

APPLETON PAPERS INC.

**Earnings Review
First Quarter 2010**

May 11, 2010

APPLETON

Forward-Looking Statements

This presentation contains forward-looking statements. The words “will,” “may,” “should,” “believes,” “anticipates,” “intends,” “estimates,” “expects,” “projects,” “plans,” “seek” 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 Appleton’s 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 the Company’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 “Item 1A - Risk Factors” in the Annual Report on Form 10-K for the year ended January 2, 2010 as well as in the Quarterly Report on Form 10-Q for the current quarter ended April 4, 2010. Many of these factors are beyond Appleton’s ability to control or predict. Given these uncertainties, you should not place undue reliance on the forward-looking statements. Appleton disclaims any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This presentation refers to certain non-U.S. GAAP financial measures. EBITDA in this presentation is defined as operating income (loss) plus depreciation and amortization, and is derived from the segment information footnote in the Quarterly Report on Form 10-Q for the current quarter ended April 4, 2010. A reconciliation of those numbers to U.S. GAAP financial measures is attached in the appendix of this presentation. Reference should also be made to the Annual Report on Form 10-K for the year ended January 2, 2010, the consolidated financial statements and related notes included therein.

Other Information

The Company’s four reportable segments are as follows: carbonless papers, thermal papers, Encapsys® and performance packaging. Prior to first quarter 2010, the reportable segments were coated solutions, thermal papers, security papers and performance packaging. The financial results of the Encapsys business had previously been included within the coated solutions segment. As the result of a business and management realignment of the Company’s core paper businesses, previously reported security papers has been combined with carbonless papers to become the carbonless papers reportable segment. All prior period financial information has been restated to conform to this new segment presentation.

On December 18, 2009, Appleton completed the sale of C&H Packaging, Inc. (“C&H”). Prior to the sale, C&H was included within the performance packaging business segment. Unless noted otherwise, C&H is included in the performance packaging business segment for 2009.

1st Quarter 2010 Financial Highlights

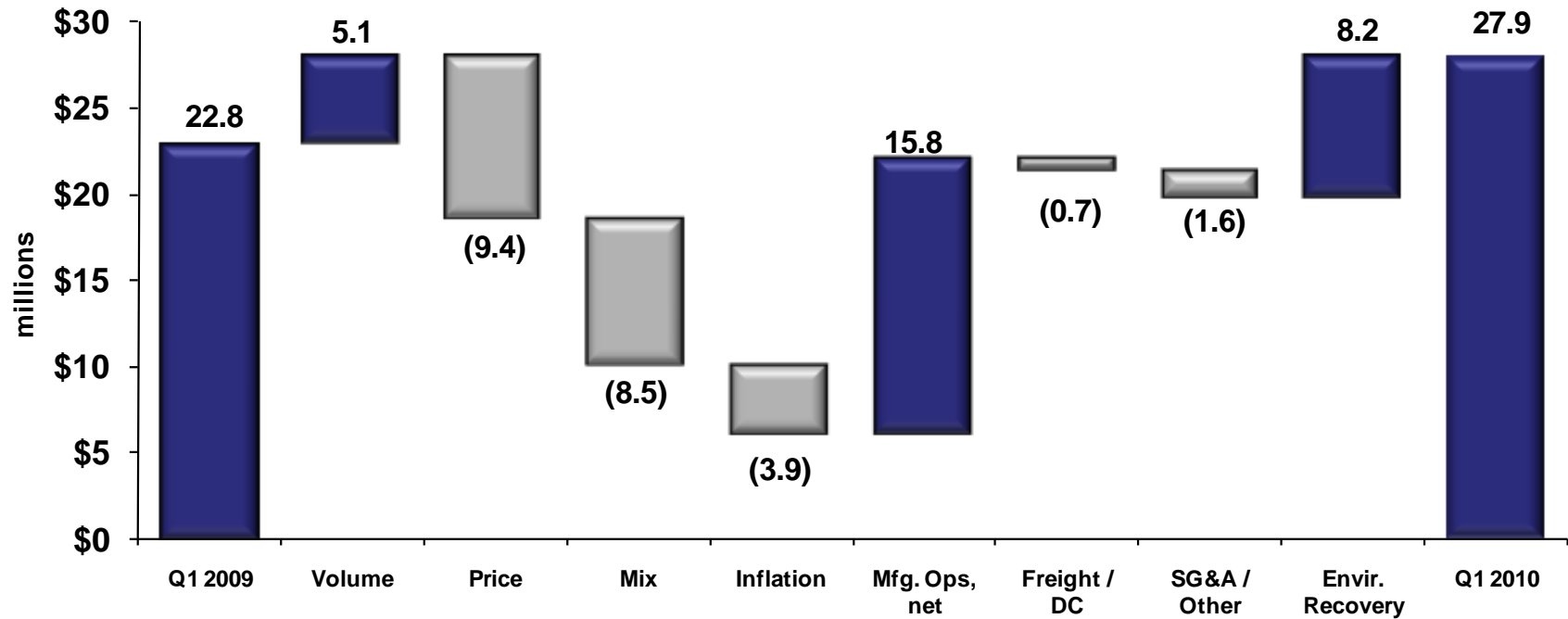
First Quarter 2010 Financial Highlights:

- Net sales for the first quarter of 2010 totaled \$232.2 million, an increase of 9.3% compared to \$212.6 million for the first quarter 2009, which was largely due to an overall increase in shipment volumes
- Net sales of carbonless papers were up 3.4%; shipments up nearly 13%
- Net sales of thermal papers were up 23.4%; shipments up approximately 36%
- Net sales for Encapsys were up 24.5%; shipments were nearly 43% higher than first quarter 2009
- Net sales for performance packaging totaled \$22.2 million, a \$3.6 million increase in quarter-on-quarter net sales, when adjusted for the December 2009 sale of C&H Packaging, Inc.; shipments were approximately 14% ahead of last year
- Gross profits of \$43.8 million were up 4.8%, EBITDA of \$27.9 million was up 22.3%
- During the first quarter 2010, increased gross profit of \$2.1 million and the \$8.2 million of insurance recovery were offset by higher selling, general and administrative expenses of \$2.9 million, higher net interest expense of \$5.6 million and \$5.5 million of debt extinguishment expenses recorded as a result of the February 2010 voluntary refinancing
- In February, Appleton completed a voluntary refinancing of its debt, the refinancing included the sale of \$305.0 million of 10.5% senior secured first lien notes due June 2015 and a new five-year, asset backed \$100 million revolving credit facility
- Appleton reported a net loss of \$7.4 million for the first quarter 2010 compared to net income of \$1.2 million in first quarter 2009

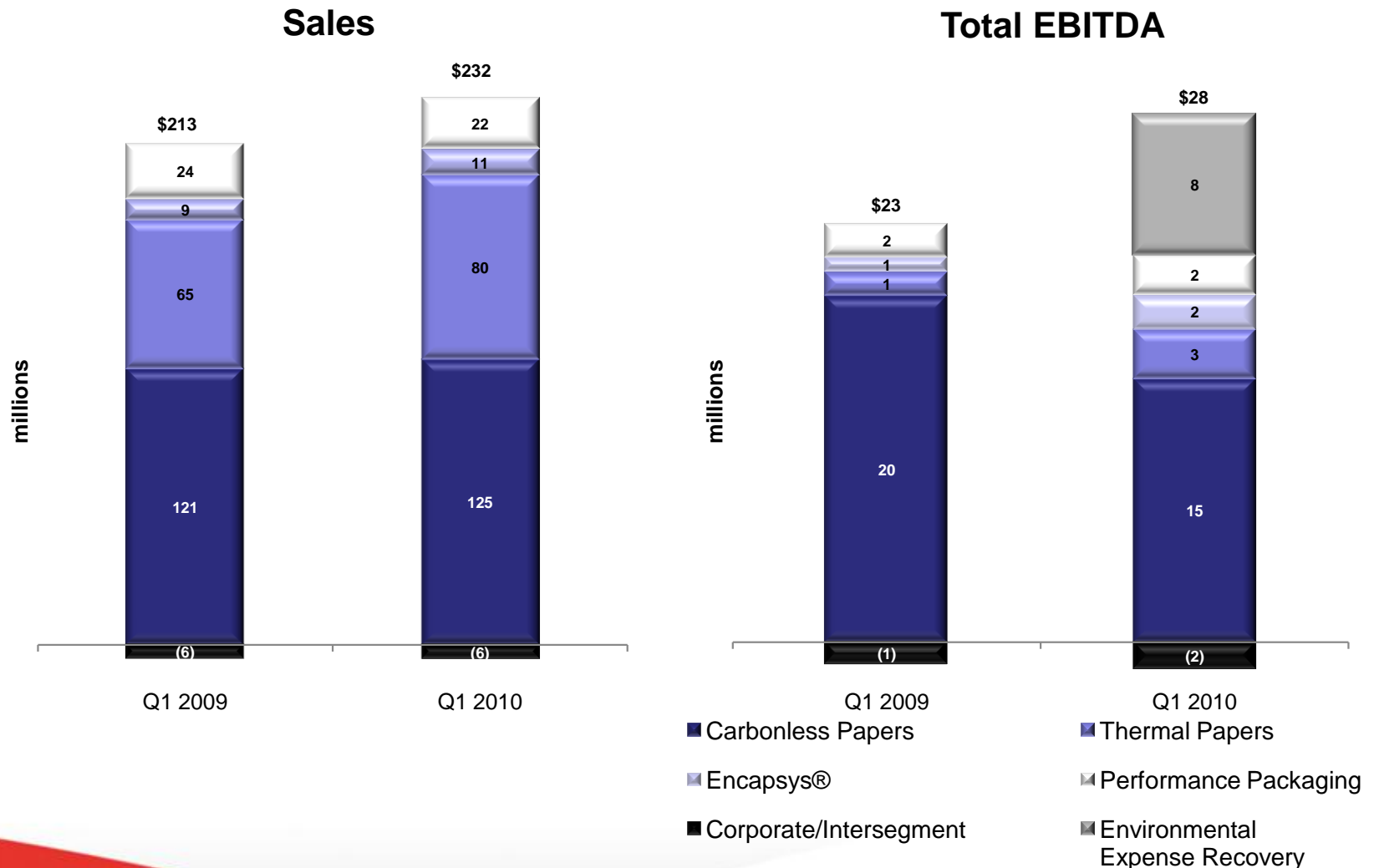
1st Quarter 2010 Earnings Summary

(\$ in thousands)	For the Three Months Ended		% Change
	April 4, 2010	April 5, 2009	
Net sales	\$ 232,168	\$ 212,550	9.2%
Gross profit	43,750	41,741	4.8%
Environmental expense insurance recovery	(8,181)	-	nm
Operating income	14,740	7,423	98.6%
Net (loss) income	(7,362)	1,163	-733.0%
Other financial data:			
Depreciation and amortization	13,168	15,389	-14.4%
EBITDA	27,908	22,812	22.3%
Comparison as a % of net sales			
Gross margin	18.8%	19.6%	-0.8%
Operating income	6.3%	3.5%	2.9%
Net (loss) income	-3.2%	0.5%	-3.7%
EBITDA	12.0%	10.7%	1.3%

EBITDA Waterfall Q1 2009 vs. Q1 2010



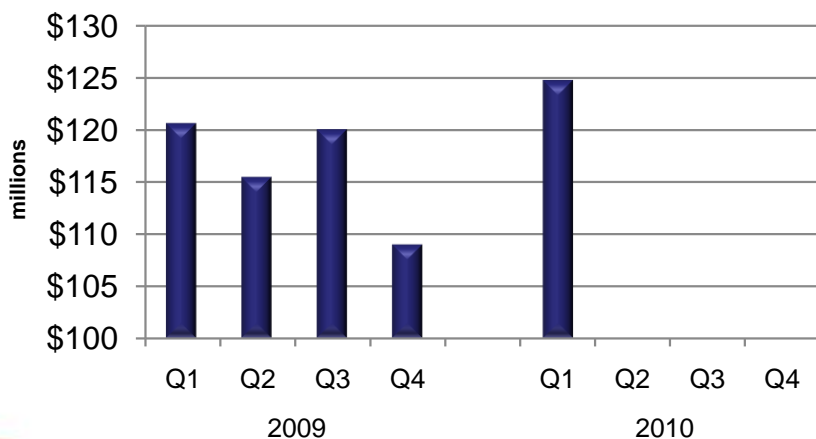
Financial Summary By Segment



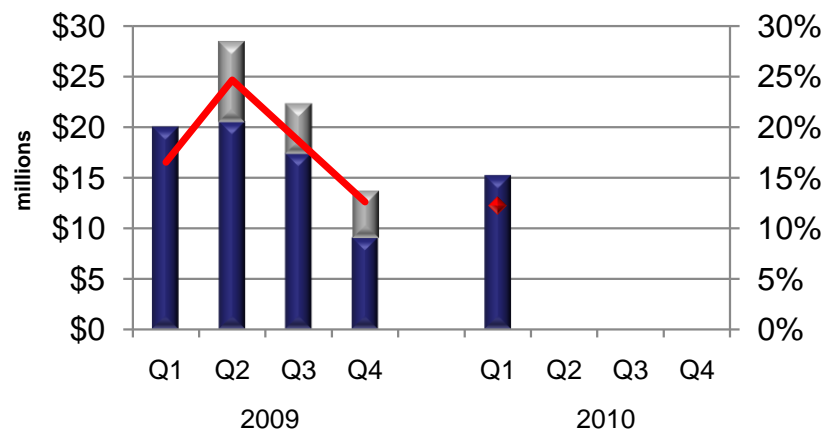
1st Quarter 2010 Earnings Highlights – Carbonless

- Carbonless net sales totaled \$124.6 million for the first quarter 2010, an increase of \$4.1 million, or 3.4%, from prior year levels
- EBITDA of \$15.1 million was \$4.8 million, or 24%, lower than Q1 2009
- First quarter 2010 carbonless shipment volumes were approximately 13% higher than first quarter 2009, which has been driven by the launch of the Company's new Superior carbonless sheet product as well as increased international demand
- Despite higher shipment volumes, mix was unfavorably impacted by the increased international demand because profit margins are lower on international sales
- Higher raw material costs have also driven down EBITDA results and distribution costs were higher due to increased fuel costs and international shipments
- 2009 EBITDA includes alternative fuels tax credit, \$8.0 million in Q2, \$5.0 million in Q3, \$4.7 million in Q4

Sales



EBITDA



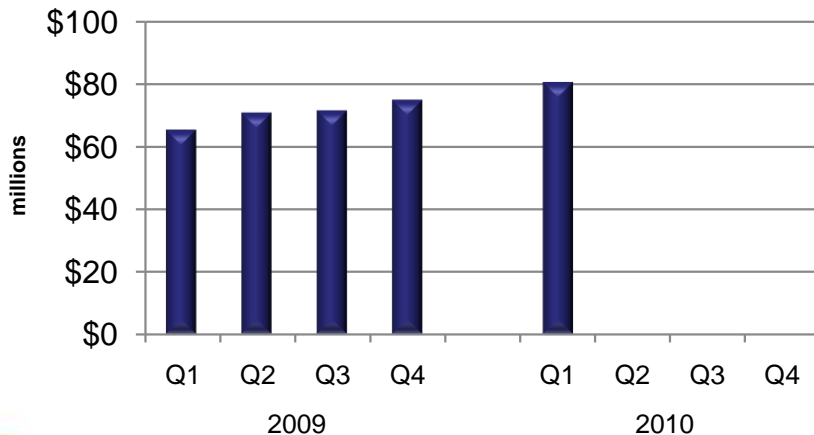
— EBITDA Margin (%) ■ Alternative Fuels Tax Credit

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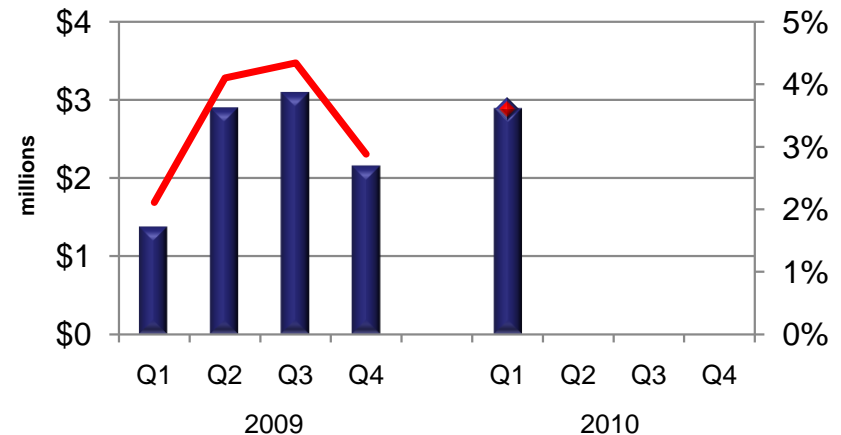
1st Quarter 2010 Earnings Highlights – Thermal

- Thermal papers net sales during the first quarter 2010 were \$80.2 million, an increase of \$15.2 million, or 23.4%, from the same prior year period
- The driver behind the increase in net sales was from higher shipment volumes of approximately 36%, of which, the largest volume increase was recorded within the light weight non-top coat product offerings
- EBITDA was \$2.9 million, which was \$1.5 million, or 110.3%, higher than EBITDA recorded during the first quarter 2009
- Increased net sales and the elimination of the new thermal coater start-up costs, incurred during first quarter 2009, contributed favorably to first quarter 2010 operating results in comparison to 2009
- Competitive pricing continues to narrow the light weight non-top coat product gross margins

Sales



EBITDA

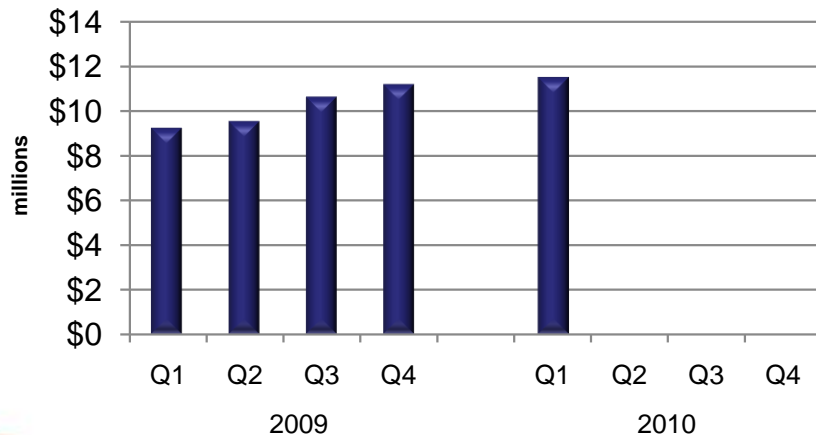


— EBITDA Margin (%)

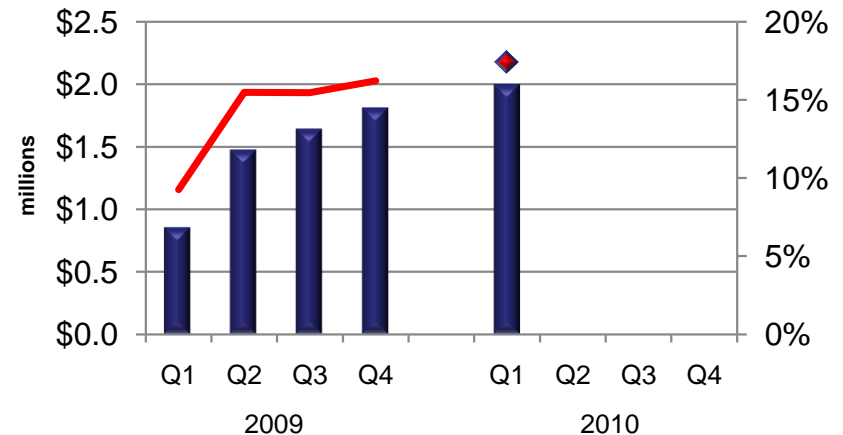
1st Quarter 2010 Earnings Highlights – Encapsys®

- Encapsys® first quarter 2010 net sales of \$11.5 million were \$2.2 million, or 24.5%, higher than first quarter 2009
- First quarter 2010 volumes were nearly 43% higher than the prior year quarter
- The increase in sales contributed to an increase in EBITDA of \$1.1 million, or 133.8%, over first quarter 2009
- Segment reporting of net sales and EBITDA from prior years were reported in coated solutions, and market development expenses were reported in unallocated corporate charges

Sales



EBITDA

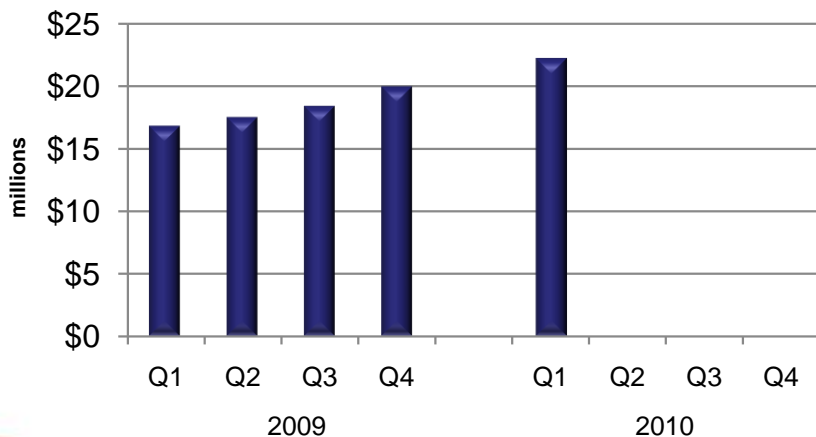


— EBITDA Margin (%)

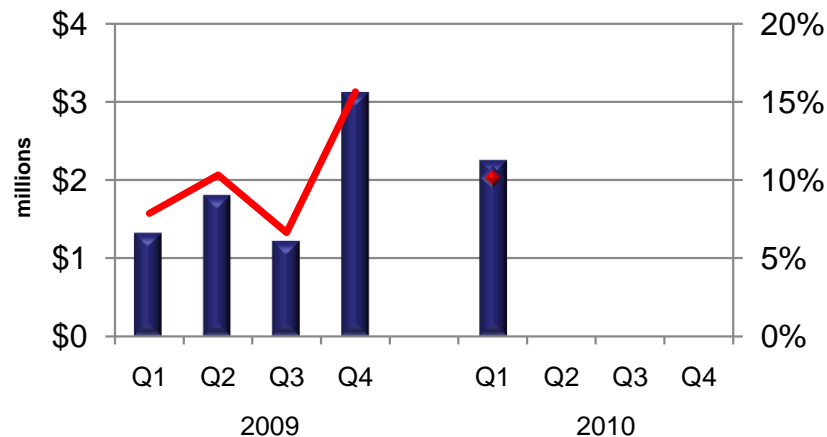
1st Quarter 2010 Earnings Highlights – Packaging

- Performance packaging net sales totaled \$22.2 million in first quarter 2010, a decrease of \$1.8 million, or 7.5%, from first quarter 2009
- Compared to first quarter 2009, packaging incurred a decline in net sales due to the December 2009 sale of C&H, however the remaining packaging business actually reported a \$3.6 million increase in quarter-on-quarter net sales
- Current year shipment volumes during the first three months of 2010 increased nearly 14% and resin prices increased nearly 30% since the beginning of 2010
- EBITDA for the remaining business increased \$0.9 million, or 70.4%, from prior year
- 2009 Sales and EBITDA results below have been restated to remove C&H

Sales



EBITDA



— EBITDA Margin (%)

Condensed Balance Sheets

(\$ in thousands)	<u>April 4, 2010</u>	<u>January 2, 2010</u>
Cash and cash equivalents	\$ 3,238	\$ 9,963
Accounts receivable	111,977	90,584
Inventories	129,635	120,942
Other current assets	54,529	54,835
Total current assets	<u>299,379</u>	<u>276,324</u>
Property, plant and equipment, net	395,602	405,598
Other long-term assets	111,422	116,058
Total assets	<u>\$ 806,403</u>	<u>\$ 797,980</u>
Accounts payable	\$ 51,933	\$ 60,020
Other current liabilities	104,391	103,633
Total current liabilities	<u>156,324</u>	<u>163,653</u>
Long-term debt	583,325	544,113
Other long-term liabilities	173,079	189,608
Total equity	<u>(106,325)</u>	<u>(99,394)</u>
Total liabilities & equity	<u>\$ 806,403</u>	<u>\$ 797,980</u>

1st Quarter 2010 Balance Sheet Highlights

Balance Sheet

- At the end of first quarter 2010, the Company had cash totaling \$3.2 million, compared to cash of \$10.0 million at year-end 2009
- During the first quarter 2010, the Company used \$25.2 million of cash in operations largely as the result of a \$27.7 million increase in working capital
- Higher net sales caused an increase in accounts receivable and preparation for planned mill outages contributed to higher inventory levels
- Appleton invested \$2.4 million on capital projects and used \$6.8 million of cash for other financing activities, including mandatory repayments of debt.

Debt Refinancing

- On February 8, 2010, Appleton completed a voluntary refinancing of its debt, which included the sale of \$305.0 million of 10.5% senior secured first lien notes due June 2015 and a new five-year, asset-backed \$100 million revolving credit facility
- Proceeds from the sale of the senior secured notes, less expenses and discounts, were \$292.2 million, which a majority of the proceeds were used to repay, and thus terminate, the senior secured credit facilities
- Prior to the February 2010 refinancing, Appleton had borrowed an additional net \$8.9 million on the old revolving line of credit, and subsequent to the February refinancing, a net \$17.9 million was borrowed using the new revolving line of credit, which covered refinancing expenses of \$10.6 million

1st Quarter 2010 Outlook

The Company expects raw material cost inflation will continue to place pressure on earnings, especially in the second quarter. We also plan to conduct scheduled maintenance work, in the second quarter, which will interrupt production at some of our facilities.

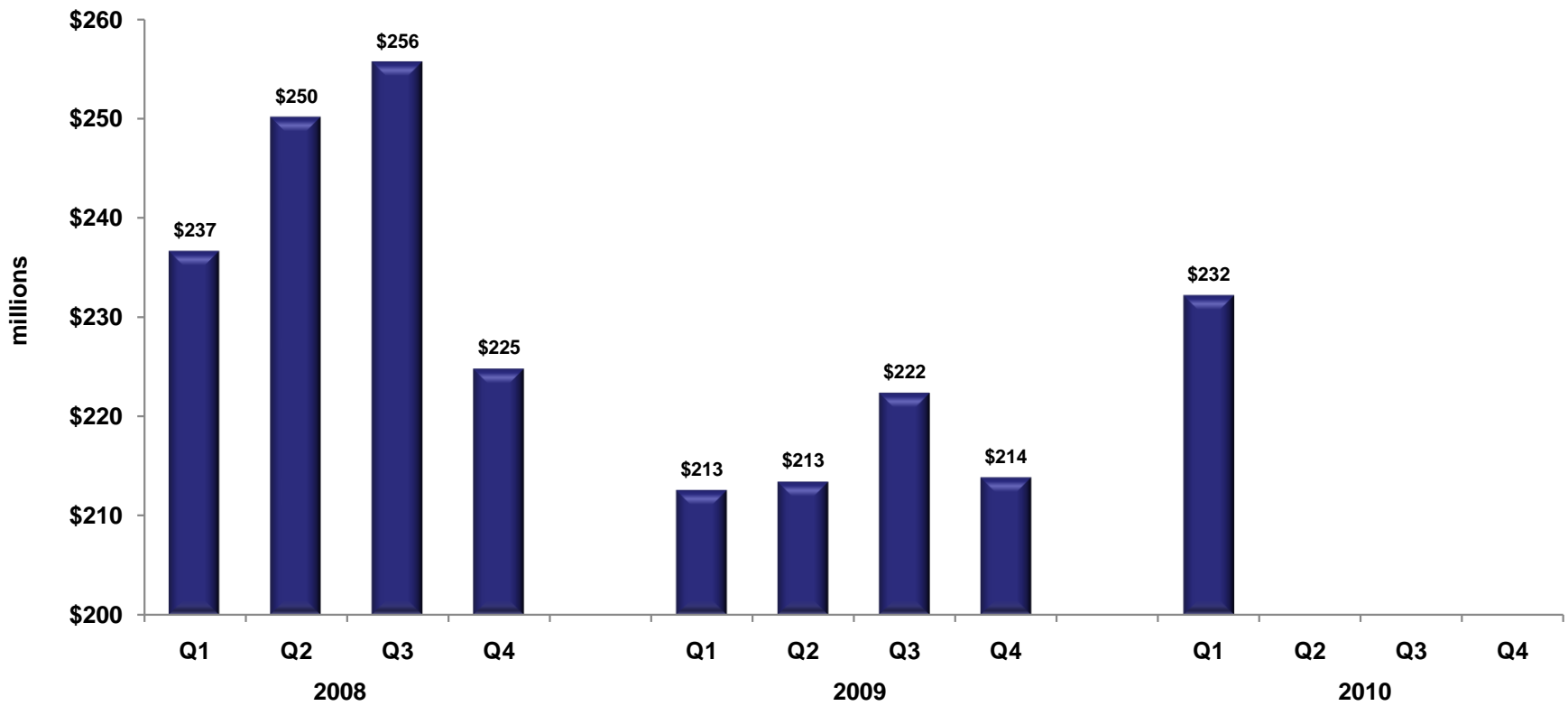
We will continue to seek ways to reduce operating costs and drive continued growth of sales and market share. We have successfully implemented price increases across all our paper products; however, we do not expect to see a significant benefit from these increases until the second half of the year due to pricing agreements already in place with many of our customers.

Demand for our products is returning and we are encouraged by the signs of broader economic recovery. Those improvements may not be as consistent or timely as we would like, but there are indications that the worst of the recession is behind us. The strength, breadth and brand value of Appleton's paper product lines have the Company well-positioned to serve our core markets as market demand continues to improve. We are especially optimistic about continued sales growth of our thermal paper products that leverage the capabilities of the Company's new coater.

Inflation will pose some near-term challenges for us, but our strategies, discipline and market leadership positions will serve us well as the year progresses.

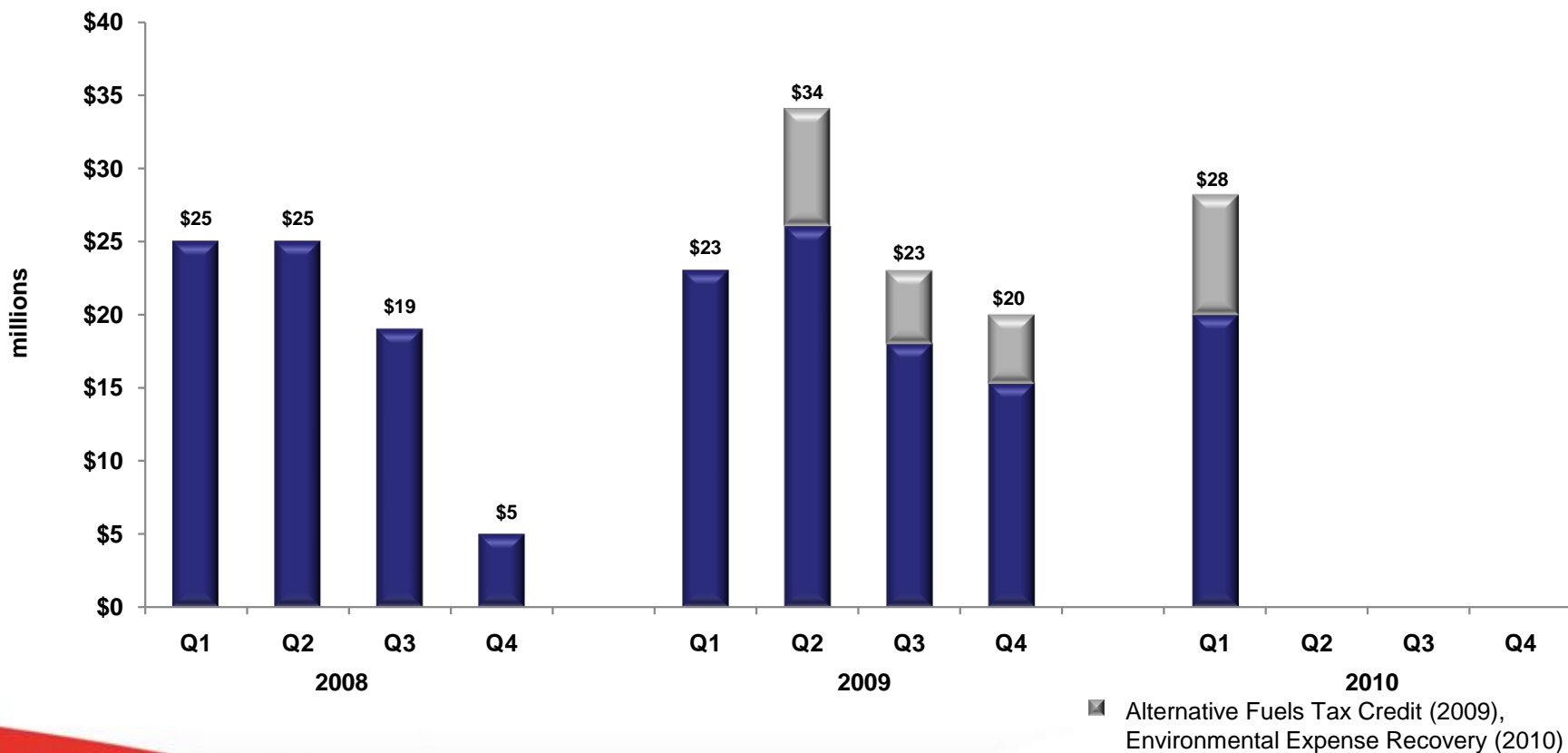
Appendix

Revenue Summary



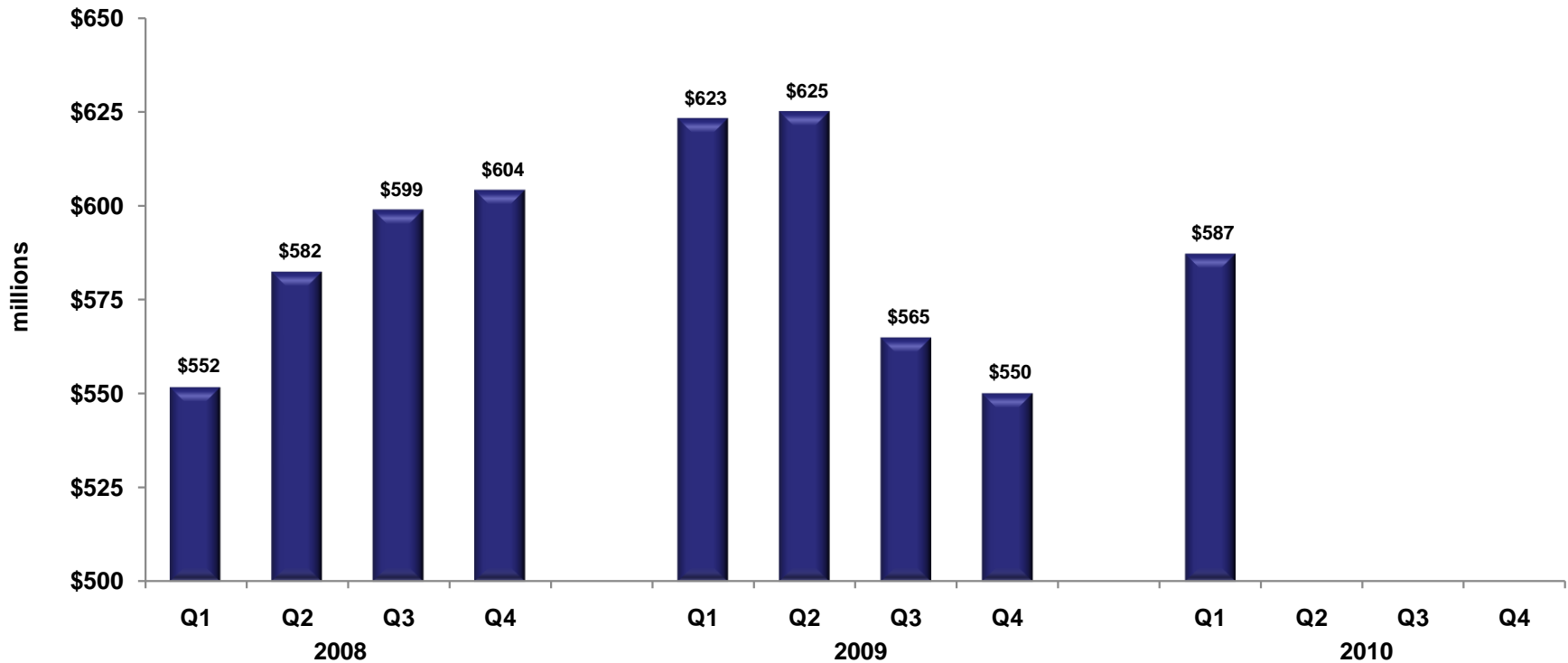
EBITDA Summary

- First quarter 2010 includes \$8.2 million of environmental expense recovery
- In 2009, EBITDA includes alternative fuels tax credit, \$8.0 million in Q2, \$5.0 million in Q3, \$4.7 million in Q4

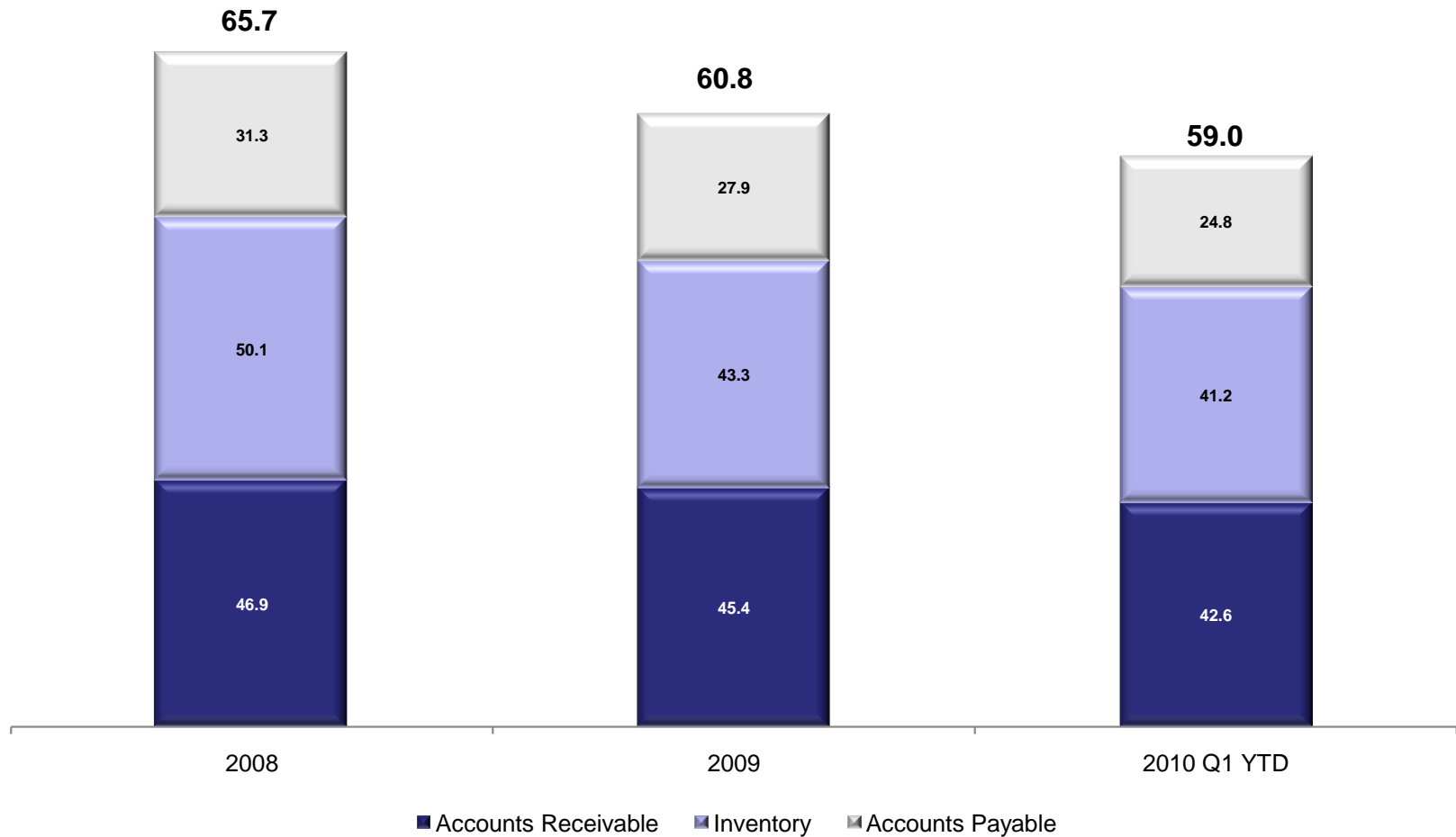


Quarterly Debt Levels

- The increase in debt from Q4 2009 to Q1 2010 was due, in part, to an increase in working capital related to higher accounts receivable from higher net sales, as well as increased inventory levels in preparation for planned mill outages
- The expenses associated with the company's February refinancing also contributed to the increase in debt



Cash Conversion Days (# of days)



Segment EBITDA

(\$ in thousands)	2009 ⁽¹⁾					Year Ended January 2, 2010	2010 ⁽¹⁾					Year Ended January 2, 2010
	QTR 1	QTR 2	QTR 3	QTR 4	QTR 1		QTR 2	QTR 3	QTR 4			
Carbonless Papers												
Operating income	\$ 11,561	\$ 20,314	\$ 14,078	\$ 5,292	\$ 51,245	\$ 8,285	\$ -	\$ -	\$ -	\$ -	\$ -	
Depreciation and amortization	8,349	8,141	8,231	8,418	33,139	6,856	-	-	-	-	-	
EBITDA	\$ 19,910	\$ 28,455	\$ 22,309	\$ 13,710	\$ 84,384	\$ 15,141	\$ -	\$ -	\$ -	\$ -	\$ -	
Thermal papers												
Operating income (loss)	\$ (3,516)	\$ (2,227)	\$ (1,923)	\$ (2,875)	\$ (10,541)	\$ (2,055)	\$ -	\$ -	\$ -	\$ -	\$ -	
Depreciation and amortization	4,887	5,117	5,013	5,027	20,044	4,938	-	-	-	-	-	
EBITDA	\$ 1,371	\$ 2,890	\$ 3,090	\$ 2,152	\$ 9,503	\$ 2,883	\$ -	\$ -	\$ -	\$ -	\$ -	
Encapsys												
Operating income	\$ 342	\$ 828	\$ 712	\$ 931	\$ 2,813	\$ 1,533	\$ -	\$ -	\$ -	\$ -	\$ -	
Depreciation and amortization	511	645	926	877	2,959	461	-	-	-	-	-	
EBITDA	\$ 853	\$ 1,473	\$ 1,638	\$ 1,808	\$ 5,772	\$ 1,994	\$ -	\$ -	\$ -	\$ -	\$ -	
Performance packaging												
Operating income (loss)	\$ 344	\$ 840	\$ 911	\$ (4,060)	\$ (1,965)	\$ 1,335	\$ -	\$ -	\$ -	\$ -	\$ -	
Depreciation and amortization	1,602	1,574	1,318	7,577	12,071	913	-	-	-	-	-	
EBITDA	\$ 1,946	\$ 2,414	\$ 2,229	\$ 3,517	\$ 10,106	\$ 2,248	\$ -	\$ -	\$ -	\$ -	\$ -	
Unallocated corporate charges and business development costs												
Operating income (loss)	\$ (534)	\$ (569)	\$ (4,847)	\$ 131	\$ (5,819)	\$ 6,790	\$ -	\$ -	\$ -	\$ -	\$ -	
Depreciation and amortization	40	42	41	39	162	-	-	-	-	-	-	
EBITDA	\$ (494)	\$ (527)	\$ (4,806)	\$ 170	\$ (5,657)	\$ 6,790	\$ -	\$ -	\$ -	\$ -	\$ -	
Intersegment ⁽²⁾	(774)	(896)	(1,040)	(1,048)	(3,758)	(1,148)	-	-	-	-	-	
Total EBITDA	\$ 22,812	\$ 33,809	\$ 23,420	\$ 20,309	\$ 100,350	\$ 27,908	\$ -	\$ -	\$ -	\$ -	\$ -	

(1) Unaudited Quarterly Financial Data

(2) Intersegment represents the portion of the Encapsys segment financial results relating to encapsulated products provided internally for the production of carbonless papers

Reconciliation of Non-GAAP EBITDA & Adjusted EBITDA

(\$ in thousands)	For the Three Months Ended	
	April 4, 2010	April 5, 2009
Income (loss) from operations before income taxes	\$ (7,441)	\$ 1,148
Depreciation and amortization	13,168	15,389
Net interest expense	16,912	11,376
Debt extinguishment expense (gain)	5,532	(5,380)
Foreign exchange (gain) loss and other (income) loss	<u>(263)</u>	<u>279</u>
EBITDA	\$ 27,908	\$ 22,812
Non-cash charges from employee deferrals and employer matching contributions	1,887	2,134
Less: sale of business EBITDA	-	(451)
Other non-cash charges, expense or loss	1,084	273
Other adjustments	<u>(59)</u>	<u>(1,671)</u>
Adjusted Debt Agreement EBITDA	<u>\$ 30,820</u>	<u>\$ 23,097</u>