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WAUSAU MOSINEE PAPER CORP
Form 10-K
March 15, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

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 1-13923

WAUSAU-MOSINEE PAPER CORPORATION
(Exact name of registrant as specified in charter)

1244 KRONENWETTER DRIVE
MOSINEE, WISCONSIN 54455
(Address of principal executive office)

WISCONSIN
(State of incorporation)
39-0690900
(I.R.S. Employer Identification
Number)

Registrant's telephone number, including area code: 715-693-4470

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, NO PAR VALUE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check 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 report), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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.

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

Yes No

As of June 30, 2003, the aggregate market value of the common stock shares held by non-affiliates was approximately \$524,397,760. For purposes of this calculation, the registrant has assumed its directors and executive officers are affiliates. As of February 19, 2004, 51,651,251 shares of common

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stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
PROXY STATEMENT FOR USE IN CONNECTION WITH 2004 ANNUAL MEETING OF SHAREHOLDERS
(TO THE EXTENT NOTED HEREIN): PART III

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PART I

ITEM 1. BUSINESS

GENERAL

Wausau-Mosinee Paper Corporation (the "Company") manufactures, converts, and sells paper and paper products within three principal operating groups: the Printing & Writing Group, the Specialty Paper Group and the Towel & Tissue Group. Its principal office is located in Mosinee, Wisconsin. At December 31, 2003, the Company had approximately 3,100 employees at ten operating facilities located in six states.

This report contains certain of management's expectations and other forward-looking information regarding the Company. See the subcaption "Cautionary Statement Regarding Forward-Looking Statements" in this Item 1.

FINANCIAL INFORMATION ABOUT SEGMENTS

Information relating to the Company's sales, a measure of operating profit or loss, and total assets by segment is set forth in Note 13 of Notes to Consolidated Financial Statements.

NARRATIVE DESCRIPTION OF BUSINESS

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The Company competes in different markets within the paper industry. Each of its operating groups serves distinct market niches. The various markets for the products of the Company are highly competitive, with competition based on service, quality, and price.

The Company's ten operating facilities are organized into the three operating groups as described below.

PRINTING & WRITING GROUP

The Printing & Writing Group produces and converts two lines of paper products in five facilities. At facilities in Appleton and Brokaw, Wisconsin, and Groveton, New Hampshire, the Group manufactures and converts a broad line of premium uncoated printing, writing, and imaging papers in various weights, colors, sizes, and finishes. Approximately 50% of the fine printing and writing papers produced are colored papers. Distribution warehouses are currently maintained in Appleton and Brokaw, Wisconsin; Groveton, New Hampshire; Dallas, Texas; and Los Angeles, California.

Under the Wausau Papers (reg-trade-mark) label, products are marketed under a variety of brands, including Astrobrights (reg-trade-mark), Astropaque (reg-trade-mark), Royal and Professional Series (reg-trade-mark) products. These papers are used for printed and photocopied documents such as annual reports, brochures, announcements, and greeting cards. Over 80% of Wausau Papers' products are sold in sheet form to paper distributors, who sell to commercial printers, in-plant print shops, quick printers, and copy centers and to office supply stores to reach small- and home-office customers. Products are also sold in roll form to converters that serve the greeting card, envelope, and announcement industry.

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The Group's fine printing and writing sales are estimated to be less than 3% of the total uncoated free-sheet market.

Competition in printing and writing grades comes from specialty divisions of major integrated paper companies as well as smaller, privately held non-integrated companies. The Company estimates that the number of principal competitors in the printing and writing grade papers portion of uncoated free-sheet market is approximately 14. Competitors include International Paper Corporation, Domtar, Inc., and Weyerhaeuser Company.

The Mosinee Converted Products facilities, operating in Columbus, Wisconsin, and Jackson, Mississippi, produce moisture-barrier laminated roll wrap used to protect rolls of paper during storage and shipment, and related specialty finishing and packaging products such as custom coating, laminating and

converting. These products are sold to manufacturers and converters who serve multiple industries including paper, industrial packaging, and corrugated containers. Effective March 3, 2003, the Company acquired the production assets and customer base of Laminated Papers, Inc. Mosinee Converted Products' moisture barrier laminated roll wrap sales were estimated to be approximately 50% of the North American roll wrap market following the acquisition.

Primary competition in roll wrap comes from approximately 6 other wax and poly laminators and includes Cascades/Sonoco, Inc., Ludlow Coated Products, and Deluxe Paper Products, Inc.

SPECIALTY PAPER GROUP

The Specialty Paper Group's three facilities produce a wide variety of technical specialty papers. The technical specialty papers markets are diverse and highly fragmented. The Group's market position varies by product, but it

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is a leading producer of liner papers used for "peel-and-stick" pressure sensitive labels and the largest domestic producer of unsaturated masking tape base paper.

The Rhinelander mill located in Rhinelander, Wisconsin, and the Otis mill located in Jay, Maine, together are one of the nation's largest manufacturers of supercalendered backing papers that are used as a base from which "peel-and-stick" pressure sensitive labels are dispensed. These highly engineered backing papers are designed for high-speed labeling machines, which apply labels on consumer products such as shampoo and deodorant. These facilities also manufacture specialty papers for a broad range of food, medical, and industrial applications, including grease-resistant protective barrier paper for pet food and microwave popcorn, and lightweight paper for sterilized medical packaging. These products are sold directly to manufacturers and converters, mainly in the U.S., that serve a host of industries including consumer products, food service, pet food, and medical packaging.

Primary competition for supercalendered backing papers comes from approximately 7 paper producing companies including International Paper Corporation, Fraser Paper, Inc., and UPM Kymmene Corp.

The Mosinee mill in Mosinee, Wisconsin, and the Otis mill together are North America's largest producers of unsaturated masking tape base paper used in the production of masking tape. The Mosinee mill also manufactures a wide range of highly engineered paper products. These

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products include interleaver paper used in steel processing and to protect polished steel after production, coating and laminating base papers used in composite can labeling, and liner applications and high-performance industrial papers chemically treated for wet strength, flame retardancy, anti-static, corrosion, or grease resistance for various industries such as automotive, metal, housing, and food processing. These products are sold directly to manufacturers and converters, mainly in the U.S.

Competition in several grades of paper made from the Mosinee mill's natural kraft pulp comes from approximately 9 other fully-integrated, large paper companies including International Paper Corporation, Longview Fibre Corporation, and Port Townsend Paper Corporation. Competition in grades of paper made from market pulp comes from approximately 6 specialty paper

producers including MeadWestvaco Corporation and International Paper Corporation.

TOWEL & TISSUE GROUP

The Towel & Tissue Group produces a broad line of paper towel and tissue products which are marketed along with soap and dispensing system products for the industrial and commercial "away-from-home" market.

Under the Bay West (reg-trade-mark) name, towel and tissue products made primarily from recycled material are marketed under a number of brands including DublSoft (reg-trade-mark), EcoSoft (trademark) and Dubl-Tough (reg-trade-mark). These products include washroom roll and folded towels, tissue products, a variety of towel, tissue, and soap dispensers, windshield folded towels, industrial wipers, dairy towels, household roll towels, and other premium towel and tissue products. Products are sold to paper and sanitary supply distributors in North America that serve factories and other commercial and industrial locations, health service facilities, office buildings, restaurants, theme parks, airports, and hotels. The Group's towel and tissue mill is located in Middletown, Ohio and its converting facility and main distribution warehouse are located in Harrodsburg, Kentucky. In addition, the Company currently maintains a distribution warehouse in Los Angeles,

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California.

Competition comes from major integrated paper companies and smaller converters which service consumer and food service markets as well as the industrial and institutional markets concentrated on by Bay West. Major competitors include Georgia-Pacific Corporation, Kimberly Clark Corporation, and SCA Hygiene Products.

EXPORT SALES

In addition to the three operating groups, Wausau-Mosinee International, Inc., a wholly-owned subsidiary of the Company, is the commissioned sales agent for the export sales of the Company. Wausau-Mosinee International, Inc. has elected to be treated as a foreign sales corporation for federal income tax purposes. Through 2001, the Company obtained certain U.S. income tax benefits from the operation of the foreign sales corporation. In response to a World Trade Organization ("WTO") Appellate Body decision that the tax treatment accorded such corporations constituted a prohibited export subsidy, the United States enacted legislation to repeal the foreign sales corporation tax provisions, subject to transition rules which expired on December 31, 2001, and enacted replacement legislation in the form of the Extraterritorial Income Exclusion ("ETI") Act of 2000. The European Union objected to this new legislation, and in January 2002, the Appellate Body of the WTO held that the United States had failed to

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withdraw the prohibited export subsidy. The continued status of the ETI regime after 2003 appears doubtful. The United States is considering enacting legislation in 2004 that would repeal the ETI provisions. Some of these proposed provisions contemplate other changes to the tax law that are intended to mitigate the impact of the repeal of ETI. The Company cannot predict what impact, if any, the outcome of the proposed legislation, when enacted, will have on the Company's future earnings, although foreign sales represent less than 8% of the Company's net sales.

RAW MATERIALS

Pulp is the basic raw material for paper production and represents approximately one-half of the cost of making paper. The Mosinee and Brokaw mills are the only Company facilities with pulping operations. These pulp mills provide a percentage of the fiber needs to our Wisconsin paper operations as follows: Mosinee, 57%; Brokaw 50%; and Rhinelander, 14%.

Wood fiber required for operation of the Company's pulp mills is purchased on the open market in the form of pulpwood and chips from independent contractors. In addition, approximately 8% of the timber consumed in pulping operations is produced from Company-owned timberlands. Open-market pulpwood is purchased from approximately 200 independent loggers at market prices under contracts that typically provide for the delivery of a specified amount of wood and are entered into on a quarterly basis. Open-market chips are also purchased from independent sawmills. The balance of the Company's pulp needs at Mosinee and Brokaw and all of the pulp used at the Company's other facilities (an aggregate of nearly 400,000 air-dried metric tons annually) is purchased on the open market, principally from pulp mills throughout the United States and Canada. The Company has purchased, and may, from time to time in the future, purchase pulp futures contracts as a hedge against significant future increases in the market price of pulp.

Recycled, de-inked fiber with a high content of post-consumer waste is purchased from domestic suppliers as part of the fiber requirements for the Printing & Writing Group's recycled products. Recycled fiber is in adequate supply and readily obtainable.

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Towel & Tissue fulfills substantially all of its de-inked fiber needs from 100% recycled waste which is readily available from domestic suppliers. Approximately 160,000 standard tons of wastepaper is consumed annually. In addition, approximately 30% of the Towel & Tissue Group's parent roll supply needs are purchased from outside sources at current market prices.

Various chemicals are used in the pulping and papermaking processes. These industrial chemicals are available from a number of suppliers and are purchased at current market prices.

ENERGY

The Company's paper mills require large amounts of electrical and steam energy which are adequately supplied by public utilities or generated at Company operated facilities. The Company generates approximately 35% of its electrical power needs from spent pulping liquor, fuel oil, coal, wood chips, fibercake, natural gas, and hydropower. Natural gas delivery contracts typically cover deliveries for one to two years and prices vary monthly based on published indices. The Company may also purchase, from time to time, natural gas contracts with fixed

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prices for a certain portion of the Company's requirements. Coal and coal transportation is generally purchased under multi-year agreements at fixed prices. Fuel oil is not a significant energy source and is purchased under spot contracts at spot prices as needed. Spent pulping liquor, wood chips, and fibercake are byproducts of mill operations. The Company continues to explore alternative power sources as an ongoing business process and has entered into an operating lease for a co-generation electrical power facility

for its Groveton mill. The leased facility was completed and operational in November, 2001.

Under the terms of a natural gas transportation agreement with the Portland Natural Gas Transmission System, the Company is committed to the transportation of a fixed volume of natural gas through September, 2019. The contract is only for the transportation of natural gas from the Company's natural gas suppliers to the Company's mill in New Hampshire. The Company is not required to buy or sell minimum gas volumes under the agreement. The Company is required to pay a minimum transportation fee of approximately \$1.4 million annually per the agreement; however, the Company's natural gas requirements exceed the level required to be transported.

PATENTS AND TRADEMARKS

The Company develops and files trademarks and patents, as appropriate. Trademarks include Wausau Papers{reg-trade-mark}, Astrobrights{reg-trade-mark}, Astropaque{reg-trade-mark}, Exact{reg-trade-mark}, FLEXCAL{reg-trade-mark}, Bay West{reg-trade-mark}, Ecosoft{trademark}, DublSoft{reg-trade-mark}, and Wave `N Dry{reg-trade-mark}, among others. The Company's patents cover various paper towel dispensers and metering or other mechanisms for towel dispensers and cabinets and certain silicone release papers. The Company considers its trademarks and patents, in the aggregate, to be material to its business, although the Company believes the loss of any one such mark or patent right would not have a material adverse effect on its business. The Company does not own or hold material licenses, franchises or concessions.

SEASONAL NATURE OF BUSINESS

The markets for some of the grades of paper produced by the Company tend to be somewhat seasonal. However, the marketing seasons for these grades are not necessarily the same. Overall, the Company generally experiences lower sales in the first quarter, in comparison to the rest of the year, primarily due to

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reduced business activity for many customers following the year-end holiday season.

WORKING CAPITAL

As is customary in the paper industry, the Company carries adequate amounts of raw materials and finished goods inventory to facilitate the manufacture and rapid delivery of paper products to its customers.

MAJOR CUSTOMERS

A substantial portion of the Company's accounts receivable is with customers in various paper converting, paper merchant, or distribution businesses. No single customer accounted for 10% or more of the consolidated net sales during 2003.

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BACKLOG

Company-wide order backlogs decreased to 31,632 tons representing \$33.4 million in sales as of December 31, 2003. This compares to 33,458 tons, or \$35.3 million in sales as of December 31, 2002, and 27,500 tons, or \$30.5 million in sales at December 31, 2002. The decline in order backlog at December 31, 2003 compared to December 31, 2002 does not necessarily indicate weakening business

conditions, as a large portion of orders is shipped directly from inventory upon receipt and does not affect backlog numbers. The entire backlog at December 31, 2003 is expected to be shipped during fiscal 2004.

RESEARCH AND DEVELOPMENT

Research and development projects for the last three fiscal years primarily involved development of new release liners for Specialty Paper's line of "peel-and-stick" liner papers, food-packaging/ food-service papers and the development of new color and writing grades at Printing & Writing. Expenditures for product development in the last three fiscal years were:

(dollars in thousands)

Year	Total	Specialty Paper Group	Printing & Writing Group
2003	\$2,155	\$1,841	\$314
2002	2,145	1,816	329
2001	4,058	3,538	520

ENVIRONMENT

The Company is subject to extensive regulation by various federal, state, provincial, and local agencies concerning compliance with environmental control statutes and regulations. These regulations impose limitations, including effluent and emission limitations, on the discharge of materials into the environment, as well as require the Company to obtain and operate in compliance with conditions of permits and other governmental authorizations. Future regulations could materially increase the Company's capital requirements and certain operating expenses in future years.

The Company has a strong commitment to protecting the environment. Like its competitors in the paper industry, the Company faces increasing capital investments and operating costs to comply with expanding and more stringent environmental regulations. The Company estimates that its capital expenditures for environmental purposes will approximate \$1.4 million in 2004. The Company believes that capital expenditures associated with compliance with

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environmental regulations will not have a material adverse effect on its competitive position, consolidated financial condition, liquidity, or earnings.

The Company is not involved in any proceedings under the Comprehensive Environmental Response, Compensation and Liability Act. In 1986, the Wisconsin Department of Natural Resources ("DNR") notified a subsidiary of the Company that under Wisconsin environmental laws it may be a potentially responsible party ("PRP") for the Gorski landfill in Mosinee, Wisconsin, and nominated the landfill to the Environmental Protection Agency's ("EPA") National Priorities List. The DNR had identified elevated concentrations of chlorinated volatile

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organic compounds in three private water supply wells located in close proximity to the landfill. The DNR has identified 10 PRPs. No action was taken by either the DNR or the EPA until June 2000, when the DNR requested certain parties who had disposed of waste at the site to form an ad hoc group to cooperatively investigate the environmental contamination at the site. In October 2001, the Company entered into an agreement with three other parties to fund a study of the landfill to determine possible remediation strategies. The

Company worked with the DNR on the development of the study and work plan which was initiated in early 2003. A report based upon the study is expected to be submitted to the DNR in March 2004. The Company estimates that the costs of remediation of the entire site for all parties will be approximately \$3 million, based upon the remediation method the Company's consultants believe to be the most likely to be used. This estimate is preliminary. Actual costs of remediation of the site could be materially different since the investigative study report has not been completed and no timetable or decision on the actual remediation work has yet been developed. The Company's share of the cost of such remediation cannot be determined with certainty at this time, but based on the estimated costs at year-end and the number and nature of other potentially responsible parties, the Company is of the opinion that such costs will not have a material adverse effect on the operations, financial condition, or liquidity of the Company. The Company is also pursuing insurance coverage of its remediation costs following a 2003 Wisconsin Supreme Court decision in an unrelated case that remediation claims may amount to damages for purposes of general liability insurance. No determination of insurance coverage has yet been made, and the Wisconsin court's decision may yet be subject to appeal to the U.S. Supreme Court.

Item 8, Note 10 of the Notes to Consolidated Financial Statement discusses the Company's policies with respect to the accrual of remediation costs. Estimates of costs for future remediation are necessarily imprecise due to, among other things, the identification of presently unknown remediation sites and the allocation of costs among potentially responsible parties. The Company believes that its share of the costs of cleanup for its current remediation site will not have a material adverse impact on its consolidated financial position. As is the case with most manufacturing and many other entities, there can be no assurance that the Company will not be named as a PRP at additional sites in the future or that the costs associated with such additional sites would not be material.

EMPLOYEES

The Company had approximately 3,100 employees at the end of 2003. Most hourly mill employees are covered under collective bargaining agreements. One new five-year labor agreement with the Paper, Allied-Industrial, Chemical & Energy Workers International Union at Towel & Tissue's Middletown, Ohio facility was negotiated in 2003. Labor agreements will expire in other facilities in 2004, 2005, 2006 and 2007. The Company expects that new multi-year contracts will be negotiated at competitive rates. The Company maintains good labor relations in all facilities.

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EXECUTIVE OFFICERS OF THE COMPANY

The following information relates to executive officers of the Company as of March 15, 2004. Unless otherwise specified, current positions listed for an executive officer have been held for a minimum of five years.

SAN W. ORR, JR., 62

Chairman of the Board of the Company and Advisor, Estate of A. P. Woodson and family; Chief Executive Officer of the Company (2000; 1994-1995; 1989-1990); formerly Chairman of the Board (1987-1997) and a director (1972-1997) of Mosinee Paper Corporation; also a director of Marshall & Ilsley Corporation.

RICHARD L. RADT, 72

Vice Chairman of the Board of the Company. Previously, Chairman (1987-1988), and President and Chief Executive Officer and a director (1977-1987) of the Company. Also Vice Chairman (1993-1997), and President and Chief Executive Officer (1988-1993) of Mosinee Paper Corporation.

THOMAS J. HOWATT, 54

President and Chief Executive Officer of the Company since August, 2000. Previously, Senior Vice President, Printing & Writing Group (1997-2000), Vice President and General Manager, Printing & Writing Division (1994-1997), Vice President and General Manager, Wausau Papers of New Hampshire (1993-1994), Vice President Operations, Brokaw Division (1990-1993), and prior thereto, Vice President, Administration, Brokaw Division.

STUART R. CARLSON, 57

Executive Vice President, Administration since August, 2000. Previously, Senior Vice President, Specialty Paper Group (1997-2000), and Senior Vice President -Administration (1993-1996), and Vice President Human Resources (1991-1993) of Mosinee Paper Corporation. Also Director of Human Resources, Georgia Pacific, Inc. (1990-1991) and Corporate Director of Industrial Relations, Great Northern Nekoosa Corporation (1989-1990).

SCOTT P. DOESCHER, 44

Senior Vice President, Finance, Secretary and Treasurer since May, 2001. Previously, Vice President, Finance, Printing & Writing Group (1998-2001), Director of Finance, Printing & Writing Division (1992-1998) and Corporate Director Financial Analysis and Internal Audit and Assistant Secretary/Treasurer (1988-1992).

JOHN J. SCHIEVELBEIN, 61

Senior Vice President, Printing & Writing Group since October, 2000. Previously, Vice President and General Manager of Mosinee Converted Products (1990-2000) and Manager of Market Development, Mosinee Pulp and Paper Division (1986-1990).

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ALBERT K. DAVIS, 56

Senior Vice President, Specialty Paper Group since October, 2000. Previously, Vice President of Operations & Site Manager (1998 - 2000), Vice President of Operations (1996-1998), Vice President of Engineering (1990 - 1996), Rhinelander Paper Company, Inc.

PETE R. CHIERICOZZI, 60

Senior Vice President, Towel & Tissue Group since September, 2003. Previously, Consultant, Self-employed (2002), Vice President, Sales and Marketing, SCA Tissue (2001), Executive Vice President, Sales and Marketing, Georgia-Pacific Tissue (2000), Executive Vice-President, Wisconsin Tissue (Division of Chesapeake Corporation (1999)).

DENNIS M. URBANEK, 59

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Senior Vice President, Engineering and Environmental Services since December, 1997. Previously, Vice President, Engineering and Environmental Services (1996-1997) of Mosinee Paper Corporation, Vice President and General Manager of Mosinee's Pulp & Paper Division (1992-1996), and Vice President and General Manager, Sorg Paper Company (1990-1992).

AVAILABLE INFORMATION

Information regarding the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, will be made available, free of charge, in the "Corporate Governance" section of the Company's website at <http://www.wausaumosinee.com/corpgov.htm>, as soon as reasonably practicable after the Company electronically files such reports with or furnishes them to the Securities and Exchange Commission.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). In addition, certain statements in future filings by the Company with the Securities and Exchange Commission, reports to shareholders, press releases, and other oral and written statements made by or with the approval of the Company which are not statements of historical fact will constitute forward-looking statements within the meaning of the Reform Act.

Forward-looking statements of the Company may be identified by, among other things, expressions of the Company's or Company officers' beliefs or expectations that certain events may occur or are anticipated, and projections or statements of expectations with respect to (i) various aspects of the Company's business (including, but not limited to, net income, the availability or price of raw materials, and customer demand for Company products), (ii) the Company's plans or intentions, (iii) the Company's stock performance, (iv) the industry within which the Company operates, (v) the economy, and (vi) any other expressions of similar import or covering other matters relating to the Company, its business, and its operations. In making forward-looking statements within the meaning of the Reform Act, the Company undertakes no obligation to publicly update or revise any such statement.

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Forward-looking statements are not guarantees of performance. Forward-looking statements of the Company are based on information available to the Company as of the date of such statements and reflect the Company's expectations as of such date, but are subject to risks and uncertainties that may cause actual results to vary materially. Many of the factors that will determine these results are beyond the Company's ability to control or predict. Shareholders and others are cautioned not to put undue reliance on any forward-looking statements.

In addition to specific factors which may be described in connection with any of the Company's forward-looking statements, factors which could cause actual results to differ materially include, but are not limited to, the following:

- o Increased competition from either domestic or foreign paper producers or providers of alternatives to the Company's products, and general over capacity in the paper industry, resulting in sales declines from reduced shipment volume and/or lower net selling prices in order to maintain shipment volume. The Company competes in three segments of the paper industry. The Company has several competitors in most of its market segments, many of which are larger and have greater capital and marketing resources than the Company. Changes within the paper industry, including the consolidations of producers of products which compete with the

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Company and consolidation within the distribution channels for

Company products, have and may continue to occur and may adversely affect the Company's financial performance.

- o The failure to develop new products to attain the Company's overall goal of generating at least 25% of revenue from products introduced within the previous three years could adversely affect the overall demand for Company products. In addition, changes in customer demand for the Company's products due to overall economic activity affecting the rate of consumption of the Company's products, growth rates of the end markets for the Company's products, and technological or consumer preference changes, may significantly reduce revenues and income.
 - o Changes in the price of raw materials, in particular, pulp, wastepaper and linerboard. A substantial portion of the Company's raw materials, including approximately two-thirds of the Company's pulp needs, are purchased on the open market and price changes could have a significant impact on the Company's costs. Fiber represents a substantial portion of the cost of making paper and significant price increases for fiber could materially affect the Company's financial condition. Raw material prices will change based on supply and demand on a worldwide spectrum. Pulp price changes can occur due to worldwide consumption levels of pulp, pulp capacity additions, expansions or curtailments of the supply of pulp, inventory building or depletion at pulp consumer levels which affect short-term demand, and pulp producer cost changes related to wood availability, environmental issues, or other variables.
 - o Changes in energy prices or difficulty in obtaining adequate supplies of needed fuels or sources of power.
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- o Unforeseen or recurring operational problems at any of the Company's facilities causing significant lost production and/or cost increases.
 - o Significant changes to the Company's strategic plans such as a major acquisition or expansion, the disposition of assets or product lines, the failure to successfully execute major capital projects or other strategic plans, or the inability to successfully integrate an acquisition.
 - o Changes in laws or regulations which affect the Company. The paper industry is subject to stringent environmental laws and regulations and any changes required to comply with such laws or regulations may increase the Company's capital expenditures and operating costs, and decrease the amount of funds available for investment in other areas of operation. In addition, the costs of remediation of known environmental sites, as described in Note 10 of the Notes to Consolidated Financial Statements, may exceed current estimates and there may be additional sites not now known to the Company that may require significant remediation expenses in the future.
 - o Unforeseen liabilities arising from litigation, particularly liabilities which may arise from claims under environmental laws which may impose liability for the release of hazardous materials whether or not the Company had knowledge of or was responsible for such release.

NOTICE REGARDING DISPENSING OF CONSENT OF ARTHUR ANDERSEN LLP WITH RESPECT TO

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COMPANY'S REGISTRATION STATEMENTS

Arthur Andersen LLP issued an opinion on the Company's audited financial statements for the year ended December 31, 2001, and performed other services as the Company's principal accountant between its appointment on October 19, 2001, and its dismissal on June 18, 2002. Representatives of Arthur Andersen LLP are not available to consent to the incorporation by reference of their report contained in this Annual Report into the Company's registration statements on Form S-8, and the Company has dispensed with the requirement to file their consent in reliance upon Rule 437a promulgated under the Securities Act of 1933. Because Arthur Andersen LLP has not consented to the incorporation by reference of their report into these registration statements, purchasers of stock under these registration statements will not be able to recover against Arthur Andersen LLP under Section 11 of the Securities Act of 1933 for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen LLP that are incorporated by reference into these registration statements or any omissions of material fact required to be stated therein.

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ITEM 2. PROPERTIES

The Company's headquarters are located in Mosinee, Wisconsin. Executive officers and corporate staff who perform corporate accounting, financial and human resource services are located in the corporate headquarters, as are certain operating group personnel. The Company's operating facilities consist of the following:

Facility	Product	Number of Paper Machines	Practical Capacity*(tons)	2003 Actual (tons)
Printing & Writing Group				
Brokaw, WI (Wausau Papers)	Paper	4	177,000	168,000
	Pulp		99,000	88,000
Groveton, NH (Wausau Papers)	Paper	2	115,000	113,000
Appleton, WI (Wausau Papers)	Converting	N/A	35,000	24,000
Columbus, WI and Jackson, MS (Mosinee Converted Products)	Laminated/ Coated Papers	N/A	150,000	80,000
Specialty Paper Group				
Rhineland, WI	Paper	4	148,000	145,000
Otis, ME	Paper	2	73,000	70,000
Mosinee, WI	Paper	4	119,000	114,000
	Pulp		96,000	75,000
Towel & Tissue Group				
Middletown, OH	Towel & Tissue	2	110,000	108,000

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	Deink Pulp		110,000	104,000
Harrodsburg, KY	Converted Towel & Tissue	N/A	190,000	150,000