

Edgar Filing: FIBERMARK INC - Form 10-K

FIBERMARK INC
Form 10-K
February 23, 2001

=====

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000 Commission file number
0-20231

FIBERMARK, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State of incorporation)

82-0429330
(IRS Employer Identification No.)

161 WELLINGTON ROAD
P.O. BOX 498
BRATTLEBORO, VERMONT 05302
(802) 257-0365

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
COMMON STOCK, \$.001 PAR VALUE

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 X No

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to be the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes No X

The approximate aggregate market value of the Common Stock held by non-affiliates of the Registrant, based upon the last sale price of the Common

Edgar Filing: FIBERMARK INC - Form 10-K

Stock reported on the New York Stock Exchange was \$59,803,972 as of February 2, 2001. Excluded from this computation were shares held by directors and executive officers of the Company and their associates as a group. Such exclusion does not signify that members of this group are "affiliates" of or controlled by the Company.

The number of shares of Common Stock outstanding was 6,834,183 as of February 2, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

REGISTRANT'S DEFINITIVE PROXY STATEMENT THAT WILL BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IN CONNECTION WITH REGISTRANT'S 2000 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 15, 2001 IS INCORPORATED BY REFERENCE INTO PART III OF THIS REPORT.

=====

PART I

ITEM 1. BUSINESS

FiberMark is a leading producer of specialty fiber-based materials meeting industrial and consumer needs worldwide, with facilities in the United States and Europe. Formed as an independent company in 1989, we subsequently went public in 1993. Through strong technical capabilities, innovation and a service orientation, FiberMark holds leadership positions in its primary markets. Our versatile manufacturing capabilities - comprising papermaking, synthetic/nonwoven web technology, saturating, coating and other finishing processes - generate products such as:

- o filter media for transportation, vacuum bag and fast food filtration
- o base materials for specialty tapes, labels, photographic and graphic arts applications, printed circuit boards, wallcovering, flooring materials and sandpaper
- o cover materials for office and school supplies.

Using a wide range of fibers and raw materials, including wood pulp and recovered paper, cotton denim, glass, rayon and other synthetic fibers, our engineered materials are typically sold in roll or sheet form. Through our internal sales force, we sell most of our business directly to customers. These customers, often called converters, manufacture components or finished products such as automotive oil filters, industrial fuel cells, specialized masking tapes and pressboard ring binders. In some markets, our materials are sold through distributors or paper merchants.

OVERVIEW

As a specialty fiber-based materials producer, we serve a broad range of markets that stem from four broad product families: filter media, durable specialties (tape and label base materials), technical specialties (base materials for a multitude of markets) and cover materials for office, home and school supplies. Our three operating segments are: German Operations and Filter Media North America, Durable Specialties, and Technical & Office Products. The relationship of our operating segments to our product families is described in footnote 20 to the consolidated financial statements included in this offering memorandum, entitled "Segment Information".

The following chart outlines our broad product families and their corresponding products and markets:

FILTER MEDIA	DURABLE SPECIALTIES
<p>TRANSPORTATION FILTRATION Liquid: Fuel/ Hydraulic/Lubrication Engine Air Passenger Cabin Air</p> <p>HOME FILTRATION Vacuum Bag Filters Water</p> <p>INDUSTRIAL FILTRATION Industrial Fuels Beverage Processing Hot Oil Processing: Fast Food Pharmaceutical Processing</p>	<p>TAPE SUBSTRATES (MASKING/PRESSURE SENSITIVE TAPES) Medical/Surgical Automotive: Painting Construction/Renovation: Painting Electronics Photographic</p> <p>BINDING TAPES Edge Binding and Reinforcing Home and Office</p> <p>DURABLE BASE MATERIALS Labels - imitation leather and synthetic Protective Coverings</p>
TECHNICAL SPECIALTIES	OFFICE PRODUCTS
<p>ELECTRICAL/ELECTRONICS Insulating Base for Transformers Printed Circuit Board Base Fuel Cell Composite Assembly Cushioning Materials</p> <p>COMMUNICATIONS/GRAPHIC ARTS Archival Materials Security Paper Specialty Cover Materials Label Base</p> <p>INDUSTRIAL HIGH PERFORMANCE Fire Retardant Material: Automotive/Industrial Filter Wet Strength: Industrial Process Friction Materials: Automotive Absorbent Materials: Medical Photographic Packaging</p> <p>HOME/COMMERCIAL Abrasive Base: Sandpaper Wallcovering, Flooring, Tablecloths Disposable Wetlaid Nonwovens Wallboard Joining</p>	<p>HEAVYWEIGHT COVER MATERIALS Binding Filing</p> <p>LIGHTER-WEIGHT COVER MATERIALS Filing Presentation</p>

BUSINESS STRATEGY

We seek to maximize returns to our stockholders by pursuing a strategy that has the following elements:

- o Gain market leadership by excelling at serving existing and new markets with high value-added opportunities
 - o Pursue strategic, accretive acquisitions that build on our core competencies in existing and new markets
 - o Forge global, mutually beneficial partnerships with our suppliers and customers, providing catalysts for innovation and increasing our knowledge of marketplace needs
 - o Strengthen product and business development to accelerate our internal growth rates
- o Optimize operations to gain an unparalleled competitive advantage in the markets we serve
 - o Enhance our technical, manufacturing, and service capabilities, aligning them with the product and service needs of our markets
 - o Add value to customers through continuous improvement of productivity, including consolidation of operations that will generate improvements in quality, service or cost
- o Broaden our raw materials base
 - o Enhance responsiveness to customer requirements
 - o Create new market opportunities
 - o Reduce costs
 - o Reduce exposure to supply/demand volatility

OVERVIEW OF MAJOR MARKETS AND FIBERMARK PRODUCT FAMILIES

FILTER MEDIA

Filter media remains tied as our largest product family, due to the January 1998 acquisition of Steinbeis Gessner GmbH. FiberMark Gessner's filter business, together with our North American Filter Media business, accounted for 29% of 2000 sales. The following chart summarizes the filter materials that we produce, the markets they serve, and representative customers.

MATERIALS/PRODUCTS	END PRODUCTS/MARKETS	REPRESENTATIVE CUSTOMERS
--------------------	----------------------	--------------------------

Edgar Filing: FIBERMARK INC - Form 10-K

TRANSPORTATION FILTRATION (CAR, TRUCK, HEAVY-DUTY EQUIPMENT, TRAIN, JET, ETC.)

- | | | |
|---|---|---|
| o Saturated and unsaturated paper that may be reinforced with glass, cotton or synthetic fibers | o Liquid filters: fuel, lube, hydraulic oil | Delphi Automotive Systems Corp., Eurofilters N.V., |
| o Synthetic: non-woven meltblown | o Air filters: engine and vehicle passenger cabin | Filterwerke Mann+Hummel GmbH, Fleetguard Inc., Division of Cummings Engine Co., Mahle |
| o Composite materials | | Filterwerke GmbH, Purolator Products |

HOME FILTRATION

- | | | |
|--|--|--|
| o Paper and synthetic: non-woven meltblown | o Vacuum cleaner bags | Branofilter GmbH, Electrolux Filter AB, The Eureka Co., Home Care Industries, Inc. |
| o Carbon-activated paper for removal of taste and odor | o Residential water filters: drinking water, swimming pools and spas | Met-Pro (Keystone Filter Division), Omni Filter & Manufacturing |
| o Pleated/saturated paper for particulate removal | | |

INDUSTRIAL FILTRATION

- | | | |
|----------------------------------|---|---------------------------|
| o Hot-oil filter bags and sheets | o Hot-oil filtration in fast food restaurants | Food service distributors |
| o Specialized filter media | o Processing filtration: industrial fuels, beverages, pharmaceuticals | Industrial distributors |
-

COMPETITORS

The largest single competitor in the filter business is Ahlstrom Corp. Other competitors include Hollingsworth and Vose Co. and Binzer GmbH & Co KG. In the vacuum filter media market, Monadnock Paper Mills, Inc., is a U.S. competitor and Neukaliss Spezialpapier GmbH and MB Papeless Especiales S.A. are European competitors.

MANUFACTURING

We produce filter media at our Feldkirchen/Westerham facility in Germany, and our Richmond, Virginia, and Rochester, Michigan, facilities. We manufacture base materials, including paper, often with combinations of non-wood pulp sources

Edgar Filing: FIBERMARK INC - Form 10-K

such as natural and synthetic fibers, synthetic fiber-based materials, and composite paper and non-woven materials. In addition to manufacturing these base materials, we have saturating, creping, laminating and other finishing capabilities. During the year, we sold

5

a portion of our filter business to Ahlstrom Corp., and announced plans to close our leased Richmond, Virginia, facility. We expect to close this facility by April 30, 2001.

TECHNICAL SPECIALTIES

Technical Specialties represent the most diverse product families and markets within the company. Its materials are used in communications, including base or cover materials for electrical/electronics and graphic arts, as well as other technical specialties such as abrasive backing materials. As a group, these products and markets represent 29% of FiberMark's 2000 sales revenue.

MATERIALS/PRODUCTS	END PRODUCTS/MARKETS	REPRESENTATIVE CUSTOMERS
ELECTRICAL/ELECTRONICS		
<ul style="list-style-type: none"> o Insulating base o Printed circuit board base o Fuel cell composite 	<ul style="list-style-type: none"> o Electrical transformers o PC's, remote control devices o Industrial fuel cells 	<ul style="list-style-type: none"> o 3M
COMMUNICATIONS/GRAPHIC ARTS		
<ul style="list-style-type: none"> o Archival quality, acid free paper and boards; cover materials for storing, presenting information or materials o Specialty cover materials for presenting, storing, and preserving information or materials o Label base o Security paper 	<ul style="list-style-type: none"> o Matboard for picture mounting/framing o Archival filing and storage products o Publishing: hard- and soft-cover diaries, planners, reference books o Graphic arts/printing trade: menus, promotional literature, maps, durable documents, labels, flock o Laser printed labels - indoor or outdoor o Identity cards such as Social Security, ticket stock, stock certificates, drivers' licenses and car registrations 	<ul style="list-style-type: none"> o Automotive Composites Co. o Bedford Materials Co., Inc. o Eastman Kodak Corp. o Crescent Cardboard, Co. o Laminating Company of America o Nielson and Bainbridge

Edgar Filing: FIBERMARK INC - Form 10-K

HOME/COMMERCIAL

-
- o Base materials: paper and nonwovens
 - o Abrasive backing material: wet and dry applications
 - o Wallcovering, flooring
 - o Disposable tablecloth and medical drapes and garments
 - o Sandpaper for hand and machine sanding
 - o C. Klingspor GmbH
 - o Isola Laminate Systems
 - o Permafiber, Corp.
 - o Saint-Gobain Group (Saint-Gobain

INDUSTRIAL

-
- o Fire retardant material
 - o Wet strength
 - o Friction materials
 - o Absorbent materials
 - o Automotive/industrial filter
 - o Industrial Process
 - o Automotive
 - o Medical
 - o Starcke GmbH & Co.
 - o Virginia Abrasives Corp.
-

6

COMPETITORS

Our competitors in this market group include a mix of large integrated manufacturers and smaller independent companies, such as Arjo Wiggins Appleton PLC, International Paper Co., Brownville Specialty Paper Products Inc., Crocker Technical Papers, Inc, Fiber Composites (a division of Ahlstrom Paper Group), Kimberly Clark Corp., Knowlton Specialties, Munxjo, Schoeffer & Hoesch and Mead Corp. In some of our niche markets, we compete with various small competitors, typically none of which has a dominant market position. In many of these product lines, manufacturers of alternate materials such as polyethylene or vinyl must also be considered competitors.

MANUFACTURING

The base materials for this group of markets are typically manufactured in the four mills in the Technical & Office Products Division: Fitchburg, Massachusetts; Warren Glen and Hughesville, New Jersey; and Brattleboro, Vermont. Additionally, the Bruckmuhl, Germany, facility also manufactures technical specialties in the abrasive category. All of FiberMark Lahnstein's product lines are counted among technical specialties. Other FiberMark facilities may, at times, manufacture materials for this market.

DURABLE SPECIALTIES

Our durable specialties product lines are produced and marketed by our U.S. Durable Specialties Division and the durable specialties business from FiberMark Gessner, accounting for 28% of our 2000 business. Tape substrates represent the company's primary product family within durable specialties. We are one of the leading producers of specialty tape substrates and a broad range of saturated, coated non-woven and paper materials. The following chart summarizes the key product lines, their corresponding finished products and markets, and representative customers within this market:

Edgar Filing: FIBERMARK INC - Form 10-K

MATERIALS/PRODUCTS	END PRODUCTS/MARKETS	REPRESENTATIVE CUSTOMERS
<hr/>		
TAPE SUBSTRATES		
<hr/>		
<ul style="list-style-type: none"> o Tape substrates: base for masking tape and other pressure sensitive tapes <ul style="list-style-type: none"> o Raw and saturated 	<ul style="list-style-type: none"> o Masking /pressure sensitive tape for: <ul style="list-style-type: none"> o Automotive painting: OEM and repair o Building construction/ renovation: painting aid o Carrier and bandoliering materials used for electronics components manufacturing o Medical/surgical tapes and bandages 	<ul style="list-style-type: none"> o 3M o Alpha Beta Enterprise Co., Ltd. o Avery Dennison Corp. o Beiersdorf AG (Tesa) o Esselte Corp. o Intertape Polymer Group
<hr/>		
BINDING TAPES		
<hr/>		
<ul style="list-style-type: none"> o Binding tapes: edge binding and reinforcing o Coated synthetic non-woven materials 	<ul style="list-style-type: none"> o Filing products, checkbooks, memo pads 	<ul style="list-style-type: none"> o Lantzis S.A. Adhesives o Nitto Denko Corp. o Sicad S.p.A. o Smead Manufacturing Co.
<hr/>		
DURABLE BASE MATERIALS		
<hr/>		
<ul style="list-style-type: none"> o Durable base materials <ul style="list-style-type: none"> o Label base: synthetic and imitation leather o Synthetic materials 	<ul style="list-style-type: none"> o Labels for seat belts, infant car seats and jeans o Protective covers for air bags 	
<hr/>		

7

COMPETITORS

Our competitors include a mix of large integrated manufacturers and smaller independent companies, such as Kimberly Clark Corp., Northeast Paper Converting Company and Ahlstrom Corp. In some of our niche markets, we compete with various small competitors, none of which has a dominant market position. Manufacturers of alternate materials must also be considered competitors.

MANUFACTURING

The base materials for this market are either manufactured in FiberMark facilities including Bruckmuhl, Germany, and Hughesville, New Jersey, or are

Edgar Filing: FIBERMARK INC - Form 10-K

purchased from outside suppliers. Our Quakertown facility is a converting facility, relying on supply sources from within and outside of FiberMark. For example, a substantial portion of the substrate used in making the company's edge binding and reinforcing tapes is Tyvek(R), purchased from DuPont and marketed under the FiberMark trade name SUPER ARCOFLEX(R). Base materials are typically saturated, coated and embossed within FiberMark facilities, and in some cases, by our customers.

OFFICE PRODUCTS

Office products cover materials are used in communications applications, primarily for supplies used in the office, home or school. Marketed by our Technical & Office Products Division, office products materials comprise 14% of the company's 2000 revenue. The major components of this product family/market, the end products/markets and representative customers are noted below:

MATERIALS/PRODUCTS	END PRODUCTS/MARKETS	REPRESENTATIVE CUSTOMERS
<ul style="list-style-type: none">Specialty cover materials (heavyweight and lighter-weight) for products that present, bind, store or preserve information	<ul style="list-style-type: none">Binding: data and ring binders, notebooksFiling/active use: file folders, pressboard folders and other filing products, diaries and plannersPresentation: document / report covers, folders	<ul style="list-style-type: none">ACCO World CorpEsselte Corp.Smead Manufacturing Co.

COMPETITORS

Our competitors in this market group include a mix of large integrated manufacturers and smaller independent companies, such as: International Paper Co., Brownville Specialty Paper Products Inc., Crocker Technical Papers, Inc. and Merrimac Paper Co., Inc. In many of these product lines, manufacturers of alternate materials such as polyethylene or vinyl are also competitors.

MANUFACTURING

The base materials for this group of markets are largely manufactured in Brattleboro, Vermont, but are also manufactured or processed further by other facilities within the Technical & Office Products Division, notably Warren Glen and Hughesville, New Jersey.

8

INTERNATIONAL SALES

With the combination of the German business acquisitions and pre-existing international sales, the company now sells or manufactures 39.0% of its business outside North America. The majority of these sales are in Europe. A detailed breakdown of sales revenue and property, plant and equipment by geographic

Edgar Filing: FIBERMARK INC - Form 10-K

region is found in the final tables of footnote 20 to the consolidated financial statements, entitled Segment Information.

EMPLOYEES

As of December 31, 2000, the company employed a total of 1,609 employees, of whom 527 were salaried and 1,084 were hourly.

In the U.S., all of our hourly employees are members of either the Paper, Allied-Industrial, Chemical and Energy Workers International Union, known as PACE, formerly the United Paper Workers International Union, known as UPIU, or the International Brotherhood of Electrical Workers, except that the hourly employees at the Quakertown, Pennsylvania, facility, are non-union. In Germany, employees are represented by the Mining, Chemicals and Energy Trade Union, INDUSTRIEGEWERKSCHAFT BERGBAU, CHEMIE AND ENERGIE (IG BCE). Approximately 70% of salaried employees and all of the hourly employees are union eligible, but are not necessarily members, as membership is voluntary and not disclosed. Employees are represented by a local works council.

Our labor contracts expire as follows:

FACILITY	EXPIRATION DATE
Warren Glen, N.J. (a)	May 23, 2004 May 25, 2004
Hughesville, N.J. (a)	May 23, 2004 May 25, 2004
Rochester, Mich.	June 26, 2004
Fitchburg, Mass.	April 30, 2003
Brattleboro, Vt.	August 31, 2002
Bruckmuhl and Feldkirchen/Westerham, Bavaria, Germany (b).....	February 28, 2002
Lahnstein, Germany (b).....	February 28, 2002
Richmond, Va.	April 28, 2005

(a) Workers at Warren Glen, N.J. and Hughesville, N.J. are subject to two separate collective bargaining agreements.

(b) Expiration dates relate to the main labor agreement. Portions within these contracts have different expiration dates. German contracts are negotiated with industry representatives and the union, not by the company.

In general, we believe that we have good relations with our employees and their unions.

RAW MATERIALS

We use a wide array of raw materials to formulate our products, including virgin hardwood and softwood pulp, secondary wood fiber from pre-and post-consumer waste, secondary cotton fiber from the apparel industry, synthetic fibers (such as nylon, polyester and fiberglass), synthetic latex, chemicals, pigments and dyes. These materials are purchased from numerous suppliers worldwide. We do not produce pulp. Pulp and secondary fiber prices are subject to substantial cyclical price fluctuations. We experienced a

significant increase in raw material costs during 2000, not only in pulp, but in oil-based resins and latexes. We have been able to recover a significant portion of these cost increases through selling price increases. We will attempt to

Edgar Filing: FIBERMARK INC - Form 10-K

continue to increase our prices to our customers, but no assurances can be made that we will continue to be successful in recovering a significant portion of these increases. Approximately 14% of our revenues are based on contractual pricing that is indexed to commodity pulp. These contracts provide us with some insulation from raw material cost variability.

We have a long-standing relationship with DuPont as an approved converter of Tyvek(R) and Dacron(R) and have never experienced a disruption in supply. Although we believe that we have a good relationship with DuPont, there can be no assurance that we will be able to continually purchase adequate supplies of Tyvek(R). Any material interruption in our supply of Tyvek(R) could have a material adverse effect on the results of operations and financial condition.

ENVIRONMENTAL REGULATION AND COMPLIANCE

We and our predecessors have made substantial investments in pollution control facilities to comply with existing environmental laws and regulations. We made expenditures for environmental purposes of \$7.0 million in 2000, \$5.3 million in 1999, and \$3.3 million in 1998. While we believe that we have made sufficient capital expenditures to maintain compliance with existing environmental laws, any failure to comply with present and future environmental laws could subject us to future liability or require the suspension of operations. In addition, such environmental laws could restrict our ability to expand our facilities or could require the company to acquire costly equipment or incur significant expenses to comply with environmental regulations.

The previous owners of CPG Investors, Inc., which we acquired in 1996, have been named as potentially responsible parties by the United States Environmental Protection Agency, or EPA, for costs incurred and to be incurred in responding to the investigation and clean-up of various third-party sites. We do not currently expect the EPA or any other agency to implicate FiberMark. We believe we have no incurred liability in connection with the clean-up of these sites. However, we cannot assure you that our predecessors will satisfy their responsibilities in connection with such sites and, if they do not, we may incur liabilities in connection with such sites. Nor can we assure you that we will not be named as a potentially responsible party in connection with these or other sites in the future. These investigations of the activities of previous owners relate to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, known as CERCLA, and similar state laws, which provide for responses to, and liability for, releases of certain hazardous substances from a facility into the environment. These obligations are imposed on the current owner or operator of a facility from which there has been a release, the owner or operator of a facility at the time of the disposal of hazardous substances at the facility, any person who arranged for the treatment or disposal of hazardous substances at the facility, and any person who accepted hazardous substances for transport to a facility selected by such person. Liability under CERCLA can be strict, and a defendant can be held liable for damages caused by other defendants.

Under New Jersey law, the state of New Jersey required extensive environmental investigation of two sites acquired in 1996. These investigations relate to the release of hazardous substances, materials and/or wastes, as well as any necessary remediation, and are the responsibility of the previous owners of the sites. In connection with the acquisition of CPG, the former owners of CPG agreed to indemnify us, with some limitations, for various kinds of identified and potential environmental liabilities arising from the historical use of the property acquired in the acquisition of CPG or from CPG's conduct prior to the acquisition of CPG. We believe that the amount of the money held in escrow as a source of payment for these and other indemnity obligations of the former CPG owners will be sufficient to cover potential environmental liabilities incurred as a result of our acquisition of CPG. However, we cannot assure you that the limited

indemnity provided by the former owners of CPG will be sufficient to cover all material environmental liabilities associated with our acquisition of CPG.

Based upon our experience to date, we believe that the future cost of compliance with existing environmental laws, and liability for known environmental claims pursuant to such laws, will not have a material adverse effect on our financial condition and results of operation. However, future events, such as new information, changes in existing environmental laws or their interpretation, and more vigorous enforcement policies of regulatory authorities, may give rise to additional expenditures or liabilities that could be material to our financial condition and results of operations.

ITEM 2. PROPERTIES

The following table depicts all of the company's properties as of December 31, 2000.

FACILITIES -----	OWNED/	SQ.	LAND
	LEASE	FEET	ACRES
	-----	-----	-----
Brattleboro, Vt.	Owned	200,000	39
Brattleboro, Vt.	Leased	75,000	-
Fitchburg, Mass.	Owned	255,000	161
Warren Glen, N.J.	Owned	299,000	162
Hughesville, N.J.	Owned	88,000	166
Beaver Falls, N.Y. (closed on January 29, 1999)	Owned	100,000	167
Owensboro, Ky. (closed on January 14, 1998) ...	Owned	47,000	15
Rochester, Mich.	Owned	96,000	17
Richmond, Va.	Leased	112,000	-
Quakertown, Pa.	Owned	165,000	7
Bruckmuhl, Germany	Owned	275,698	39
Feldkirchen/Westerham, Germany	Owned	223,396	27
Lahnstein, Germany	Owned	188,585	12

Our corporate headquarters is located at the Brattleboro, Vermont, site. We began leasing 75,000 square feet of warehouse space in Brattleboro in January 2001. We own a production facility in Lowville, New York, that is leased to a customer. Most facilities offer web production capabilities, largely paper, but often with the inclusion of synthetic or specialty fibers producing composite materials. Most of our facilities also combine with some level of finishing or converting capabilities such as laminating, coating, saturating, embossing. Our facility in Quakertown, Pennsylvania, however, is strictly a converting facility, coating and saturating base material purchased from other FiberMark facilities and outside sources. Additionally, Feldkirchen/Westerham contains a meltblown unit for producing synthetic non-woven materials. We maintain international sales offices in Kowloon, Hong Kong, and Annecy, France, as well as at corporate headquarters and all three German facilities.

ITEM 3. LEGAL PROCEEDINGS

We are involved in legal proceedings arising in the ordinary course of business.

Edgar Filing: FIBERMARK INC - Form 10-K

We do not believe that the outcome of any of these proceedings will have a material adverse effect on our operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter ended December 2000.

11

EXECUTIVE OFFICERS

The company's executive officers are:

NAME ----	AGE ---	POSITION -----
Alex Kwader.....	58	President and Chief Executive Officer
Bruce Moore.....	53	Vice President and Chief Financial Officer
David R. Kruft.....	60	Vice President and General Manager, Durable Specialties
David E. Rousse.....	48	Vice President and General Manager, Technical & Office Products
Dr. Walter M. Haegler.....	53	Vice President and General Manager, FiberMark Gessner and Filter Media

ALEX KWADER has been our President and Chief Executive Officer since August 1991 and a director since November 1991. He is a member of the Executive Committee of the Board. Since 1970, Mr. Kwader has been employed by us and our predecessor, a division of Boise Cascade, a diversified paper products company. He served as Senior Vice President from March 1990 to August 1991 and as Vice President from our inception as a separate company in June 1989 until March 1990. From 1970 until June 1989, Mr. Kwader was employed by Boise Cascade, in various managerial positions. Mr. Kwader was General Manager of the Pressboard Products Division from 1986 until June 1989. From 1980 to 1985, he served as General Manager of the Latex Fiber Products Division of Boise Cascade. Mr. Kwader holds a B.S. in Mechanical Engineering from the University of Massachusetts and a M.S. from Carnegie Mellon University and attended the Harvard Business School Executive Program.

BRUCE MOORE has served as a Vice President since our inception as a separate company in June 1989 and as Chief Financial Officer since December 1990. From 1980 to 1989, Mr. Moore was employed by Boise Cascade in various management positions, including Controller and General Manager of the Latex Fiber Products Division. Mr. Moore holds a B.A. in Business Administration from Siena College and attended the Stanford University Executive Program.

DAVID R. KRUFT has served as Vice President and General Manager, Durable Specialties Division, since joining us in 1996 at the time of our acquisition of Arcon Holdings, Inc. He had held the position of President of Arcon since 1993, after having joined Arcon in 1990. Mr. Kruft received his B.S. in Mechanical Engineering from Hofstra University.

Edgar Filing: FIBERMARK INC - Form 10-K

DAVID E. ROUSSE has served as Vice President and General Manager, Technical & Office Products Division, since April 1999. Mr. Rousse served in the same capacity for Office Products since January 1997, and joined us in 1996 in the role of Vice President, Marketing and Business Development. He was previously employed by International Paper in a number of marketing and general management positions, primarily in their Strathmore Papers fine printing papers unit, with other assignments in office papers and envelope products. Mr. Rousse received his B.S. in Engineering from Dartmouth College and an M.B.A. from the Amos Tuck School of Business at Dartmouth.

DR. WALTER M. HAEGLER has served as Vice President and General Manager, FiberMark Gessner GmbH, since the January 1998 acquisition of Steinbeis Gessner GmbH. Since May 1999, he also assumed responsibility for Filter Media worldwide, and in September 1999, for FiberMark Lahnstein GmbH. With Gessner since 1987, he served as Managing Director of Steinbeis Gessner from 1990 until 1997, and as plant manager of the Feldkirchen site from 1987 until 1990. Dr. Haegler received a Ph.D. and Masters Degree from the University of Erlangen in inorganic and analytical chemistry.

12

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The company's Common Stock was first traded on March 11, 1993, on the NASDAQ National Market System ("Nasdaq") under the symbol SPBI. As of the close of business on April 8, 1997, the Common Stock ceased trading on Nasdaq and on April 9, 1997, was listed on the New York Stock Exchange ("NYSE") under the symbol "FMK". The following table shows the high and low sale prices per share of the Common Stock as reported on the NYSE Composite Transactions Tape.

Year Ended December 31, 1999	High	Low
First Quarter.....	\$13.50	\$ 9.69
Second Quarter.....	\$15.00	\$11.50
Third Quarter.....	\$13.94	\$12.56
Fourth Quarter.....	\$13.50	\$10.94
Year Ended December 31, 2000	High	Low
First Quarter.....	\$13.31	\$10.38
Second Quarter.....	\$13.81	\$10.38
Third Quarter.....	\$13.81	\$10.19
Fourth Quarter.....	\$10.31	\$ 7.38

The company had approximately 1,105 stockholders of record of its Common Stock as of February 2, 2001. The company's transfer agent and registrar have indicated that the company had approximately 2,025 beneficial owners of its

Edgar Filing: FIBERMARK INC - Form 10-K

Common Stock as of February 2, 2001. The company has never paid any cash dividends on its Common Stock and does not anticipate paying cash dividends in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The data set forth below should be read in conjunction with the financial statements and notes included elsewhere in this Annual Report on Form 10-K.

13

FIBERMARK, INC. SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands, except per share data)

	Year Ended December 31,			
	2000	1999	1998	1997
CONSOLIDATED INCOME STATEMENT DATA:				
Net sales(1)	\$ 355,453	\$ 325,308	\$ 307,092	\$ 235,358
Cost of sales	294,237	263,385	249,337	189,294
<hr style="border-top: 1px dashed black;"/>				
Gross profit	61,216	61,923	57,755	46,064
General and administrative expenses	25,132	24,088	22,684	16,331
Facility closure expense(2)	7,972	9,818	7,274	10,000
Sale of technology(2)	(8,422)	--	--	--
<hr style="border-top: 1px dashed black;"/>				
Income from operations	36,534	28,017	27,797	19,733
Cogeneration income(3)	--	--	(1,451)	(215)
Other expenses (income), net(4)	1,579	469	152	600
Interest expense (net of interest income)	13,467	11,079	10,495	9,187
<hr style="border-top: 1px dashed black;"/>				
Income before income taxes and extraordinary items	21,488	16,469	18,601	10,161
Income tax expense	8,629	7,486	7,092	3,992
<hr style="border-top: 1px dashed black;"/>				
Income before extraordinary items	12,859	8,983	11,509	6,169
Extraordinary items(5)	--	--	--	--
<hr style="border-top: 1px dashed black;"/>				
Net income	\$ 12,859	\$ 8,983	\$ 11,509	\$ 6,169
<hr style="border-top: 1px dashed black;"/>				
Weighted average shares outstanding	6,830	7,659	7,751	6,141
<hr style="border-top: 1px dashed black;"/>				
Basic earnings per share	\$ 1.88	\$ 1.17	\$ 1.48	\$ 1.01
Diluted earnings per share	1.84	1.15	1.43	0.95
<hr style="border-top: 1px dashed black;"/>				
OTHER CONSOLIDATION OPERATING DATA:				
Depreciation and amortization	\$ 11,444	\$ 9,290	\$ 8,953	\$ 7,393
Capital expenditures	42,598	15,736	13,943	13,528
<hr style="border-top: 1px dashed black;"/>				
	2000	1999	December 31, 1998	1997

CONSOLIDATED BALANCE SHEET DATA:

Edgar Filing: FIBERMARK INC - Form 10-K

Working capital	\$ 76,397	\$ 69,085	\$ 80,591	\$ 61,983	\$
Total assets	386,213	346,946	311,231	248,001	
Long-term debt (net of current maturities)	182,294	168,974	133,583	100,000	
Stockholders' equity	102,948	91,777	97,563	82,771	

SEE ACCOMPANYING NOTES TO SELECTED CONSOLIDATED FINANCIAL DATA.

14

NOTES TO SELECTED CONSOLIDATED FINANCIAL DATA

(1) The increase in net sales for the year ended December 31, 1997, reflects the impact of the acquisition of Custom Papers Group and Arcon Coating Mills on October 31, 1996. Net sales related to these acquisitions were \$127.9 million in 1997 as compared to \$20.2 million in 1996. The increase in net sales for the year ended December 31, 1998 reflects the acquisition of Steinbeis Gessner GmbH in January 1998. Net sales related to this acquisition were \$81.2 million in 1998. The increase in net sales for the year ended December 31, 1999 reflects the acquisition of Papierfabrik Lahnstein on August 1, 1999. Net sales related to this acquisition were \$15.9 million in 1999, and \$39.7 million in 2000.

(2) On November 19, 1997, the company announced that it planned to close operations at its Owensboro, Kentucky, mill and consolidate its production demands with several of its other mills. Operations continued until a sufficient level of transition inventory was established to ensure continued service to customers during the production transfer period. The Kentucky mill was closed on January 14, 1998. The company booked a \$10.0 million charge related to this mill closure in the fourth quarter of 1997.

On November 4, 1998, the company announced that it planned to cease operations at its Beaver Falls, New York, facility and consolidate its production demands with several of its other facilities. Operations continued until a sufficient level of transition inventory was established to ensure continued service to customers during the transition period. The New York facility was closed on January 29, 1999. The company booked a \$7.8 million pre-tax charge related to the closure of this facility in the fourth quarter of 1998. We also reduced Owensboro closure expenses by \$0.5 million in 1998.

On August 31, 1999, the company initiated a project to install a new paper machine at its Warren Glen, New Jersey, facility and to consolidate operations from the neighboring Hughesville, New Jersey, mill. The company plans to cease operations at Hughesville by March 31, 2001, and the book value of the mill has been written down by \$7.2 million accordingly. Additionally, the company increased closure expenses for its previously closed Beaver Falls and Owensboro facilities by \$.1 million and \$2.5 million, respectively. In 2000, the company added approximately \$45,000 of expenses related to Beaver Falls, and adjusted Hughesville closure expenses by a reduction of \$232,000.

On September 1, 2000, the company agreed to sell a portion of the filter media volume manufactured at its leased Richmond, Virginia, facility to Ahlstrom Paper Group. The company plans to transfer the remaining volume to other FiberMark facilities and to close the Richmond facility by April 30, 2001. As of December 31, 2000, related facility closure charges of \$8.2 million were recorded. Proceeds from the sale of technology net of

Edgar Filing: FIBERMARK INC - Form 10-K

legal expenses were \$8.4 million.

- (3) In 1993 the company entered into an agreement with Kamine, pursuant to which the company was the host for a cogeneration facility developed by Kamine at the company's Beaver Falls mill. In December 1998, Kamine sold the cogeneration plant and assigned the ground lease contract to the new owner. The company received a \$1.5 million payment from the new owner relative to the transaction. There are no further payments due under the ground lease contract.
- (4) Other expenses (income) for the 1999, 1998, 1997 and 1996 periods include \$1,289,000, \$1,719,000, \$1,718,000 and \$1,719,000, respectively, of amortized income related to a deferred gain on a sale-leaseback transaction. On April 29, 1994, the company sold and leased back certain operating assets at the Brattleboro, Vermont, mill. The sale of these assets resulted in a book gain of \$17,187,000. This gain was amortized over the ten-year life of the lease. The assets relative to this lease were repurchased on September 30, 1999. There was no related amortized income for the year 2000.
- (5) Extraordinary items for 1996 include a \$495,000 loss related to the early extinguishment of debt, net of an income tax benefit of \$198,000.

15

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During our history as an independent company, we have undertaken a series of acquisitions and consolidations designed to broaden and deepen our product and market capabilities, lower our manufacturing costs and our dependence on certain raw materials and improve our operational flexibility. We have successfully acquired and integrated five major businesses into FiberMark operations since 1994 and grown our revenues from \$80.0 million in 1993 to \$355.5 million in 2000. The following acquisitions and consolidations reflect our objectives.

On November 19, 1997, we announced that we planned to cease operations at our Owensboro, Kentucky, mill and consolidate its production with several of our other mills. Operations continued until we established a sufficient level of transition inventory to ensure continued service to customers during the production transfer period. The Kentucky mill was closed on January 14, 1998. We took a \$10.0 million pre-tax charge related to the closure of this facility in the fourth quarter of 1997.

Effective January 1, 1998, we acquired Steinbeis Gessner GmbH, referred to as Gessner, for a purchase price of \$43.0 million. Gessner, headquartered near Munich, Germany, is a leading producer of specialty fiber-based materials sold into the filtration, technical specialties and durable specialties markets. Sales for 1998 were \$81.2 million. To finance this acquisition, we sold 1,500,000 shares of common stock on December 15, 1997 and 135,000 shares on January 15, 1998 for gross proceeds of \$33.5 million and net proceeds to us of approximately \$31.0 million. To complete the financing of the Gessner acquisition, we also borrowed \$29.6 million from Bayerische Vereinsbank in Munich, Germany on January 12, 1998. This term loan amortizes over seven years with interest rates ranging from 5.8% to 7.0%.

On November 4, 1998, we announced that we planned to cease operations at our Beaver Falls, New York facility and consolidate our production demands with several of our other facilities. Operations continued until we established a sufficient level of transition inventory to ensure continued service to

Edgar Filing: FIBERMARK INC - Form 10-K

customers during the transition period. The New York facility was closed on January 29, 1999. We booked a \$7.8 million pre-tax charge related to the closure of this facility in the fourth quarter of 1998. We also reduced Owensboro closure expenses by \$0.5 million in 1998.

Effective August 1, 1999, we acquired Papierfabrik Lahnstein GmbH, a leading European manufacturer of specialty papers and nonwoven materials used for wallcoverings, security papers, self-adhesive labels and flooring overlay. Lahnstein's annual sales at that time were approximately \$36.0 million. The purchase price for the acquisition was approximately \$22 million and was financed with \$7.0 million of cash reserves and \$15.0 million in German bank debt. This debt amortizes over six years and carries an interest rate ranging from 5.4% to 7.1%.

On August 31, 1999, we initiated a project to install a new paper machine at our Warren Glen, New Jersey, facility and to consolidate operations from another facility. In connection with this project, net asset value has been written down by \$7.2 million. In 1999 we also increased closure expenses for our previously closed facilities by \$2.6 million. In 2000 facility closure expenses were decreased by \$0.2 million.

On September 30, 1999, we terminated our sale/leaseback facility with The CIT Group, and repurchased the assets at our Brattleboro mill. Concurrently, we expanded our revolving credit facility with CIT from \$20.0 million to \$50.0 million. On an annualized basis, this transaction reduced lease expense by \$4.5 million and increased depreciation expense by \$1.2 million. Due to this cost structure reduction, inventory valuation was reduced by \$0.8 million. We also incurred refinancing fees of \$0.3 million, which are being amortized over the life of the agreement.

16

On September 1, 2000, we entered into an agreement with Ahlstrom Paper Group to sell certain filter media production technology and equipment and a portion of the filter media volume manufactured at the Richmond, Virginia, facility. We plan to transfer the remaining Richmond volume to other FiberMark facilities and to close the Richmond facility by April 30, 2001. As of December 31, 2000, we booked \$8.2 million in closure charges and \$8.4 million revenue from the sale of technology.

Excluding the impact of facility write downs and the sale of technology, our income from operations increased from \$29.7 million in 1997 (12.6% of sales) to \$36.1 million in 2000 (10.2% of sales). This increase was attributable to the added sales volume that resulted from the 1998 and 1999 acquisitions.

The following table sets forth certain operating data as a percentage of net sales.

	2000	1999	1998
Net sales.....	100.0%	100.0%	100.0%
Cost of sales.....	82.8	81.0	81.2
Gross profit.....	17.2	19.0	18.8
General and administrative expenses.....	7.1	7.4	7.4
Facility closure.....	2.2	3.0	2.3

Edgar Filing: FIBERMARK INC - Form 10-K

Sale of technology.....	(2.4)	--	--
Income from operations.....	10.3	8.6	9.1
Other (income) expense, net.....	.5	.1	(.4)
Interest expense, net of interest income.....	3.8	3.4	3.4
	-----	-----	-----
Income before income taxes.....	6.0	5.1	6.1
Net effect of income taxes.....	2.4	2.3	2.3
Net income.....	3.6%	2.8%	3.8%

YEAR ENDED DECEMBER 31, 2000 COMPARED WITH YEAR ENDED DECEMBER 31, 1999

Net sales increased 9.3% to \$355.5 million in 2000 from \$325.3 million in 1999.

Sales in our German operations and filter media operating segment increased 21.9% to \$173.7 million compared with \$142.5 million in 1999. This growth was due to the August 1, 1999, acquisition of Papierfabrik Lahnstein GmbH, now referred to as FiberMark Lahnstein, which contributed \$39.7 million in the year 2000, and stronger business conditions in the European automotive and vacuum bag filter markets. Technical and office products operating segment sales declined 5.9% to \$110.5 million from \$117.4 million in 1999. This decline was due to general softening of the U.S. economy and continued consolidation within the office products industry. Sales in the durable specialties operating segment increased 9.0% to \$71.3 million compared with \$65.4 million in 1999. This increase reflected stronger demand worldwide for masking tape, which was driven by increased construction and renovation activity and new business from key customers.

Gross margin decreased to 17.2% in 2000 from 19.0% in 1999. This decrease in gross margin was attributable to significant increases in raw material and energy costs that were not fully recovered through selling price increases.

General and administrative expenses increased 4.1% to \$25.1 million from \$24.1 million in 1999 due to the Lahnstein acquisition.

Income from operations increased 30.4% to \$36.5 million (10.3% sales) from \$28.0 million (8.6% sales) in 1999 due to lower facility closure expenses and the sale of technology.

17

Other expenses increased to \$1.6 million in 2000 from \$.5 million in 1999. This increase was primarily due to the termination of the sale/leaseback credit facility on September 30, 1999, which eliminated the deferred gain in the year 2000 compared to \$1.3 million in 1999.

Net interest expense increased 21.6% to \$13.5 million from \$11.1 million in 1999. This increase was due to higher levels of debt as a result of the Lahnstein acquisition, a repurchase of sale/leaseback assets and funds used for last year's stock repurchase program.

Income taxes were \$8.6 million or 40.2% of taxable income in 2000 compared with \$7.5 million or 45.5% of taxable income in 1999. The lower tax rate was due to a reduction of five percentage points in the German corporate tax rates in October 2000. This rate reduction applies to current taxes going forward, as well as deferred tax liabilities accrued in earlier periods. The cumulative effect of this tax rate change was a \$1.1 million reduction in tax expense in 2000 of which \$.6 million relates to prior periods.

Net income for 2000 was \$12.9 million, or \$1.84 per share, compared with \$9.0

Edgar Filing: FIBERMARK INC - Form 10-K

million, or \$1.15 per share, in 1999. Excluding the tax-adjusted impact of facility closure expenses that were recorded in both years and the prior period impact of the German tax rate change in 2000, net income for 2000 would have been \$12.0 million, or \$1.72 per share, compared with \$16.1 million, or \$2.05 per share, in 1999. Per share earnings are stated on a fully diluted basis.

YEAR ENDED DECEMBER 31, 1999 COMPARED WITH YEAR ENDED DECEMBER 31, 1998

Net sales increased 5.9% to \$325.3 million in 1999 from \$307.1 million in 1998.

Within our operating segments, sales in the German operations and filter media segment increased 16.7% to \$142.5 million from \$122.1 million in 1998. This growth was due to the August 1, 1999, acquisition of FiberMark Lahnstein that contributed \$15.9 million to 1999 revenues and to stronger business conditions in the European filter and tape markets. Softness in the U.S. filter market partially offset these gains. Sales in the technical and office products segment declined 9.2% to \$117.4 million from \$129.3 million in 1998. This decline was due to market softness and the loss of some business when a book cover customer established in-house production capabilities that replaced some of our sales. Sales in the durable specialties segment increased 17.4% to \$65.4 million from \$55.7 million in 1998. This increase reflected successful business development efforts, strong business conditions in the United States and a resurgence of demand from the Far East.

Gross margin increased to 19.0% in 1999 from 18.8% in 1998. This increase was primarily due to fixed cost savings related to the January 1999 closure of the Beaver Falls, New York, facility.

General and administrative expenses increased by 6.2% to \$24.1 million, or 7.4% of sales, from \$22.7 million, or 7.4% sales, in 1998, primarily due to the Lahnstein acquisition.

Income from operations increased .7% to \$28.0 million, or 8.6% of sales, from \$27.8 million, or 9.1% of sales, in 1998. This increase was due to the higher sales volume and higher gross margin, offset in part by a \$2.5 million increase in facility closure expenses.

Other expenses increased to \$0.5 million in 1999 from \$0.2 million in 1998. This increase was primarily due to the termination of the sale-leaseback credit facility on September 30, 1999, which reduced the amortization of a deferred gain from \$1.7 million in 1998 to \$1.3 million in 1999.

18

Net interest expense increased 5.7% to \$11.1 million from \$10.5 million in 1998 due to the Lahnstein acquisition, the September 30, 1999 repurchase of sale-leaseback assets and funds used for our share repurchase program.

Income taxes were \$7.5 million or 45.5% of taxable income in 1999 compared with \$7.1 million or 38.1% of taxable income in 1998. This increased tax rate was primarily due to a higher mix of income from German operations that are subject to higher tax rates than U.S. operations.

Net income for 1999 was \$9.0 million, or \$1.15 per share, compared with \$11.5 million, or \$1.43 per share, in 1998. Excluding the tax-adjusted impact of facility closure expenses, which took place in both years, and the non-recurring cogeneration income in 1998, net income for 1999 would have been \$16.1 million, or \$2.05 per share, compared with \$15.4 million or \$1.91 per share in 1998. Per share earnings are stated on a fully diluted basis.

LIQUIDITY AND CAPITAL RESOURCES

Edgar Filing: FIBERMARK INC - Form 10-K

We have funded our operations and acquisitions through cash flow from operations and a number of different types of debt financing.

Cash flows from operating activities were \$24.9 million in 2000, \$18.5 million in 1999 and \$18.6 million in 1998. Net cash used in investing activities was \$44.0 million in 2000, compared with \$39.7 million in 1999 and \$52.6 million in 1998. The increase was primarily attributable to acquisitions and capital expenditures related to the installation of a new paper machine at the Warren Glen, New Jersey, facility, which we believe will provide quality improvements, cost reductions, product performance enhancements and the ability to produce a broader range of products. Net cash provided by financing activities was \$19.0 million in 2000 compared with \$1.9 million in 1999 and \$32.1 million in 1998. The increase was primarily attributable to borrowing under the credit facility with Jules & Associates to partially fund the Warren Glen paper machine.

As of December 31, 2000, we had outstanding \$100.0 million of senior notes. The notes have a ten-year term beginning October 16, 1996, are non-amortizing and carry a fixed interest rate of 9.375%. Additionally, we have available to us a \$50.0 million revolving credit facility. As of December 31, 2000, \$39.0 million was outstanding under this credit facility. A portion of the outstanding balance was at an interest rate of LIBOR plus 2% and the remainder was at an interest rate of prime plus .5%. Effective January 1, 1998 we acquired Steinbeis Gessner GmbH. A portion of the purchase price was funded through term loans. As of December 31, 2000, Gessner had a secured term loan of \$22.2 million with Bayerische Bank. The balance of this loan amortizes over five years with interest rates ranging from 5.8% to 7.0%. As of this same date, Gessner had an unsecured term loan of \$1.9 million with the previous owner. The balance of this loan amortizes through March 2001 at a fixed interest rate of 5%. As of December 31, 2000, Gessner also has a \$5.8 million capital spending loan with Bayerische Vereinsbank. The interest rate on this loan balance is LIBOR plus 1.75% and the balance amortizes over five years. On December 31, 2000, Gessner also had a \$7.2 million line of credit. At that date, no advances were outstanding under this facility. Effective August 1, 1999, we acquired Papierfabrik Lahnstein GmbH. A portion of the purchase price was funded through a term loan. At December 31, 2000, Lahnstein had a \$10.8 million secured term loan with Bayerische Bank. This loan amortizes over five years with interest rates ranging from 5.4% to 7.1% . At December 31, 2000, \$9.3 million was outstanding on a term loan with Jules and Associates secured by the paper machine at the Warren Glen, New Jersey, facility. The interest rate on this loan is 8.47% with the balance amortizing over seven years. As of the same date, \$2.9 million was outstanding on a term loan with CIT secured by machinery at the Quakertown, Pennsylvania, facility. The interest rate on this loan is LIBOR + 2% with the balance amortizing through November 2007.

19

We believe that cash reserves on hand, cash flow from operations, plus amounts available under credit facilities, will be sufficient to fund our capital requirements, debt service and working capital requirements for the foreseeable future.

NEW ACCOUNTING PRONOUNCEMENTS

Not applicable.

FORWARD-LOOKING STATEMENTS

Statements in this report that are not historical are forward-looking statements subject to risk and uncertainties that could cause actual results to differ

Edgar Filing: FIBERMARK INC - Form 10-K

materially. Such risk and uncertainties include fluctuations in economies worldwide, fluctuations in our customers' demand and inventory levels (including the loss of certain major customers or the possibility that customers could choose to bring previously outsourced business in house); the price and availability of raw materials and of competitive materials, which may preclude passing increases on or maintaining prices with customers; changes in environmental and other governmental regulations; changes in terms from lenders; ability to retain key management and to reach agreement on labor issues; or the failure to identify or carry out suitable strategic acquisitions.

ITEM 7A. 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 the 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.

INFLATION

We attempt to minimize the effect of inflation on 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 that are subject to cyclical changes in costs that may not reflect the rate of general inflation.

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.

ITEM 8. FINANCIAL STATEMENTS

The financial statements and supplementary data filed as part of this report begin on page 23, as outlined in Item 14.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

20

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

See the section entitled "Executive Officers" in Part I, Item 1 hereof for information regarding the company's executive officers.

The information required by this item with respect to the company's directors is presented under the caption entitled "Election of Directors" of the company's Definitive Proxy Statement, which will be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the company's Annual Meeting of Shareholders to be held on May 15, 2001 (the "Proxy Statement"), and is incorporated herein by reference.

The information required by this item concerning compliance with Section 16(a)

Edgar Filing: FIBERMARK INC - Form 10-K

of the Exchange Act is presented under the caption entitled "Compliance with Section 16(a) of the Securities Exchange Act of 1934" of the Proxy Statement, and is incorporated herein by this reference.

ITEM 11. EXECUTIVE COMPENSATION AND OTHER INFORMATION

The information required by this item is incorporated herein by reference to the information presented under the caption entitled "Executive Compensation and Other Information" of the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the information presented under the caption entitled "Security Ownership of Certain Beneficial Owners and Management" of the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None existed.

21

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) Index to Consolidated Financial Statements

The consolidated financial statements required by this term are submitted beginning on page 24 of this Form 10-K.

PAGE

Independent Auditors' Report	23
Consolidated Statements of Income for the years ended December 31, 2000, 1999, and 1998.....	24
Consolidated Balance Sheets of December 31, 2000 and 1999.....	25
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999, and 1998.....	26
Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended December 31, 2000, 1999, and 1998.....	27
Notes to Consolidated Financial Statements	28

(a) (2) Financial Statement Schedule:

Schedule II--Valuation and Qualifying Accounts Reserves...	62
Independent Auditors' Report.....	63

Edgar Filing: FIBERMARK INC - Form 10-K

- (a) (3) Index to Exhibits, beginning on64
- (b) Reports on Form 8-K

There were no reports on Form 8-K filed by the Registrant during the fourth quarter of the fiscal year ended December 31, 2000.
- (c) Exhibits

The exhibits required by this item are listed under Item 14(a) (3)67

22

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
FiberMark, Inc.:

We have audited the accompanying consolidated balance sheets of FiberMark, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FiberMark, Inc. as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period then ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Burlington, Vermont
February 2, 2001

Vt. Reg. No. 92-0000241

23

Edgar Filing: FIBERMARK INC - Form 10-K

FIBERMARK, INC
 Consolidated Statements of Income
 Years Ended December 31, 2000, 1999 and 1998

(In thousands, except per share amounts)

	2000 -----	1999 -----	1998 -----
Net sales	\$ 355,453	\$ 325,308	\$ 307,092
Cost of sales	294,237 -----	263,385 -----	249,337 -----
Gross profit	61,216	61,923	57,755
Selling, general and administrative expenses	25,132	24,088	22,684
Facility closure expense (note 12)	7,972	9,818	7,274
Sale of technology (note 2)	(8,422) -----	-- -----	-- -----
Income from operations	36,534 -----	28,017 -----	27,797 -----
Other expense, net	1,579	469	152
Cogeneration income (note 3)	--	--	(1,451)
Interest expense	15,236	11,938	11,675
Interest income	(1,769) -----	(859) -----	(1,180) -----
Income before income taxes	21,488	16,469	18,601
Income tax expense (note 9)	8,629 -----	7,486 -----	7,092 -----
Net income	\$ 12,859 =====	\$ 8,983 =====	\$ 11,509 =====
Basic earnings per share:	\$ 1.88 =====	\$ 1.17 =====	\$ 1.48 =====
Diluted earnings per share	\$ 1.84 =====	\$ 1.15 =====	\$ 1.43 =====
Average Basic Shares Outstanding	6,830	7,659	7,751
Average Diluted Shares Outstanding	6,970	7,843	8,070

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Edgar Filing: FIBERMARK INC - Form 10-K

FIBERMARK, INC. Consolidated Balance Sheets December 31, 2000 and 1999

(In thousands)

ASSETS	2000 ----	1999 ----
Current assets:		
Cash	\$ 11,133	\$ 12,4
Accounts receivable, net of allowances of \$1,220 in 2000, \$1,023 in 1999	44,902	41,8
Inventories (note 4)	72,360	57,9
Other	776	7
Deferred income taxes (note 9)	4,950	3,9
	-----	-----
Total current assets	134,121	116,9
Property, plant and equipment, net (notes 5 and 6)	194,505	171,4
Goodwill, net	44,948	47,0
Other intangible assets, net	6,778	6,2
Other long-term assets	1,843	1,6
Other pension assets (note 13)	4,018	3,6
	-----	-----
Total assets	\$ 386,213 =====	\$ 346,9 =====
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion long-term debt (note 6)	9,675	7,2
Accounts payable	29,786	17,9
Accrued liabilities (note 15)	15,243	19,8
Accrued income taxes payable	3,020	2,8
	-----	-----
Total current liabilities	57,724	47,8
Long-term liabilities:		
Revolving credit line (note 6)	39,027	27,9
Long-term debt, less current portion (note 6)	143,267	141,0
Deferred income taxes (note 9)	21,439	16,0
Other long-term liabilities (note 13)	21,808	22,2
	-----	-----
Total long-term liabilities	225,541	207,2
	-----	-----
Total liabilities	283,265	255,1
Commitments and contingencies (note 7)		

Edgar Filing: FIBERMARK INC - Form 10-K

Stockholders' equity (notes 8 and 18):

Preferred stock, par value \$.001 per share; 2,000,000 shares authorized, and none issued	--	--
Common stock, par value \$.001 per share; 20,000,000 shares authorized 6,830,483 and 6,826,683 shares issued and outstanding in 2000 and 7,830,483 and 6,830,483 shares issued and outstanding in 1999	7	
Additional paid-in capital	64,399	77,0
Retained earnings	42,876	30,0
Accumulated other comprehensive loss	(4,299)	(2,6
Less treasury stock, 3,800 shares at cost in 2000 and 1,000,000 shares at cost in 1999	(35)	(12,6
	-----	-----
Total stockholders' equity	102,948	91,7
	-----	-----
Total liabilities and stockholders' equity	\$ 386,213	\$ 346,9
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

25

FIBERMARK, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2000, 1999, and 1998

(In thousands)

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income	\$ 12,859	\$ 8,98
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,444	9,29
Amortization of deferred gain	--	(1,28
Loss on closure of facility	7,972	9,81
Loss (gain) on sale of property, plant and equipment	7	(
Deferred taxes	4,727	4,64
Changes in operating assets and liabilities:		
Accounts receivable	(4,117)	(8,96
Inventories	(15,475)	(6,59
Other	(72)	73
Accounts payable	12,207	1,19
Accrued pension and other liabilities	(5,256)	(1,82
Prepaid expense	--	(20
Other long-term liabilities	223	29
Accrued income taxes payable	335	2,36
	-----	-----
Net cash provided by operating activities	24,854	18,45
	-----	-----

Edgar Filing: FIBERMARK INC - Form 10-K

Cash flows used for investing activities:		
Purchase of life insurance	(275)	(80)
Additions to property, plant and equipment	(42,598)	(15,733)
Net proceeds from sale of property, plant and equipment	2	3
Payments for businesses acquired	--	(22,933)
Increase in other intangible assets	(1,114)	(25)
	-----	-----
Net cash used in investing activities	(43,985)	(39,699)
	-----	-----
Cash flows from financing activities:		
CIT Sale/Leaseback Buyout	--	(30,650)
Proceeds from issuance of bank debt	15,337	20,950
Proceeds from issuance of common stock	--	--
Cost of stock offering	--	--
Net proceeds from exercise of stock options	--	49
Stock repurchase	(35)	(12,650)
Net borrowings under revolving credit line	11,059	27,960
Repayment of debt	(7,348)	(3,810)
Debt issuance costs	--	(360)
	-----	-----
Net cash provided by financing activities	19,013	1,940
	-----	-----
Effect of exchange rate changes on cash	(1,215)	(2,040)
Net decrease in cash	(1,333)	(21,333)
Cash at beginning of year	12,466	33,800
	-----	-----
Cash at end of year	\$ 11,133	\$ 12,466
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

26

FIBERMARK, INC.
Consolidated Statements of Stockholders' Equity and Comprehensive Income
Years Ended December 31, 2000, 1999 and 1998

(In thousands, except share amounts)

	Common Shares -----	Stock Amount -----	Additional Paid-In Capital -----
Balance at December 31, 1997	7,581,531	\$ 8	\$ 73,709

Edgar Filing: FIBERMARK INC - Form 10-K

Issuance of common stock	135,000	--	2,117
Issuance of common stock	6	--	--
Exercise of stock options	61,285	--	466
Tax benefit of option exercise	--	--	262
Comprehensive income:			
Net income	--	--	--
Minimum pension liability adjustment, net of tax benefit of \$876	--	--	--
Currency translation adjustment	--	--	--
	-----	-----	-----
Total comprehensive income			
Balance at December 31, 1998	7,777,822	8	76,554
Exercise of stock options	52,661	--	403
Tax benefit of option exercise	--	--	95
Purchase of Treasury Stock	(1,000,000)	--	--
Comprehensive income:			
Net income	--	--	--
Minimum pension liability adjustment, net of tax provision of \$577	--	--	--
Currency translation adjustment	--	--	--
	-----	-----	-----
Total comprehensive income			
Balance at December 31, 1999	6,830,483	8	77,052
Purchase of Treasury Stock	(3,800)	--	--
Retirement of Treasury Stock	--	(1)	(12,653)
Comprehensive income:			
Net income	--	--	--
Minimum pension liability adjustment, net of tax provision of \$594	--	--	--
Currency translation adjustment	--	--	--
	-----	-----	-----
Total comprehensive income			
Balance at December 31, 2000	6,826,683	\$ 7	\$ 64,399
	=====	=====	=====

	Treasury Stock	Total Stockholders' Equity (Deficit)
	-----	-----
Balance at December 31, 1997	\$ --	\$ 82,771
Issuance of common stock	--	2,117
Issuance of common stock	--	--
Exercise of stock options	--	466
Tax benefit of option exercise	--	262
Comprehensive income:		
Net income	--	11,509
Minimum pension liability adjustment, net of tax benefit of \$876	--	(1,128)
Currency translation adjustment	--	1,566
	-----	-----
Total comprehensive income		11,947

Edgar Filing: FIBERMARK INC - Form 10-K

Balance at December 31, 1998	--	97,563
Exercise of stock options	--	403
Tax benefit of option exercise	--	95
Purchase of Treasury Stock	(12,654)	(12,654)
Comprehensive income:		
Net income	--	8,983
Minimum pension liability adjustment, net of tax provision of \$577	--	843
Currency translation adjustment	--	(3,456)
	-----	-----
Total comprehensive income		6,370
Balance at December 31, 1999	(12,654)	91,777
Purchase of Treasury Stock	(35)	(35)
Retirement of Treasury Stock	12,654	--
Comprehensive income:		
Net income	--	12,859
Minimum pension liability adjustment, net of tax provision of \$594	--	756
Currency translation adjustment	--	(2,409)
	-----	-----
Total comprehensive income		11,206
Balance at December 31, 2000	\$ (35)	\$ 102,948
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

27

FIBERMARK, INC.
Notes to Consolidated Financial Statements
December 31, 2000, 1999 and 1998

(1) DESCRIPTION OF BUSINESS

FiberMark produces specialty fiber-based materials in three operating segments: German operations and filter media, technical and office products, and durable specialties. FiberMark is headquartered in Brattleboro, Vermont, and operates seven facilities located in the eastern and midwestern regions of the United States and three facilities in Germany.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include FiberMark, Inc. and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

USE OF ESTIMATES

Edgar Filing: FIBERMARK INC - Form 10-K

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

CASH EQUIVALENTS

For purposes of the statement of cash flows, the company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using the moving weighted average cost method for raw materials and the first-in, first-out (FIFO) method for work in process and finished goods.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation for financial reporting purposes is provided using the straight-line method based upon the useful lives of the assets. Buildings and improvements and machinery and equipment are depreciated over periods not exceeding forty (40) and twenty (20) years, respectively. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operating income. Improvements are capitalized and included in property, plant and equipment while expenditures for maintenance and repairs are charged to expense. Leasehold improvements are amortized over the shorter of the life of the improvement or the lease term.

28

OTHER INTANGIBLE ASSETS AND GOODWILL

Other intangible assets and goodwill are summarized as follows at December 31, 2000 and 1999 (in thousands):

	2000 ----	1999 ----
Goodwill, net of accumulated amortization of \$7,051 in 2000 and \$5,338 in 1999	\$ 44,948 =====	\$ 47,038 =====
Debt issue costs, net of accumulated amortization of \$2,296 in 2000 and \$1,619 in 1999	3,553	4,268
Intangible pension assets (see note 13)	1,270	768
Other, net of accumulated amortization of \$98 in 2000 and \$133 in 1999	1,955 -----	1,232 -----
Other intangible assets, net	\$ 6,778 =====	\$ 6,268 =====

Goodwill represents the cost in excess of the fair value of the net assets

Edgar Filing: FIBERMARK INC - Form 10-K

of acquired companies and is amortized on a straight-line basis over thirty years. The company periodically evaluates the recoverability of goodwill triggered by such factors as business trends and prospects and market and economic conditions. The company measures the amount of impairment, if any, by using the discounted cash flow method. The significant aspects considered in the assessment, such as interest charges and the discount rate, would be selected based on current market conditions.

Debt issue costs related to the Series B Senior Notes are amortized using the interest method over the life of those notes. Other debt issue costs are amortized on a straight-line basis over the life of the related debt.

Other intangible assets are stated at cost and amortized on a straight-line basis over the estimated useful lives of the assets.

Amortization expense for other intangibles and goodwill was \$2,514,000, \$2,454,000 and \$2,567,000 in 2000, 1999 and 1998, respectively.

DEFERRED GAIN

The deferred gain incurred in connection with the sale-leaseback transaction was amortized on a straight-line basis over the life of the lease until termination (see note 7).

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred and are reflected in cost of sales. The costs amounted to \$2.2 million, \$2.4 million, and \$2.4 million for the years ended December 31, 2000, 1999, and 1998, respectively.

FOREIGN CURRENCY TRANSLATION

The functional currency of all operations outside the U.S. is the respective local currency. The assets and liabilities of these operations are translated at the exchange rates in effect at the balance sheet date and income and expense accounts at average exchange rates during the year. Resulting translation adjustments are recorded directly to a separate component of accumulated other comprehensive income (loss).

29

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. 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,

Edgar Filing: FIBERMARK INC - Form 10-K

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.

EARNINGS PER SHARE

Basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. The following table sets forth the computation of basic and diluted earnings per share:

	2000 ----	1999 ----	1998 ----
Numerator:			
Income available to common shareholders used in basic and diluted earnings per share	\$ 12,859 =====	\$ 8,983 =====	\$ 11,509 =====
Denominator:			
Denominator for basic earnings per share: Weighted average shares	6,829,691	7,659,420	7,751,399
Effect of dilutive securities: Fixed stock options	140,546 -----	183,233 -----	318,987 -----
Denominator for diluted earnings per share: Adjusted weighted average shares	6,970,237 =====	7,842,653 =====	8,070,386 =====
Basic earnings per share	\$ 1.88	\$ 1.17	\$ 1.48
Diluted earnings per share	\$ 1.84	\$ 1.15	\$ 1.43

Stock options that could potentially dilute earnings per share in the future of 724,454, 693,681 and 303,130 in 2000, 1999 and 1998, respectively, were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented.

30

IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

The company follows the provisions of SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, which requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value

Edgar Filing: FIBERMARK INC - Form 10-K

less costs to sell. In the third quarter of 2000, the company decided to close its Richmond, Virginia, facility. During the third quarter of 1999, the company decided to discontinue manufacturing at its Hughesville, New Jersey, facility. During the fourth quarter of 1998, the company also decided to close their Beaver Falls, New York, facility. The costs of closing these facilities, including the costs associated with disposing of the assets, are reflected as a component of income from operations (see note 12).

COMPREHENSIVE INCOME

Comprehensive income consists of net income, minimum pension liability adjustments, and foreign currency translation adjustments and is presented in the Consolidated Statement of Stockholders' Equity. The adoption of SFAS 130 had no impact on total shareholders' equity.

COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Recoveries from third parties that are probable of realization are separately recorded, and are not offset against the related environmental liability, in accordance with Financial Accounting Standards Board Interpretation No. 39, OFFSETTING OF AMOUNTS RELATED TO CERTAIN CONTRACTS.

ENVIRONMENTAL MATTERS

Pursuant to environmental laws and regulations, there are currently pending investigations at certain of the company's plants relating to the release of hazardous substances, materials and/or wastes. In addition, various predecessors of the company have been named as potentially responsible parties ("PRPs") by the United States Environmental Protection Agency ("EPA") for costs incurred and to be incurred in responding to the investigation and clean-up of various third-party sites. The company has not received any notification or inquiry from EPA or any other agency concerning these sites. Management believes that the company will have no material liability in connection with the clean-up of these sites. However, no assurance can be given that such predecessors will perform their responsibilities in connection with such sites and, in the event of such nonperformance, the company may incur material liabilities in connection with such sites, and no assurance can be given that the company will not receive PRP notices in connection with these or other sites in the future.

OTHER MATTERS

The company is involved in various legal proceedings in the ordinary course of business. Management believes that the outcome of these proceedings will not have a material adverse effect on the company's financial condition, results of operations or cash flows.

31

REVENUE RECOGNITION

NET SALES

The company recognizes revenue from product sales upon shipment to customers. When pervasive evidence of a sales arrangement exists, the price to the buyer is fixed and determinable, and the collectability of the sales

Edgar Filing: FIBERMARK INC - Form 10-K

price is reasonably assured.

SALE OF TECHNOLOGY

On September 1, 2000, the company agreed to sell the technology for a portion of the filter media volume manufactured at the leased Richmond, Virginia facility, together with some production equipment to Ahlstrom Paper Group. The technology and legal title was transferred to Ahlstrom on the date of the agreement and the company recognized the revenue from the sale of technology of \$8,866,000, net of legal costs of \$444,000. The revenue from the sale of the equipment will be recognized when the equipment has been delivered.

CONCENTRATION RISK

The company's hourly employees and 70% of the company's German salaried employees are union eligible under various collective bargaining agreements expiring through 2005. As union membership is voluntary and membership does not need to be disclosed per German law, the percentage of employees covered by the agreement that expires on February 28, 2002 at the three German facilities cannot be determined. There are no US agreements that will expire in the year 2001.

(3) COGENERATION PROJECT

In 1993, the company entered into agreements with Kamine/Besicorp Beaver Falls L.P. ("Kamine") pursuant to which the company's Latex Fiber Products Division would host a gas-fired, 79-megawatt combined-cycle cogeneration facility developed by Kamine in Beaver Falls, New York. The company received \$4.4 million in cash in 1993. The company had a firm contract with Kamine to receive a series of cash payments totaling \$7.0 million between May 1995 and May 1997. The present value of these cash payments, in the amount of \$6.5 million, was recorded as income in the first quarter of 1995. Cash payments of \$2 million each were received in May 1997 and 1996 and \$3 million was received in 1995. In December 1998, the owner of the cogeneration facility sold the business and related equipment to another party and the company received a one-time payment of approximately \$1.5 million as consideration for its consent to the assignment of the related ground lease to the new owner.

32

(4) INVENTORIES

Inventories consist of the following at December 31, 2000 and 1999 (in thousands):

	2000	1999
	----	----
Raw materials	\$ 20,377	\$ 21,232
Work in process	19,413	14,774
Finished goods	21,914	12,872
Finished goods on consignment	5,437	4,689
Stores inventory	2,750	2,386
Operating supplies	2,469	1,975
	-----	-----
Total inventories	\$ 72,360	\$ 57,928
	=====	=====

Edgar Filing: FIBERMARK INC - Form 10-K

(5) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at December 31, 2000 and 1999 (in thousands):

	2000 ----	1999 ----
Land	\$ 14,630	\$ 14,332
Buildings and improvements	36,021	36,950
Machinery and equipment	139,070	133,000
Construction in progress	31,020	6,626
	-----	-----
	220,741	190,908
Less accumulated depreciation and amortization	(26,236)	(19,485)
	-----	-----
Net property, plant and equipment	\$ 194,505 =====	\$171,423 =====

Depreciation expense was \$8,930,000, \$6,836,000 and \$6,386,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

(6) DEBT

The company's long-term debt is summarized as follows at December 31, 2000 and 1999 (in thousands):

	2000 ----	1999 ----
Series B senior notes - interest at 9.375%, interest payable semi-annually in arrears on April 15 and October 15, unsecured, due October 15, 2006	\$100,000	\$100,000
Bank term loan - interest rates ranging from 5.765% to 7.015% payable semi-annually in arrears on January 12 and July 12, secured by the stock of the Gessner subsidiary, annual principal payments commencing January 12, 1999 through the year 2005	22,160	25,790
Term loan - interest at 5%, unsecured, interest and principal payable annually in three installments commencing March 31, 1999	1,927	3,095
Bank term loan - interest rates ranging from 5.40% to 7.10%, payable semi-annually in arrears on March 17 and September 17, secured by the stock of the Lahnstein subsidiary, annual principal payments commencing September 17, 2000 through the year 2005	10,839	14,700

Edgar Filing: FIBERMARK INC - Form 10-K

Bank term loan - interest rate at LIBOR + 1.75%, payable semi-annually in arrears on June 30 and December 30, Gessner capital spending loan secured by the stock of the Gessner subsidiary, annual principal payments commencing December 31, 1999 through the year 2005	5,781	4,642
Term loan - interest rate at 8.47%, secured by machinery at Warren Glen, NJ facility, interest and principal payable in monthly installments commencing July 27, 2000 through the year 2007	9,306	--
Term loan - interest rate at LIBOR + 2%, secured by machinery at Quakertown, PA facility, interest and principal payable in monthly installments commencing November 13, 2000 through the year 2007	2,929	--
	-----	-----
Total Debt	152,942	148,227
Less Current Portion	(9,675)	(7,221)
	-----	-----
Long-term Portion	\$ 143,267	\$ 141,006
	=====	=====

The Series B senior notes are redeemable at the company's option in whole or in part, on or after October 15, 2001 at redemption prices ranging from 100% to 104.688% of face value.

Approximately, \$15,196,000, \$11,650,000, and \$10,474,000 of interest was paid during the years ended December 31, 2000, 1999, and 1998, respectively.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2000 and thereafter are as follows (in thousands):

2001.....	\$ 9,675
2002.....	10,167
2003.....	10,277
2004.....	9,914
2005.....	9,563
Thereafter.....	103,346

The company maintains a \$50.0 million revolving credit facility with CIT, secured by a lien on substantially all of our accounts receivable and inventory and on the equipment and real estate located at our Brattleboro, Vermont, facility. The interest rate on the line as of December 31, 2000 is prime plus .5% or LIBOR plus 2%. The revolving credit line is subject to a commitment fee payable at the rate of 3/8 of 1% per annum on the daily average unused portion of this line. This fee is payable on a quarterly basis. In addition, the company is required to pay an annual Collateral Management Fee of \$35,000 in connection with periodic examination, analysis and evaluation of the collateral. As of December 31, 2000, \$39.0 million was outstanding under such credit facility. There are no balances due under this facility until its final maturity on September 30, 2002.

Edgar Filing: FIBERMARK INC - Form 10-K

Gessner has \$7,226,000 in available funds through a line of credit with Bayerische Vereinsbank AG at December 31, 2000. The interest rate on the line is LIBOR + 1.75%. The credit line is subject to a commitment fee payable semi-annually at the rate of 1/4 of 1% per annum on the disbursed amount. As of December 31, 2000, no advances were outstanding under this facility.

The foreign subsidiaries do not guarantee any of the domestic debt or revolving credit line. See note 21 for Consolidating Financial Statements.

34

(7) LEASES

DEFERRED GAIN AND SALE-LEASEBACK

In April 1994, FiberMark entered into a sale-leaseback agreement with The CIT Group, Inc. ("CIT"). FiberMark sold CIT \$7,813,000 in fixed assets for a purchase price of \$25,000,000. As a result FiberMark recorded a deferred gain of \$17,187,000 which is amortized on a straight-line basis over the life of the ten year lease. In 1999 and 1998 the company amortized \$1,289,000 and \$1,719,000, respectively, of the deferred gain into income.

In connection with the sale-leaseback transaction, CIT leased back the fixed assets to FiberMark utilizing a ten-year operating lease. The lease requires quarterly payments of \$843,000 for the first five years and quarterly payments of \$690,000 for the remaining five years of the lease.

In December 1995 FiberMark amended the sale-leaseback agreement whereby FiberMark sold a newly constructed wet end machine ("Kobayashi") for \$10 million. No gain or loss was recorded on the transaction. FiberMark received \$5.0 million of the purchase price from CIT in December 1995, the remaining \$5.0 million was placed in escrow and paid during 1996 when all specifications were met. CIT leased back the Kobayashi machine to FiberMark using the remaining 8.5 years of the operating lease discussed above. The amended lease required additional payments including a first quarter payment of \$113,000 and quarterly payments of \$339,901 for the next 33 quarters.

Rental expense associated with these leases is recognized on a straight-line basis and amounted to \$3,320,000 and \$4,426,000 for the years ending December 31, 1999 and 1998, respectively. Accumulated deferred rent expense included in prepaid expense amounted to \$1,380,000 as of December 31, 1998.

On September 30, 1999, the company terminated the sale/leaseback facility with The CIT Group, and repurchased the assets at its Brattleboro mill. The remaining unamortized balance of the deferred gain, net of the accumulated deferred rent expense (\$7,158,000) was offset against the asset purchase price.

OTHER LEASES

The company assumed obligations under operating leases for certain machinery, equipment and facilities with the acquisitions of Steinbeis Gessner GmbH in January 1998 and Papierfabrik Lahnstein GmbH in August 1999, and with facilities purchased from CPG in October 1996.

Rental expense was \$1,261,000, \$1,287,000, and \$869,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

As of December 31, 2000, obligations to make future minimum lease payments under these leases were as follows (in thousands):

PAYMENTS TO BE MADE IN THE YEARS ENDING DECEMBER 31:

2001	\$ 1,050
2002	916
2003	805
2004	422
2005	34
Thereafter	--

	\$ 3,227
	=====

(8) PREFERRED STOCK

At December 31, 2000 and 1999, the company has 2,000,000 shares of preferred stock authorized with none issued. The company, without stockholder approval, can issue preferred stock with voting, conversion, and other rights.

(9) INCOME TAXES

Income before provision for income taxes, classified by source of income was as follows (in thousands):

	2000	1999	1998
	----	----	----
U.S.	\$ 5,152	\$ 4,134	\$10,013
Foreign	16,336	12,335	8,588
	-----	-----	-----
Income before provision for income taxes	\$21,488	\$16,469	\$18,601
	=====	=====	=====

The components of the provision for income taxes for the years ended December 31, 2000, 1999 and 1998 are as follows (in thousands):

	2000	1999	1998
	----	----	----
Current			
Federal	\$ 811	\$ 1,449	\$ 2,201
State	202	406	558

Edgar Filing: FIBERMARK INC - Form 10-K

Foreign	3,431	1,796	616
	-----	-----	-----
	4,444	3,651	3,375
Deferred			
Federal and State	925	(222)	296
Foreign	3,260	4,057	3,421
	-----	-----	-----
	4,185	3,835	3,717
Income tax expense	\$ 8,629	\$ 7,486	\$ 7,092
	=====	=====	=====

36

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2000 and 1999 are presented below (in thousands):

	DECEMBER 31, 2000	
	Deferred Tax Assets	Deferred Tax Liabilities
	-----	-----
Accounts receivable	\$ 754	\$ --
Inventory	912	--
Property, plant and equipment	--	23,544
Payroll related accruals	4,322	--
Intangible assets	--	180
Miscellaneous reserves	587	--
Facility closure	660	--
	-----	-----
	\$ 7,235	\$23,724
	=====	=====

	DECEMBER 31, 1999	
	Deferred Tax Assets	Deferred Tax Liabilities
	-----	-----
Accounts receivable	\$ 1,062	\$ --
Inventory	1,075	--
Property, plant and equipment	--	20,068
Payroll related accruals	5,218	--
Intangible assets	--	252
Miscellaneous reserves	600	--
Facility closure	260	--
	-----	-----
	\$ 8,215	\$20,320

Edgar Filing: FIBERMARK INC - Form 10-K

=====

SFAS No. 109 requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Although realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized through future taxable earnings.

37

A reconciliation of income taxes from continuing operations at the United States statutory rate to the effective rate for the years ended December 31, 2000, 1999 and 1998 are as follows:

	2000	1999	1998
	----	----	----
U.S. federal rate	35.0%	35.0%	35.0%
State taxes net of federal benefit	1.2%	1.9%	2.4%
Foreign rate difference	9.6%	9.3%	5.5%
Effect of German tax reform	(5.1%)	--	--
Other	(.5%)	(.7%)	(4.8%)
	----	----	----
Effective tax rate	40.2%	45.5%	38.1%
	=====	=====	=====

Income taxes paid during 2000, 1999 and 1998 were \$5,007,000, \$2,831,000, and \$5,399,000 respectively.

German tax reform was enacted in October 2000 which reduces the corporate tax rate from 40% in the case of retained profits and 30% in the case of distributed profits to 25% uniformly from January 1, 2001 forward. The effect of this change in tax law is required to be reported in the fourth quarter of 2000, even though the change is not effective until January 1, 2001. Deferred tax assets and liabilities at December 31, 2000 have been calculated based upon these future lower tax rates, resulting in a \$1,106,000 benefit.

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS, requires disclosure of information about the fair value of certain financial instruments for which it is practicable to estimate that value. For purposes of the following disclosure the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation. The fair value of long-term debt is based upon the quoted market price and amounts to \$185,469,000 (carrying value of \$191,969,000) at December 31, 2000, and \$175,695,000 (carrying value \$176,195,000) at December 31, 1999. Management has determined that the carrying values of its other financial assets and liabilities approximated fair value at December 31, 2000 and 1999.

Edgar Filing: FIBERMARK INC - Form 10-K

(11) ACQUISITIONS

1999 ACQUISITION

Effective August 1, 1999, the company acquired Papierfabrik Lahnstein GmbH for a purchase price of \$22.1 million. FiberMark Lahnstein manufactures specialty papers and nonwoven materials. The operation's coating substrates are used for wallcoverings, security papers, self-adhesive labels and flooring overlay; printing substrates for graphic arts applications, specialty tags and labels; and disposable nonwovens for medical products and tablecloths. This acquisition was financed with \$6.9 million of cash reserves along with borrowings under a DM 28.5 (\$15.2) million bank facility with Bayerische Vereinsbank. The acquisition was accounted for using the purchase method. Accordingly, the full purchase price was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The 1999 consolidated results include Lahnstein's results of operations for five months.

38

The following summarized unaudited pro forma results of operations for the years ended December 31, 1999 and 1998, assumes the Lahnstein acquisition occurred as of the beginning of the periods presented (dollars in thousands, except per share amounts):

	UNAUDITED -----	UNAUDITED -----
	1999 ----	1998 ----
Net sales	\$ 348,384	\$ 340,723
Net income	9,875	12,277
Basic earnings per share	1.29	1.58

The unaudited pro forma results are not necessarily indicative of actual results of operations that would have occurred had the acquisitions been consummated as of the above dates, nor are they necessarily indicative of future operating results.

1998 ACQUISITION

Effective January 1, 1998, the company purchased all of the outstanding shares of Steinbeis Gessner GmbH (Gessner) for \$40.0 million and DM 8.08 (\$4.4) million in cash. Gessner manufactures crepe masking and specialty tape materials, wet and dry abrasives papers, filter media for automotive air, oil and fuel and filter media for automotive cabins and vacuum cleaner bags. The acquisition was financed with a portion of the proceeds of the sale of 1,500,000 shares of the company's common stock for \$28.7 million along with borrowings under a DM 54.0 (\$29.6) million bank facility provided by Bayerische Vereinsbank AG and an unsecured note issued by Gessner and guaranteed by the company to the seller in the amount of DM 8.0 (\$4.4) million. The acquisition was accounted for using the purchase method. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based upon their respective fair values. This resulted in approximately \$6.4 million of cost in excess of net assets acquired, or

Edgar Filing: FIBERMARK INC - Form 10-K

goodwill which is being amortized on a straight line basis over thirty years. The 1998 consolidated results include Gessner's results of operation for the entire year.

(12) FACILITY CLOSURE

On January 14, 1998, the company closed the Owensboro, Kentucky, facility. Production at this facility was moved into certain of the company's other operations.

In 1998 the company adjusted its closure accrual by \$520,000 related to its Owensboro, Kentucky, mill to facility closure expense. The company also adjusted \$2,468,000 to previously accrued facility closure expenses in 1999 for its Owensboro, Kentucky, mill to reflect a full write off of property, plant and equipment value for that facility.

The company ceased operations at its Beaver Falls, New York, facility on January 29, 1999. Part of the historical demand from this facility has been taken in-house by an integrated customer. The balance of the production demand was absorbed by other mills within the company. As of December 31, 1998, the company recorded a facility closure charge of \$7,794,000 to recognize severance and benefits for the employees to be terminated (\$1,427,000) to reflect contract cancellation costs (\$250,000) and to reflect the write off of property, plant and equipment (\$6,117,000). The company terminated 87 administrative and plant employees. Actual termination benefits paid were \$1,654,715. Results of operations of the facility amounted to a \$.1 million income for the year ended December 31, 1998. In 2000 and 1999 the company added approximately \$45,000 and \$120,000, respectively, to

39

previously accrued facility closure expenses for its Beaver Falls, New York, mill to reflect additional severance and benefits for terminated employees.

On August 31, 1999, the company initiated a project to install a new paper machine at its Warren Glen, New Jersey, facility and to consolidate operations from the neighboring Hughesville, New Jersey, mill. The company plans to cease operations at Hughesville as of March 31, 2001. As of December 31, 1999, the company recorded a facility closure charge of \$7,230,000 to recognize severance and benefits for employees to be terminated (\$523,000), and to reflect the write off of property, plant and equipment (\$6,707,000). The company expects to terminate 33 administrative and plant employees. Results of operations of the facility amounted to a \$135,000 loss for the year ended December 31, 1999. In addition, facility closure charges were decreased by \$232,000 for the year ended December 31, 2000.

On September 1, 2000, the company decided to consolidate production at its Richmond, Virginia, facility into certain of the company's other operations and to close the Richmond facility by April 30, 2001. As of December 31, 2000, the company recorded facility closure charges of \$8,159,000 to recognize severance and benefits for employees to be terminated (\$1,250,000), to reflect the write off of property, plant and equipment (\$6,659,000) and to write off deferred charges (\$250,000). The company expects to terminate 96 salary and hourly employees. Results of operations of the facility amounted to income of \$907,000 for the year ended December 31, 2000.

Edgar Filing: FIBERMARK INC - Form 10-K

(13) RETIREMENT AND DEFERRED COMPENSATION PLANS

QUALIFIED PLANS

The company has a defined contribution plan (salaried and hourly) and a defined benefit (hourly) retirement plan for FiberMark.

DEFINED CONTRIBUTION PLAN

The defined contribution plan is a 401(k) ERISA and IRS-qualified plan covering substantially all employees that permits employee salary deferrals up to 16% of salary with the company matching 50% of the first 6%. Defined contribution expense for the company was \$832,000, \$1,022,000 and \$1,017,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

DEFINED BENEFIT PLAN FOR HOURLY EMPLOYEES

The defined benefit plan is an ERISA and IRS-qualified plan. Plan assets are invested principally in equity securities, government and corporate debt securities and other fixed income obligations. The company annually contributes at least the minimum amount as required by ERISA.

40

The following table sets forth the accumulated pension benefit obligation (APBO) (in thousands):

	2000 ----	1999 ----
APBO at January 1	\$ 31,026	\$ 25,831
Increase due to Lahnstein acquisition	--	6,634
Service cost	701	743
Interest cost	1,960	1,702
Actuarial gain	(1,263)	(1,337)
Benefits paid	(1,333)	(1,319)
Plan amendments	890	435
Foreign currency impact	(1,126)	(1,663)
	-----	-----
APBO at December 31	\$ 30,855 =====	\$ 31,026 =====

The funded status at December 31 is (in thousands):

	2000 ----	1999 ----
Projected benefit obligation	\$ (30,855)	\$ (31,026)
Fair value of plan assets	15,025 -----	13,631 -----

Edgar Filing: FIBERMARK INC - Form 10-K

Funded status	(15,830)	(17,395)
Unrecognized net transition obligation	10	13
Unrecognized prior service cost	1,327	539
Unrecognized net loss	336	1,417
	-----	-----
Accrued pension cost before adjustment for minimum liability	(14,157)	(15,426)
Adjustment to recognize minimum liability	--	(1,010)
	-----	-----
Accrued pension cost included in other long-term liabilities	\$ (14,157)	\$ (16,436)
	=====	=====

Net periodic pension expense included the following components (in thousands):

	2000	1999
	----	----
Service cost	\$ 698	\$ 753
Interest cost	1,951	1,744
Return on assets	(996)	(1,417)
Net amortization and deferral:		
Unrecognized net transition obligation	3	3
Unrecognized prior service cost	102	46
Unrecognized loss	--	81
Net asset gain (loss) deferred	(248)	382
Recognized net loss	--	101
	-----	-----
Net periodic pension expense	\$ 1,510	\$ 1,693
	=====	=====

41

The following table reconciles plan assets (in thousands):

	2000	1999
	----	----
Fair value of plan assets at beginning of year	\$ 13,631	\$ 11,062
Return on plan assets	996	1,417
Employer contributions	1,731	2,471
Benefits paid	(1,333)	(1,319)
	-----	-----
Fair value of plan assets at end of year	\$ 15,025	\$ 13,631
	=====	=====

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation at December 31, 2000 and 1999 was 7.75% and 7.25%, respectively. The expected long-term rate of return on plan assets was 9% in 2000 and 1999.

Edgar Filing: FIBERMARK INC - Form 10-K

As is required by SFAS No. 87, EMPLOYERS' ACCOUNTING FOR PENSIONS, for plans where the accumulated pension benefit obligation exceeds the fair value of plan assets, the company has recognized in the accompanying consolidated balance sheets the minimum liability of the unfunded accumulated pension benefit obligation as a long-term liability with an offsetting intangible asset (\$552,000 at December 31, 1999 included in other intangible assets, net) and equity adjustment, net of tax impact.

NON-QUALIFIED PLANS

In addition to the benefits provided under the qualified pension plans, retirement and deferred compensation benefits associated with wages in excess of the IRS allowable wages are provided to certain employees under non-qualified plans.

During 1997 the company established a trust pursuant to two executive deferral plans for the benefit of a select group of management, highly compensated employees and/or directors who contribute materially to the continued growth, development and business success of the company. The plans established under the trust agreement are set forth as follows:

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP)

The plan is a defined benefit plan and shall be unfunded for tax purposes and for purposes of Title I of ERISA. Pension benefits are based upon final average compensation and years of service. Benefits earned are subject to cliff vesting after fifteen (15) years or more of service.

The following table sets forth the accumulated pension benefit obligation (APBO) (in thousands):

	2000 ----	1999 ----
APBO at January 1	\$ 3,425	\$ 3,604
Service cost	143	136
Interest cost	257	230
Actuarial loss (gain)	409	(481)
Plan Amendments	--	(64)
Benefits paid	(25)	--
	-----	-----
APBO at December 31	\$ 4,209 =====	\$ 3,425 =====

42

The funded status at December 31 is (in thousands):

	2000 ----	1999 ----
--	--------------	--------------

Edgar Filing: FIBERMARK INC - Form 10-K

Projected benefit obligation	\$ (4,209)	\$ (3,425)
Fair value of plan assets	1,583	1,895
	-----	-----
Funded Status	(2,626)	(1,530)
Unrecognized prior service cost	2,019	2,269
Unrecognized net (gain) or loss	450	(1,078)
	-----	-----
Accrued pension cost before adjustment for minimum liability	(157)	(339)
Adjustment to recognize minimum liability	(2,019)	(939)
	-----	-----
Accrued pension cost included in other long-term liabilities	\$ (2,176)	\$ (1,278)
	=====	=====

Net periodic pension expense included the following components (in thousands):

	2000 ----	1999 ----	1998 ----
Service cost	\$ 143	\$ 136	\$ 182
Interest cost	258	230	251
Return on assets	912	(735)	34
Net amortization and deferral:			
Unrecognized prior service cost	250	250	256
Unrecognized gain	(54)	--	--
Net asset gain (loss) deferred	(1,066)	668	(58)
	-----	-----	-----
Net periodic pension expense	\$ 443	\$ 549	\$ 665
	=====	=====	=====

The following table reconciles plan assets (in thousands):

	2000 ----	1999 ----
Fair value of plan assets at beginning of year	\$ 1,895	\$ 566
Return on plan assets	(912)	735
Employer contributions	625	594
Benefits paid	(25)	--
	-----	-----
Fair value of plan assets at end of year	\$ 1,583	\$ 1,895
	=====	=====

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation at December 31, 2000 and 1999 was 7.75% and 7.25%, respectively. The expected long-term rate of return on plan assets was 7% in 2000 and 1999.

As required by SFAS No. 87, EMPLOYERS' ACCOUNTING FOR PENSIONS, for plans where the accumulated pension benefit obligation exceeds the fair value of plan assets, the company has recognized in the accompanying consolidated balance sheets the minimum liability of the unfunded accumulated pension

Edgar Filing: FIBERMARK INC - Form 10-K

benefit obligation as a long-term liability with an offsetting intangible asset of \$216,000 at December 31, 1999 included in other intangible assets, net.

43

DEFERRED COMPENSATION PLAN

The company has a deferred compensation plan that permits eligible participants to defer a specified portion of their compensation. The deferred compensation, together with certain company contributions, earns a guaranteed rate of return. As of December 31, 2000 and 1999, the company has accrued \$4,018,000 and \$3,642,000, respectively, for its obligation under the plan included in other long-term liabilities. The company's expense, which includes company contributions and interest expense, amounted to \$33,000, \$28,000, and \$17,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

To assist in the funding of the plan, the company purchased corporate-owned life insurance contracts. Proceeds from the insurance policies are payable to the company upon the death of the participant. The cash surrender value of the policies, included in other long-term assets, was \$4,018,000 and \$3,642,000 as of December 31, 2000 and 1999, respectively.

(14) POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The company provides certain health care and life insurance benefits to specific groups of former CPG employees when they retire. The salaried group of employees generally become eligible for retiree medical benefits after reaching age 62 and with 15 years of service or after reaching age 65. The medical plan for salaried employees provides for an allowance, which must be used towards the purchase of a Medicare supplemental insurance policy, based on a retiree's length of service. The allowance may be adjusted to reflect annual changes in the Consumer Price Index ("CPI"); however, once the initial allowance has doubled, there will be no further increases. Salaried employees hired after January 1, 1993 are not eligible to participate in this retiree medical plan. Upon satisfying certain eligibility requirements, approximately 45% of the hourly employees are eligible upon retirement to receive a medical benefit, which is an allowance to be used toward the purchase of a Medicare supplemental insurance policy and cannot exceed a specified annual amount. The post-retirement benefit obligations related to employees who retired prior to the acquisition were not assumed by the company and remain the responsibility of prior owners.

The following table sets forth the accumulated pension benefit obligation (APBO) (in thousands):

	2000	1999
	----	----
APBO at January 1	\$ 1,441	\$ 1,641
Service cost	35	30
Interest cost	106	93
Actuarial gain	(42)	(257)
Benefits paid	(109)	(66)
	-----	-----
APBO at December 31	\$ 1,431	\$ 1,441

Edgar Filing: FIBERMARK INC - Form 10-K

The funded status at December 31 is (in thousands):

	2000 ----	1999 ----
Funded status at December 31	\$ (1,431)	\$ (1,441)
Unamortized prior cost	20	23
Unrecognized net actuarial gain	(240)	(205)
	-----	-----
Accrued post-retirement benefit cost included in accrued liabilities	\$ (1,651)	\$ (1,623)
	=====	=====

44

Net periodic post-retirement benefits cost included the following components (in thousands):

	2000 ----	1999 ----	1998 ----
Service cost	\$ 35	\$ 30	\$ 35
Interest cost on APBO	106	93	101
Prior service cost	3	3	--
Actuarial gain	(6)	(7)	--
	-----	-----	-----
	\$ 138	\$ 119	\$ 136
	=====	=====	=====

The assumed health care cost trend rate used in measuring future benefit costs was 7.5%, gradually declining to 6% by 2001 and remaining at that level thereafter. A 1% increase in this annual trend rate would result in an accumulated post-retirement benefit obligation of \$1,402,000 and the aggregate of service and interest cost components of net periodic post-retirement benefit expense for the year ended December 31, 2000 of \$146,000. Conversely, a 1% decrease in the annual trend rate would result in an accumulated post-retirement benefit obligation of \$1,178,000 and the aggregate of service and interest cost components of net periodic post-retirement benefit expense of \$117,000 for the year ended December 31, 2000. The assumed discount rate used in determining the accumulated post-retirement benefit obligation was 7.75% and 7.25% as of December 31, 2000 and 1999, respectively.

(15) ACCRUED LIABILITIES CONSIST OF (IN THOUSANDS):

	2000 ----	1999 ----
Salaries and related benefits	\$ 8,107	\$ 9,858
Interest	2,029	2,003

Edgar Filing: FIBERMARK INC - Form 10-K

Facility closure costs	1,674	684
Post-retirement benefits	1,651	1,623
Other	1,782	5,730
	-----	-----
	\$ 15,243	\$ 19,898
	=====	=====

(16) SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash disclosures related to the acquisitions:

	1999	1998
	----	----
Assets acquired	\$ 36,046	\$ 54,656
Liabilities assumed	(12,977)	(16,270)
	-----	-----
Cash paid	23,069	38,386
Less cash acquired	(134)	(1,049)
	-----	-----
	\$ 22,935	\$ 37,337
	=====	=====

Non-cash investing and financing activities:

During 2000 the company reduced its intangible asset related to the hourly defined benefit pension plan in the amount of \$552,000 and the related long-term liability of \$1,010,000. The offset resulted in the elimination of the minimum pension liability adjustment of \$284,000, net of tax benefit.

45

During 2000 the company increased its intangible asset related to the SERP in the amount of \$1,055,000 and increased the related long-term liability for the same amount.

During 1999 the company recorded an intangible asset related to the hourly defined benefit pension plan of \$386,000 and a long-term liability of \$1,806,000. The offset resulted in a minimum pension liability adjustment of \$843,000, net of tax provision.

During 1999 the company reduced its intangible asset related to the SERP in the amount of \$2,406,000 and reduced the related long-term liability for the same amount.

During 1998 the company recorded an intangible asset related to the hourly defined benefit pension plan amounting to \$166,000 and a long-term liability of \$2,170,000. The offset resulted in a minimum pension liability adjustment of \$1,128,000, net of tax benefit.

During 1998 the company increased its intangible asset related to the SERP in the amount of \$135,000 and a related long-term liability for the same amount.

Edgar Filing: FIBERMARK INC - Form 10-K

(17) SIGNIFICANT BUSINESS CONCENTRATIONS

	2000	1999	1998
	----	----	----
CUSTOMER CONCENTRATION			
Total % sales from top 5 customers	23%	24%	24%
Foreign sales as % of total sales(a)	39%	34%	29%
Europe	33%	27%	23%
Far East	4%	4%	3%
Other (including Latin America)	2%	3%	3%

(a) Excluding Canada

(18) STOCK OPTION AND BONUS PLANS

The company has several stock option plans that provide for grants of non-qualified or incentive stock options. The 1992 Amended and Restated Stock Option Plan ("1992 Plan") is fully granted at 301,425 shares of common stock to management of the company. Options granted under the 1992 Plan typically vest at a rate of 20% per year and are exercisable for a period of ten years from the grant date.

The 1994 Stock Option Plan ("1994 Plan") is fully granted at 300,000 shares of common stock to selected officers and employees of the company. Options granted under the Plan vest at a rate of 20% per year commencing on the one year anniversary of the grant date and 1.66% at the end of each month thereafter. The options are exercisable for a period of ten years from the grant date.

The 1994 Director Stock Option Plan ("Directors' Plan") authorizes the grant of up to 225,000 shares of common stock to directors who are not otherwise full-time employees of the company. The Plan was amended in 1996 to increase the authorized shares from 75,000 to 225,000 shares and to allow for an accelerated vesting schedule not to exceed five years. Options will vest and become exercisable based upon target levels set for the fair market value of the common stock or in the event of a merger or asset sale. The options are exercisable for a period of eight years from the date of grant.

46

During 1997 the company authorized the grant of up to 600,000 incentive stock options under a new plan, the 1997 Stock Option Plan ("1997 Plan") to selected officers and employees of the company. Options granted under the 1997 Plan vest at a rate of 20% per year and are exercisable for a period of ten years from the grant date.

During 1998 the company authorized the grant of up to 200,000 stock options under a new plan, the 1998 Stock Option Plan ("1998 Plan") to non-employee Directors. The 1998 Plan contains two types of option grants: (1) a base grant of an option for 7,500 shares which vests at a rate of 20% for each year of board service and (2) a performance grant of an option for 15,000 shares which has accelerated vesting if the stock of the company reaches certain price levels for 20 consecutive trading days and ultimately vests after eight years of service on the Board of Directors.

The following table sets forth the stock option transactions for the three years ended December 31, 2000:

Edgar Filing: FIBERMARK INC - Form 10-K

	Number of Shares -----	Weighted Average Exercise Price -----
Outstanding, December 31, 1997	904,384	\$10.70
1998: Granted	335,000	20.88
Exercised	(61,285)	7.60
Forfeited	(26,715)	13.02

Outstanding, December 31, 1998	1,151,384	13.77
1999: Granted	196,500	13.75
Exercised	(52,661)	7.67
Forfeited	(126,828)	14.83

Outstanding, December 31, 1999	1,168,395	13.93
2000: Granted	12,000	10.88
Forfeited	(25,100)	16.83

Outstanding, December 31, 2000	1,155,295 =====	\$12.60

47

The following table summarizes information about stock options outstanding at December 31, 2000:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
Range of Exercise Prices	Number Outstanding at 12/31/00	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/00	Weighted Average Exercise Price	
\$ 3.33	207,380	1.6	\$ 3.33	207,380	\$ 3.33	
6.00 to 7.83	93,100	4.1	7.00	93,100	7.00	
9.00 to 10.88	147,263	5.9	9.34	125,857	9.22	
13.38 to 13.75	404,052	7.7	13.58	166,322	13.52	
19.44 to 25.63	303,500	7.1	20.92	120,000	22.05	
	-----			-----		

Edgar Filing: FIBERMARK INC - Form 10-K

1,155,295
=====

712,659
=====

The company has adopted the disclosure-only provisions of Statement of Financial Standards No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION. Accordingly, no compensation cost has been recognized for stock options granted under the plans during 2000, 1999 and 1998 as the options were all granted at exercise prices that equaled the market value at the date of the grant. Had compensation cost for the company's stock option plans been determined based on the fair value at the grant date for awards during 2000, 1999 and 1998 consistent with the provisions of SFAS No. 123, the company's net income would have been reduced to the pro forma amounts indicated below:

		2000 ----	1999 ----	1998 ----
Net income, as reported	\$	12,859	\$ 8,983	\$ 11,509
Net income, pro forma		10,963	7,265	9,919
Basic earnings per share, as reported	\$	1.88	\$ 1.17	\$ 1.48
Basic earnings per share, pro forma		1.61	.95	1.28
Diluted earnings per share, as reported	\$	1.84	\$ 1.15	\$ 1.43
Diluted earnings per share, pro forma		1.57	.93	1.23

Pro forma net income reflects 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 net income 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 grants in 2000, 1999 and 1998, respectively: risk-free interest rate of 6%; dividend yield of \$0; expected volatility of 39%, 33% and 51%; and expected lives per the plan agreement.

48

Effective January 1, 1994, the Compensation Committee adopted the Executive Bonus Plan, which provides for bonus payments of a percentage of base salary based upon achievement by the company of certain levels of earnings per share. The Executive Bonus Plan utilizes a sliding scale so that the percentage of base salary paid as bonus compensation increases as the earnings per share of the company increase. The Executive Bonus Plan is designed to directly align the interests of the executive officers and the stockholders. The Executive Bonus Plan is subject to annual review by the Committee. Expense recorded under the plan amounted to \$1,240,000, \$1,723,000 and \$1,621,000 in 2000, 1999 and 1998, respectively.

(19) UNAUDITED QUARTERLY SUMMARY INFORMATION

The following is a summary of unaudited quarterly summary information for

Edgar Filing: FIBERMARK INC - Form 10-K

the years ended December 31, 2000, 1999 and 1998 (in thousands, except per share data).

2000 -----	MARCH 31 -----	JUNE 30 -----	SEPT 30 -----	DEC 31 -----
Net sales	\$ 95,088	\$ 91,388	\$ 84,458	\$ 84,519
Gross profit	18,098	17,452	13,790	11,876
Net income	4,048	3,846	2,561	2,404
Basic earnings per share	0.59	0.56	0.37	0.35
Diluted earnings per share	0.58	0.55	0.37	0.35

1999(a) -----	MARCH 31 -----	JUNE 30 -----	SEPT 30(1) -----	DEC 31 -----
Net sales	\$ 75,906	\$ 75,982	\$ 81,866	\$ 91,554
Gross profit	15,276	15,599	13,831	17,217
Net income (loss)	4,054	4,210	(1,533)	2,252
Basic earnings per share	0.52	0.54	(0.20)	0.30
Diluted earnings per share	0.51	0.53	(0.20)	0.30

1998(a) -----	MARCH 31 -----	JUNE 30 -----	SEPT 30 -----	DEC 31(2) -----
Net sales	\$ 79,951	\$ 78,591	\$ 73,150	\$ 75,400
Gross profit	15,676	14,767	13,383	13,929
Net income	4,351	3,751	3,318	89
Basic earnings per share	0.56	0.48	0.43	0.01
Diluted earnings per share	0.54	0.46	0.41	0.01

(a) Effective August 1, 1999, the company acquired Lahnstein Papierfabrik GmbH at a purchase price of approximately \$22 million. Effective January 1, 1998, the company acquired Steinbeis Gessner GmbH for a purchase price of approximately \$43 million.

(1) On August 31, 1999, the company initiated a project to install a new paper machine at its Warren Glen, New Jersey, facility and to consolidate operations from the neighboring Hughesville, New Jersey, mill. The company plans to cease manufacturing operations at Hughesville by March 31, 2001, and the book value of the mill has been written down by \$7.2 million accordingly. Additionally, the company incurred closure expenses for its previously closed Beaver Falls and Owensboro facilities of \$.1 million and \$2.5 million respectively.

49

(2) In the fourth quarter of 1998, the company announced its decision to close

Edgar Filing: FIBERMARK INC - Form 10-K

the facility located in Beaver Falls, New York. Income from operations reflects a \$7,794,000 charge as a result of this event.

Note: Equivalent shares of common stock have not been included in the 1999 third quarter as their effect would be anti-dilutive.

(20) SEGMENT INFORMATION

On December 31, 1998, the company adopted Statement of Financial Accounting Standards No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION (SFAS 131). SFAS 131 established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. It also established standards for related disclosures about products and services and geographic areas.

The company's reportable operating segments include: technical and office products, durable specialties and German operations and filter media. Each operating segment consists of facilities with common management, with significant marketing and manufacturing overlap.

German operations and filter media manufactures filter media used in automotive, vacuum, water and industrial filtration, including paper, synthetic non-woven materials and composite materials. FiberMark Gessner also manufactures technical specialties (abrasives) and durable specialties (tape backing materials). This segment encompasses FiberMark Gessner GmbH, Filter Media North America, and FiberMark Lahnstein (technical specialties).

The technical and office products segment manufactures a wide range of specialty fiber-based materials used in communications, including base or cover materials for electrical/electronics applications, graphic arts and home and office products markets, as well as other technical specialties. This represents our Technical & Office Products Division.

The durable specialties segment produces specialty tape substrates, using a broad range of saturated, coated paper and non-woven materials. This represents our U.S. Durable Specialties Division.

The following table details sales and selected financial data by operating segment (in thousands). Inter-segment sales are accounted for as if the sales were to third parties.

50

20. SEGMENT INFORMATION, (CONTINUED)

The following table categorizes net sales in each market segment into the appropriate operating segment:

	(In Thousands) Operating Segment			
	German Operations and Filter Media	Technical & Office Products	Durable Specialties	Oth
12 months ended December 31, 2000 Net sales				

Edgar Filing: FIBERMARK INC - Form 10-K

MARKET SEGMENT				
Filter Media	\$ 98,390	\$ 5,325	\$ --	\$--
Technical Specialties	46,980	54,836	--	--
Durable Specialties	28,291	--	71,259	--
Office Products	--	50,372	--	--
Total	\$173,661	\$110,533	\$ 71,259	\$--

12 months ended December 31, 1999
Net sales

MARKET SEGMENT				
Filter Media	\$ 95,231	\$ 5,237	\$ --	\$--
Technical Specialties	22,448	58,019	--	--
Durable Specialties	24,846	--	65,382	--
Office Products	--	54,145	--	--
Total	\$142,525	\$117,401	\$ 65,382	\$--

12 months ended December 31, 1998
Net sales

MARKET SEGMENT				
Filter Media	\$ 94,692	\$ 4,065	\$ --	\$--
Technical Specialties	7,181	72,717	--	--
Durable Specialties	20,216	--	55,688	--
Office Products	--	52,533	--	--
Total	\$122,089	\$129,315	\$ 55,688	\$--

51

(20) SEGMENT INFORMATION, (CONTINUED)

(In thousands)
Operating Segment

German Operations and Filter Media	Technical and Office Products	Durable Specialties	Other
--	----------------------------------	------------------------	-------

Edgar Filing: FIBERMARK INC - Form 10-K

12 months ended December 31, 2000

Net sales	\$173,661	\$110,533	\$ 71,259	\$
Inter-segment net sales	238	4,556	--	
	-----	-----	-----	-----
Total net sales	\$173,899	\$115,089	\$ 71,259	\$
	=====	=====	=====	=====
EBIT	\$ 19,984	\$ 3,428	\$ 11,093	\$
	=====	=====	=====	=====
Depreciation & Amortization	\$ 3,914	\$ 5,122	\$ 2,408	\$
Total Assets	\$149,582	\$147,394	\$ 32,738	\$

12 months ended December 31, 1999

Net sales	\$142,525	\$117,401	\$ 65,382	\$
Inter-segment net sales	320	3,566	120	
	-----	-----	-----	-----
Total net sales	\$142,845	\$120,967	\$ 65,502	\$
	=====	=====	=====	=====
EBIT	\$ 17,030	\$ 11,876	\$ 9,477	\$ (
	=====	=====	=====	=====
Depreciation & Amortization	\$ 2,979	\$ 3,921	\$ 2,390	\$
Total Assets	\$144,107	\$121,587	\$ 31,175	\$

12 months ended December 31, 1998

Net sales	\$122,089	\$129,315	\$ 55,688	\$
Inter-segment net sales	333	918	296	
	-----	-----	-----	-----
Total net sales	\$122,422	\$130,233	\$ 55,984	\$
	=====	=====	=====	=====
EBIT	\$ 14,623	\$ 12,729	\$ 7,567	\$
	=====	=====	=====	=====
Depreciation & Amortization	\$ 2,649	\$ 3,814	\$ 2,490	\$
Total assets	\$112,917	\$102,333	\$ 57,011	\$

(1) 2000 Other Includes Facility Closure (Filter Media and Technical & Office Product)
Sale of technology (Filter Media Segment)

(2) 1999 Other Includes Sale/Leaseback Buyout (Technical & Office Products Segment)
Facility Closure (Technical & Office Products Segment)

Edgar Filing: FIBERMARK INC - Form 10-K

(3) 1998 Other Includes Facility Closure (Technical & Office Products Segment)
Cogeneration Income

(4) Corporate assets not allocated to operating segments.

52

(20) SEGMENT INFORMATION, (CONTINUED)

Information concerning principal geographic areas is as follows (in thousands):

	2000 -----	1999 -----	1998 -----
NET SALES (a)			
North America	\$216,826	\$214,703	\$217,664
Europe	117,299	87,833	69,202
Far East	14,218	13,013	9,426
Other	7,110	9,759	10,800
	-----	-----	-----
Total	\$355,453	\$325,308	\$307,092

(a) Revenues are attributed to countries based on product shipment destination.

	2000 -----	1999 -----
PROPERTY, PLANT AND EQUIPMENT, NET		
North America	\$129,177	\$108,112
Europe	65,328	63,311
	-----	-----
Total	\$194,505	\$171,423

	2000 -----	1999 -----
NET ASSETS		
North America	\$ 64,536	\$ 62,168

Edgar Filing: FIBERMARK INC - Form 10-K

Europe	38,412	29,609
	-----	-----
Total	\$102,948	\$ 91,777

53

(21) CONSOLIDATING FINANCIAL STATEMENTS

Below are consolidating balance sheets, statements of income and statements of cash flows for FiberMark, Inc. as of December 31, 2000 and 1999 and for the three years ended December 31, 2000 (in thousands).

CONSOLIDATING BALANCE SHEETS

December 31, 2000

ASSETS	Domestic Guarantor	Foreign Non-Guarantor	Eliminations	F
Current assets:				
Cash	\$ --	\$ 11,133	\$ --	
Accounts receivable, net	28,541	16,718	(357)	
Inventories	50,459	21,901	--	
Other	598	178	--	
Deferred income taxes	5,042	(92)	--	
Total current assets	84,640	49,838	(357)	
Property, plant and equipment, net	129,177	65,328	--	
Goodwill, net	40,175	4,773	--	
Intercompany note receivable	18,140	--	(18,140)	
Investment in foreign subsidiaries	19,915	--	(19,915)	
Other intangible assets, net	5,586	1,192	--	
Other long-term assets	670	1,173	--	
Other pension assets	4,018	--	--	
Total assets	\$ 302,321	\$ 122,304	\$ (38,412)	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion long-term debt	1,485	8,190	--	
Accounts payable	19,058	10,836	(108)	
Accrued liabilities	10,797	4,446	--	
Accrued income taxes payable	379	2,641	--	
Total current liabilities	31,719	26,113	(108)	
Long-term liabilities:				
Revolving credit line	39,027	--	--	

Edgar Filing: FIBERMARK INC - Form 10-K

Long-term debt, less current portion	110,749	32,518	--
Intercompany notes payable	--	15,999	(15,999)
Deferred income taxes	11,874	9,565	--
Other long-term liabilities	6,004	15,804	--
<hr/>			
Total long-term liabilities	167,654	73,886	(15,999)
<hr/>			
Total liabilities	199,373	99,999	(16,107)
Commitments and contingencies			
Stockholders' equity:			
Preferred stock	--	--	--
Common stock	7	55	(55)
Additional paid-in capital	64,399	3,383	(3,383)
Retained earnings	42,876	20,678	(20,678)
Accumulated other comprehensive loss	(4,299)	(1,811)	1,811
Less treasury stock	(35)	--	--
<hr/>			
Total stockholders' equity	102,948	22,305	(22,305)
<hr/>			
Total liabilities and stockholders' equity	\$ 302,321	\$ 122,304	\$ (38,412)
<hr/> <hr/>			

54

CONSOLIDATING STATEMENTS OF INCOME

Year ended December 31, 2000

	Domestic Guarantor	Foreign Non-Guarantor	Eliminations	F
<hr/>				
Net sales	\$ 220,785	\$ 134,668	\$ --	
Cost of sales	187,689	106,548	--	
<hr/>				
Gross profit	33,096	28,120	--	
Selling, general and administrative expenses	16,612	8,520	--	
Facility closure expense	7,972	--	--	
Sale of technology	(8,422)	--	--	
<hr/>				
Income from operations	16,934	19,600	--	
Other expense (income), net	1,759	(180)	--	
Equity in subsidiary income	(9,645)	--	9,645	
Interest expense	12,655	3,813	(1,232)	
Interest income	(2,632)	(369)	1,232	
<hr/>				
Income before income taxes	14,797	16,336	(9,645)	

Edgar Filing: FIBERMARK INC - Form 10-K

Income tax expense	1,938	6,691	--
Net income	\$ 12,859	\$ 9,645	\$ (9,645)

55

CONSOLIDATING STATEMENTS OF CASH FLOWS

	Year ended D	
	Domestic Guarantor	Foreign Non-Guarantor
Cash flows from operating activities:		
Net income	\$ 12,859	\$ 9,645
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,800	2,644
Equity in subsidiary income	(9,645)	--
Loss on closure of facility	7,972	--
Loss on sale of property, plant and equipment	7	--
Deferred taxes	1,099	3,628
Changes in operating assets and liabilities:		
Accounts receivable	(3,179)	(938)
Inventories	(10,087)	(5,388)
Other	(80)	8
Accounts payable	8,240	3,967
Accrued pension and other liabilities	(2,237)	(3,019)
Intercompany accounts, net	(1,095)	12
Other long-term liabilities	533	(310)
Accrued income taxes payable	(271)	606
Net cash provided by operating activities	12,916	10,855
Cash flows from investing activities:		
Purchase of life insurance	(275)	--
Additions to property, plant and equipment	(34,239)	(8,359)
Investment in subsidiary	--	(10)
Net proceeds from sale of property, plant and equipment	2	--
Increase in other intangible assets	(834)	(280)
Net cash used in investing activities	(35,346)	(8,649)
Cash flows from financing activities:		
Proceeds from issuance of bank debt	12,979	2,358
Stock repurchase	(35)	--
Net borrowings under revolving credit line	11,059	--
Repayment of debt	(745)	(6,603)
Net borrowings under intercompany notes	--	927
Capital reserve	--	(49)
Net cash provided by (used in) financing activities	23,258	(3,367)

Edgar Filing: FIBERMARK INC - Form 10-K

Effect of exchange rate changes on cash	--	(1,000)
Net increase (decrease) in cash	828	(2,161)
Cash at beginning of year	(828)	13,294
Cash at end of year	\$ --	\$ 11,133

56

CONSOLIDATING BALANCE SHEETS

December 31, 1999

ASSETS	Domestic Guarantor	Foreign Non-Guarantor	Eliminations	Co Fib
Current assets:				
Cash	\$ (828)	\$ 13,294	\$ --	
Accounts receivable, net	25,362	16,875	(357)	
Inventories	40,372	17,556	--	
Other	518	199	--	
Deferred income taxes	4,375	(393)	--	
Total current assets	69,799	47,531	(357)	
Property, plant and equipment, net	108,112	63,311	--	
Goodwill, net	41,732	5,306	--	
Intercompany note receivable	17,045	--	(17,045)	
Investment in foreign subsidiaries	12,207	--	(12,207)	
Other intangible assets, net	5,103	1,165	--	
Other long-term assets	357	1,245	--	
Other pension assets	3,642	--	--	
Total assets	\$ 257,997	\$ 118,558	\$ (29,609)	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion long-term debt	7,221	--	--	
Accounts payable	10,818	7,252	(116)	
Accrued liabilities	11,837	8,061	--	
Accrued income taxes payable	650	2,165	--	
Total current liabilities	30,526	17,478	(116)	
Long-term liabilities:				
Revolving credit line	27,968	--	--	
Long-term debt, less current portion	92,779	48,227	--	
Intercompany notes payable	--	16,115	(16,115)	

Edgar Filing: FIBERMARK INC - Form 10-K

Deferred income taxes	10,108	5,979	--
Other long-term liabilities	4,839	17,381	--
<hr/>			
Total long-term liabilities	135,694	87,702	(16,115)
<hr/>			
Total liabilities	166,220	105,180	(16,231)
Commitments and contingencies			
Stockholders' equity:			
Preferred stock	--	--	--
Common stock	8	55	(55)
Additional paid-in capital	77,052	3,429	(3,429)
Retained earnings	30,017	11,033	(11,033)
Accumulated other comprehensive loss	(2,646)	(1,139)	1,139
Less treasury stock	(12,654)	--	--
<hr/>			
Total stockholders' equity	91,777	13,378	(13,378)
<hr/>			
Total liabilities and stockholders' equity	\$ 257,997	\$ 118,558	\$ (29,609)
<hr/> <hr/>			

57

CONSOLIDATING STATEMENTS OF INCOME

Year ended December 31, 1999

	Domestic Guarantor	Foreign Non-Guarantor	Eliminations	Consolidated FiberMark
Net sales	\$ 220,276	\$ 105,032	\$ --	\$ 325,308
Cost of sales	181,149	82,236	--	263,385
<hr/>				
Gross profit	39,127	22,796	--	61,923
Selling, general and administrative expenses	16,768	7,320	--	24,088
Facility closure expense	9,818	--	--	9,818
<hr/>				
Income from operations	12,541	15,476	--	28,017
Other expense (income), net	543	(74)	--	469
Equity in subsidiary income	(6,482)	--	6,482	--
Interest expense	9,528	3,380	(970)	12,938
Interest income	(1,664)	(165)	970	(1,859)
<hr/>				
Income before income taxes	10,616	12,335	(6,482)	16,469
Income tax expense	1,633	5,853	--	7,486

Edgar Filing: FIBERMARK INC - Form 10-K

Net income	\$ 8,983	\$ 6,482	\$ (6,482)	\$ 8
------------	----------	----------	------------	------

58

CONSOLIDATING STATEMENTS OF CASH FLOWS

	Year ended De	
	Domestic Guarantor	Foreign Non-Guarantor
Cash flows from operating activities:		
Net income	\$ 8,983	\$ 6,482
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,464	1,826
Amortization of deferred gain	(1,289)	--
Equity in subsidiary income	(6,482)	--
Loss on closure of facility	9,818	--
Loss on sale of property, plant and equipment	--	(2)
Deferred taxes	164	4,479
Changes in operating assets and liabilities:		
Accounts receivable	(3,688)	(5,279)
Inventories	(2,412)	(4,184)
Other	102	634
Accounts payable	408	789
Accrued pension and other liabilities	(4,769)	2,949
Prepaid expense	(204)	--
Intercompany accounts, net	(121)	(229)
Other long-term liabilities	115	182
Accrued income taxes payable	650	1,719
Net cash provided by operating activities	8,739	9,366
Cash flows from investing activities:		
Purchase of life insurance	(806)	--
Additions to property, plant and equipment	(11,177)	(4,559)
Investment in subsidiary	--	(13)
Net proceeds from sale of property, plant and equipment	--	38
Payments for business acquired	--	(22,935)
Increase in other intangible assets	(76)	(178)
Net cash used in investing activities	(12,059)	(27,647)
Cash flows from financing activities:		
CIT sale/leaseback buyout	(30,651)	--
Proceeds from issuance of bank debt	--	20,957
Net proceeds from exercise of stock options	498	--
Stock repurchase	(12,654)	--
Net borrowings under revolving credit line	27,968	--
Repayment of debt	--	(3,810)
Net borrowings under intercompany notes	(6,083)	6,169
Debt issuance costs	(211)	(155)

Edgar Filing: FIBERMARK INC - Form 10-K

Capital reserve	--	(57)
Net cash provided by (used in) financing activities	(21,133)	23,104
Effect of exchange rate changes on cash	--	(1,708)
Net increase (decrease) in cash	(24,453)	3,115
Cash at beginning of year	23,625	10,179
Cash at end of year	\$ (828)	\$ 13,294

59

CONSOLIDATING STATEMENTS OF INCOME

Year ended December 31, 1998

	Domestic Guarantor	Foreign Non-Guarantor	Eliminations	Consol FiberMa
Net sales	\$ 225,881	\$ 81,211	\$ --	\$ 307
Cost of sales	185,806	63,531	--	249
Gross profit	40,075	17,680	--	57
Selling, general and administrative expenses	16,244	6,440	--	22
Facility closure expense	7,274	--	--	7
Income from operations	16,557	11,240	--	27
Other expense, net	152	--	--	(1)
Cogeneration income	(1,451)	--	--	(1)
Equity in subsidiary income	(4,551)	--	4,551	(1)
Interest expense	9,686	2,751	(762)	11
Interest income	(1,843)	(99)	762	(1)
Income before income taxes	14,564	8,588	(4,551)	18
Income tax expense	3,055	4,037	--	7
Net income	\$ 11,509	\$ 4,551	\$ (4,551)	\$ 11

60

Edgar Filing: FIBERMARK INC - Form 10-K

CONSOLIDATING STATEMENTS OF CASH FLOWS

	Year ended D	
	Domestic	Foreign
	Guarantor	Non-Guarantor
Cash flows from operating activities:		
Net income	\$ 11,509	\$ 4,551
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,339	1,614
Amortization of deferred gain	(1,719)	--
Equity in subsidiary income	(4,551)	--
Loss on closure of facility	7,274	--
Loss on sale of property, plant and equipment	125	--
Deferred taxes	30	3,687
Changes in operating assets and liabilities:		
Accounts receivable	1,725	(170)
Inventories	(935)	(1,197)
Other	(282)	3
Accounts payable	(8,412)	870
Accrued pension and other liabilities	(1,923)	1,158
Prepaid expense	(307)	--
Intercompany accounts, net	--	418
Other long-term liabilities	361	(197)
Accrued income taxes payable	(2,560)	577
Net cash provided by operating activities	7,674	11,314
Cash flows from investing activities:		
Purchase of life insurance	(1,207)	--
Additions to property, plant and equipment	(8,450)	(5,493)
Investment in subsidiary	(3,537)	(37)
Net proceeds from sale of property, plant and equipment	22	--
Payments for business acquired	--	(37,337)
Decrease (increase) in other intangible assets	227	(372)
Net cash used in investing activities	(12,945)	(43,239)
Cash flows from financing activities:		
Proceeds from issuance of bank debt	--	29,552
Proceeds from issuance of common stock	2,628	--
Cost of stock offering	(511)	--
Net proceeds from exercise of stock options	466	--
Net borrowings under intercompany notes	(10,962)	10,897
Debt issuance costs	--	--
Capital reserve	--	3,511
Net cash provided by (used in) financing activities	(8,379)	43,960
Effect of exchange rate changes on cash	--	(1,856)
Net increase (decrease) in cash	(13,650)	10,179
Cash at beginning of year	37,275	--
Cash at end of year	\$ 23,625	\$ 10,179

FIBERMARK, INC.
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
 (In Thousands)

DESCRIPTION	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Year Ended December 31, 2000 Allowances for possible losses on accounts receivable	\$1,023	\$ 594	\$ 397	\$1,2
Year Ended December 31, 1999 Allowances for possible losses on accounts receivable	\$ 626	\$ 694	\$ 297	\$1,0
Year Ended December 31, 1998 Allowances for possible losses on accounts receivable	\$ 203	\$ 586	\$ 163	\$ 6

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
 FiberMark, Inc.:

Under date of February 2, 2001, we reported on the consolidated balance sheets of FiberMark, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2000, as contained in the annual report on Form 10-K for the year 2000. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Edgar Filing: FIBERMARK INC - Form 10-K

/s/ KPMG LLP

Burlington, Vermont
February 2, 2001

63

ITEM 14 (A) (3) EXHIBITS

NUMBER -----	DESCRIPTION -----
2.1(10)	Share Purchase Agreement dated as of November 26, 1997, among Steinbeis Holding GmbH ("Steinbeis"), Zetaphoenicis Beteiligungs GmbH and Thetaphoenicis Beteiligungs GmbH
2.2(10)	Acquisition Agreement dated September 15, 1999 by and between SIHL Beteiligungsgesellschaft GmbH and FiberMark GmbH and FiberMark Beteiligungs GmbH
3.1(1)	Restated Certificate of Incorporation of the Company as amended through March 25, 1997
3.2(10)	Certificate of Ownership and Merger of FiberMark, Inc. with and into Specialty Paperboard, Inc. filed with the Secretary of State of Delaware on March 26, 1997
3.3(1)	Restated By-laws
4.1(1)	Reference is made to Exhibits 3.1, 3.2 and 3.3
4.2(1)	Specimen stock certificate
4.3(9)	Indenture dated as of October 15, 1996 (the "Indenture") among the Company, CPG Co., Specialty Paperboard/Endura, Inc. ("Endura") and the Wilmington Trust Company ("Wilmington")
4.4(9)	Specimen Certificate of 9 3/8% Series B Senior Note due 2006 (included in Exhibit 4.3 hereof)
4.5(9)	Form of Guarantee of Senior Notes issued pursuant to the Indenture (included in Exhibit 4.3 hereof)
10.1(5)	Lease Agreement dated April 29, 1994, between CIT Group/Equipment Financing Inc. ("CIT/Financing") and the Company
10.2(5)	Grant of Security Interest in Patents, Trademarks and Leases dated April 29, 1994, between the Company and CIT/Financing
10.3(5)	Bill of Sale dated April 29, 1994, to CIT/Financing
10.4(1) (3)	Form of Indemnity Agreement entered into between the Company and its directors and executive officers
10.5(1) (3)	The Company's 1992 Amended and Restated Stock Option Plan and related form of Option Agreement
10.6(1)	Paper Procurement Agreement, between the Company and Acco-U.S.A
10.7(1)	Energy Service Agreement (Latex mill), dated as of November 19, 1992, between Kamine and the Company
10.8(2)	Amendment No. 1 to the Energy Service Agreement (Latex mill), dated as of May 7, 1993, between Kamine and the Company
10.9(1)	Energy Service Agreement (Lewis mill), dated as of November 19, 1992, between Kamine and the Company
10.10(2)	Amendment No. 1 to the Energy Service Agreement (Lewis mill), dated as of May 7, 1993, between Kamine and the Company
10.11(1)	Restated Ground Lease, dated as of November 19, 1992, between Kamine and the Company

Edgar Filing: FIBERMARK INC - Form 10-K

- 10.12(1) Beaver Falls Cogeneration Buyout Agreement, dated as of November 20, 1992, between Kamine, Kamine Beaver Falls Cogen. Co., Inc. and the Company
- 10.13(2) Consent and Agreement (Energy Services Agreement), dated as of May 7, 1993, by the Company
- 10.14(2) First Amendment of Restated Ground Lease, dated as of May 7, 1993, between Kamine and the Company
- 64
- 10.15(2) Memorandum of Lease, dated as of May 7, 1993, between Kamine and the Company
- 10.16(7)(3) The Company's 1994 Stock Option Plan and related forms of Option Agreements
- 10.17(7)(3) The Company's 1994 Directors Stock Option Plan and related form of Option Agreement
- 10.18(9)(3) Amendment to the Company's 1994 Directors Stock Option Plan
- 10.19(4)(3) The Company's Executive Bonus Plan
- 10.20(9) Deed of Lease between James River Paper Company, Inc. and CPG-Virginia Inc. dated as of October 31, 1993
- 10.21(9) Amended and Restated Agreement of Lease, between Arnold Barsky doing business as A&C Realty and Arcon Mills Inc., dated June 1, 1988
- 10.22(9) Lease Agreement dated November 15, 1995, between IFA Incorporated and Custom Papers Group Inc. ("Custom Papers Group")
- 10.23(9) Master Lease Agreement dated January 1, 1994, between Meridian Leasing Corp. and Custom Papers Group
- 10.24(9) Master Equipment Lease Agreement dated February 3, 1995, between Siemens Credit Corp. and CPG Holdings Inc.
- 10.25(6) Endura Sale Agreement, by and among W.R. Grace & Co. Conn., W.R. Grace (Hong Kong) Limited, Grace Japan Kabushiki Kaisha (collectively, the "Sellers"), the Company, Specialty Paperboard (Hong Kong Limited) and Specialty Paperboard Japan Kabushiki Kaisha (collectively the "Buyers"), dated May 10, 1994
- 10.26(11) Loan Agreement dated as of November 24, 1997, between Steinbeis and Gessner
- 10.27(11) Expansion Land Option and Preemption Right Agreement dated as of November 13, 1997, between Steinbeis and Gessner
- 10.28(12) Third Amended and Restated Financing Agreement & Guaranty
- 10.29(12) Second Amended and Restated Security Agreement dated December 31, 1997, between FiberMark Office Products, LLC and CIT Group/Equipment Financing, Inc.
- 10.30(12) Second Amended and Restated Security Agreement dated December 31, 1997, between FiberMark, Inc. FiberMark Durable Specialties, Inc., and FiberMark Filter and Technical Products
- 10.31(12) Loan Agreement dated as of January 7, 1988, between Zetaphoenicis Beteiligungs GmbH and Bayerische Vereinsbank AG ("Bayerische")
- 10.32(12) Working Credit Facility dated as of January 13, 1998 between Gessner and Bayerische
- 10.33(12) Capex Loan Agreement dated as of January 13, 1998, between Gessner and Bayerische
- 10.34(13) 1998 Amended and Restated Non-Employee Directors Stock Option Plan
- 10.35(13) Loan Agreement dated September 15, 1999 between FiberMark GmbH (the "Borrower") and Bayerische Hypo- und

Edgar Filing: FIBERMARK INC - Form 10-K

10.36 (13)	Vereinsbank Aktiengesellschaft (Lender) Loan Amendment Agreement dated September 15, 1999 between FiberMark GmbH (the "Borrower") and Bayerische Hypo- und Vereinsbank Aktiengesellschaft (Lender)
10.37 (13)	Share Pledge Agreement dated September 15, 1999 between FiberMark Beteiligungs GmbH and FiberMark GmbH (the "Pledgors") and Bayerische Hypo- und Vereinsbank AG (the "Pledgee")
10.38 (13)	Pledge Amendment Agreement dated September 15, 1999 between FiberMark Beteiligungs GmbH and FiberMark GmbH (the "Pledgors") and Bayerische Hypo- und Vereinsbank AG (the "Pledgee")
10.39 (13)	Third Amended and Restated Financing Agreement and Guaranty dated September 30, 1999 among FiberMark, Inc.; FiberMark Durable Specialties, Inc.; FiberMark Filter and Technical Products, Inc. and FiberMark Office Products, LLC (as "Borrowers and Guarantors") and The CIT Group/Business Credit, Inc., The CIT Group/Equipment Financing, Inc. (as "Lenders")
10.40 (13)	Termination and Release Agreement among FiberMark Office Products, LLC; FiberMark, Inc.; FiberMark Durable Specialties, Inc.; FiberMark Filter and Technical Products, Inc., and The CIT Group/Equipment Financing, Inc.
10.41	Asset Purchase Agreement dated August 18, 2000, between Ahlstrom Engine Filtration, LLC (the "Purchaser"), and FiberMark, Inc. (the "Seller")
21	List of FiberMark subsidiaries
23.1	Consent of KPMG LLP

65

66

NOTES TO EXHIBITS

- (1) Incorporated by reference to exhibits filed with the company's Registration Statement on Form S-1 (No. 33-47954), as amended, which became effective March 10, 1993.
- (2) Incorporated by reference to exhibits filed with the company's report on Form 10-Q for the quarter ended June 30, 1993, filed August 13, 1993.
- (3) Indicates management contracts or compensatory arrangements filed pursuant to Item 601(b)(10) of Regulation S-K.
- (4) Incorporated by reference to exhibits filed with the company's report on Form 10-K for the year ended December 31, 1993 (No. 0-20231).
- (5) Incorporated by reference to exhibits filed with the company's report on Form 10-Q for the quarter ended March 31, 1994, filed May 14, 1994.
- (6) Incorporated by reference to exhibits filed with the company's report on Form 8-K, filed July 14, 1994.
- (7) Incorporated by reference to exhibits filed with the company's Registration Statement on Form S-8 filed, July 18, 1994.

Edgar Filing: FIBERMARK INC - Form 10-K

- (8) Incorporated by reference to exhibits filed with the company's report on Form 10-K for the year ended December 31, 1994 (No. 0-20231).
- (9) Incorporated by reference to exhibits filed with the company's report on Form 10-K for the year ended December 31, 1996, filed April 1, 1997.
- (10) Previously filed.
- (11) Incorporated by reference to exhibits filed with the company's Registration Statement on Form S-3, filed December 15, 1997.
- (12) Incorporated by reference to exhibits filed with the company's report on Form 10-K for the year ended December 31, 1997, filed March 31, 1998.
- (13) Incorporated by reference to exhibits filed with the company's report on Form 10-K for the year ended December 31, 1999, filed March 31, 2000.

67

FIBERMARK, INC.
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Brattleboro, County of Windham, State of Vermont, on the 8th day of February, 2001.

FiberMark, Inc.

By /s/ ALEX KWADER

Alex Kwader
President and

Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Alex Kwader and Bruce Moore, or any of them, his or her attorney-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Report, and to file the same, with exhibits thereto and other documents in connections therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof. This Form 10-K may be executed in multiple counterparts, each of which shall be an original, but which shall together constitute but one agreement.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/S/ ALEX KWADER ----- Alex Kwader	President and Chief Executive Officer	February 8, 2001
/S/ K. PETER NORRIE	Chairman of the Board	February 8, 2001

Edgar Filing: FIBERMARK INC - Form 10-K

K. Peter Norrie
/S/ BRIAN C. KERESTER Director February 8, 2001

Brian C. Kerester
/S/ MARION A. KEYES, IV Director February 8, 2001

Marion A. Keyes, IV
/S/ GLENN S. MCKENZIE Director February 8, 2001

Glenn S. McKenzie
/S/ JON H. MILLER Director February 8, 2001

Jon H. Miller
/S/ ELMAR B. SCHULTE Director February 8, 2001

Elmar B. Schulte
/S/ EDWARD P. SWAIN, JR. Director February 8, 2001

Edward P. Swain, Jr.
/S/ BRUCE MOORE Vice President February 8, 2001

Bruce Moore Chief Financial Officer