FIBERMARK INC
Form 10-Q
August 14, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2001 or

|_| Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from _________ to _________

Commission file number 0-20231

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

Delaware	82-0429330
(State or other jurisdiction of incorporation or organization)	(I.R.S. 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

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

Yes |X| No |_|

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Class	Outstanding
Common Stock $.001 par value	June 30, 2001 6,901,658

FIBERMARK, INC.
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PART I. FINANCIAL INFORMATION

FIBERMARK, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Unaudited Three Months Ended June 30, 2001	2000	Unaudit Six Months Ende 2001
Net sales	$ 102,081	$91,388	$ 192,425
Cost of sales	85,227	73,936	161,831
Gross profit	16,854	17,452	30,594

Selling, general and administrative expenses	7,121	6,656	12,514
Facility closure expense	12,869	--	12,869
Sale of technology	172	--	172
Income (loss) from operations	(3,308)	10,796	5,039
Other expense, net	1,465	162	1,861
Interest expense	7,332	3,596	10,557
Income (loss) before income taxes and extraordinary item	(12,105)	7,038	(7,379)
Income tax (benefit) expense	(4,424)	3,192	(2,556)
Income (loss) before extraordinary item	(7,681)	3,846	(4,823)
Extraordinary item:			
Loss on early extinguishment of debt (net of income tax benefit)	(696)	--	(696)
Net income (loss)	$ (8,377)	$ 3,846	$ (5,519)
Basic earnings per share			
Income (loss) before extraordinary item	$ (1.12)	$ 0.56	$ (0.71)
Extraordinary item	(0.10)	--	(0.10)
Net income (loss)	$ (1.22)	$ 0.56	$ (0.81)
Diluted earnings per share	$ (1.22)	$ 0.55	$ (0.81)
Average Basic Shares Outstanding	6,860	6,830	6,847
Average Diluted Shares Outstanding	6,860	6,992	6,847

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FIBERMARK, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

ASSETS	Unaudited June 30, 2001	Audit December 3 200
Current assets:		
Cash	$ 11,056	$ 11,13
Accounts receivable, net of allowances	58,957	44,90
Inventories	81,371	72,36

Other	1,838	77
Deferred income taxes	4,959	4,95
Total current assets	158,181	134,12
Property, plant and equipment, net	211,724	194,50
Goodwill, net	151,057	44,94
Other intangible assets, net	14,918	6,77
Deferred income taxes	7,900	-
Other long-term assets	1,735	1,84
Other pension assets	4,018	4,01
Total assets	$ 549,533	$ 386,21
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion long-term debt	2,500	9,67
Accounts payable	27,576	29,78
Accrued liabilities	39,134	15,24
Accrued income taxes payable	2,159	3,02
Total current liabilities	71,369	57,72
Long-term liabilities:		
Revolving credit line	8,908	39,02
Long-term debt, less current portion	340,582	143,26
Deferred income taxes	16,169	21,43
Other long-term liabilities	20,655	21,80
Total long-term liabilities	386,314	225,54
Total liabilities	457,683	283,26
Commitments and contingencies		
Stockholders' equity		
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 6,905,458 and 6,901,658 shares issued and outstanding in 2001 and 6,830,483 and 6,826,683 shares issued and outstanding in 2000	7	
Additional paid-in capital	64,746	64,39
Retained earnings	37,357	42,87
Accumulated other comprehensive loss	(10,225)	(4,29
Less treasury stock, 3,800 shares at cost in 2001 and 2000	(35)	(3
Total stockholders' equity	91,850	102,94
Total liabilities and stockholders' equity	$ 549,533	$ 386,21

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FIBERMARK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2001 and 2000
(In thousands)
Unaudited

	2001	2000
Cash flows from operating activities:		
Net (loss) income	$ (5,519)	$ 7,894
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,222	5,499
Loss on closure of facility	12,869	--
Loss on sale of technology	172	--
Loss on early extinguishment of debt	696	--
Deferred taxes	(5,243)	--
Changes in operating assets and liabilities:		
Accounts receivable	2,872	(5,066)
Inventories	4,959	(7,595)
Other	(84)	(21)
Accounts payable	(8,481)	(183)
Accrued pension and other liabilities	4,632	(556)
Other long-term liabilities	(1,267)	395
Accrued income taxes payable	(357)	5,437
Net cash provided by operating activities	12,471	5,804
Cash flows used for investing activities:		
Additions to property, plant and equipment	(16,644)	(15,613)
Payments for acquisitions	(147,534)	--
(Increase) decrease in other intangible assets	(176)	256
Net cash used in investing activities	(164,354)	(15,357)
Cash flows from financing activities:		
Proceeds from issuance of bank debt	231,972	--
Repayment of debt	(41,832)	(2,944)
Net (repayments) borrowings under revolving line of credit	(30,119)	9,836
Net proceeds from exercise of stock options	347	--
Debt issuance costs	(8,321)	--
Net cash provided by financing activities	152,047	6,892
Effect of exchange rate changes on cash	(241)	(1,060)

Net decrease in cash	(77)	(3,721)
Cash at beginning of period	11,133	12,466
Cash at end of period	$ 11,056	$ 8,745

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FIBERMARK, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(UNAUDITED)

1. BASIS OF PRESENTATION:

The balance sheet as of June 30, 2001 and the statements of income and cash flows for the quarters, and six months ended June 30, 2001 and 2000 are unaudited and, in the opinion of management, all adjustments necessary for a fair presentation of such financial statements have been recorded. Such adjustments consist only of normal recurring items.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The year-end balance sheet was derived from audited financial statements, but does not include disclosures required by generally accepted accounting principles. It is suggested that these interim financial statements be read in conjunction with the audited financial statements for the year ended December 31, 2000 included in the company's Annual Report on Form 10-K.

2. INVENTORIES:

Inventories at June 30, 2001 and December 31, 2000 consisted of the following (000's):

	(Unaudited) 06/30/01	12/31/00
Raw Material	$22,359	$20,377
Work in Progress	25,232	19,413
Finished Goods	21,899	21,914
Finished Goods on Consignment	6,678	5,437
Stores Inventory	2,688	2,750
Operating Supplies	2,515	2,469
TOTAL INVENTORIES	$81,371	$72,360

3. NET INCOME (LOSS) PER COMMON SHARE:

The reconciliation of the numerators and denominators of the basic and diluted earnings per

common share computations for the company's reported net income (loss) follows:

	THREE MONTHS ENDED (UNAUDITED)		SIX MONTHS EN[...] (UNAUDITED)	
	6/30/01	6/30/00	6/30/01	6
Numerator:				
Income (loss) available to common shareholders used in basic and diluted earnings per share ($000)	$ (8,377)	$ 3,846	$ (5,519)	$
Denominator:				
Denominator for basic earnings per share: Weighted average shares	6,860,415	6,830,483	6,847,461	6
Effect of dilutive securities: Fixed stock options	*	161,639	*	
Denominator for diluted earnings per share: Adjusted weighted average shares	6,860,415	6,992,122	6,847,461	6
Basic earnings per share	$ (1.22)	$ 0.56	$ (0.81)	$
Diluted earnings per share	$ (1.22)	$ 0.55	$ (0.81)	$

* Due to a loss for the period, zero incremental shares are included because the effect would be antidilutive.

4. COMPREHENSIVE INCOME (LOSS) (000'S):

	THREE MONTHS ENDED (UNAUDITED)		SIX MONTHS ENDED (UNAUDITED)	
	6/30/01	6/30/00	6/30/01	6/30/00
Net Income (loss)	$ (8,377)	$ 3,846	$ (5,519)	$ 7,894
Minimum pension liability adjustment net of tax benefit	--	--	--	--
Currency translation adjustment	(2,986)	(106)	(5,926)	(1,890)

Comprehensive income (loss)	$(11,363)	$ 3,740	$(11,445)	$ 6,004

5. SEGMENT INFORMATION:

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

	(In Thousands) Unaudited Operating Segment			
	German Oper. & Filter Media	Technical & Office Products	Durable Specialties	Decorativ Specialtie
3 months ended June 30, 2001				
Net sales				
MARKET SEGMENT				
Filter Media	$21,171	$ 1,266	$ --	$ -
Technical Specialties	12,092	9,524	--	-
Durable Specialties	6,140	--	15,000	-
Office Products	--	10,660	--	-
Decorative Specialties	--	--	--	26,22
Total	$39,403	$21,450	$15,000	$26,22
3 months ended June 30, 2000				
Net sales				
MARKET SEGMENT				
Filter Media	$25,495	$ 1,477	$ --	$ -
Technical Specialties	12,531	13,919	--	-
Durable Specialties	6,716	--	18,875	-
Office Products	--	12,375	--	-
Decorative Specialties	--	--	--	-
Total	$44,742	$27,771	$18,875	$ -

	(In Thousands) Unaudited Operating Segment			
	German Oper. & Filter Media	Technical & Office Products	Durable Specialties	Decorativ Specialtie
6 months ended June 30, 2001				
Net sales				

MARKET SEGMENT				
Filter Media	$46,436	$ 2,597	$ --	$ -
Technical Specialties	25,980	22,925	--	-
Durable Specialties	13,408	--	32,155	-
Office Products	--	22,696	--	-
Decorative Specialties	--	--	--	26,22
Total	$85,824	$48,218	$32,155	$26,22

6 months ended June 30, 2000
Net sales

MARKET SEGMENT				
Filter Media	$52,875	$ 2,928	$ --	$ -
Technical Specialties	24,857	28,786	--	-
Durable Specialties	13,790	--	36,817	-
Office Products	--	26,423	--	-
Decorative Specialties	--	--	--	-
Total	$91,522	$58,137	$36,817	$ -

5. SEGMENT INFORMATION: (CONTINUED)
The following table details selected financial data by operating segment:

(In Thousands)
Unaudited
Operating Segment

3 months ended June 30, 2001	German Oper. & Filter Media	Technical & Office Products	Durable Specialties	Decorative Specialties
Net sales	$ 39,403	$ 21,450	$ 15,000	$26,228
Inter-segment net sales	7	1,818	--	1,237
Total net sales	$ 39,410	$ 23,268	$ 15,000	$27,465
Earnings before interest and taxes	$ 5,855	$ (5,405)	$ 2,966	$ 4,852
Depreciation & Amortization	$ 834	$ 1,356	$ 680	$ 1,371
Total Assets	$137,203	$ 136,965	$ 35,736	$71,719

3 months ended June 30, 2000

Net sales	$ 44,742	$ 27,771	$ 18,875	$ --
Inter-segment net sales	91	1,507	--	--
Total net sales	$ 44,833	$ 29,278	$ 18,875	$ --
Earnings before interest and taxes	$ 6,660	$ 1,285	$ 2,689	$ --
Depreciation and Amortization	$ 893	$ 1,273	$ 577	$ --
Total Assets	$147,132	$ 129,981	$ 33,059	$ --

	(In Thousands) Unaudited Operating Segment			
6 months ended June 30, 2001	German Oper. & Filter Media	Technical & Office Products	Durable Specialties	Decorative Specialties
Net sales	$ 85,824	$ 48,218	$32,155	$26,228
Inter-segment net sales	45	3,758	--	1,237
Total net sales	$ 85,869	$ 51,976	$32,155	$27,465
Earnings before interest and taxes	$ 11,911	$ (6,027)	$ 5,483	$ 4,852
Depreciation & Amortization	$ 1,827	$ 2,712	$ 1,312	$ 1,371
Total Assets	$137,203	$ 136,965	$35,736	$71,719
6 months ended June 30, 2000				
Net sales	$ 91,522	$ 58,137	$36,817	$ --
Inter-segment net sales	135	2,013	--	--
Total net sales	$ 91,657	$ 60,150	$36,817	$ --
Earnings before interest and taxes	$ 13,967	$ 2,334	$ 5,190	$ --
Depreciation and Amortization	$ 1,805	$ 2,541	$ 1,153	$ --
Total Assets	$147,132	$ 129,981	$33,059	$ --

(1) 2001 Other Includes Facility Closure (Technical & Office Products Segmen
Facility Closure Reversal (Technical & Office Produc

Sale of technology (Filter Media Segment)

(2) Corporate assets not allocated to operating segments.

6. ACQUISITION:

Effective April 18, 2001, the company acquired Rexam Decorative Specialties International (DSI) for a purchase price of $140 million. DSI is a leading global manufacturer of specialty decorative covering materials serving the publishing, stationery and premium packaging markets, with a particular focus on latex-saturated paper products. This acquisition was financed with the issuance of $230 million of 10.75% Senior Notes due 2011. The balance of the Senior Notes was used to repay existing indebtedness, including German bank debt, and for financing and acquisition fees. The retirement of German bank debt resulted in an after tax prepayment fee of $0.7 million. 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. This resulted in approximately $108.2 million of cost in excess of net assets acquired or goodwill which is being amortized on a straight line basis over thirty years. The 2001 consolidated results include DSI's results of operations beginning with the period ending June 30, 2001, which includes two and a half months of consolidated operations.

The following summarizes unaudited pro forma results of operations for the quarters and six months ended June 30, 2001 and 2000, assumes the DSI acquisition occurred as of the beginning of the periods presented (in thousands, except for share amounts):

	THREE MONTHS ENDED (UNAUDITED)		SIX MONTHS ENDED (UNAUDITED)	
	6/30/01	6/30/00	6/30/01	6/30/00
Net Sales	$108,647	$129,563	$229,882	$259,175
Net Income (loss)	(7,896)	4,769	(6,718)	8,728
Basic earnings per share	$ (1.15)	$ 0.70	$ (0.98)	$ 1.28
Diluted earnings per share	$ (1.15)	$ 0.68	$ (0.98)	$ 1.25

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.

7. FACILITY CLOSURE:

During the period, the company reached a decision to continue to operate its Hughesville, New Jersey, facility, previously slated for closure as of June 30,

2001. The company reversed a facility closure charge of $7.0 million to recognize severance and benefits for the employees to be terminated ($0.4 million) and ($6.6 million) to reflect property, plant, and equipment that had been written down.

Also during the period, the company reached a decision to cease operations at its Fitchburg, Massachusetts facility and to relocate its production to its Warren Glen and Hughesville, New Jersey facilities. As of June 30, 2001, the company recorded facility closure charges of $19.9 million, to reflect the write-off of property, plant and equipment ($18.2 million) and to recognize severance and benefits for employees to be terminated ($1.7 million). The company expects to

terminate 96 salary and hourly employees. Results of operations of the facility amounted to income of $0.2 million for the six months ended June 30, 2001.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

Net sales for the second quarter of 2001 were $102.1 million compared with $91.4 million for the second quarter of 2000, an 11.7% increase. Sales in our German operations and filter media operating segment decreased by 11.9% to $39.4 million compared with $44.7 million for the second quarter of 2000. The technical and office products operating segment sales decreased by 22.7% to $21.5 million compared with $27.8 million for the same period in 2000. Sales in the durable specialties operating segment decreased by 20.6% to $15.0 million compared with $18.9 million for the second quarter of 2000. The newly acquired decorative specialties operating segment contributed sales of $26.2 million in the second quarter of 2001.

Sales in the German operations and filter media segment were down primarily in the North American filter business due to the sale of technology to Ahlstrom in September 2000 and weakening demand in the automotive sector. German filter media business, however, remained steady. The decrease in the technical and office products segment was primarily due to weak sales across most of our markets due to a weak economy. Our technical specialties product lines, notably art and archival materials, coating base and printing and packaging materials, were particularly weak. The decrease in durable specialties reflects a continual slowing economy with particular softness in our masking tape product line and the initial impact of a key customer bringing some business in house.

Gross margin for the quarter was 16.5% compared with 19.1% last year. The lower gross margin was attributable to lower volume, higher raw material and energy costs and expenses associated with the startup of our new paper machine at Warren Glen, New Jersey.

General and administrative expenses for the quarter were $7.1 million compared with $6.7 million for the same period in 2000. Excluding the DSI acquisition, which added $2.3 million to second quarter expenses, general and administrative expenses were down $1.9 million. The decrease is due primarily to lower salary expenses and $1.0 million in marketing support payments received from suppliers.

Interest expense was $7.3 million for the quarter compared with $3.6 million last year. The increase is due to the DSI acquisition.

The effective income tax rate was 36.5% compared with 45.4% for the second quarter of 2000. The decrease is primarily due to reduced tax rates in Germany.

During the second quarter, the company experienced a net loss of $8.4 million, or $1.22 per diluted share, compared with net income for the comparable 2000 quarter of $3.8 million, or $.55 per diluted share. The write-off of the Fitchburg facility negatively impacted

net income in the quarter by $12.3 million, or $1.79 per diluted share. The reversal of the facility closure charge for the Hughesville facility added $4.3 million, to net income or $0.63 per diluted share. An adjustment to the sale of a portion of the technology for the filter media business produced in Richmond reduced net income by $0.1 million, or $0.01 per diluted share. The loss on the early extinguishment of debt was $0.7 million, or $0.10 per diluted share. Excluding the tax adjusted impact of these nonrecurring items, net income would have been $0.4 million or $0.05 per diluted share.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

Net sales for the first half of 2001 were $192.4 million compared with $186.5 million for the first half of 2000, a 3.2% increase. Sales in FiberMark's German operations and filter media operating segment decreased by 6.2% to $85.8 million compared with $91.5 million in the first half of 2000. The technical and office products operating segment sales decreased by 17.2% to $48.2 million compared with $58.2 million for the same period in 2000. Sales in the durable specialties operating segment decreased by 12.5% to $32.2 million compared with $36.8 million for the first half of 2000. Our new decorative specialties operating segment contributed $26.2 million in the first half of 2001.

Sales in the German operations and filter media segment were down due to weakening demand in automotive and vacuum bag filter markets in the United States and, to a lesser extent, in Europe, as well as the sale of technology to Ahlstrom in September 2000. The decrease in the technical and office products segment is attributable to a general softening in the U.S. economy, consolidation in the office products industry, weaker demand for matboard and archival materials and reduced levels of electronic fabrication due to slumping high tech sales worldwide. The decrease in durable specialties reflects a slowing economy with softness in both masking and binding tape markets and the initial impact of a key customer bringing manufacturing in house.

Gross margin for the first half of 2001 was 15.9% compared with 19.1% last year. The lower gross margin was attributable to lower volume, higher raw material and energy costs and expenses associated with the startup of our new paper machine at Warren Glen, New Jersey.

General and administrative expenses for the first half of 2001 were $12.5 million compared with $13.5 million for the same period in 2000. Excluding $2.3 million added with the DSI acquisition, expenses were down $3.3 million. The decrease is due primarily to lower salary expenses, professional fees and $1.0 million in marketing support payments received from suppliers.

Interest expense was $10.6 million for the first half of 2001 compared with $7.0 million for the same period in 2000. The increase is due to the DSI acquisition.

The effective income tax rate for the first half of 2001 was 34.6% compared with 45.6% for the first half of 2000. The decrease is primarily due to reduced tax rates in Germany.

The net loss for the first half of 2001 was $5.5 million, or $0.81 per diluted share, compared with a net income of $7.9 million, or $1.13 per diluted share, for the first half of last year. The write-off of the Fitchburg facility in the second quarter reduced net income by $12.3 million or, $1.79 per diluted share. The reversal of the facility closure charge added $4.3 million, to income or $0.63 per diluted share. In addition, net income was reduced by an adjustment to the sale of a portion of the technology for the filter media business by $0.1 million, or $0.01 per diluted share and the loss

on early extinguishment of debt of $0.7 or $0.10 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2001, we had outstanding $100.0 million of senior notes, which have a ten-year term beginning October 16, 1996, are non-amortizing and carry a fixed interest rate of 9.375%. On April 18, 2001, $230.0 million of senior notes in conjunction with the DSI acquisition were issued. These notes have a ten-year term beginning April 19, 2001, were issued at a discounted price of $228.3 million and carry a fixed rate of 10.75%. Additionally, we have available to us a $50.0 million revolving credit facility. As of June 30, 2001, $8.9 million was outstanding under this credit facility. A portion of the balance was at an interest rate of LIBOR plus 2% and the remainder was at an interest rate of prime plus .5%. On June 30, 2001, Gessner had a $6.5 million line of credit. At that date, no advances were outstanding under this facility. At June 30, 2001, $12.1 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, $2.7 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.

The company's historical requirements for capital have been primarily for servicing debt, capital expenditures and working capital. For the six months ended June 30, cash flows from operating activities were $12.5 million in 2001 and $5.8 million for 2000. During these periods, additions to property, plant and equipment totaled $16.6 million in 2001 and $15.6 million in 2000. The company is currently in the process of installing a new paper machine at its Warren Glen, New Jersey, facility, which the company believes will provide quality improvements, cost reductions, product performance enhancements and the ability to produce a broader range of products. This project is expected to cost $31.0 million in total. The company believes that cash flow from operations, plus amounts available under credit facilities will be sufficient to fund its capital requirements, debt service and working capital requirements for the foreseeable future.

INFLATION

The company attempts 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 the company's results of operations. The company purchases raw materials that are subject to cyclical changes in costs that may not reflect the rate of general inflation.

SEASONALITY

The company's business is mildly seasonal, with the third quarter of each year typically having the lowest level of net sales and operating income. Lower December revenues tend to reduce fourth quarter revenues relative to the first two quarters. This seasonality is the result of a lower level of purchasing activity, since many of our U.S. customers shut down their manufacturing operations during portions of July and many European manufacturers shut down during portions of August and December.

NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" in June 2001. These statements address how intangible assets that are acquired individually, with a group of other assets or in connection with a business combination should be accounted for in financial statements upon and subsequent to their acquisition. The new statements require that all business combinations initiated after June 30, 2001 be accounted for using the purchase method and establish specific criteria for the recognition of intangible assets separately from goodwill.

We adopted SFAS No. 141 on July 1, 2001, as required by the new statement. The adoption of SFAS No. 141 does not have a material impact on our financial position or results of operations.

We will adopt SFAS No. 142 on January 1, 2002, as required by the new statement. Upon adoption of SFAS No. 142, we will no longer amortize goodwill and other indefinite lived intangible assets. We will be required to test our goodwill and intangible assets that are deemed to have an indefinite life for impairment at least annually. Other than in those periods in which we may report an asset impairment, we expect that the adoption of SFAS No. 142 will result in increased income as a result of reduced amortization expense. We are currently evaluating the impact adoption of SFAS No. 142 will have on our financial position and results of operations.

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 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), 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, failure to identify or carry out suitable strategic acquisitions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company believes it has minimal exposure to financial market risks. All debt is at a fixed rate. Most of the company's sales transactions have been conducted in the currency where the shipment originated, limiting our exposure to changes in currency exchange rates. The company does not use derivative financial instruments.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

The annual meeting of shareholders was held on May 15, 2001, where the following actions were taken.

Shareholders of record of the Company's common stock at the close of business on March 30, 2001, were entitled to vote at the annual meeting. Votes were cast as follows:

a) All of management's nominees for members of the Board of Directors were elected with votes

cast as follows:

NAME	FOR	WITHHELD
Alex Kwader	5,469,831	91,407
K. Peter Norrie	5,542,436	18,802
Brian C. Kerester	5,542,436	18,802
Marion A. Keyes, IV	5,540,936	20,302
Glenn S. McKenzie	5,542,936	18,802
Jon H. Miller	5,540,936	20,302
Elmar B. Schulte	5,542,136	19,102
Edward P. Swain, Jr.	5,540,936	20,302

b) The selection of KPMG as the independent public auditors for the company for its fiscal year ended December 31, 2001 was ratified.

FOR	AGAINST	ABSTAIN
5,526,216	32,303	2,716

ITEM 5. OTHER INFORMATION

Not applicable.

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

Reports on Form 8-K:

Not applicable.

SIGNATURES

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

FiberMark, Inc.

Date: August 14, 2001

/s/ Bruce Moore

Bruce Moore, Vice President and
Chief Financial Officer

(Principal Financial and Accounting

Officer and Duly Authorized Officer)