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Appleton Reports Third Quarter 2006 Results

(Appleton, Wis., November 13, 2006) Appleton announced today that net sales for the third quarter ended October 1, 2006, increased 3.7 percent to \$272.2 million compared to net sales of \$262.5 million for the same quarter of 2005. For the first nine months of 2006, net sales increased 4.2 percent to \$810.1 million compared to net sales of \$777.5 million for the same period of 2005.

Net income for the third quarter increased 72 percent to \$5.0 million compared to net income of \$2.9 million for the same quarter of 2005 due primarily to a reduction in restructuring costs. Selling, general, and administrative expenses, which includes distribution costs, as a percent of sales fell from 19.2 percent in the third quarter of 2005 to 18.9 percent in the third quarter of 2006.

For the first nine months of 2006, net income was \$11.8 million, a \$14.1 million increase compared to the \$2.3 million net loss reported for the first nine months of 2005. The improved results were driven primarily by higher sales and lower restructuring costs compared to the same period of 2005. Selling, general, and administrative expenses as a percent of sales dropped to 19.0 percent for the first three quarters of 2006 from 19.9 percent for the first three quarters of 2005.

Technical Papers

Technical papers net sales for the third quarter of 2006 increased 3.8 percent to \$218.4 million compared to net sales of \$210.5 million for the same period of 2005. For the first nine months of 2006, technical papers net sales increased 3.0 percent to \$653.3 million compared to \$634.4 million for the first nine months of 2005.

During the third quarter of 2006, coated solutions net sales and volumes decreased approximately 4 percent compared to the third quarter of 2005. Coated solutions net sales for the first nine months of 2006 were approximately 4 percent lower than net sales for the first nine months of 2005.

Thermal net sales increased approximately \$12 million or 22 percent during third quarter 2006. Shipment volumes increased 27 percent compared to third quarter 2005. While all geographic regions saw substantial volume increases, Canadian and overseas markets achieved sales volume increases of more than 50 percent. For the first nine months of 2006, thermal net sales increased 22 percent compared to the same period of 2005.

Net sales from security papers rose approximately 26 percent during third quarter 2006 compared to the same quarter of 2005 as a result of solid sales growth in many of its product offerings. During the first three quarters of 2006, net sales for security papers increased approximately 16 percent compared to the first three quarters of 2005.

Secure and Specialized Print Services

Net sales for third quarter 2006 decreased 7 percent from \$27 million to \$25 million compared to the third quarter 2005. The timing of orders and reduced demand for seasonal products were factors contributing to the decrease in net sales. Operating loss for the third quarter of 2006 was \$0.2 million, an improvement of \$0.8 million due primarily to lower restructuring costs compared to third quarter 2005. Comparing the first nine months of 2006 with that of 2005, net sales were relatively flat while the operating loss of \$0.4 million was a \$3.0 million improvement over the same period last year largely due to reduced restructuring costs and lower selling, general and administrative expenses.



What Ideas Can Do™

*Appleton Reports Third Quarter 2006 Results
November 13, 2006*

page 2

Performance Packaging

Third quarter net sales for Appleton's performance packaging companies grew approximately 15 percent compared to third quarter 2005 as a result of stronger orders from existing customers and higher selling prices. For the first nine months of 2006, net sales grew by nearly \$13 million or 18 percent compared to the same period in 2005. Operating income for both the third quarter and the first three quarters nearly doubled due to strong sales growth and improved expense control.

Balance Sheet

As of October 1, 2006, the Company had a cash balance of nearly \$20 million. That compares to a cash balance of \$6 million on July 2, 2006, and \$18 million on December 31, 2005. During third quarter 2006, Appleton made debt repayments totaling \$8.5 million on the senior credit facility. Total debt on the balance sheet as of October 1, 2006 was \$542 million compared to \$574 million as of December 31, 2005.

During the three months ended October 1, 2006, Appleton's net working capital, excluding cash, decreased \$10 million. The accrual for interest to be paid on Appleton's senior notes payable and senior subordinated notes payable accounted for the majority of this decrease.

Capital expenditures for third quarter 2006 were \$8 million compared to \$7 million during third quarter 2005. Capital expenditures for the first nine months of 2006 were \$18 million compared to \$26 million for the first nine months of 2005.

As a result of diversification requests, retirements and employee terminations, the Company repurchased a portion of its stock at an aggregate price of approximately \$18 million during the first nine months of 2006. During the same period, the Company received approximately \$5 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 third quarter 2006 results Tuesday, November 14 at 11:30 a.m. ET. The call will be broadcast through its Web site, www.appletonideas.com/investors. A replay will be available through December 13.

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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What Ideas Can Do™

*Appleton Reports Third Quarter 2006 Results
November 13, 2006*

page 3

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.



What Ideas Can Do™

Appleton Reports Third Quarter 2006 Results
November 13, 2006

page 4

Table 1

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

	For the Three Months Ended October 1, 2006	For the Three Months Ended October 2, 2005
Net sales	\$ 272,227	\$ 262,496
Cost of sales	<u>202,179</u>	<u>193,657</u>
Gross profit	70,048	68,839
Selling, general and administrative expenses	51,370	50,410
Restructuring and other charges	<u>1,402</u>	<u>3,678</u>
Operating income	17,276	14,751
Interest expense	12,622	12,703
Interest income	(177)	(254)
Other expense (income)	<u>23</u>	<u>(78)</u>
Income before income taxes	4,808	2,380
Benefit for income taxes	<u>(238)</u>	<u>(556)</u>
Net income	<u>\$ 5,046</u>	<u>\$ 2,936</u>

Other Financial Data:

Operating income	\$ 17,276	\$ 14,751
Depreciation and amortization	18,848	19,508



What Ideas Can Do™

Appleton Reports Third Quarter 2006 Results
November 13, 2006

page 5

Table 2

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

	For the Nine Months Ended October 1, 2006	For the Nine Months Ended October 2, 2005
Net sales	\$ 810,139	\$ 777,506
Cost of sales	<u>606,923</u>	<u>581,177</u>
Gross profit	203,216	196,329
Selling, general and administrative expenses	153,668	155,021
Restructuring and other charges	<u>2,088</u>	<u>8,030</u>
Operating income	47,460	33,278
Interest expense	37,206	37,261
Interest income	(633)	(671)
Other (income) expense	<u>(281)</u>	<u>527</u>
Income (loss) before income taxes	11,168	(3,839)
Benefit for income taxes	<u>(654)</u>	<u>(1,497)</u>
Net income (loss)	<u>\$ 11,822</u>	<u>\$ (2,342)</u>

Other Financial Data:

Operating income	\$ 47,460	\$ 33,278
Depreciation and amortization	56,942	60,176

Table 3

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

	October 1, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,756	\$ 18,422
Accounts receivable, less allowance for doubtful accounts of \$2,566 and \$1,984, respectively	134,671	123,968
Inventories	142,982	142,592
Other current assets	23,969	21,016
Total current assets	321,378	305,998
Property, plant and equipment, net	429,457	460,357
Goodwill	80,325	77,882
Intangible assets, net	99,817	106,238
Environmental indemnification receivable	50,739	57,312
Other assets	24,812	17,147
Total assets	\$ 1,006,528	\$ 1,024,934
LIABILITIES, REDEEMABLE COMMON STOCK, ACCUMULATED DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS		
Current liabilities		
Current portion of long-term debt	\$ 2,057	\$ 7,941
Accounts payable	66,582	61,150
Restructuring reserve	2,621	6,597
Other accrued liabilities	94,316	84,501
Total current liabilities	165,576	160,189
Senior secured notes payable	198,991	223,368
Revolving lines of credit	923	2,000
Variable rate industrial development bonds	8,650	8,650
Postretirement benefits other than pension	57,830	58,928
Accrued pension	54,656	55,211
Environmental liability	75,739	82,312
Other long-term liabilities	9,779	7,820
Senior notes and senior subordinated notes payable	328,900	329,000
Commitments and contingencies	-	-
Redeemable common stock, \$0.01 par value, shares authorized: 30,000,000, shares issued and outstanding: 11,629,010 and 11,938,060, respectively	189,281	185,292
Accumulated deficit	(63,621)	(61,982)
Accumulated other comprehensive loss	(20,176)	(25,854)
Total liabilities, redeemable common stock, accumulated deficit and accumulated other comprehensive loss	\$ 1,006,528	\$ 1,024,934