Financial Accounting Standards ("SFAS") No. 143, Accounting for Asset Retirement Obligations ("SFAS No. 143"). SFAS No. 143 applies to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and (or) the normal operation of a long-lived asset. Adoption of SFAS No. 143 did not have a material impact on our financial statements.

On January 1, 2003, we also adopted SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of SFAS No. 13, and Technical Corrections ("SFAS No. 145"). SFAS No. 145 rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishments of Debt , and an amendment of that Statement, SFAS No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements . The pronouncement also rescinds SFAS No. 44, Accounting for Intangible Assets of Motor Carriers and amends SFAS No. 13, Accounting for Leases , to eliminate an inconsistency

between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 had the effect of reclassifying the loss on early extinguishment of debt recorded in 2001 from an extraordinary item to other expense.

On January 1, 2003 we adopted SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities . SFAS No. 146 requires companies to recognize costs associated with exit (including restructuring) or disposal activities at fair value when the related liability is incurred rather than at the date of a commitment to an exit or disposal plan as under current practice. Costs covered by the standard include certain contract termination costs, certain employee termination benefits and other costs to consolidate or close facilities and relocate employees that are associated with an exit activity or disposal of long-lived assets. The requirements of SFAS No. 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. We did not engage in any exit or disposal activities during the six months ended June 30, 2003.

FASB Interpretation NO. 46 ("FIN 46"), Consolidation of Variable Interest Entities , an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements , addresses consolidation by business enterprises of variable interest entities, which have certain characteristics. FIN 46 is effective July 1, 2003, and applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. Adoption of FIN 46 is not expected to have a material impact on our financial statements.

We have reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe any such pronouncements will have a material impact on our financial statements.

3. Net Income (Loss) Per Common Share

The reconciliation of the numerators and denominators of the basic and diluted income (loss) per common share computations for the company's reported net income (loss) follows (in thousands, except share and per share amounts):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2003	2002	2003	2002
Numerator:				
Income (loss) available to common shareholders used in basic and diluted earnings (loss) per share	$(8,516)	$2,556	$(13,919)	$2,950
Denominator:				
Denominator for basic earnings (loss) per share:				
Weighted average shares	7,066,226	7,051,917	7,066,226	6,978,097
Effect of dilutive securities:				
Fixed stock options	*	35,178	*	42,987
Denominator for diluted earnings (loss) per share:				
Adjusted weighted average shares	7,066,226	7,087,095	7,066,226	7,021,084

Basic earnings (loss) per share	$	(1.21)	$	0.36	$	(1.97)	$	0.42
Diluted earnings (loss) per share	$	(1.21)	$	0.36	$	(1.97)	$	0.42

* The average closing stock price of our common stock during the second quarter ended June 30, 2003 was less than the exercise price on all options outstanding during the period. Therefore, there were no incremental shares to be considered in the diluted earnings (loss) per share calculation for the three months ended June 30, 2003. For the six months ended June 30, 2003, 4,625 incremental shares are not included because the effect would be antidilutive.

4. Stock-Based Compensation

Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure , amends Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation , to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income (loss) of an entity s accounting policy decisions with respect to stock-based employee compensation. The company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees , and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the company s stock at the date of the grant over the amount an employee must pay to acquire the stock.

No compensation expense has been recognized for stock options granted under the plans during the three and six month periods ended June 30, 2003 and 2002, as any options granted were at exercise prices that equaled the market value at the date of the grant. Had compensation expense for the company s stock option awards been determined based on the fair value at the grant date for awards granted after 1994 consistent with the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, the company s net income (loss) would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	Three Months Ended June 30,				Six Months Ended June 30,			
		2003		2002		2003		2002
Net income (loss), as reported	$	(8,516)	$	2,556	$	(13,919)	$	2,950
Total stock based employee compensation expense determined under fair value method		(162)		(317)		(317)		(634)
Net income (loss), pro forma	$	(8,678)	$	2,239	$	(14,236)	$	2,317
Basic earnings (loss) per share, as reported	$	(1.21)	$	0.36	$	(1.97)	$	0.42
Basic earnings (loss) per share, pro forma	$	(1.23)	$	0.32	$	(2.01)	$	0.33
Diluted earnings (loss) per share, as reported	$	(1.21)	$	0.36	$	(1.97)	$	0.42
Diluted earnings (loss) per share, pro forma	$	(1.23)	$	0.32	$	(2.01)	$	0.33

Pro forma amounts reflect only options granted after 1994. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma amounts presented above because compensation cost is reflected over the options vesting periods and compensation cost for options granted prior to January 1, 1995, is not considered.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for any grants in 2003 and 2002: risk-free interest rate of 4.4%, dividend yield of $0, expected volatility of 45% and expected lives per the plan agreements.

5. Comprehensive Income (Loss)

Comprehensive income (loss) for the three and six month periods ended June 30, 2003 and 2002, consists of net income (loss) and foreign currency translation adjustments as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income (loss)	$ (8,516)	$ 2,556	$ (13,919)	$ 2,950
Currency translation adjustment	5,436	11,543	8,204	9,591
Comprehensive income (loss)	$ (3,080)	$ 14,099	$ (5,715)	$ 12,541

6. Inventories

Inventories at June 30, 2003 and December 31, 2002, consisted of the following (in thousands):

	June 30, 2003	December 31, 2002
Raw material	$ 21,812	$ 20,671
Work in progress	19,370	19,548
Finished goods	15,466	14,975
Finished goods on consignment	3,780	4,090
Stores inventory	4,005	3,562
Operating supplies	1,509	1,723
Total inventories	$ 65,942	$ 64,569

7. Goodwill and Other Intangible Assets

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). Under SFAS 142, we no longer amortize goodwill and intangibles that have indefinite lives. SFAS 142 also requires that we assess goodwill and intangibles with indefinite lives for impairment at

least annually, based on the fair value of the related reporting unit or intangible asset. On an ongoing basis, we expect to perform our annual impairment assessment in the fourth quarter of each year, based on information as of September 30. During the three months ended June 30, 2003, goodwill was reduced by $7,000 as a result of adjusting the severance accrual recorded in connection with the acquisition of DSI. All other changes in goodwill during the three and six month periods ended June 30, 2003 were due to changes in foreign currency translation.

The following table provides the gross carrying value and accumulated amortization for each major class of other intangible assets as of June 30, 2003 and December 31, 2002 (in thousands):

	Gross Carrying Value		Accumulated Amortization	
	June 30, 2003	Dec. 31, 2002	June 30, 2003	Dec. 31, 2002
Amortizable intangible assets:				
Debt issue costs	$ 14,257	$ 14,467	$ 5,435	$ 4,875
Acquired technology	846	846	21	--
Other	1,466	1,409	485	369
Total amortizable intangible assets	$ 16,569	$ 16,722	$ 5,941	$ 5,244

The total intangible amortization expense for the three months ended June 30, 2003 and 2002 was $437,000 and $426,000, and for the six months ended June 30, 2003 and 2002 was $872,000 and $840,000. The estimated amortization expense for each of the next five years ending December 31, is as follows (in thousands):

2003	$ 1,744,000
2004	$ 1,744,000
2005	$ 1,707,000
2006	$ 1,507,000
2007	$ 1,063,000

8. Subsequent Event

On July 22, 2003, the company announced plans for further staff reductions. The company expects to eliminate approximately 100 positions in the U.S., resulting in estimated annual savings of $5.0 million. The full savings benefits are expected to be realized during 2004. The company will record a pre-tax charge of approximately $1.5 million during the third quarter of 2003 for severance expenses.

9. Segment Information

The following table categorizes net sales in each product family into the appropriate operating segment (in thousands):

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002

	Operating Segments			Operating Segments		
	German Operations	North American Operations	Total	German Operations	North American Operations	Total
Net sales						
Product Family						
Office products	$ -	$ 17,742	$ 17,742	$ -	$ 20,402	$ 20,402
Publishing and packaging	-	24,795	24,795	-	29,511	29,511
Technical specialties	48,507	13,132	61,639	38,149	17,062	55,211
	$ 48,507	$ 55,669	$ 104,176	$ 38,149	$ 66,975	$ 105,124

	Six Months Ended June 30, 2003			Six Months Ended June 30, 2002		
	Operating Segments			Operating Segments		
	German Operations	North American Operations	Total	German Operations	North American Operations	Total
Net sales						
Product Family						
Office products	$ -	$ 37,188	$ 37,188	$ -	$ 41,576	$ 41,576
Publishing and packaging	-	47,818	47,818	-	53,732	53,732
Technical specialties	96,226	27,610	123,836	74,661	32,313	106,974
	$ 96,226	$ 112,616	$ 208,842	$ 74,661	$ 127,621	$ 202,282

9. Segment Information (continued)

The following table presents selected financial data for each of our operating segments for the three and six month periods ended June 30, 2003 and 2002 (in thousands).

	Three Months Ended June 30, 2003			Three Months Ended June 30, 2002		
	Operating Segments			Operating Segments		
	German Operations	North American Operations	Total	German Operations	North American Operations	Total
Total sales	$ 48,507	$ 56,058	$ 104,565	$ 38,149	$ 66,975	$ 105,124

Less: inter-segment net sales		-		(389)		(389)		-		-	-
Total net sales	$	48,507	$	55,669	$	104,176	$	38,149	$	66,975	$ 105,124
Income (loss) from operations	$	7,227	$	(3,302)	$	3,925	$	6,485	$	7,444	$ 13,929
Depreciation and amortization	$	1,141	$	3,110	$	4,251	$	867	$	2,832	$ 3,699

	Six Months Ended June 30, 2003						Six Months Ended June 30, 2002					
	Operating Segments						Operating Segments					
	German Operations		North American Operations		Total		German Operations		North American Operations		Total	
Total sales	$	96,226	$	113,626	$	209,852	$	74,661	$	127,621	$	202,282
Less: inter-segment net sales		-		(1,010)		(1,010)		-		-		-
Total net sales	$	96,226	$	112,616	$	208,842	$	74,661	$	127,621	$	202,282
Income (loss) from operations	$	17,360	$	(5,472)	$	11,888	$	13,608	$	10,010	$	23,618
Depreciation and amortization	$	2,211	$	6,190	$	8,401	$	1,661	$	5,479	$	7,140

The following table presents selected financial data for each of our operating segments at June 30, 2003 and December 31, 2002 (in thousands).

	June 30, 2003	December 31, 2002
	Operating Segments	Operating Segments

	German Operations	North American Operations	Other	Total	German Operations	North American Operations	Other	Total
Total assets	$ 157,776	$ 428,570	$ (92,107)	$ 494,239	$ 149,642	$ 434,793	$ (90,520)	$ 493,915

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three Months Ended June 30, 2003, Compared with Three Months Ended June 30, 2002

For the three months ended June 30, 2003, net sales were $104.2 million compared with $105.1 million in the second quarter of 2002, a decline of 1%.

Net sales from our German operations increased by 27% to $48.5 million in the second quarter of 2003 from $38.1 million in the comparable 2002 period. Approximately $8.7 million of the increase in net sales was attributable to the effects of a stronger euro in the second quarter of 2003 compared with the second quarter of 2002. Excluding the positive effects of the stronger euro, sales in our German operations increased by 3% during the second quarter of 2003 compared with the second quarter of 2002. This increase in net sales was primarily due to market share gains in automotive filter media and tape base and market growth in nonwoven wallcoverings.

Sales from our North American operations segment were $55.7 million in the second quarter of 2003, a 17% decline from $67.0 million during the second quarter of 2002. This decline was primarily due to continued weakness in the U.S. economy, and to a lesser degree, by the sale of our North American industrial filter media business in December 2002 (accounting for $1.0 million of the decline).

Technical specialties sales in North America decreased by 23% to $13.1 million in the second quarter of 2003 compared with $17.1 million in the second quarter of 2002. The decrease in technical specialties sales reflects discontinued product lines (including the sale in December 2002 of our industrial filter media business), weak industrial markets and product obsolescence.

Sales in publishing and packaging grades were $24.8 million in the second quarter of 2003 compared with $29.5 million in the second quarter of 2002, a 16% decline. Our publishing business lagged historical levels due to continued softness in the elementary and high school textbook publishing industry as a result of tight state budgets. Sales of packaging products increased over the prior year due to several successful new product introductions.

Office products sales were $17.7 million in the second quarter of 2003 compared with $20.4 million in the second quarter of 2002, a decline of 13%. This decline reflects continued economic weakness and, to a lesser extent, substitution by customers of lower quality competitive products.

Gross profit for the second quarter of 2003 was $14.8 million, or 14% of sales, compared with $23.8 million, or 23% of sales, in the second quarter of 2002. The $9.0 million decrease in gross profit was primarily due to lower sales volume, a change in sales mix towards lower margin products, higher fixed manufacturing overhead costs at operating

facilities, higher pulp and energy costs and costs incurred in connection with the transfer of production from our Johnston, Rhode Island facility to our Lowville, New York facility. These higher costs were partially offset by lower fixed costs attributable to earlier facility consolidations.

Selling, general and administrative expenses for the second quarter of 2003 were $10.8 million or 10% of sales, compared with $9.9 million or 9% of sales in the second quarter of 2002. Approximately $0.5 million of the increase in selling, general and administrative expenses was attributable to the effects of a stronger euro in the second quarter of 2003 compared with the second quarter of 2002. The remainder of the increase was primarily attributable to higher professional fees associated with various projects.

During the second quarter of 2003, we realized $3.9 million of income from operations or 4% of sales, compared with $13.9 million in the second quarter of 2002, or 13% of sales. In our German operations segment, income from operations increased 11% to $7.2 million or 15% of sales, from $6.5 million, or 17% of sales in the second quarter of 2002. This increase in absolute terms was primarily due to a stronger euro in the second quarter of 2003 and higher volume partially offset by higher pulp prices. In our North American operations segment we incurred a loss from operations of $3.3 million in the second quarter of 2003 compared with income from operations of $7.4 million in the second quarter of 2002. The change from 2002 was primarily attributable to lower sales volumes, a shift in sales mix towards lower priced and lower margin products, higher pulp and energy costs, higher fixed manufacturing overhead costs and higher selling, general and administrative expenses largely due to higher professional fees.

Net interest expense was $8.8 million in the second quarter of 2003 compared with $9.0 million in the second quarter of 2002. The decrease in net interest expense was primarily due to lower borrowings outstanding under our revolving credit line during the second quarter of 2003 compared with the second quarter of 2002.

Income tax expense was $3.4 million in the second quarter of 2003 compared with $2.1 million in 2002. In 2003, we recorded a $5.1 million valuation allowance against our deferred tax assets because management determined it was more likely than not that the deferred tax assets arising from the pre-tax loss incurred by our North American operations would not be realized. The company can no longer recognize tax benefits on U.S. net operating losses in the near term until operating results indicate sustainable profitability.

For the reasons described above, the net loss for the second quarter of 2003 was $8.5 million, or $1.21 per share, compared with net income of $2.6 million, or $0.36 per share, in the second quarter of 2002.

Six Months Ended June 30, 2003, Compared with Six Months Ended June 30, 2002

Net sales for the first half of 2003 were $208.8 million compared with $202.3 million for the first half of 2002, an increase of 3%.

Net sales from our German operations segment increased 29% to $96.2 million in the first half of 2003 from $74.7 million in the comparable 2002 period. Approximately $17.4 million of the increase in net sales was attributable to the effects of a stronger euro in the first half of 2003 compared with the first half of 2002. Excluding the positive translation effects of the stronger euro, sales from our German operations increased by 5% during the first half of 2003 compared with the prior year period. This increase in net sales was primarily due to higher sales of automotive filter media, tape base and nonwoven wallcoverings.

Sales from our North American operations segment decreased $15.0 million, or 12%, to $112.6 million during the first half of 2003 from $127.6 million in the first half of 2002. The decrease in net sales was primarily due to continued weakness in the U.S. economy and the sale of our North American industrial filter media business in December 2002 (accounting for $1.7 million of the decrease).

Technical specialties sales from our North American operations segment decreased by $4.7 million, or 15%, to $27.6 million in the first half of 2003 from $32.3 million in the first half of 2002. The decrease in sales of technical specialties products reflects the discontinuation of product lines (including the sale of our industrial filter media business in December 2002), weak industrial markets and product obsolescence.

Sales of publishing and packaging grades were $47.8 million in the first half of 2003 compared with $53.7 million in the first half of 2002, a decline of 11%. The decline was primarily attributable to lower sales to the elementary and high school textbook publishing industry resulting from tight state budgets.

Office products sales declined $4.4 million, or 11%, to $37.2 million in the first half of 2003 from $41.6 million in the first half of 2002. The decrease was primarily due to the continuing weak economy and, to a lesser extent, pricing pressures and substitution by customers of lower quality competitive products.

Gross profit for the first half of 2003 was $35.0 million, or 17% of sales, compared with $42.4 million, or 21% of sales, in the first half of 2002. The $7.4 million decrease in gross profit was primarily attributable to lower sales volume, a change in sales mix towards lower margin products, higher fixed manufacturing overhead costs at facilities, higher pulp and energy costs and costs incurred in connection with the transfer of production from our Johnston, Rhode Island facility to our Lowville, New York facility.

Selling, general and administrative expenses for the first half of 2003 were $23.1 million or 11% of sales, compared with $18.8 million or 9% of sales in the first half of 2002. The increase in selling, general and administrative expenses was primarily attributable to the effects of a stronger euro in the first half of 2003 compared with the first half of 2002, an increase in the allowance for doubtful accounts and higher professional fees associated with a variety of projects.

In the first half of 2003, we generated $11.9 million of income from operations (6% of sales) compared with $23.6 million in the first half of 2002, or12% of sales. In our German operations segment, income from operations increased by $3.8 million, or 28%, to $17.4 million in the first half of 2003 from $13.6 million in 2002. This increase was primarily due to a stronger euro in 2003 and higher volume partially offset by higher pulp prices. In our North American operations segment we incurred a loss from operations of $5.5 million in the first half of 2003 compared with income from operations of $10.0 million in the first half of 2002. The change from 2002 was primarily due to lower sales volumes, a shift in sales mix towards lower priced and lower margin products, higher pulp and energy costs, higher fixed manufacturing overhead costs at operating facilities and higher selling, general and administrative expenses.

Net interest expense was $17.5 million in the first half of 2003 and 2002.

Income tax expense was $8.1 million in the first half of 2003 compared with $2.4 million in the first half of 2002. In the first half of 2003, we recorded a $9.5 million valuation allowance against our deferred tax assets because management determined it was more likely than not that the deferred tax assets arising from the pretax loss incurred by our North American operations would not be realized. The company can no longer recognize tax benefits on U.S. net operating losses in the near term until operating results indicate sustainable profitability.

For the reasons described above, the net loss for the first half of 2003 was $13.9 million, or $1.97 per share, compared with net income of $3.0 million, or $0.42 per share, in the first half of 2002.

Liquidity and Capital Resources

As of June 30, 2003, we had outstanding $100.0 million of senior notes, which mature on October 15, 2006, are non-amortizing and carry a fixed interest rate of 9.375%. Also outstanding at June 30, 2003 were $230.0 million of senior notes issued in conjunction with the DSI acquisition. These notes, which mature on April 15, 2011, are also non-amortizing, were issued at a discounted price of $228.3 million and carry a fixed interest rate of 10.75%.

At June 30, 2003, the company had a $60.0 million revolving credit facility that expires on September 30, 2005 (the "Credit Facility"). The Credit Facility can be used for capital expenditures, working capital and general corporate purposes and is secured by a lien on substantially all of our U.S. accounts receivable and inventory and on the equipment and real estate located at our Brattleboro, Vermont, facility. The Credit Facility includes a $10.0 million sub-facility (the "Sub-facility") that can also be used for capital expenditures, working capital and general corporate purposes and is secured by various machinery located at the Lowville, New York and Quakertown, Pennsylvania facilities. The Credit Facility contains certain covenants, which require the maintenance of financial ratios. Establishment and testing of these covenants has been waived until December 31, 2003. During this period there is an availability block on the Credit Facility, which limits the company s borrowing capacity. At June 30, 2003, our total borrowing capacity under the Credit Facility, including the Sub-facility, was $39.5 million. As of the same date, we had a total of $7.0 million outstanding under the Credit Facility comprising $4.8 million of outstanding letters of credit and $2.2 million outstanding under the Sub-facility. Advances under the Sub-facility are repayable in quarterly installments and bear interest at either the prime interest rate plus a margin of 2.0% or the London Interbank Offering Rate ("LIBOR") plus a margin of 3.5%. Other advances under the $60.0 million revolving credit facility bear interest at the prime interest rate plus a margin of between 0.50% and 1.5%, or LIBOR plus a margin of between 2.0% and 3.0%, depending on the company s leverage ratio. At June 30, 2003, the company had a total of $32.5 million available under the Credit Facility including $7.8 million available under the Sub-facility.

At June 30, 2003, $1.9 million was outstanding under a term loan secured by machinery at our Quakertown, Pennsylvania facility. This loan bears interest at LIBOR plus 2.0% and is repayable in monthly installments through 2007.

At June 30, 2003, $10.3 million was outstanding on a term loan secured by a paper machine at our Warren Glen, New Jersey, facility. The interest rate on this loan is 8.47% with the balance amortizing over seven years.

In the fourth quarter of 2002, we entered into a sale-leaseback agreement involving our Lowville, New York facility. Under the sale-leaseback agreement, FiberMark paid $1.1 million representing 20% of the project cost in January 2003, and is obligated to make 24 monthly payments of $100,000 plus interest on the outstanding principal, followed by a balloon payment of approximately $2.1 million on January 31, 2005, when FiberMark will resume ownership of the entire site. At June 30, 2003, the balance outstanding on the capital lease was $3.9 million.

The company s historical requirements for capital have been primarily for servicing debt, capital expenditures and working capital. For the six months ended June 30, cash flows used in operating activities were $11.6 million in 2003 compared with cash flows provided by operating activities of $0.7 million in 2002. During these periods, additions to property, plant and equipment totaled $13.9 million in 2003 and $6.6 million in 2002.
The following table lists our contractual obligations due by period with initial or remaining terms in excess of one year at June 30, 2003 (in millions):

	2003*	2004-2005	2006-2007	Thereafter	Total
Long-term debt	$ 1.9	$ 7.6	$ 104.9	$ 228.6	$ 343.0
Letters of credit	2.8	2.0	--	--	4.8
Operating leases	1.3	3.3	1.1	--	5.7
Sale-leaseback	0.6	3.3	--	--	3.9
Forward purchase contracts	4.0	3.7	--	--	7.7
	$ 10.6	$ 19.9	$ 106.0	$ 228.6	$ 365.1

*Six months ending December 31, 2003.

The majority of our forward purchase contracts relate to our natural gas purchases in the United States, obligating us to purchase a minimum quantity each month during the contract period.

Management actions, including facility consolidations, the recent announcement of a reduction in our workforce and a comprehensive profit improvement program involving all of our businesses, are designed to improve cash flow from operating activities. We continue to prudently invest capital for high value projects.

As of June 30, 2003, our current Credit Facility provides us with unused borrowing capacity of approximately $32.5 million. Along with our strong commitment to improving our operating results, we are also taking steps with our senior secured lender to increase the levels of funding available for capital expenditures, working capital requirements and general corporate purposes over the next twelve months. We expect to amend our existing Credit Facility before the end of the third quarter.

In the event that our senior secured lender is unwilling to amend the existing credit facility to increase available funding levels, or the company is unable to secure alternative sources of financing, the company may not be able to fund capital requirements, debt service and working capital needs over the next 12 months.
The company believes that cash flow from operations, plus existing cash balances and amounts that we expect will be available to us under an amended credit facility will be sufficient to fund our capital requirements, debt service and working capital needs over the next 12 months.

On August 11, 2003, Standard & Poor s Ratings Services lowered its corporate credit rating for FiberMark to B from B+ . On August 14, 2003, Moody s lowered FiberMark s senior implied rating and guaranteed senior unsecured debt ratings to Caa1 from B2 , with a negative outlook.

Inflation

We attempt to minimize the effect of inflation on our earnings by controlling operating expenses. During the past several years, the rate of general inflation has been relatively low and has not had a significant impact on our results of operations. We purchase raw materials and energy that are subject to cyclical changes in costs that may not reflect the rate of general inflation.

Critical Accounting Policies

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Differences from those estimates are recorded in the reporting period during which the di e reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Differences from those estimates are recorded in the reporting period during which the dif fference becomes known. Estimates are used in accounting for, among other items, facility closures, acquisitions, deferred tax assets, excess and obsolete inventory, allowances for doubtful accounts receivable, long-lived assets and pension benefit obliga ference becomes known. Estimates are used in accounting for, among other items, facility closures, acquisitions, deferred tax assets, excess and obsolete inventory, allowances for doubtful accounts receivable, long-lived assets and pension benefit obligat tions. Those estimates which require management ions. Those estimates which require management s most difficult, subjective or complex judgments are defined as critical and their accounting policies are described in further detail as follows: s most difficult, subjective or complex judgments are defined as critical and their accounting policies are described in further detail as follows:

Facility Closures

Among those factors affecting the accruals for facility closures are estimates of the number and types of employees that will be affected, the benefit costs related to those employees and the length of time until the operations can be consolidated within other facilities. Generally, we base ou ls for facility closures are estimates of the number and types of employees that will be affected, the benefit costs related to those employees and the length of time until the operations can be consolidated within other facilities. Generally, we base our r estimates on historical patterns of past facility closures, influenced by judgments about current market conditions. The adoption of Statement of Financial Accounting Standards No. 146, estimates on historical patterns of past facility closures, influenced by judgments about current market conditions. The adoption of Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities, will change the timing of recognition of costs associated with any future facility closures. ll change the timing of recognition of costs associated with any future facility closures.

Acquisitions

We account for acquisitions under the purchase method which requires the purchase price to be allocated to the assets acquired and liabilities assumed based upon their respective fair values. For the many significant assets we acquire, such as property, plant and equipment, we obtain third-party appraisals to determine the fair value of those assets. In accounting for our acquisition of DSI in April 2001, we estimated the fair value of property, plant, equipment, working capital and other assets and allocated $109.8 million of the purchase price to goodwill.

Income Taxes

We are required to estimate income taxes in each of our operational jurisdictions. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as property, plant and equipment, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, for which we must then assess the likelihood that deferred tax assets will be recovered from future taxable income and to the extent that recovery is not likely, a valuation allowance must be established. Significant management judgment is required in determining the provision (benefit) for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. During the three and six month periods ended June 30, 2003, we recorded valuation allowances of $5.1 million and $9.5 million, respectively, against our deferred tax assets because management determined that it was more likely than not that the deferred tax assets arising from the pretax loss incurred by our North American operations would not be realized.

Impairment of Goodwill and Other Long-Lived Assets

Long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Facility closures and the sale of technology are events that have triggered such impairment reviews in the past. Property, plant and equipment to be disposed of as a result of facility closures are reported at the lower of the carrying amount or fair value less cost to sell. Goodwill impairment as a result of the sale of technology was measured using the market value method prior to 2002. Generally, the company bases its estimates on historical patterns, influenced by judgments about current market conditions. Beginning in 2002, goodwill and other intangibles are assessed for impairment annually in accordance with Statement of Financial Accounting Standards No. 142 Statement of Financial Accounting Standards No. 142 , Goodwill and Other Intangible Assets (SFAS No. 142). We adopted SFAS No. 142 effective January 1, 2002. On an ongoing basis, we expect to perform our annual impairment assessment in the fourth quarter of each year, based on information as of September 30. On an ongoing basis, we expect to perform our annual impairment assessment in the fourth quarter of each year, based on information as of September 30.

In our transitional goodwill assessment on January 1, 2002, our review indicated that no impairment charge was necessary. However, as we progressed through the year, results in our North American operations were weaker than expected due to economic conditions in our markets and delays in implementation of our facility consolidations and the realization of related efficiencies. Consequently, we initiated a third-party appraisal of our North American

operations in the fourth quarter 2002, using a September 30, 2002 measurement date to determine the carrying value of our goodwill and whether any impairment charge was indicated. Based on a fair market value determination reflecting the present value of our projected future cash flows (using a discount rate of 12%, and a compound sales growth rate of 4.6% through 2005 and 3.0% thereafter) and the value of our property, plant and equipment and intellectual property, including proprietary technology, we wrote down our goodwill in the fourth quarter of 2002, resulting in an impairment charge of $42.9 million.

Pension Assumptions

We have several defined benefit retirement plans covering our hourly employees. The defined benefit plan covering certain U.S. employees is an ERISA and IRS-qualified plan and we make annual contributions in amounts at least equal to the minimum amounts required by ERISA. The defined benefit plans covering all hourly employees in Germany were established by the company to provide a monthly pension benefit upon retirement. We have no legal obligation to fund the German plans.

Pension benefit obligations and the related effects on operations are calculated using actuarial models. Two critical assumptions, discount rate and expected return on assets, are important elements of plan expense and/or liability measurement. We evaluate these critical assumptions annually in the fourth quarter. Other assumptions involve demographic factors such as retirement, mortality and turnover. These assumptions are evaluated periodically and are updated to reflect our experience. Actual results that differ from the estimates may result in more or less future company funding into pension plans and more or less pension expense than is planned by management.

New Accounting Pronouncements

We have reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe any such pronouncements will have a material impact on our financial statements.

Seasonality

Our business is mildly seasonal, with the second half of each year typically having a lower level of net sales and operating income. This seasonality is the result of summer manufacturing shutdowns and the impact of year-end holidays.

Forward-Looking Statements
This report contains forward-looking statements that involve substantial risks and uncertainties. Any statements that are not historical, which may include forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will" and "would" or similar words, fall within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements, based on assumptions believed to be valid at the time, discuss our future expectations, contain projections of our future results of operations or of our financial position or state other "forward-looking" information. The following items, "Factors Affecting Future Results", as well as any cautionary language in this report, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We do not undertake to update any forward-looking statement made in this report or that may, from time to time, be made by us, or on our behalf.

Factors Affecting Future Results

Our future results of operations and our financial position may be affected by a number of factors and risks, including, but not limited to, the following:

Fluctuations in the costs and availability of raw materials could harm our business.

Our principal raw materials, hardwood and softwood pulp, and secondary fiber, are cyclical in both price and supply. The cyclical nature of pulp pricing presents a potential risk to our gross profit margins because we may not be able to pass along price increases to our customers. We may also be unable to purchase pulp in sufficient quantities, or at acceptable prices, to meet our production requirements during times of tight supply. DuPont is the sole source of Tyvek®, a critical component in our binding tapes. A significant price increase or any material limitation or interruption in our supply of key raw materials, including pulp, Tyvek®, or latex, particularly if we are unable to pass those increases through to our customers, could harm our financial condition, results of operations and competitive position.

Fluctuations in economic activity and demand for our products could harm our business.

The markets for our products are variable and are influenced to a significant degree by the global economic activity and fluctuations in our customers' demand and inventory levels. Downturns in global economic conditions and decreased demand for specialty fiber-based materials could have a material adverse effect on our financial condition and results of operations.

Competition in specialty paper and materials markets could harm our financial condition and results of operations.

We face intense competition, which could harm our financial condition and results of operations. Our principal competitors include a small number of paper and specialty paper manufacturers. Additionally, we compete with producers of vinyl, plastic or other materials. Some of these producers have substantially greater resources than we do. Further concentration of our competitors through mergers and acquisitions may increase their competitive advantage. In addition, some of our customers have the internal ability to process some or all of the materials they buy from us, and have in the past elected to do so. To the extent our customers elect to do so in the future, our business could suffer. Industry and market-specific capacity levels can also affect competitive behavior and adversely impact pricing levels. Increased concentration of buying power in certain large direct or indirect customers can have similar effects.

Our industry is subject to many environmental and other governmental regulations. These regulations could give rise to significant additional liabilities or expenditures or restrictions on our business, any of which could cause our financial condition and results of operations to suffer.

Our operations and properties are subject to a wide variety of foreign, federal, state and local laws and regulations, including those governing the use, storage, handling, generation, treatment, emission, release, discharge and disposal of various materials, substances and wastes, the remediation of contaminated soil and groundwater, and the health and safety of employees. Such regulations can restrict our operations, and expose us to claims and other liabilities with respect to environmental protection, remediation and health and safety matters. We could incur material costs or other liabilities in connection with such regulations or claims. In addition, future events, such as new information, changes in environmental or health and safety laws or regulations or their interpretation, and more vigorous enforcement policies of regulatory agencies, may result in significant additional expenditures, liabilities or restrictions that could harm our financial condition, results of operations and competitive position.

Disruptions caused by labor disputes or organized labor activities may harm our business.

A large proportion of our workforce is represented by labor unions. In addition, we may from time to time experience union organizing activities in currently non-union facilities. Disputes with the current labor organizations with which we work or new union organizing activities may result in work slowdowns or stoppages or higher labor costs. A work slowdown or stoppage in any one of our facilities could slow or halt production from that facility and from any other facility which depends on that facility for its material. As a result, meeting scheduled delivery times for our customers could be difficult or impossible, which could result in loss of business.

Our substantial level of indebtedness could adversely affect our financial condition.

We have substantial indebtedness. As of June 30, 2003, we had approximately $346.9 million of indebtedness. In addition, subject to restrictions in the indenture for our outstanding 10.75% Senior Subordinated Notes due 2011, our revolving credit facility and the indenture for our outstanding 9.375% Series B Senior Notes due 2006, we may incur additional indebtedness. Our high level of indebtedness could have important consequences, which might include the following: impair our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes; reduce the funds available to us for other purposes such as capital expenditures; create a competitive disadvantage, to the extent that our indebtedness exceeds the level of some competitors, and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; increase our vulnerability to economic downturns and adverse developments in our business; incur restrictions that limit our ability and the ability of our subsidiaries, among other things, to incur additional indebtedness or liens; pay dividends or make other distributions; repurchase our common stock; make investments; sell assets; enter into agreements restricting our subsidiaries' ability to pay dividends; enter into transactions with affiliates; and consolidate, merge or sell all or substantially all of our assets.

We expect to obtain funds to service our debt over time primarily from our operations. We cannot be certain that our cash flow will be sufficient to allow us to pay such debt service. If we do not have sufficient cash flow, we may be required to refinance all or part of our existing debt, sell assets or borrow more money. We cannot guarantee that we will be able to do so on terms acceptable to us. In addition, the terms of existing or future debt agreements may restrict us from adopting any of these alternatives. The failure to generate sufficient cash flow or to achieve such alternatives could have a significant adverse affect on our ability to make required payments.

In addition, a breach of any of the financial covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders and holders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness.

Inability to amend our credit facility or obtain financing may impair funding of capital requirements, debt service and working capital needs.

As of June 30, 2003, our current Credit Facility provides us with unused borrowing capacity of approximately $32.5 million. Along with our strong commitment to improving our operating results, we are also taking steps with our senior secured lender to increase the levels of funding available for capital expenditures, working capital requirements and general corporate purposes over the next twelve months. We expect to amend our existing Credit Facility before the end of the third quarter.

In the event that our senior secured lender is unwilling to amend the existing credit facility to increase available funding levels, or the company is unable to secure alternative sources of financing, the company may not be able to fund capital requirements, debt service and working capital needs over the next 12 months.

The company believes that cash flow from operations, plus existing cash balances and amounts that we expect will be available to us under an amended credit facility will be sufficient to fund our capital requirements, debt service and working capital needs over the next 12 months.

On August 11, 2003, Standard & Poor s Ratings Services lowered its corporate credit rating for FiberMark to B from B+ . On August 14, 2003, Moody s lowered FiberMark s senior implied rating and guaranteed senior unsecured debt ratings to Caa1 from B2 , with a negative outlook.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We believe we have minimal exposure to financial market risks. The majority of our debt is at a fixed rate. Most of our sales transactions have been conducted in the currency where the shipment originated, limiting our exposure to changes in currency exchange rates. We do not use derivative financial instruments.

ITEM 4. CONTROLS AND PROCEDURES

The company s management, with the participation of the company s chief executive officer and chief financial officer, evaluated the effectiveness of the company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2003. In designing and evaluating the company s disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applied its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, the company s chief executive officer and chief financial officer concluded that, as of June 30, 2003, the company s disclosure controls and procedures were (1) designed to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to the company s chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.
No change in the company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2003 that has materially affected, or is reasonably likely to materially affect, the company s internal control over financial reporting.

PART II. OTHER INFORMATION.

ITEM 1. LEGAL PROCEEDINGS.

Not applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

The annual meeting of shareholders was held on May 21, 2003. Shareholders of record of the company s common stock at the close of business on March 24, 2003, were entitled to vote at the annual meeting. The following actions were taken with the following results:

a) All of management s nominees for members of the Board of Directors were elected with votes cast as follows:

Name	For	Withheld
Alex Kwader	5,715,064	36,851
Brian C. Kerester	5,733,675	18,240
Marion A. Keyes, IV	5,733,674	18,241

Glenn S. McKenzie	5,733,674	18,241
A. Duncan Middleton	5,715,073	36,842
Jon H. Miller	5,733,675	18,240
K. Peter Norrie	5,715,072	36,843
Elmar B. Shulte	5,733,674	18,241
Edward P. Swain, Jr.	5,733,674	18,241

b) The selection of KPMG LLP as the independent public auditors for the company for its fiscal year ending December 31, 2003 was ratified.

For	Against	Abstain
5,732,553	16,606	2,756

ITEM 5. OTHER INFORMATION

On August 6, 2003, FiberMark announced plans to begin trading of its common stock on the American Stock Exchange (AMEX) effective August 8, 2003, and to cease trading on the New York Stock Exchange effective August 7, 2003.

On July 16, 2003, FiberMark announced that Jon H. Miller had resigned from the Board of Directors in order to devote more time to family and personal matters.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K:

(a) Exhibits.

31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated August 14, 2003.
32.1	Certification of Principal Executive Officer pursuant to Rules 12a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Rules 12a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(b) The following reports on Form 8-K were filed for the quarter for which this report is filed:

--	On June 5, 2003, FiberMark, Inc. filed a current report on Form 8-K dated May 20, 2003 announcing the appointment of Allan M. Kline as senior vice president and chief financial officer effective May 27, 2003.
--	On May 15, 2003, FiberMark, Inc. filed a current report on Form 8-K dated May 14, 2003 announcing financial results for the quarter ended March 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FiberMark, Inc.

Date: August 14, 2003

By: /s/ Allan M. Kline

Allan M. Kline
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

FiberMark, Inc.

Date: August 14, 2003

By: /s/ John E. Hanley

Allan M. Kline
Vice President and Corporate Controller
(Principal Accounting Officer)

Exhibit Index

Number	Description
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32.2	Certification of Principal Financial Officer pursuant to Rules 12a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of FiberMark, Inc. (the "company") on Form 10-Q for the quarterly period

ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alex Kwader, chairman and chief executive officer of the company, and I, Allan M. Kline, senior vice president and chief financial officer of the company, certify, pursuant to 18 U.S.C. (Section Mark) 1350, as adopted pursuant to (Section Mark) 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: August 14, 2003 /s/ Alex Kwader

Alex Kwader
Chairman and Chief
Executive Officer

Date: August 14, 2003 /s/ Allan M. Kline

Allan M. Kline
Senior Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to FiberMark, Inc. and will be retained by FiberMark, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.1

CERTIFICATION

I, Alex Kwader, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FiberMark, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules

13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

c) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: August 14, 2003 /s/ Alex Kwader

Alex Kwader
Chairman and Chief Executive Officer

Exhibit 32.2

CERTIFICATION

I, Allan M. Kline, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FiberMark, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]
   c) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

Date: August 14, 2003

/s/ Allan M. Kline

Allan M. Kline
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)