



Appleton Reports Second Quarter 2006 Results

(Appleton, Wis., August 14, 2006) Appleton's net sales for the second quarter ended July 2, 2006, increased 2.7 percent to \$269.0 million compared to net sales of \$262.0 million for the same quarter of 2005. As was the case during first quarter 2006, four of the Company's five business segments reported an increase in net sales in the second quarter of 2006 compared to the same quarter of 2005.

The Company reported net income of \$1.2 million for the second quarter of 2006 compared to a net loss of \$1.0 million for the same quarter of 2005. The increase in net income was primarily the result of greater net sales as compared to second quarter 2005.

During the second quarter of 2006, the Company obtained consent from its lenders to amend the agreements that govern the Company's bond debt. With that consent, the Company gained the ability to make ESOP distributions without violating its loan covenants.

Coated Solutions

During second quarter 2006, coated solutions net sales decreased approximately 7 percent compared to the second quarter of 2005. Sales revenue for carbonless products, which accounts for the majority of the Company's coated solutions segment, decreased approximately 6 percent compared to the same quarter in 2005. Carbonless shipment volume decreased approximately 9 percent during the second quarter of 2006 compared to the same quarter for 2005.

Thermal Papers

Thermal net sales increased approximately 21 percent during second quarter 2006 on a 22 percent shipment volume increase compared to second quarter 2005. Increased sales to overseas markets accounted for approximately 49 percent of the volume increase.

Security Papers

Net sales from security papers rose approximately 10 percent during second quarter 2006 compared to the same quarter of 2005. A majority of the increase was due to new or expanded offerings to existing customers.

Secure and Specialized Print Services

BemroseBooth's net sales for second quarter 2006 increased approximately 4 percent over that of second quarter 2005. The increase in net sales was due to increased sales volume across several product lines.

Performance Packaging

Net sales from Appleton's performance packaging companies grew approximately 14 percent in the second quarter of 2006 as compared to second quarter 2005. The benefits of stronger orders from new and existing customers as well as improved pricing during second quarter 2006 compared to second quarter 2005 accounted for the increase.

Balance Sheet

During the three months ended July 2, 2006, Appleton's cash decreased by \$25.8 million to \$5.9 million. During second quarter 2006, Appleton made voluntary debt repayments totaling \$15.0 million and a mandatory debt repayment of \$0.5 million on the senior credit facility. The Company repurchased a portion of its stock at an aggregate price of \$17.5 million. Appleton also made semi-annual interest payments totaling \$14.7 million on its senior notes and senior subordinated notes. As of July 2, 2006, the Company had \$8.4 million outstanding against its revolving lines of credit.

During the three months ended July 2, 2006, Appleton's net working capital, excluding cash, increased \$12.3 million. The majority of this increase was in accounts receivable due to Appleton's increased sales into international markets, as well as increased sales at BemroseBooth.

Earnings release conference call

Appleton will host a conference call to discuss its second quarter 2006 results Tuesday, August 15 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 September 14.

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 specialized and secure 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
(unaudited)
(dollars in thousands)

	For the Three Months Ended July 2, 2006	For the Three Months Ended July 3, 2005
Net sales	\$ 268,985	\$ 262,002
Cost of sales	<u>202,028</u>	<u>196,671</u>
Gross profit	66,957	65,331
Selling, general and administrative expenses	53,626	53,175
Restructuring and other charges	<u>455</u>	<u>871</u>
Operating income	12,876	11,285
Interest expense	12,366	12,302
Interest income	(239)	(207)
Other (income) expense	<u>(357)</u>	<u>360</u>
Income (loss) before income taxes	1,106	(1,170)
Benefit for income taxes	<u>(94)</u>	<u>(175)</u>
Net income (loss)	<u><u>\$ 1,200</u></u>	<u><u>\$ (995)</u></u>

Other Financial Data:

Operating income	\$ 12,876	\$ 11,285
Depreciation and amortization	18,999	20,838

Table 2

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

	For the Six Months Ended July 2, 2006	For the Six Months Ended July 3, 2005
Net sales	\$ 537,912	\$ 515,010
Cost of sales	404,744	387,520
Gross profit	133,168	127,490
Selling, general and administrative expenses	102,298	104,611
Restructuring and other charges	686	4,352
Operating income	30,184	18,527
Interest expense	24,584	24,558
Interest income	(456)	(417)
Other (income) expense	(304)	605
Income (loss) before income taxes	6,360	(6,219)
Benefit for income taxes	(416)	(941)
Net income (loss)	<u>\$ 6,776</u>	<u>\$ (5,278)</u>

Other Financial Data:

Operating income	\$ 30,184	\$ 18,527
Depreciation and amortization	38,094	40,668

Table 3

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

	July 2, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,908	\$ 18,422
Accounts receivable, less allowance for doubtful accounts of \$2,323 and \$1,984, respectively	135,184	123,968
Inventories	140,874	142,592
Other current assets	22,224	21,016
Total current assets	304,190	305,998
Property, plant and equipment, net	437,865	460,357
Goodwill	79,523	77,882
Intangible assets, net	101,970	106,238
Environmental indemnification receivable	52,797	57,312
Other assets	27,063	17,147
Total assets	\$ 1,003,408	\$ 1,024,934
LIABILITIES, REDEEMABLE COMMON STOCK, ACCUMULATED DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS		
Current liabilities		
Current portion of long-term debt	\$ 2,139	\$ 7,941
Accounts payable	64,161	61,150
Restructuring reserve	2,687	6,597
Other accrued liabilities	83,019	84,501
Total current liabilities	152,006	160,189
Senior secured notes payable	207,443	223,368
Revolving line of credit	8,438	2,000
Variable rate industrial development bonds	8,650	8,650
Postretirement benefits other than pension	58,196	58,928
Accrued pension	53,031	55,211
Environmental liability	77,797	82,312
Other long-term liabilities	8,837	7,820
Senior notes and senior subordinated notes payable	329,000	329,000
Commitments and contingencies	-	-
Redeemable common stock, \$0.01 par value, shares authorized: 30,000,000, shares issued and outstanding: 11,604,029 and 11,938,060, respectively	183,382	185,292
Accumulated deficit	(62,754)	(61,982)
Accumulated other comprehensive loss	(20,618)	(25,854)
Total liabilities, redeemable common stock, accumulated deficit and accumulated other comprehensive loss	\$ 1,003,408	\$ 1,024,934