

APPLETON PAPERS INC.

**Earnings Review
Second Quarter 2010**

August 10, 2010

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 July 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 July 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.

On July 2, 2010, Appleton entered into a stock purchase agreement with NEX Performance Films Inc. (“Films”), an entity affiliated with Mason Wells Buyout Fund II, Limited Partnership, whereby Appleton agreed to sell all of the outstanding capital stock of American Plastics, Inc. and New England Extrusion Inc. The transaction closed on July 22, 2010. The operating results for this business have been reclassified and are now reported separately as discontinued operations.

2nd Quarter 2010 Financial Highlights

- Net sales for the second quarter totaled \$220.8 million, an increase of 12.7% compared to \$195.9 million for the second quarter 2009, which was due to stronger shipment volumes and increased market share
- Net sales of thermal papers up 23.7%; shipments up approximately 31%
- Net sales for Encapsys® up 25.0%; shipments nearly 47% higher than second quarter 2009
- Net sales of carbonless papers up 10.9%; shipments up nearly 17%
- Gross profits of \$36.7 million were down 22.7%
- EBITDA of \$13.7 million was \$18.0 million lower than prior year
- Net loss from continuing operations of \$17.0 million compared to net income from continuing operations of \$6.5 million in second quarter 2009
- Results negatively impacted by unfavorable price and mix and increasing raw material prices; SG&A expenses and interest expenses increased \$5.5 million and \$3.9 million, respectively, compared to the second quarter 2009; second quarter 2009 results included an \$8.0 million alternative fuels tax credit and a \$0.8 million gain recorded for the recovery of a note receivable.
- Sale of American Plastics Company, Inc. and New England Extrusion Inc. (“Films”)

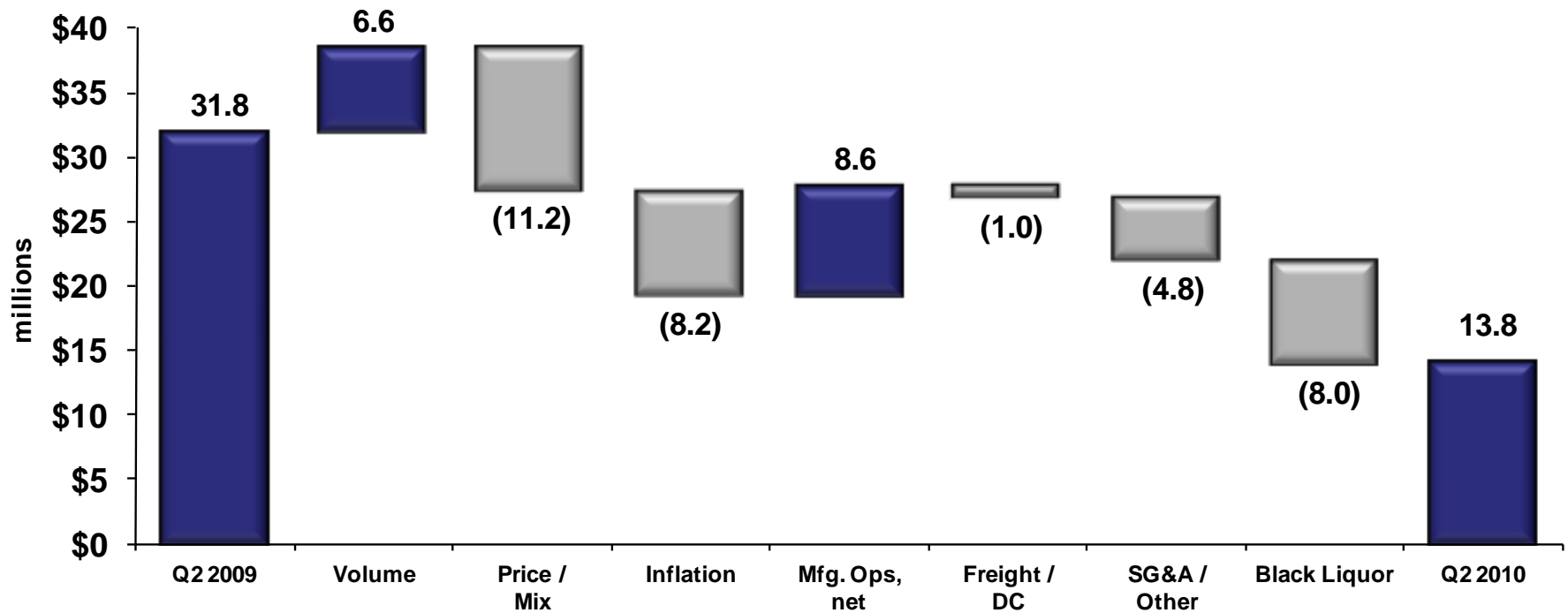
1st Half 2010 Financial Highlights

- Net sales for the first six months were \$430.8 million, an increase of 10.0% compared to first half 2009
- Net sales of thermal papers up 23.5%, shipments up approximately 33%
- Net sales for Encapsys[®] up \$4.6 million, or 24.8%
- Net sales of carbonless papers up \$16.7 million, or 7.1%
- Other unallocated expense was \$6.3 million lower than 2009 due to the recording of the \$8.2 million Fox River insurance recovery during the first quarter 2010
- Net loss from continuing operations of \$26.0 million compared to \$7.4 million for the same period last year
- This \$33.4 million swing was due to unfavorable price and mix and higher raw material and utility costs, by \$8.0 million alternative fuels tax credits in 2009, and \$5.5 million of debt extinguishment expenses were recorded as a result of the February 2010 voluntary refinancing, whereas \$5.4 million of debt extinguishment income was recorded during the first six months of 2009

2nd Quarter 2010 Earnings Summary

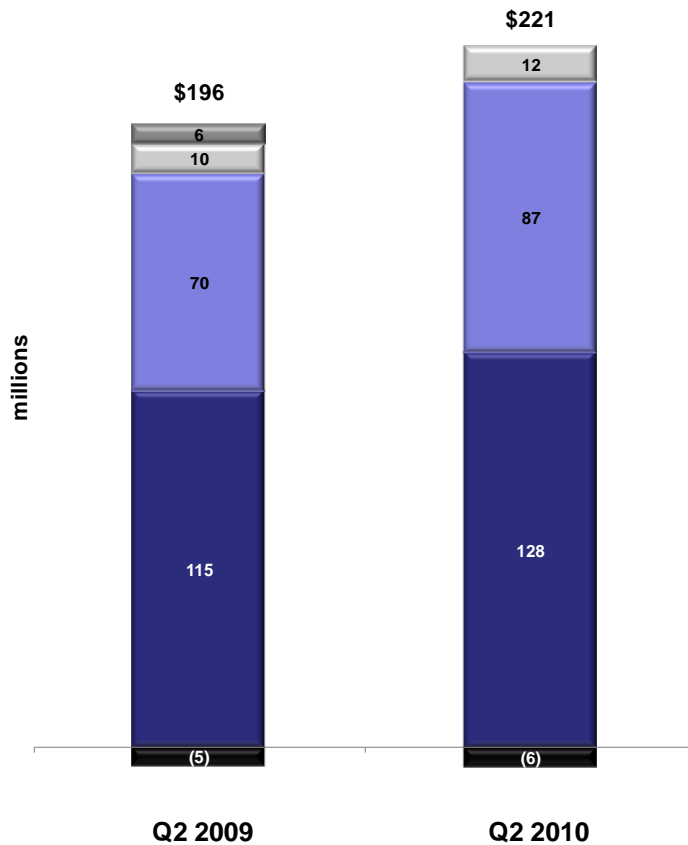
(\$ in thousands)	For the Three Months Ended			For the Six Months Ended		
	July 4, 2010	July 5, 2009	% Change	July 4, 2010	July 5, 2009	% Change
Net sales	\$ 220,784	\$ 195,940	12.7%	\$ 430,792	\$ 391,712	10.0%
Gross profit	36,658	47,400	-22.7%	76,466	86,678	-11.8%
Environmental expense insurance recovery	-	-	nm	(8,181)	-	nm
Operating income	1,340	17,558	-92.4%	14,516	24,714	-41.3%
(Loss) income from continuing operations	(17,039)	6,522	-361.3%	(25,953)	7,429	-449.3%
Net income from discontinued operations	1,302	722	80.3%	2,854	978	-191.8%
Net (loss) income	(15,737)	7,244	-317.2%	(23,099)	8,407	-374.8%
Other financial data:						
Depreciation and amortization	12,411	14,226	-12.8%	24,714	28,321	-12.7%
EBITDA	13,751	31,784	-56.7%	39,230	53,035	-26.0%
Comparison as a % of net sales						
Gross margin	16.6%	24.2%	-7.6%	17.8%	22.1%	-4.4%
Operating income	0.6%	9.0%	-8.4%	3.4%	6.3%	-2.9%
(Loss) income from continuing operations	-7.7%	3.3%	-11.0%	-6.0%	1.9%	-7.9%
EBITDA	6.2%	16.2%	-10.0%	9.1%	13.5%	-4.4%

EBITDA Waterfall Q2 2009 vs. Q2 2010

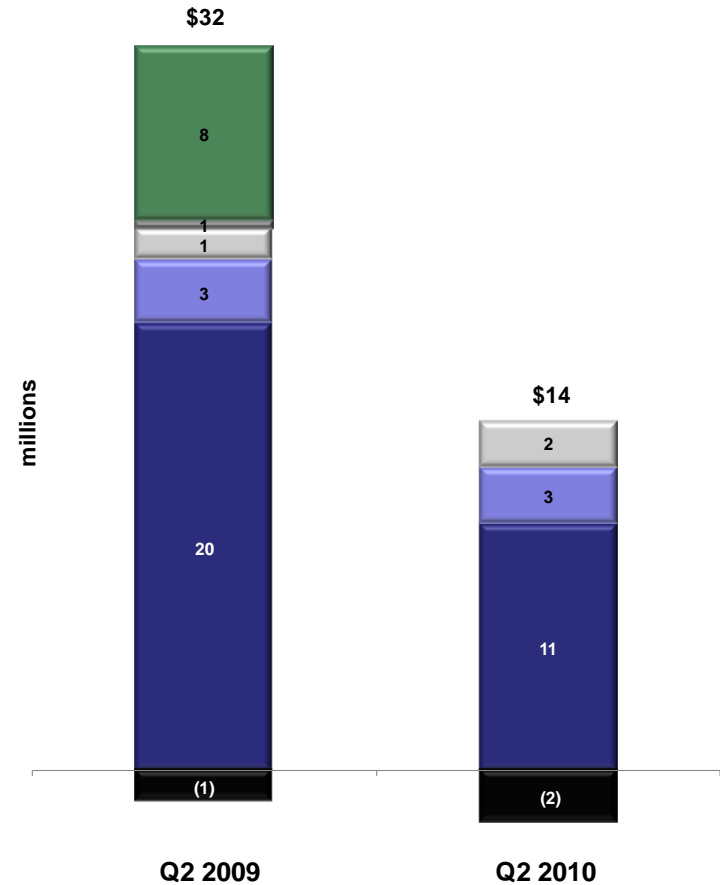


Financial Summary By Segment

Sales



Total EBITDA



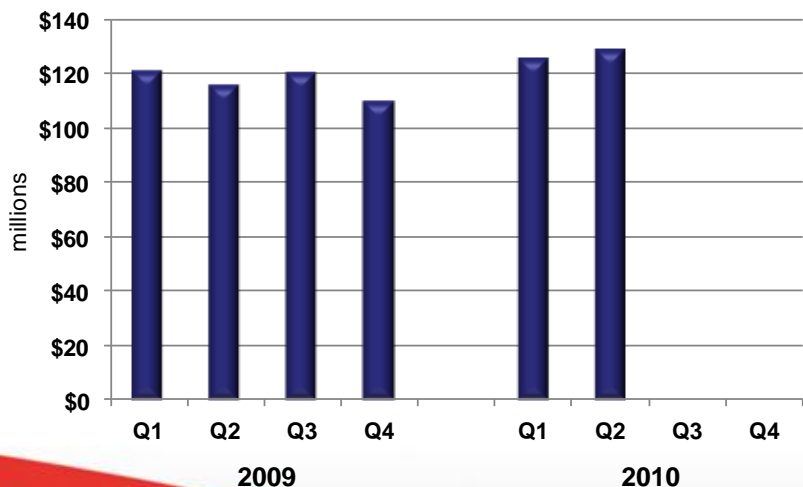
- Carbonless Papers
- Encapsys®
- Corporate/Intersegment

- Thermal Papers
- Performance Packaging
- Alternative Fuels Tax Credit

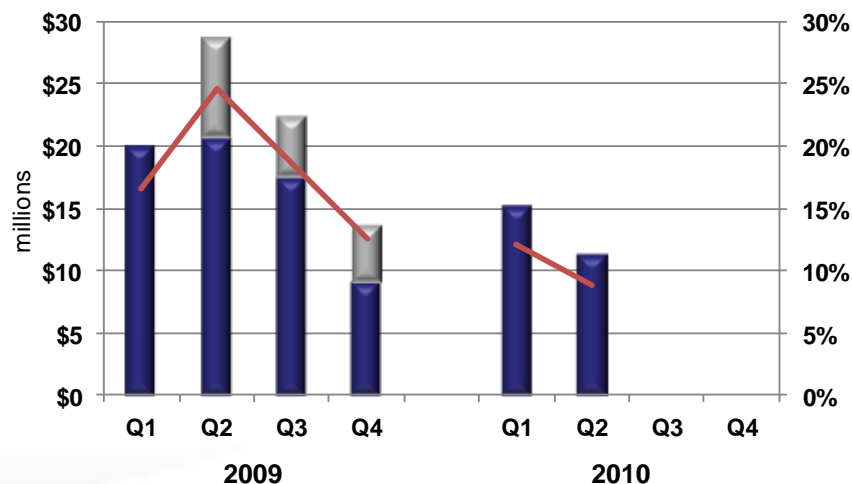
2nd Quarter 2010 Earnings Highlights – Carbonless

- Carbonless net sales totaled \$128.0 million for the second quarter 2010, an increase of \$12.6 million, or 10.9%, from prior year levels
- EBITDA of \$11.3 million was \$9.2 million, or 44.7%, lower than Q2 2009, excluding alternative fuels tax credit
- Second quarter 2010 carbonless shipment volumes were approximately 17% higher than second 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 continued strong international demand
- 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



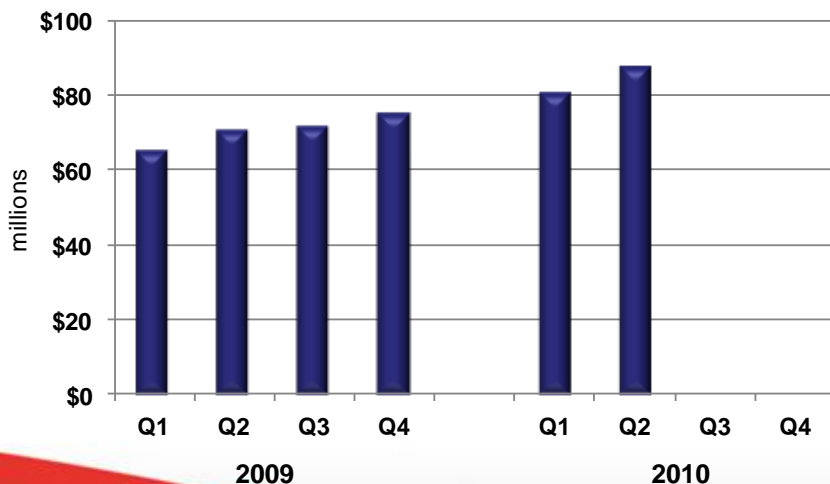
— EBITDA Margin (%) ■ Alternative Fuels Tax Credit

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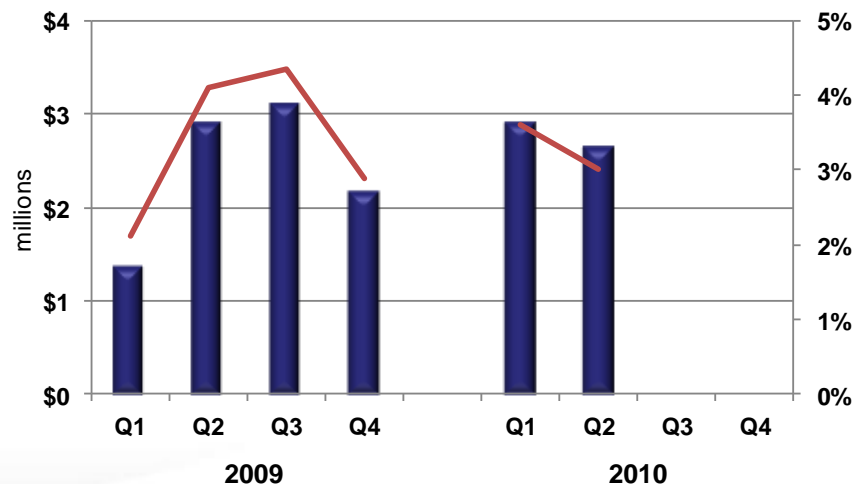
2nd Quarter 2010 Earnings Highlights – Thermal

- Thermal papers net sales during the second quarter 2010 were \$87.2 million, an increase of \$16.7 million, or 23.7%, from the same prior year period
- Approximately 31% volume increase
- EBITDA was \$2.6 million, which was \$0.3 million, or 9.2%, lower than EBITDA recorded during the second quarter 2009
- Competitive pricing continues to narrow the light weight non-top coat product gross margins and higher raw material costs are also unfavorably impacting margins
- Increased net sales and the elimination of the new thermal coater start-up costs, incurred during second quarter 2009, contributed favorably to second quarter 2010 operating results

Sales



EBITDA



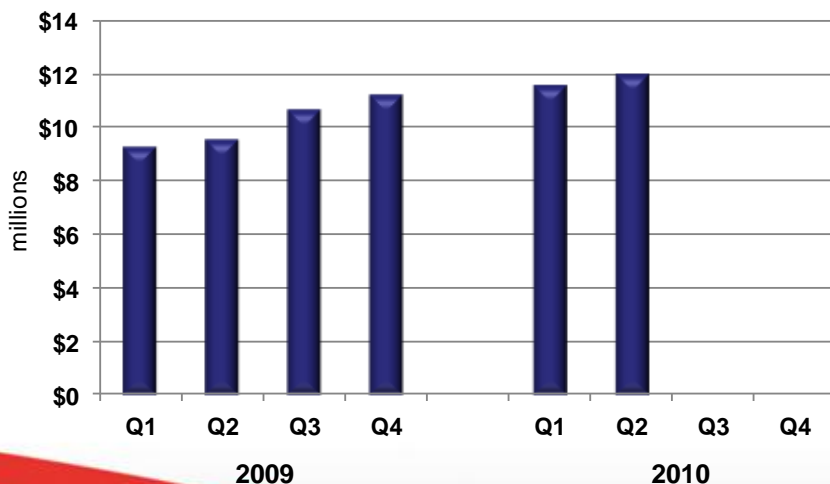
— EBITDA Margin (%)

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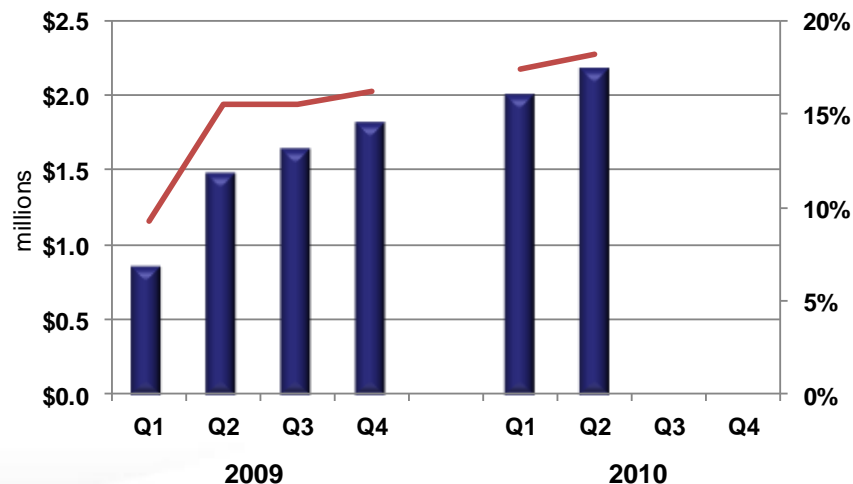
2nd Quarter 2010 Earnings Highlights – Encapsys®

- Encapsys® second quarter 2010 net sales of \$11.9 million were \$2.4 million, or 25.0%, higher than second quarter 2009
- Second quarter 2010 volumes were nearly 47% higher than the prior year quarter
- The increase in net sales contributed to an increase in EBITDA of \$0.7 million, or 46.8%, over second 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 (%)



Condensed Balance Sheets

(\$ in thousands)	July 4, 2010	January 2, 2010
Cash and cash equivalents	\$ 3,919	\$ 9,963
Accounts receivable	108,695	81,485
Inventories	111,764	112,346
Other current assets	51,845	54,758
Assets of discontinued operations	20,977	17,772
Total current assets	297,200	276,324
Property, plant and equipment, net	367,691	385,129
Other long-term assets	76,832	96,195
Assets of discontinued operations	39,171	40,332
Total assets	\$ 780,894	\$ 797,980
Accounts payable	\$ 51,407	\$ 55,384
Other current liabilities	107,231	102,536
Liabilities of discontinued operations	6,538	5,733
Total current liabilities	165,176	163,653
Long-term debt	582,026	544,113
Other long-term liabilities	159,648	189,608
Total equity	(125,956)	(99,394)
Total liabilities & equity	\$ 780,894	\$ 797,980

2nd Quarter 2010 Balance Sheet Highlights

- At the end of second quarter 2010, the Company had cash totaling \$3.9 million, compared to cash of \$10.0 million at year-end 2009
- Total debt increased to \$603.3 million compared to \$550.1 million at year-end 2009; debt rose as a result increased business activity and strategic purchases of raw material inventories to reduce the impact of announced price increases
- During the first six months of 2010, the Company used \$29.1 million of cash in operations largely as the result of a \$33.2 million increase in working capital
- Higher net sales and increased international sales, which carry longer payment terms, caused a \$31.1 million increase in accounts receivable
- At the end of the second quarter, the Company had approximately \$31.5 million of liquidity
- Appleton invested \$6.8 million on capital projects and used \$14.5 million of cash for other financing activities, including mandatory repayments of debt and net redemption of common stock

Subsequent Events

- On July 22, 2010, Appleton completed the sale of American Plastics, Inc. and New England Extrusion Inc. (“Films”) to NEX Performance Films Inc. for a cash purchase price of \$58 million, with Appleton receiving \$56 million at the time of closing and \$2 million held in escrow, on behalf of Appleton, for the next 12 months to satisfy potential claims under the stock purchase agreement with Films
- Liquidity will increase significantly as a result of the July sale of the Films operations
- The Company’s paper mill in West Carrollton, Ohio, returned to full operation in early August following the July collapse of a coal silo that disrupted production at the mill; and we believe this incident will not adversely affect consolidated financial statements due to the rapid response of all Appleton employees and comprehensive insurance coverage

2nd Half 2010 Outlook

The Company achieved market gains in the first half of the year that will provide a strong foundation on which to build improved profitability in the second half of the year. We are growing our market-leading positions in carbonless and thermal, have a strong portfolio of products and a focused, cost-effective manufacturing network to serve our customers.

Recent media attention highlighting the fact that Appleton is the only thermal paper producer not using BPA in any of its products has spiked demand for our receipt paper. As a result, we expect demand will remain elevated for the thermal business during the second half of the year. We expect our carbonless product mix to improve during the second half as we focus more on domestic opportunities arising from the popularity and performance of our new Superior carbonless sheet product.

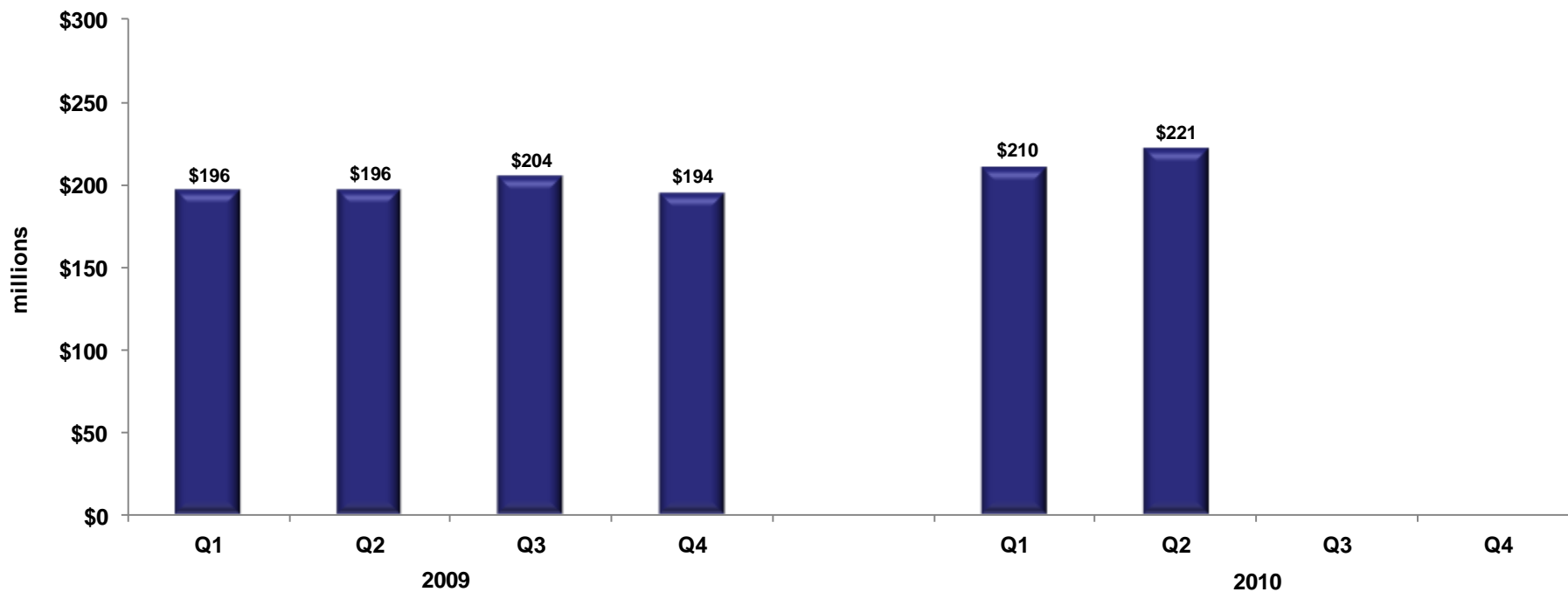
The Encapsys® unit is expected to continue its rapid growth in the specialty chemical and delivery solutions market and exceed its strong first half performance.

The Company will continue its disciplined approach to improving operational efficiencies, reducing waste, controlling spending and increasing cash flow. During the second half of the year we expect some relief from rising raw material prices and to realize some benefit from the price increases we implemented earlier this year. We expect to see stable sales volumes, and profit margins continue to recover.

Appendix

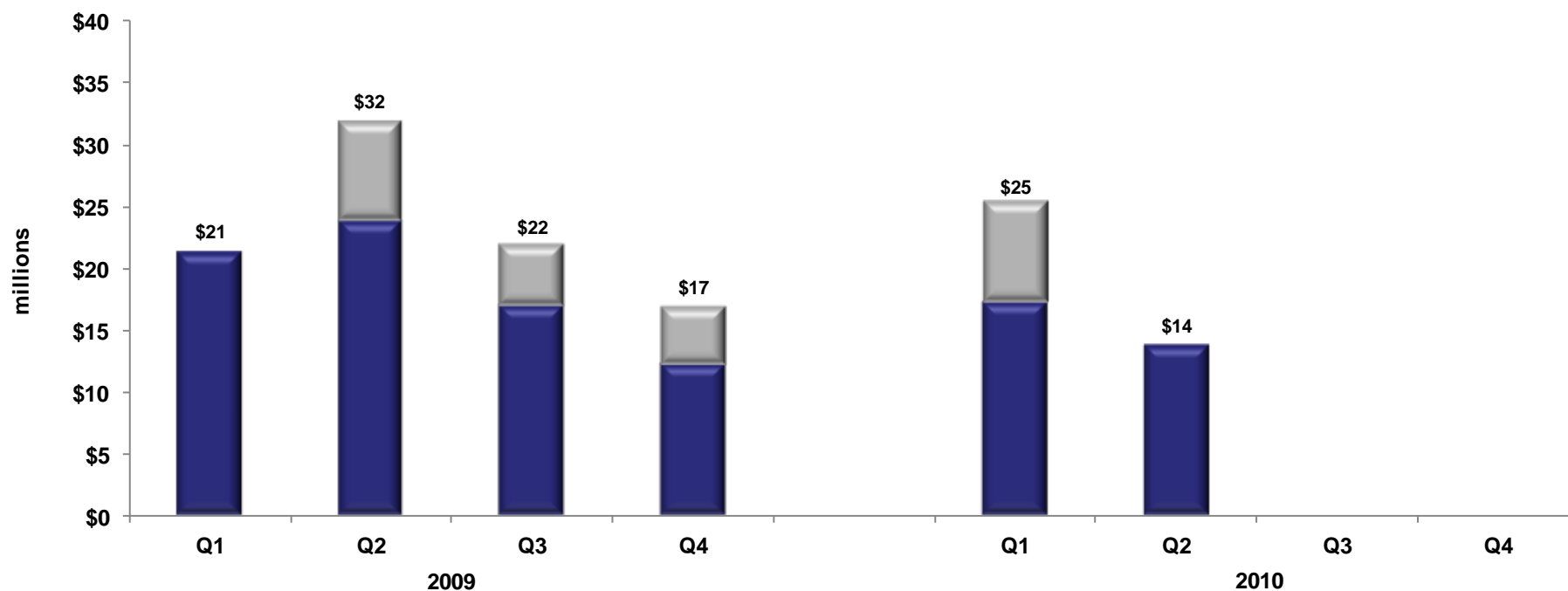
Revenue Summary

- The operating results for Films have been reclassified and are now reported separately as discontinued operations



EBITDA Summary

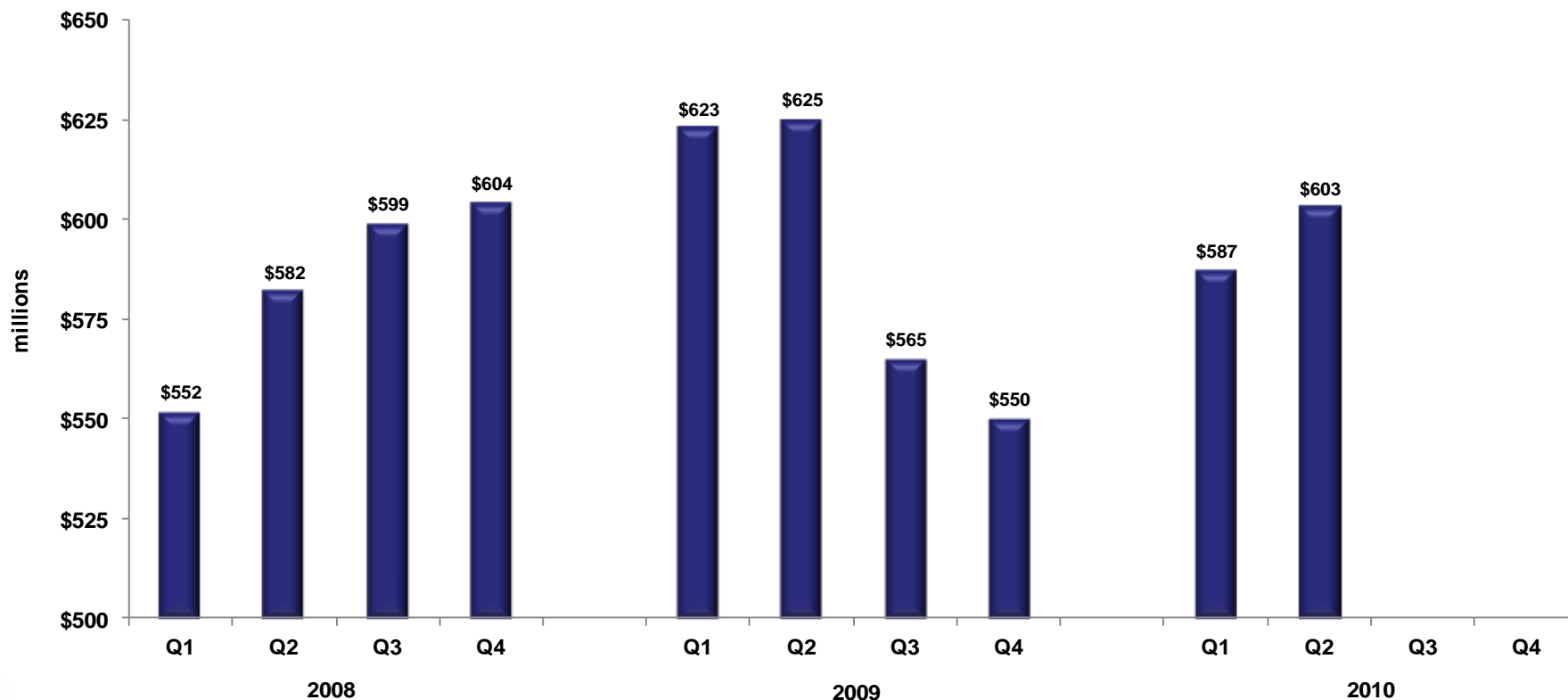
- First quarter 2010 includes \$8.2 million of environmental expense recovery
- In 2009, EBITDA includes alternative fuels tax credit, \$8.0 million in Q2, \$5.0 million in Q3, \$4.7 million in Q4
- The operating results for Films have been reclassified and are now reported separately as discontinued operations



■ Alternative Fuels Tax Credit (2009),
Environmental Expense Recovery (2010)

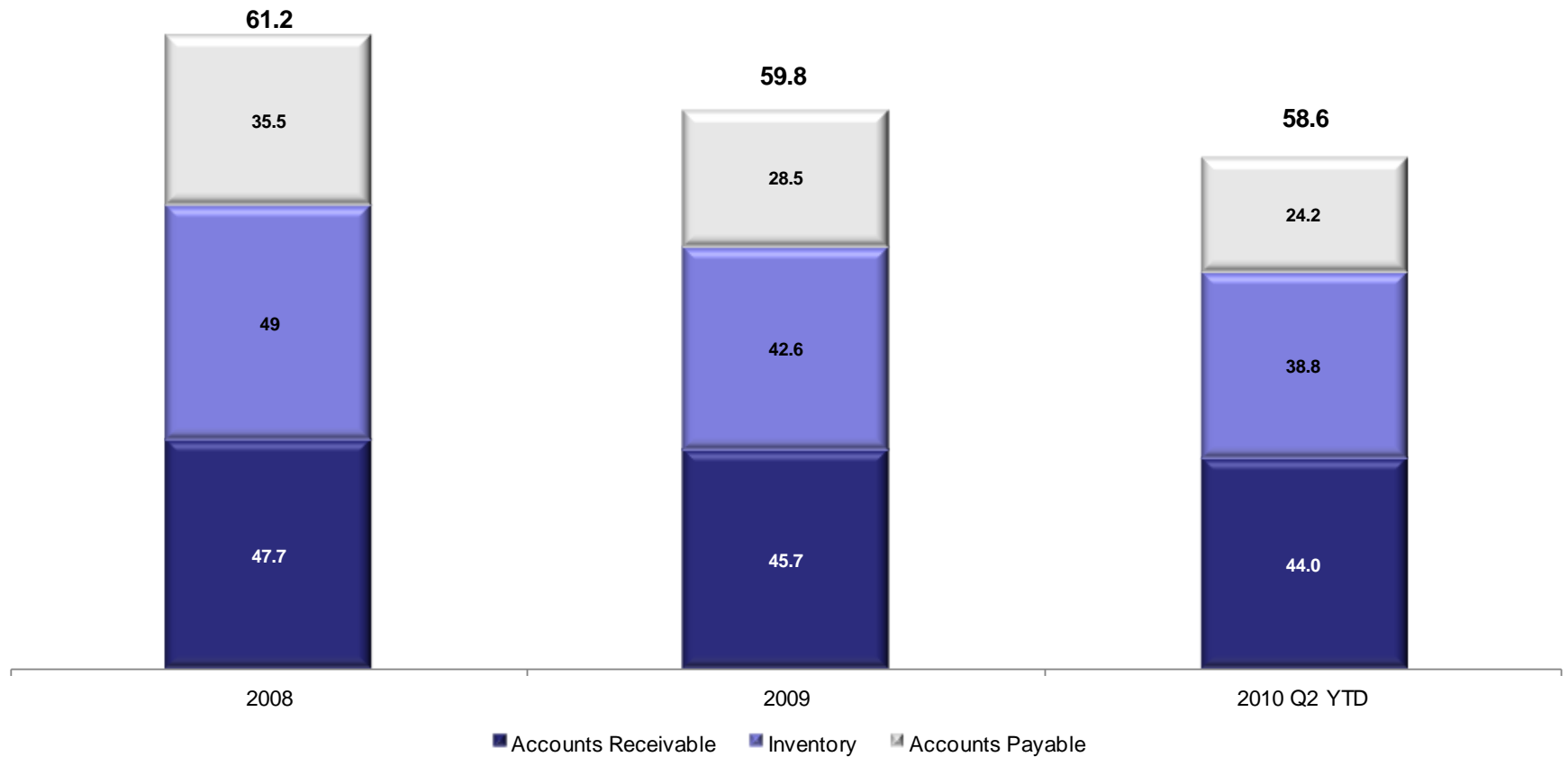
Quarterly Debt Levels

- The increase in debt from Q4 2009 to Q2 2010 was due, in part, to an increase in working capital related to higher accounts receivable from higher net sales, strategic purchases of raw material inventories to reduce the impact of announced price increases, as well as increased inventory levels in preparation for planned mill outages that occurred in the second quarter
- The expenses associated with the company's February refinancing also contributed to the increase in debt



Cash Conversion Days (# of days)

- Restated to exclude Performance Packaging business segment



Segment EBITDA

(\$ in thousands)	2009 ⁽¹⁾					Year Ended January 2, 2010	2010 ⁽¹⁾					Year Ended January 1, 2011
	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	\$ 4,440	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation and amortization	8,349	8,141	8,231	8,418	33,139	6,856	6,883	-	-	-	-	-
EBITDA	\$ 19,910	\$ 28,455	\$ 22,309	\$ 13,710	\$ 84,384	\$ 15,141	\$ 11,323	\$ -	\$ -	\$ -	\$ -	\$ -
Thermal papers												
Operating income (loss)	\$ (3,516)	\$ (2,227)	\$ (1,923)	\$ (2,875)	\$ (10,541)	\$ (2,055)	\$ (2,306)	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation and amortization	4,887	5,117	5,013	5,027	20,044	4,938	4,931	-	-	-	-	-
EBITDA	\$ 1,371	\$ 2,890	\$ 3,090	\$ 2,152	\$ 9,503	\$ 2,883	\$ 2,625	\$ -	\$ -	\$ -	\$ -	\$ -
Encapsys												
Operating income	\$ 342	\$ 828	\$ 712	\$ 931	\$ 2,813	\$ 1,533	\$ 1,614	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation and amortization	511	645	926	877	2,959	461	548	-	-	-	-	-
EBITDA	\$ 853	\$ 1,473	\$ 1,638	\$ 1,808	\$ 5,772	\$ 1,994	\$ 2,162	\$ -	\$ -	\$ -	\$ -	\$ -
Performance packaging ⁽²⁾												
Operating income	\$ 77	\$ 108	\$ 803	\$ 110	\$ 1,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation and amortization	308	281	40	34	663	-	-	-	-	-	-	-
EBITDA	\$ 385	\$ 389	\$ 843	\$ 144	\$ 1,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unallocated corporate charges and business development costs												
Operating income (loss)	\$ (534)	\$ (569)	\$ (4,847)	\$ 131	\$ (5,819)	\$ 6,561	\$ (1,329)	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation and amortization	40	42	41	39	162	48	49	-	-	-	-	-
EBITDA	\$ (494)	\$ (527)	\$ (4,806)	\$ 170	\$ (5,657)	\$ 6,609	\$ (1,280)	\$ -	\$ -	\$ -	\$ -	\$ -
Intersegment ⁽³⁾	(774)	(896)	(1,040)	(1,048)	(3,758)	(1,148)	(1,079)	-	-	-	-	-
Total EBITDA	\$ 21,251	\$ 31,784	\$ 22,034	\$ 16,936	\$ 92,005	\$ 25,479	\$ 13,751	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Unaudited Quarterly Financial Data

(2) The operating results for Films have been reclassified and are now reported separately as discontinued operations. The following table represents the net sales and operating income before income taxes with respect to C&H Packaging, Inc.

(3) 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		For the Six Months Ended	
	July 4, 2010	July 5, 2009	July 4, 2010	July 5, 2009
(Loss) income from operations before income taxes	\$ (16,994)	\$ 6,450	\$ (25,999)	\$ 7,331
Depreciation and amortization	12,411	14,226	24,714	28,321
Net interest expense	16,711	12,809	33,623	24,185
Foreign exchange loss (gain) and other loss (income)	1,623	(1,701)	1,360	(1,422)
EBITDA	\$ 13,751	\$ 31,784	\$ 39,230	\$ 53,035
Non-cash charges from employee deferrals and employer matching contributions	1,527	1,794	3,414	3,928
Plus: EBITDA from discontinued operations	2,166	2,025	4,595	3,586
Less: EBITDA from sale of business	-	(437)		(888)
Other non-cash charges, expense or loss	539	99	1,623	93
Other adjustments	(1,178)	328	(1,237)	(1,064)
Adjusted Debt Agreement EBITDA	\$ 16,805	\$ 35,593	\$ 47,625	\$ 58,690