



# Clearwater Paper Corporation

Fourth Quarter and Full Year 2012 Results Conference Call  
Supplemental Information

Linda Massman  
John Hertz

President, Chief Executive Officer and Director  
Senior Vice President, Finance and Chief Financial Officer

# Forward-Looking Statements

---

*This supplemental information contains, in addition to historical information, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding expected annual net cost savings synergy run rate for 2013, outlook for 2013, production, product volumes shipped, pricing for our products, pulp costs, wood fiber costs and supply, chemical costs, transportation costs, energy costs, including natural gas, costs and timing of major maintenance and repairs and production and shipments from our new tissue machine and converting lines in Shelby, North Carolina. These forward-looking statements are based on management's current expectations, estimates, assumptions and projections that are subject to change. Our actual results of operations may differ materially from those expressed or implied by the forward-looking statements contained in this presentation. Important factors that could cause or contribute to such differences include the risks and uncertainties described from time to time in the company's public filings with the Securities and Exchange Commission, as well as the following:*

- difficulties with the optimization and realization of the benefits expected from our new through-air-dried paper machine and converting lines in Shelby, North Carolina;
- increased dependence on wood pulp;
- changes in the cost and availability of wood fiber and wood pulp;
- changes in costs for and availability of packaging supplies, chemicals, transportation, energy and maintenance and repairs;
- changes in transportation costs and disruptions in transportation services;
- competitive pricing pressures for our products, including as a result of increased capacity as additional manufacturing facilities are operated by our competitors;
- changes in customer product preferences and competitors' product offerings;
- manufacturing or operating disruptions, including equipment malfunction and damage to our manufacturing facilities;
- changes in the U.S. and international economies and in general economic conditions in the regions and industries in which we operate;
- cyclical industry conditions;
- reliance on a limited number of third-party suppliers for raw materials;
- labor disruptions; and
- inability to successfully implement our expansion strategies.

*Forward-looking statements contained in this presentation present management's views only as of the date of this presentation. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.*

## Clearwater 2012 Highlights

---

- **Record annual adjusted EBITDA<sup>1</sup> of \$228 million, or 12% of sales**
- **Net Earnings per diluted share of \$2.72**
  - 64% increase over 2011 EPS of \$1.66
- **Consumer Products**
  - Shipment tons up 3% from 2011
  - Shelby/Las Vegas TAD project startup on time and under budget
  - Disposition of foam assets
  - Cellu Tissue net cost savings from synergies better than estimate
- **Pulp and Paperboard**
  - Paperboard shipment tons up 2% from 2011
  - Strong production
  - Acquisition of log chipping facility to support fiber strategies in Idaho

---

<sup>1</sup> Non-GAAP measure – See definition and reconciliation to GAAP

# Financial Summary

## (Unaudited)

(Dollars in thousands - except per-share amounts)	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Twelve Months Ended December 31,	
									2011	2012
<b>Net sales</b>	\$ 465,830	\$ 494,627	\$ 501,125	\$ 466,391	\$ 457,798	\$ 473,572	\$ 480,233	\$ 462,701	\$ 1,927,973	\$ 1,874,304
<b>Operating income</b>										
Consumer Products	13,815	6,868	7,075	15,048	26,271	25,696	18,453	22,927	42,806	93,347
Pulp and Paperboard <sup>1</sup>	15,648	34,456	26,266	16,457	11,658	32,001	34,449	25,802	92,827	103,910
Corporate and eliminations <sup>1</sup>	(5,917)	(7,531)	(7,958)	1,218	(12,281)	(13,200)	(13,140)	(13,249)	(20,188)	(51,870)
<b>Income from operations</b>	\$ 23,546	\$ 33,793	\$ 25,383	\$ 32,723	\$ 25,648	\$ 44,497	\$ 39,762	\$ 35,480	\$ 115,445	\$ 145,387
Interest expense, net	(11,333)	(10,992)	(12,100)	(10,384)	(9,728)	(9,147)	(7,900)	(7,021)	(44,809)	(33,796)
Income tax provision	(6,133)	(8,649)	(5,928)	(10,536)	(12,194)	(13,861)	(12,798)	(8,607)	(31,246)	(47,460)
Other, net	(476)	(229)	1,290	(301)	-	-	-	-	284	-
<b>Net earnings</b>	\$ 5,604	\$ 13,923	\$ 8,645	\$ 11,502	\$ 3,726	\$ 21,489	\$ 19,064	\$ 19,852	\$ 39,674	\$ 64,131
Depreciation and amortization expense	18,669	18,870	19,569	19,825	19,548	19,730	19,199	20,856	76,933	79,333
<b>Earnings before interest, income taxes, and depreciation and amortization (EBITDA) <sup>2</sup></b>	\$ 41,739	\$ 52,434	\$ 46,242	\$ 52,247	\$ 45,196	\$ 64,227	\$ 58,961	\$ 56,336	\$ 192,662	\$ 224,720
<b>Adjusted EBITDA <sup>2</sup></b>	\$ 41,739	\$ 52,434	\$ 46,242	\$ 55,130	\$ 46,186	\$ 66,199	\$ 58,961	\$ 56,407	\$ 195,545	\$ 227,753
Consumer Products	25,300	19,369	20,233	28,406	39,436	39,962	31,728	37,782	93,308	148,908
Pulp and Paperboard	22,237	40,977	32,802	38,289	17,669	38,012	39,974	31,368	134,305	127,023
<b>EBITDA/Adjusted EBITDA margin <sup>2</sup></b>	9.0%	10.6%	9.2%	11.8%	10.1%	14.0%	12.3%	12.2%	10.1%	12.2%
<b>Diluted net earnings per common share <sup>3</sup></b>	\$ 0.24	\$ 0.59	\$ 0.37	\$ 0.48	\$ 0.16	\$ 0.91	\$ 0.80	\$ 0.84	\$ 1.66	\$ 2.72
<b>Total debt to total capitalization (excluding accumulated other comprehensive loss)</b>	48.5%	47.8%	47.1%	46.6%	46.8%	46.0%	45.1%	44.4%	46.6%	44.4%
<b>EBITDA/Adjusted EBITDA to interest expense, net <sup>2</sup></b>	3.7	4.8	3.8	5.3	4.7	7.2	7.5	8.0	4.4	6.7

<sup>1</sup> Includes the impact of the Lewiston sawmill sale in Q4 2011.

<sup>2</sup> Non-GAAP measures - See reconciliation to GAAP and definitions.

<sup>3</sup> All per common share amounts have been adjusted for the two-for-one stock split on August 26, 2011.

# Shipments and Sales Price/Unit (Unaudited)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Twelve Months Ended December 31,	
									2011	2012
<b><u>Shipments</u></b>										
Consumer Products										
Non-Retail (short tons) <sup>1</sup>	55,707	55,531	54,751	50,119	53,343	60,481	64,731	59,100	216,108	237,655
Retail (short tons) <sup>2</sup>	73,859	73,231	79,394	72,927	75,425	72,497	74,117	71,633	299,411	293,672
<b>Total Tissue Tons</b>	<b>129,566</b>	<b>128,762</b>	<b>134,145</b>	<b>123,046</b>	<b>128,768</b>	<b>132,978</b>	<b>138,848</b>	<b>130,733</b>	<b>515,519</b>	<b>531,327</b>
Converted Products (cases in thousands) <sup>3</sup>	12,239	12,270	13,394	12,466	13,117	13,505	13,752	13,302	50,369	53,675
Pulp and Paperboard										
Paperboard (short tons)	171,497	201,991	184,870	185,487	182,198	193,285	195,097	190,339	743,845	760,919
Pulp (short tons) <sup>4</sup>	7,800	11,140	20,901	2,360	862	4,093	4,593	7,690	42,201	17,238
<b><u>Sales Price</u></b>										
Consumer Products										
Non-Retail (short tons) <sup>1</sup>	\$ 1,470	\$ 1,509	\$ 1,536	\$ 1,532	\$ 1,470	\$ 1,486	\$ 1,450	\$ 1,448	\$ 1,511	\$ 1,463
Retail (\$/short ton) <sup>2</sup>	2,538	2,528	2,534	2,630	2,645	2,665	2,687	2,723	2,557	2,680
<b>Total Tissue</b>	<b>\$ 2,078</b>	<b>\$ 2,088</b>	<b>\$ 2,126</b>	<b>\$ 2,182</b>	<b>\$ 2,158</b>	<b>\$ 2,129</b>	<b>\$ 2,110</b>	<b>\$ 2,147</b>	<b>\$ 2,119</b>	<b>\$ 2,135</b>
Pulp and Paperboard										
Paperboard (\$/short ton)	\$ 983	\$ 980	\$ 971	\$ 970	\$ 968	\$ 975	\$ 948	\$ 936	\$ 976	\$ 956
Pulp (\$/short ton) <sup>4</sup>	684	718	684	694	659	502	517	517	694	520

<sup>1</sup> Includes away-from-home (AFH), contract, machine-glazed and parent roll tissue products.

<sup>2</sup> Includes retail tissue products only.

<sup>3</sup> Includes retail, AFH, contract and machine-glazed tissue case products.

<sup>4</sup> Excludes shipments of pulp and transfer prices of pulp used internally.

# Net Cost Savings from Synergies

(Unaudited)

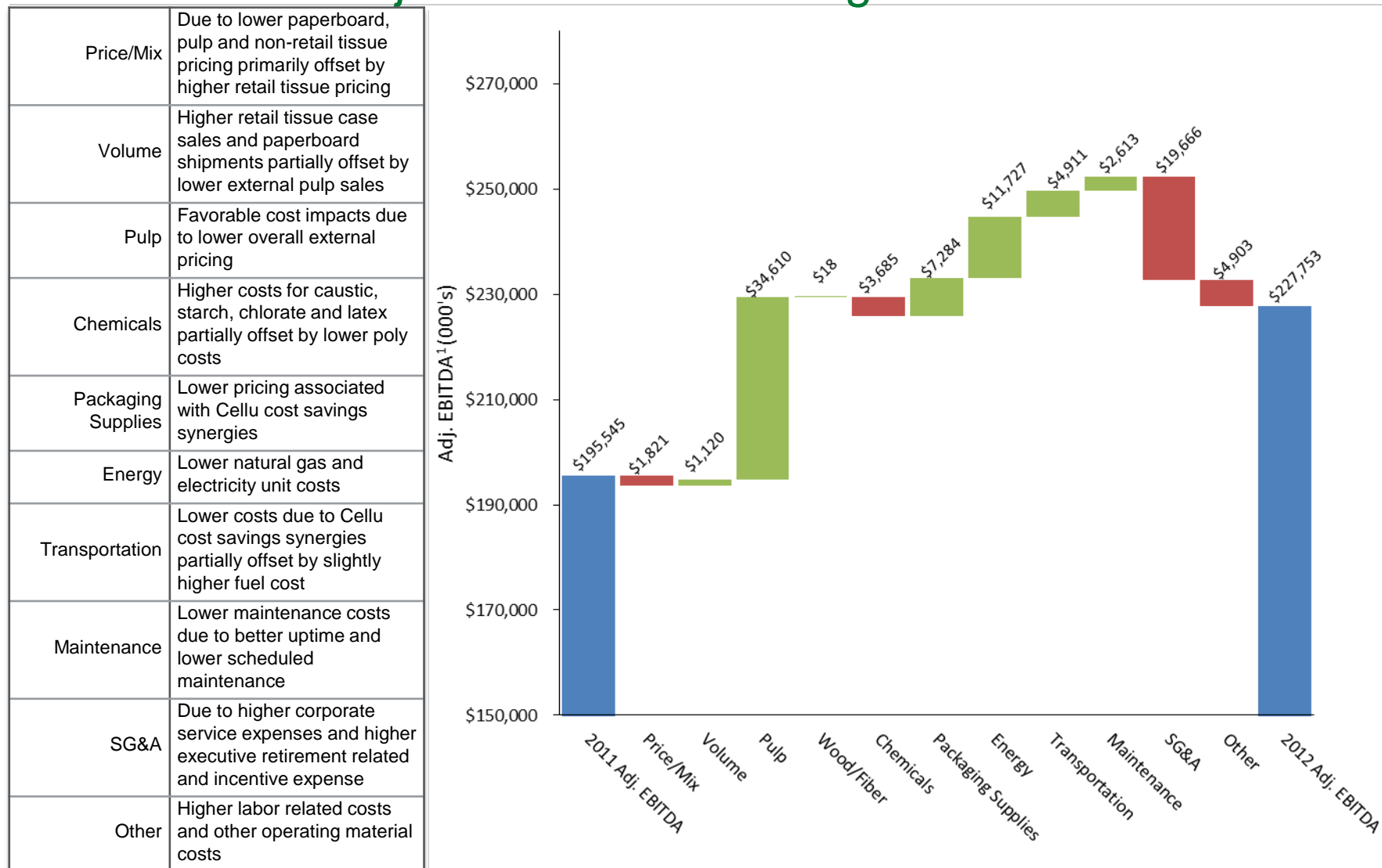
---

<b>2012 Realized Net Cost Savings from Cellu Synergies</b>
--

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	FY 2012
<b>Estimated Synergies (in millions)</b>					
Original Estimate	\$ 3.0	\$ 4.0	\$ 5.0	\$ 8.0	\$ 20.0
Realized Amounts	5.3	6.7	8.6	10.4	31.0

# 2012 vs. 2011

## Consolidated Adjusted EBITDA<sup>1</sup> Bridge

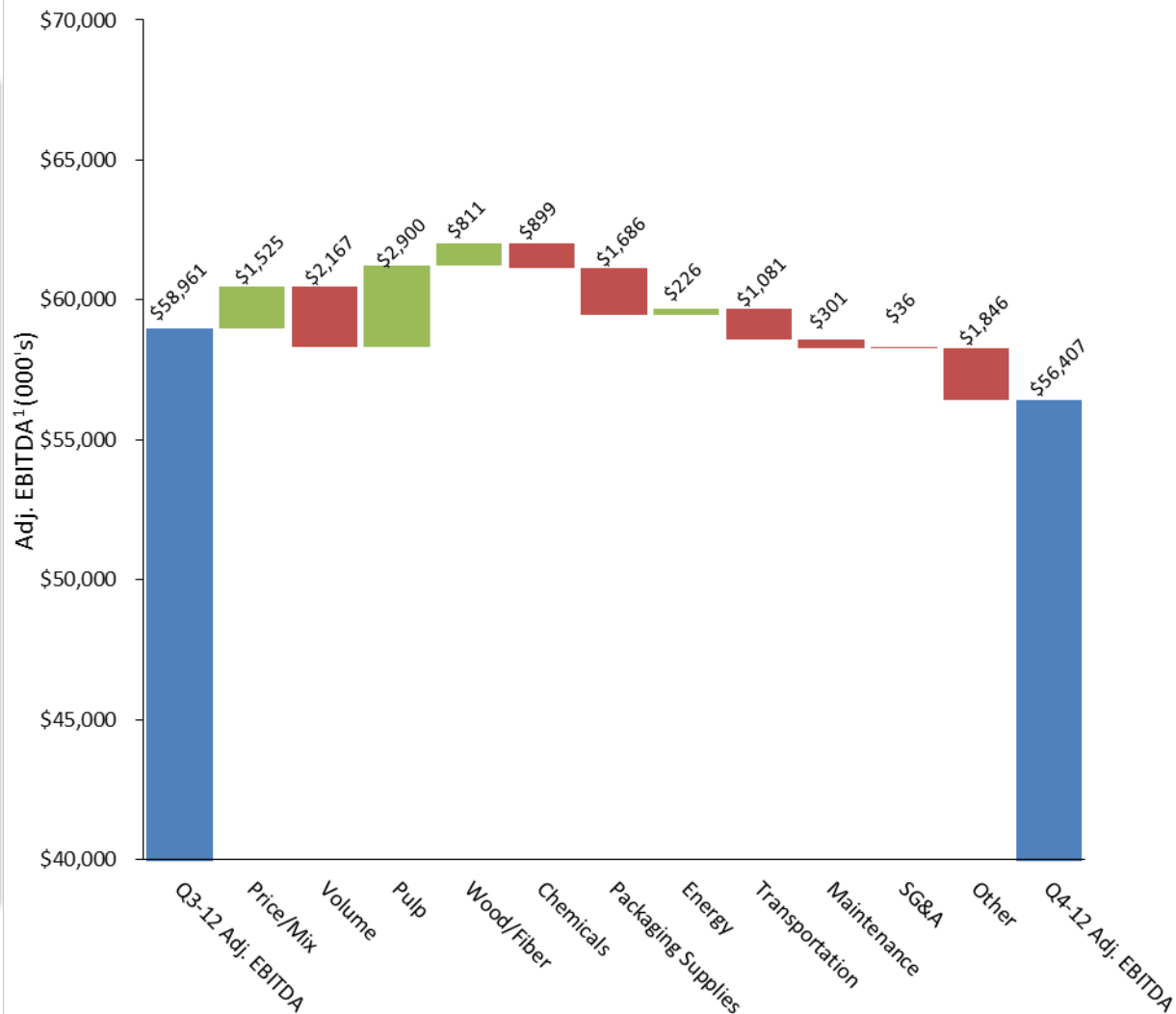


<sup>1</sup> Non-GAAP measure – See definition and reconciliation to GAAP

# Q4-12 vs. Q3-12

## Consolidated Adjusted EBITDA<sup>1</sup> Bridge

Price/Mix	Higher mix of retail tissue sales partially offset by weaker paperboard pricing
Volume	Seasonally lower shipments for tissue and paperboard
Pulp	Favorable cost impacts due to lower overall external pricing
Wood/Fiber	Lower unit fiber costs in Idaho mostly offset by higher fiber costs in Arkansas
Chemicals	Unit prices up slightly
Packaging Supplies	Due mainly to higher tissue converting production of approximately one million cases
Transportation	Increased internal tissue parent roll shipments to meet regional demands
Other	Mainly due to higher labor benefits costs

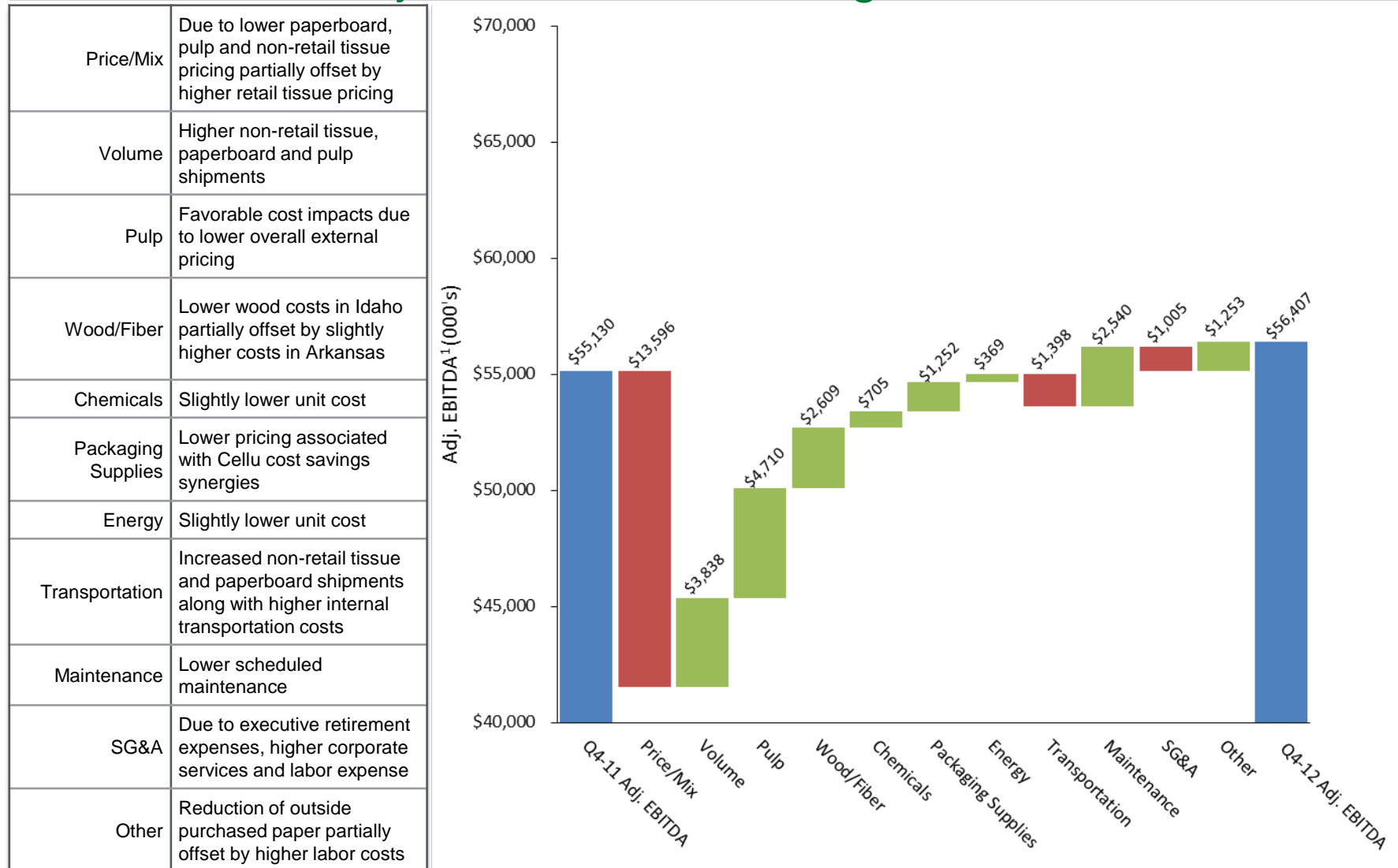


<sup>1</sup> Non-GAAP measure – See definition and reconciliation to GAAP



# Q4-12 vs. Q4-11

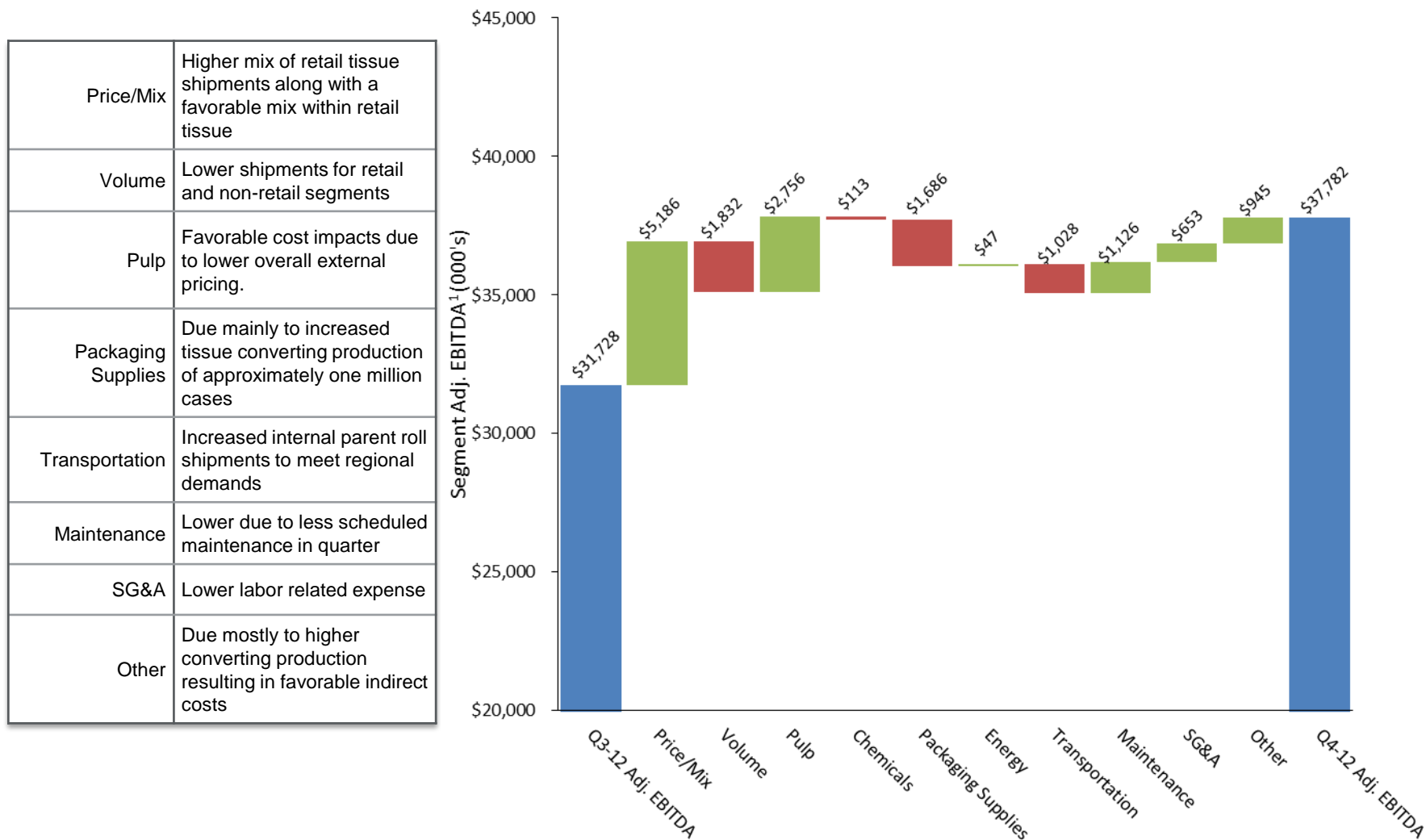
## Consolidated Adjusted EBITDA<sup>1</sup> Bridge



<sup>1</sup> Non-GAAP measure – See definition and reconciliation to GAAP

# Q4-12 vs. Q3-12

## Consumer Products Adjusted EBITDA<sup>1</sup> Bridge

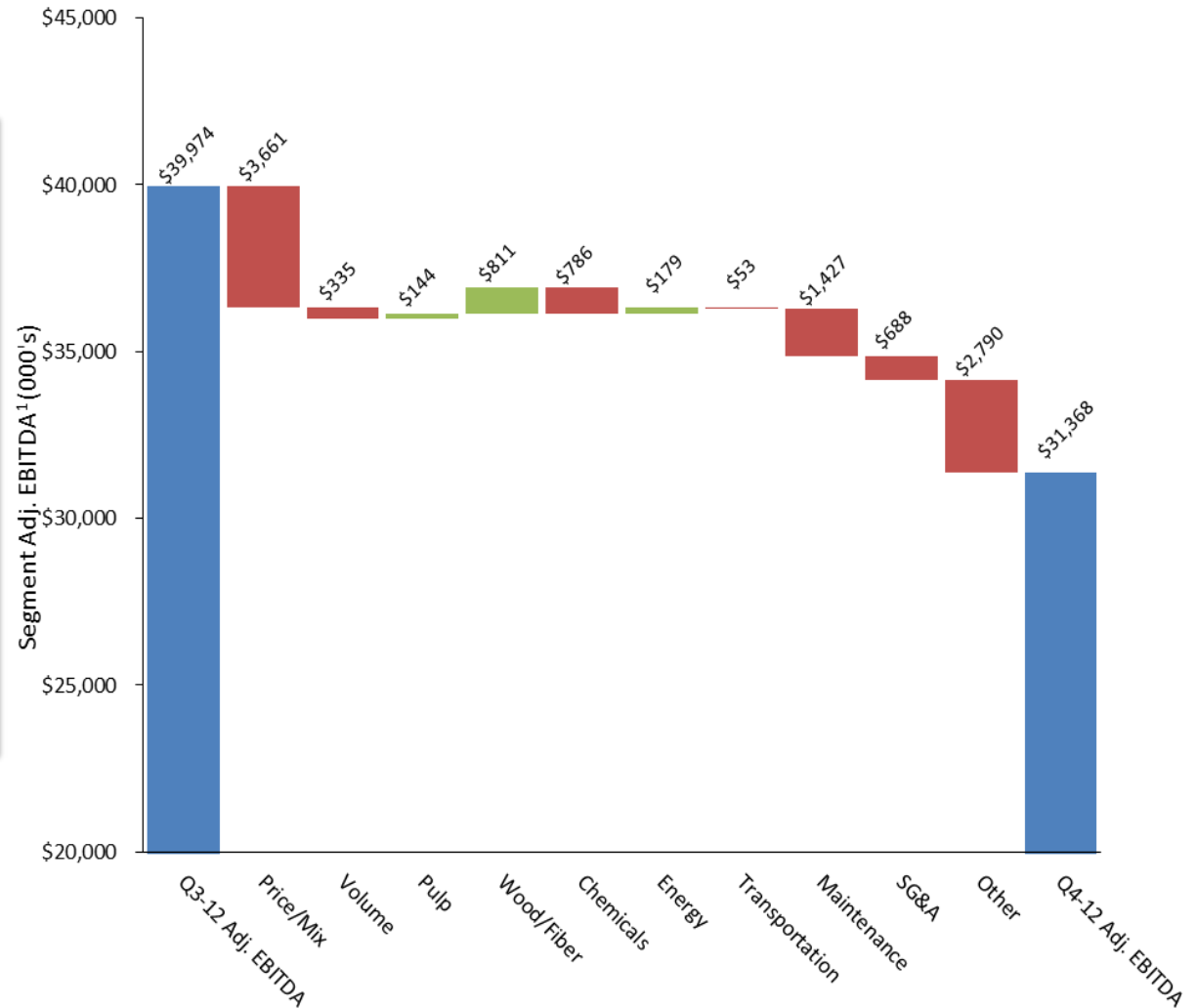


<sup>1</sup> Non-GAAP measure – See definition and reconciliation to GAAP

# Q4-12 vs. Q3-12

## Pulp and Paperboard Adjusted EBITDA<sup>1</sup> Bridge

Price/Mix	Weaker paperboard pricing along with mix impacts from higher pulp shipments
Volume	Lower paperboard shipments partially offset by higher external pulp sales
Wood/Fiber	Lower wood costs in Idaho partially offset by higher costs in Arkansas
Chemicals	Prices up slightly at the end of the quarter
Maintenance	Higher costs due to boiler maintenance for Idaho and Arkansas
SG&A	Higher due to labor related expenses
Other	Due mainly to higher labor benefit costs



<sup>1</sup> Non-GAAP measure – See definition and reconciliation to GAAP

# First Quarter 2013 Outlook (Compared to Q4-2012)<sup>1</sup>

	<b>Consumer Products</b>	<b>Pulp and Paperboard</b>
<b>Production volumes</b>	<i>Expecting Shelby paper machine production of ~12k tons</i> ↗	<i>Stable</i> →
<b>Shipment volumes</b>	<i>Up slightly due to higher retail and parent roll shipments</i> ↗	<i>Down ~14k tons due to implementing consignment program with a major customer</i> ↘
<b>Price/Mix</b>	<i>Stable</i> →	<i>Stable</i> →
<b>Pulp/Wood/Fiber costs</b>	<i>Expecting pulp costs up slightly along with higher purchased paper of ~4-5k tons</i> ↗	<i>Improving Idaho fiber supply</i> ↘
<b>Chemical costs</b>	<i>Stable</i> →	<i>Stable</i> →
<b>Transportation costs</b>	<i>Expecting higher internal transportation costs</i> ↗	<i>Stable</i> →
<b>Energy costs</b>	<i>Consumption higher due to Shelby TAD paper machine</i> ↗	<i>Stable</i> →
<b>Maintenance &amp; repairs</b>	<i>Stable</i> →	<i>Scheduled Arkansas outage ~\$3 million</i> ↗

<sup>1</sup> This information is based upon management's current expectations and estimates, which are in part based on market and industry data. Many factors are outside the control of management, including particularly input costs for commodity products, and actual results may differ materially from the information set forth above. See "Forward-Looking Statements" on page 1.

## 2013 Outlook (Compared to 2012)<sup>1</sup>

	<b>Consumer Products</b>	<b>Pulp and Paperboard</b>
<b>Production volumes</b>	<i>Expecting Shelby paper machine production of ~55k tons 70k ton run rate by year end</i> ↗	<i>Stable</i> →
<b>Shipment volumes</b>	<i>Expecting shipments to be ~4.6 million cases (25k tons) higher due mainly to higher TAD retail</i> ↗	<i>Stable</i> →
<b>Price/Mix</b>	<i>Higher % of TAD expected to improve net sales avg.</i> ↗	<i>Stable</i> →
<b>Pulp/Wood/Fiber costs</b>	<i>Expecting pulp cost increase partially offset by higher internal pulp consumption</i> ↗	<i>Improving Idaho fiber supply</i> ↘
<b>Chemical costs</b>	<i>Stable</i> →	<i>Stable</i> →
<b>Transportation costs</b>	<i>Improved internal transportation as regional balance improves</i> ↘	<i>Stable</i> →
<b>Energy costs</b>	<i>Higher natural gas unit cost and Shelby paper machine usage</i> ↗	<i>Higher natural gas unit cost</i> ↗
<b>Maintenance &amp; repairs</b>	<i>Stable</i> →	<i>Q1–Scheduled Arkansas outage ~\$3 MM Q3–Scheduled Idaho outage ~\$11 MM</i> →

<sup>1</sup> This information is based upon management's current expectations and estimates, which are in part based on market and industry data. Many factors are outside the control of management, including particularly input costs for commodity products, and actual results may differ materially from the information set forth above. See "Forward-Looking Statements" on page 1.

# Reconciliation from Non-GAAP Measures

## (Unaudited)

(Dollars in thousands)									Twelve Months Ended December 31,	
	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2011	2012
<b>Earnings before interest, income taxes, and depreciation &amp; amortization (EBITDA)<sup>1</sup></b>										
GAAP net earnings	\$ 5,604	\$ 13,923	\$ 8,645	\$ 11,502	\$ 3,726	\$ 21,489	\$ 19,064	\$ 19,852	\$ 39,674	\$ 64,131
Interest expense, net	11,333	10,992	12,100	10,384	9,728	9,147	7,900	7,021	44,809	33,796
Income tax provision	6,133	8,649	5,928	10,536	12,194	13,861	12,798	8,607	31,246	47,460
Depreciation and amortization expense	18,669	18,870	19,569	19,825	19,548	19,730	19,199	20,856	76,933	79,333
<b>EBITDA<sup>1</sup></b>	<b>\$ 41,739</b>	<b>\$ 52,434</b>	<b>\$ 46,242</b>	<b>\$ 52,247</b>	<b>\$ 45,196</b>	<b>\$ 64,227</b>	<b>\$ 58,961</b>	<b>\$ 56,336</b>	<b>\$ 192,662</b>	<b>\$ 224,720</b>
Lewiston, Idaho sawmill sale related adjustments <sup>3</sup>	-	-	-	2,883	-	-	-	-	2,883	-
Loss on sale of foam assets	-	-	-	-	-	1,014	-	-	-	1,014
Expenses associated with Metso litigation <sup>4</sup>	-	-	-	-	990	958	-	71	-	2,019
<b>Adjusted EBITDA<sup>2</sup></b>	<b>\$ 41,739</b>	<b>\$ 52,434</b>	<b>\$ 46,242</b>	<b>\$ 55,130</b>	<b>\$ 46,186</b>	<b>\$ 66,199</b>	<b>\$ 58,961</b>	<b>\$ 56,407</b>	<b>\$ 195,545</b>	<b>\$ 227,753</b>

<sup>1</sup> EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. The most directly comparable GAAP measure is net earnings. EBITDA, as we define it, is net earnings adjusted for net interest expense, income taxes, and depreciation and amortization. It should not be considered as an alternative to net earnings computed under GAAP.

<sup>2</sup> Adjusted EBITDA excludes the impact of the Lewiston sawmill sale in 2011, as well as the loss on sale of legacy Cellu Tissue foam assets and legal expenses related to the First Quality/Metso Paper litigation in 2012.

<sup>3</sup> Lewiston sawmill sale impacts were a combination of \$15.4 million of expense in Pulp and Paperboard partially offset by corporate credits of \$12.5 million.

<sup>4</sup> Expenses associated with the Metso litigation were shown as a corporate expense.

# Segment Reconciliation from Non-GAAP Measures (Unaudited)

(Dollars in thousands)	Twelve Months Ended December 31,									
	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2011	2012
<b>Consumer Products</b>										
Operating Income	\$ 13,815	\$ 6,868	\$ 7,075	\$ 15,048	\$ 26,271	\$ 25,696	\$ 18,453	\$ 22,927	\$ 42,806	\$ 93,347
Depreciation and amortization expense	11,961	12,234	12,920	13,276	13,165	13,252	13,275	14,855	50,391	54,547
Other, net	(476)	267	238	82	-	-	-	-	111	-
<b>EBITDA<sup>1</sup></b>	<b>\$ 25,300</b>	<b>\$ 19,369</b>	<b>\$ 20,233</b>	<b>\$ 28,406</b>	<b>\$ 39,436</b>	<b>\$ 38,948</b>	<b>\$ 31,728</b>	<b>\$ 37,782</b>	<b>\$ 93,308</b>	<b>\$ 147,894</b>
Loss on sale of foam assets	-	-	-	-	-	1,014	-	-	-	1,014
<b>Adjusted EBITDA<sup>2</sup></b>	<b>\$ 25,300</b>	<b>\$ 19,369</b>	<b>\$ 20,233</b>	<b>\$ 28,406</b>	<b>\$ 39,436</b>	<b>\$ 39,962</b>	<b>\$ 31,728</b>	<b>\$ 37,782</b>	<b>\$ 93,308</b>	<b>\$ 148,908</b>
<b>Pulp and Paperboard</b>										
Operating Income	\$ 15,648	\$ 34,456	\$ 26,266	\$ 16,457	\$ 11,658	\$ 32,001	\$ 34,449	\$ 25,802	\$ 92,827	\$ 103,910
Depreciation and amortization expense	6,589	6,521	6,536	6,427	6,011	6,011	5,525	5,566	26,073	23,113
<b>EBITDA<sup>1</sup></b>	<b>\$ 22,237</b>	<b>\$ 40,977</b>	<b>\$ 32,802</b>	<b>\$ 22,884</b>	<b>\$ 17,669</b>	<b>\$ 38,012</b>	<b>\$ 39,974</b>	<b>\$ 31,368</b>	<b>\$ 118,900</b>	<b>\$ 127,023</b>
Lewiston, Idaho sawmill sale related adjustments <sup>3</sup>	-	-	-	15,405	-	-	-	-	15,405	-
<b>Adjusted EBITDA<sup>2</sup></b>	<b>\$ 22,237</b>	<b>\$ 40,977</b>	<b>\$ 32,802</b>	<b>\$ 38,289</b>	<b>\$ 17,669</b>	<b>\$ 38,012</b>	<b>\$ 39,974</b>	<b>\$ 31,368</b>	<b>\$ 134,305</b>	<b>\$ 127,023</b>

<sup>1</sup> EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. The most directly comparable GAAP measure is net earnings. EBITDA, as we define it, is net earnings adjusted for net interest expense, income taxes, and depreciation and amortization. It should not be considered as an alternative to net earnings computed under GAAP.

<sup>2</sup> Adjusted EBITDA excludes the impact of the Lewiston sawmill sale in 2011 and the loss on sale of legacy Cellu Tissue foam assets in 2012.

<sup>3</sup> Lewiston sawmill sale impacts were a combination of \$15.4 million of expense in Pulp and Paperboard partially offset by corporate credits of \$12.5 million.



For more information:  
[www.clearwaterpaper.com](http://www.clearwaterpaper.com)