



Appleton Reports Fourth Quarter and Year End 2006 Results

(Appleton, Wis., February 21, 2007) Appleton's net sales for the fourth quarter ended December 30, 2006, increased 3.0 percent to \$277.2 million compared to net sales of \$269.0 million for the same quarter of 2005. Appleton's net sales for fiscal 2006 were \$1.087 billion compared to \$1.047 billion for fiscal 2005, a 3.8 percent increase.

Appleton reported a net loss of \$0.5 million for fourth quarter 2006 compared to a net loss of \$0.7 million for the same quarter of 2005.

The Company reported net income of \$11.3 million for fiscal 2006 compared to a net loss of \$3.0 million in fiscal 2005. The increase in net income was driven by higher sales and a \$7.0 million decrease in restructuring costs compared to last year.

Technical Papers

Technical papers net sales for the fourth quarter of 2006 increased 4.1 percent to \$208.6 million compared to net sales of \$200.4 million for the same period of fiscal 2005. During fiscal 2006, technical papers net sales increased 3.2 percent to \$861.8 million, compared to \$834.8 million of net sales in fiscal 2005.

Coated solutions net sales for fourth quarter 2006 increased 0.9 percent compared to the fourth quarter 2005. Net sales for carbonless paper, which accounts for the majority of the Company's coated solutions segment, increased 1.5 percent compared to the same quarter in fiscal 2005. For fiscal 2006, coated solutions net sales were 3.1 percent lower than net sales in fiscal 2005.

Thermal papers net sales increased 9.1 percent during fourth quarter 2006 compared to fourth quarter 2005. Much of this sales increase was gained in the Canadian and overseas markets where sales volumes increased 43.6 percent compared to fourth quarter of 2005. For fiscal 2006, increased sales volumes of 19.6 percent resulted in increased thermal net sales of 18.6 percent compared to fiscal 2005.

Security papers net sales rose 23.8 percent during fourth quarter 2006, compared to the same quarter of fiscal 2005, due to continued solid sales growth in many of its product offerings. For fiscal 2006, security papers experienced increased net sales of 18.1 percent compared to fiscal 2005.

Operating income for technical papers in fiscal 2006 increased by 12.6 percent, to \$65.9 million, compared to fiscal 2005 operating income of \$58.5 million. Coated solutions fiscal 2006 operating income of \$50.9 million decreased \$3.9 million or 7.1 percent compared to fiscal 2005. During fiscal 2006, thermal papers operating income nearly tripled to \$13.4 million. Security papers fiscal 2006 operating income rose to \$1.6 million compared to a fiscal 2005 loss of \$0.8 million.

Secure and Specialized Print Services

Net sales for fourth quarter 2006 increased 1.5 percent over fourth quarter 2005. In comparison to fiscal 2005, fiscal 2006 net sales were \$1.5 million or 1.3 percent higher. This increase is primarily attributable to an increase in sales of secure mail services, phone cards, bar-coded labels and security papers, which offset a reduction in calendar and diary sales. Comparing fiscal 2006 to fiscal 2005, operating income was \$0.2 million lower.

Performance Packaging

Fourth quarter net sales for Appleton's performance packaging companies were 1.8 percent lower in the fourth quarter of 2006 compared to fourth quarter 2005. Performance packaging net sales for fiscal 2006 were \$12.3 million or 12.4 percent higher than fiscal 2005 net sales. Fiscal 2006 operating income grew by 65.0 percent, to \$9.8 million, as compared to fiscal 2005 due to continued sales growth and improved expense control.

Balance Sheet

On December 30, 2006, the Company had a cash balance of \$20.0 million. This compares to a cash balance of \$19.8 million on October 1, 2006 and \$18.4 million on December 31, 2005. During fourth quarter 2006, Appleton made debt repayments totaling \$5.5 million on the senior credit facility and repurchased \$4.3 million of its senior notes. Appleton also made semi-annual interest payments totaling \$14.6 million on its senior notes and senior subordinated notes. Total debt on the balance sheet as of December 30, 2006 was \$531.5 million in comparison to \$574.0 million on the balance sheet as of December 31, 2005.

Capital expenditures for fourth quarter 2006 were \$18.8 million as compared to \$6.8 million during fourth quarter 2005. Capital expenditures for fiscal 2006 were \$36.5 million as compared to \$32.5 million for fiscal 2005.

During fiscal 2006, as a result of diversification requests, retirements and employee terminations, the Company repurchased a portion of its stock at an aggregate amount of \$27.1 million, of which, \$9.6 million occurred during the fourth quarter. Also during fiscal 2006, the Company received \$8.2 million from the issuance of its stock as purchased by the employees using pre-tax deferrals, rollovers and loan payments.

Earnings release conference call

Appleton will host a conference call to discuss its fourth quarter and full year 2006 results Thursday, February 22 at 11:00 a.m. ET. The call will be broadcast through its Web site, www.appletonideas.com/investors. A replay will be available through March 23.



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About Appleton

Appleton uses ideas that make a difference to create product solutions through its development and use of coating formulations and applications, encapsulation technology and secure and specialized print services. The Company produces carbonless, thermal, security and performance packaging products. Appleton is headquartered in Appleton, Wisconsin, and has manufacturing operations in Wisconsin, Ohio, Pennsylvania, Massachusetts and the United Kingdom, employs approximately 3,200 people and is 100 percent employee owned. For more information visit www.appletonideas.com.

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Notice regarding forward-looking statements

This news release contains forward-looking statements. The words "will," "believes," "anticipates," "intends," "estimates," "expects," "projects," "plans," or similar expressions are intended to identify forward-looking statements. All statements in this news release other than statements of historical fact, including statements which address our strategy, future operations, future financial position, estimated revenues, projected costs, prospects, plans and objectives of management and events or developments that Appleton expects or anticipates will occur, are forward-looking statements. All forward-looking statements speak only as of the date on which they are made. They rely on a number of assumptions concerning future events and are subject to a number of risks and uncertainties, many of which are outside of Appleton's control, that could cause actual results to differ materially from such statements. These risks and uncertainties include, but are not limited to, the factors listed under the heading "Risk Factors" in Appleton's 2005 Annual Report on Form 10-K. Appleton disclaims any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Appleton Papers Inc. is a wholly-owned subsidiary of Paperweight Development Corp. Paperweight Development Corp. has guaranteed Appleton's senior credit facility and senior and senior subordinated notes.

Table 1

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

	For the Three Months Ended December 30, 2006	For the Three Months Ended December 31, 2005
Net sales	\$ 277,242	\$ 268,998
Cost of sales	211,860	203,884
Gross profit	65,382	65,114
Selling, general and administrative expenses	51,989	49,448
Restructuring and other charges	1,517	2,607
Operating income	11,876	13,059
Interest expense	12,159	12,519
Interest income	(270)	(305)
Other expense	14	377
(Loss) income before income taxes	(27)	468
Provision for income taxes	450	1,140
Net loss	\$ (477)	\$ (672)

Other Financial Data:

Depreciation and amortization	\$ 18,813	\$ 19,668
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Table 2

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

	For the Year Ended December 30, 2006	For the Year Ended December 31, 2005
Net sales	\$ 1,087,381	\$ 1,046,504
Cost of sales	<u>818,783</u>	<u>785,061</u>
Gross profit	268,598	261,443
Selling, general and administrative expenses	205,657	204,469
Restructuring and other charges	<u>3,605</u>	<u>10,637</u>
Operating income	59,336	46,337
Interest expense	49,365	49,780
Interest income	(903)	(976)
Other (income) expense	<u>(267)</u>	<u>904</u>
Income (loss) before income taxes	11,141	(3,371)
Benefit for income taxes	<u>(204)</u>	<u>(357)</u>
Net income (loss)	<u>\$ 11,345</u>	<u>\$ (3,014)</u>

Other Financial Data:

Depreciation and amortization	\$ 75,755	\$ 79,844
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Table 3

Appleton Papers Inc.
Consolidated Balance Sheets
(dollars in thousands)

	December 30, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,975	\$ 18,422
Accounts receivable, less allowance for doubtful accounts of \$2,799 and \$1,984, respectively	139,776	123,968
Inventories	138,754	142,592
Other current assets	26,416	21,016
Total current assets	324,921	305,998
Property, plant and equipment, net	432,710	460,357
Goodwill	80,669	77,882
Intangible assets, net	97,283	106,238
Environmental indemnification receivable	58,031	57,312
Other assets	22,509	17,147
Total assets	<u>\$ 1,016,123</u>	<u>\$ 1,024,934</u>
LIABILITIES, REDEEMABLE COMMON STOCK, ACCUMULATED DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS		
Current liabilities		
Current portion of long-term debt	\$ 6,384	\$ 7,941
Accounts payable	76,281	61,150
Restructuring reserve	2,305	6,597
Other accrued liabilities	97,886	84,501
Total current liabilities	182,856	160,189
Senior secured notes payable	189,149	223,368
Revolving lines of credit	186	2,000
Variable rate industrial development bonds	8,650	8,650
Postretirement benefits other than pension	57,180	58,928
Accrued pension	44,458	55,211
Environmental liability	83,031	82,312
Other long-term liabilities	8,442	7,820
Senior notes and senior subordinated notes payable	324,600	329,000
Commitments and contingencies	-	-
Redeemable common stock, \$0.01 par value, shares authorized: 30,000,000, shares issued and outstanding: 11,550,231 and 11,938,060, respectively	190,466	185,292
Accumulated deficit	(67,885)	(61,982)
Accumulated other comprehensive loss	(5,010)	(25,854)
Total liabilities, redeemable common stock, accumulated deficit and accumulated other comprehensive loss	<u>\$ 1,016,123</u>	<u>\$ 1,024,934</u>