



# CLEARWATER PAPER CORPORATION

## SECOND QUARTER 2016 SUPPLEMENTAL INFORMATION

7/21/16

LINDA MASSMAN  
PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR

JOHN HERTZ  
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# FORWARD-LOOKING STATEMENTS



This presentation of 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 financial models; the costs, timing and benefits associated with strategic capital investments and operational improvements; segment, corporate and consolidated outlook for Q3 2016 and fiscal year 2016; production; product volumes shipped; product pricing and sales mix; pulp and wood fiber costs and supply; chemical costs; operational and packaging supply costs; transportation costs; energy costs; cost and timing of major maintenance and repairs; cost of wages and benefits; selling, general, and administrative expenses; corporate expenses; estimated Q3 2016 and fiscal year 2016 EBITDA and adjusted EBITDA; and segment maintenance expense for 2016. 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:

- competitive pricing pressures for our products, including as a result of increased capacity as additional manufacturing facilities are operated by our competitors in North America and abroad;
- changes in the U.S. and international economies and in general economic conditions in the regions and industries in which we operate;
- changes in customer product preferences and competitors' product offerings;
- the loss of or changes in prices in regards to a significant customer;
- cyclical industry conditions;
- changes in the cost and availability of wood fiber and wood pulp;
- inability to successfully implement our operational efficiencies and expansion strategies;
- changes in transportation costs and disruptions in transportation services;
- customer acceptance in North America and abroad, timing and quantity of purchases of our tissue products;
- changes in costs for and availability of packaging supplies, chemicals, energy and maintenance and repairs;
- environmental liabilities or expenditures;
- labor disruptions;
- manufacturing or operating disruptions, including IT system and IT system implementation failures, equipment malfunction and damage to our manufacturing facilities;
- changes in expenses and required contributions associated with our pension plans;
- reliance on a limited number of third-party suppliers for raw materials;
- inability to fund our debt obligations;
- restrictions on our business from debt covenants and terms; and
- changes in laws, regulations or industry standards affecting our business.

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.

# SECOND QUARTER FINANCIAL HIGHLIGHTS



**\$437 MILLION NET SALES, FLAT VS. Q1'16**

**\$40 MILLION GAAP OPERATING INCOME, UP 6% VS. Q1'16**

**\$66 MILLION ADJUSTED EBITDA<sup>1</sup>, UP 10% VS. Q1'16, ABOVE HIGH END OF OUR OUTLOOK OF \$56 TO \$64 MILLION**

**DILUTED GAAP EPS OF \$1.21, RECORD HIGH ADJUSTED DILUTED EPS OF \$1.37<sup>1</sup>**

**PPD GAAP OPERATING MARGIN AT 21.2%, PPD ADJUSTED EBITDA MARGIN<sup>1</sup> AT 24.6%, 300 BASIS POINT IMPROVEMENT IN PPD ADJUSTED EBITDA MARGIN<sup>1</sup> VS. Q1'16**

**\$9 MILLION OF OPERATING INCOME AND ADJUSTED EBITDA<sup>1</sup> BENEFIT ACHIEVED FROM STRATEGIC CAPITAL AND OPERATIONAL EFFICIENCY INITIATIVES IN Q2'16, \$27 MILLION TOTAL OPERATING INCOME AND \$28 MILLION TOTAL ADJUSTED EBITDA<sup>1</sup> SINCE Q1'15**

# FINANCIAL SUMMARY (GAAP BASIS)

## (UNAUDITED)



(Dollars in thousands - except per-share amounts)

|  | Q1'15      | Q2'15      | Q3'15      | Q4'15      | Q1'16      | Q2'16      |
|--|------------|------------|------------|------------|------------|------------|
| Net sales                                    | \$ 434,026 | \$ 444,558 | \$ 442,222 | \$ 431,595 | \$ 437,204 | \$ 436,671 |
| Selling, general and administrative expenses | (\$28,957) | (\$28,138) | (\$28,284) | (\$30,308) | (\$30,795) | (\$34,655) |
| Operating income (loss)                      | \$ 15,237  | \$ 32,073  | \$ 40,046  | \$ 36,314  | \$ 37,762  | \$ 40,165  |
| Consumer Products                            | 12,395     | 17,032     | 15,521     | 10,756     | 18,390     | 18,544     |
| Pulp and Paperboard                          | 16,194     | 27,754     | 37,446     | 39,467     | 35,163     | 40,032     |
| Corporate                                    | (13,352)   | (12,713)   | (12,921)   | (13,909)   | (15,791)   | (18,411)   |
| Operating margin                             | 3.5%       | 7.2%       | 9.1%       | 8.4%       | 8.6%       | 9.2%       |
| Interest expense, net                        | (\$7,782)  | (\$7,774)  | (\$7,882)  | (\$7,744)  | (\$7,643)  | (\$7,396)  |
| Income tax provision                         | (\$1,698)  | (\$8,702)  | (\$9,100)  | (\$17,005) | (\$11,673) | (\$11,905) |
| Net earnings                                 | \$ 5,757   | \$ 15,597  | \$ 23,064  | \$ 11,565  | \$ 18,446  | \$ 20,864  |
| Net earnings per diluted common share        | \$ 0.30    | \$ 0.81    | \$ 1.21    | \$ 0.65    | \$ 1.05    | \$ 1.21    |

# FINANCIAL SUMMARY (ADJUSTED BASIS) (UNAUDITED)



| (Dollars in thousands - except per-share amounts)                     | Q1'15      | Q2'15      | Q3'15      | Q4'15      | Q1'16      | Q2'16      | Q3'16 Outlook <sup>5</sup>     |
|---|------------|------------|------------|------------|------------|------------|--------------------------------|
| Net sales   | \$ 434,026 | \$ 444,558 | \$ 442,222 | \$ 431,595 | \$ 437,204 | \$ 436,671 | 0%-1% higher                   |
| Adjusted gross profit <sup>1</sup>                                    | \$ 46,478  | \$ 60,946  | \$ 69,170  | \$ 67,280  | \$ 68,989  | \$ 75,353  |                                |
| Adjusted gross profit margin <sup>1,2</sup>                           | 10.7%      | 13.7%      | 15.6%      | 15.6%      | 15.8%      | 17.3%      |                                |
| Adjusted selling, general and administrative expenses <sup>1</sup>    | (\$29,558) | (\$30,926) | (\$27,153) | (\$30,272) | (\$30,069) | (\$31,045) |                                |
| Adjusted operating income (loss) <sup>1</sup>                         | \$ 16,920  | \$ 30,020  | \$ 42,017  | \$ 37,008  | \$ 38,920  | \$ 44,308  |                                |
| Consumer Products   | 13,632     | 16,436     | 16,743     | 11,459     | 18,822     | 19,077     |                                |
| Pulp and Paperboard   | 17,110     | 27,754     | 37,685     | 39,647     | 35,163     | 40,032     |                                |
| Corporate   | (13,822)   | (14,170)   | (12,411)   | (14,098)   | (15,065)   | (14,801)   |                                |
| Adjusted operating margin <sup>1,3</sup>                              | 3.9%       | 6.8%       | 9.5%       | 8.6%       | 8.9%       | 10.1%      | 2.0%-3.0%                      |
| Interest expense, net   | (\$7,782)  | (\$7,774)  | (\$7,882)  | (\$7,744)  | (\$7,643)  | (\$7,396)  |                                |
| Adjusted income tax provision <sup>1</sup>                            | (\$2,217)  | (\$8,055)  | (\$9,726)  | (\$15,924) | (\$12,089) | (\$13,368) |                                |
| Adjusted net earnings <sup>1</sup>                                    | \$ 6,921   | \$ 14,191  | \$ 24,409  | \$ 13,340  | \$ 19,188  | \$ 23,544  |                                |
| Depreciation and amortization expense                                 | \$ 21,008  | \$ 20,632  | \$ 21,204  | \$ 21,888  | \$ 21,150  | \$ 22,024  |                                |
| Adjusted EBITDA <sup>1</sup>  | \$ 37,928  | \$ 50,652  | \$ 63,221  | \$ 58,896  | \$ 60,070  | \$ 66,332  | \$30,000-\$35,000 <sup>6</sup> |
| Consumer Products   | 26,609     | 29,874     | 30,791     | 25,591     | 32,581     | 33,280     |                                |
| Pulp and Paperboard   | 24,421     | 34,491     | 44,220     | 46,268     | 41,530     | 46,481     |                                |
| Corporate   | (13,102)   | (13,713)   | (11,790)   | (12,963)   | (14,041)   | (13,429)   |                                |
| Adjusted EBITDA margin <sup>1,4</sup>                                 | 8.7%       | 11.4%      | 14.3%      | 13.6%      | 13.7%      | 15.2%      |                                |
| Adjusted net earnings per diluted common share <sup>1</sup>           | \$ 0.36    | \$ 0.74    | \$ 1.28    | \$ 0.75    | \$ 1.09    | \$ 1.37    |                                |
| Gross debt to rolling four quarter total Adjusted EBITDA <sup>1</sup> | 2.6        | 2.7        | 2.8        | 2.7        | 2.5        | 2.3        |                                |
| Capital Expenditures  | \$ 20,809  | \$ 29,542  | \$ 33,275  | \$ 50,478  | \$ 25,732  | \$ 28,822  |                                |

<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

<sup>2</sup> Adjusted gross profit margin is defined as Adjusted gross profit divided by Net sales.

<sup>3</sup> Adjusted operating margin is defined as Adjusted operating income divided by Net sales.

<sup>4</sup> Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Net sales.

<sup>5</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.

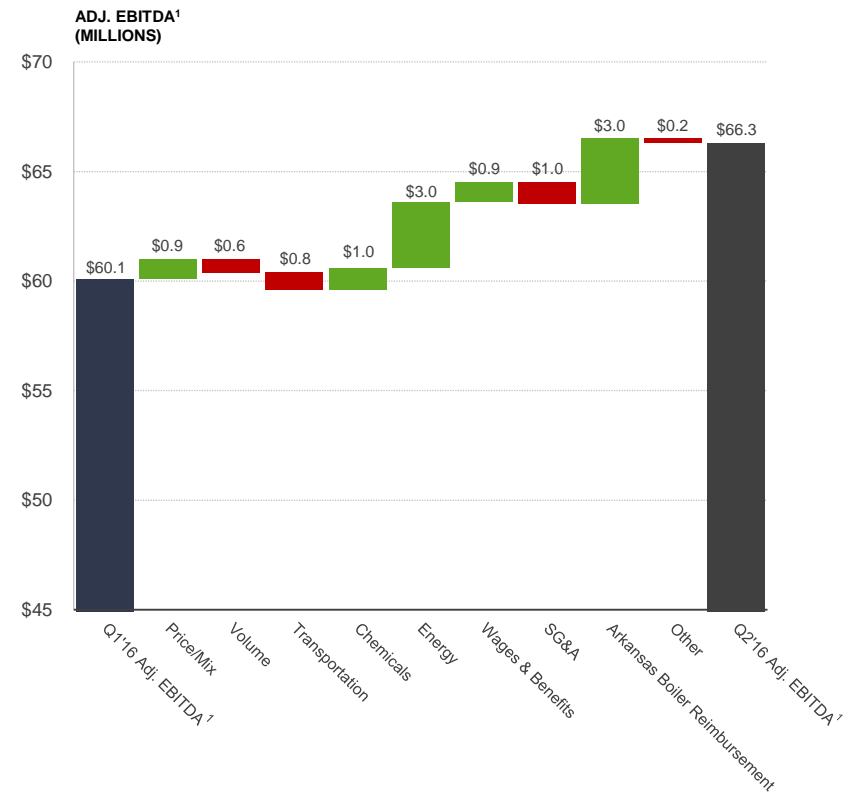
<sup>6</sup> Non-GAAP measure – See page 18 for the reconciliation to the most comparable GAAP measure.



# Q2'16 VS. Q1'16 CONSOLIDATED ADJUSTED EBITDA<sup>1</sup> BRIDGE



|                                      |  |
|--------------------------------------|--|
| <b>PRICE/MIX</b>                     | Higher mix of retail tissue sales, partly offset by lower paperboard pricing   |
| <b>VOLUME</b>                        | Lower tissue parent roll shipments and lower demand in paperboard commodity grades                                     |
| <b>TRANSPORTATION</b>                | Higher due to paperboard customer mix  |
| <b>CHEMICALS</b>                     | Lower usage and pricing  |
| <b>ENERGY</b>                        | Lower natural gas prices, higher internal electricity generation   |
| <b>WAGES &amp; BENEFITS</b>          | Lower benefits expense   |
| <b>SG&amp;A</b>                      | Higher profit dependent compensation accruals  |
| <b>ARKANSAS BOILER REIMBURSEMENT</b> | Partial reimbursement of costs previously incurred related to Arkansas recovery boiler issues from Q2'13 through Q1'15 |

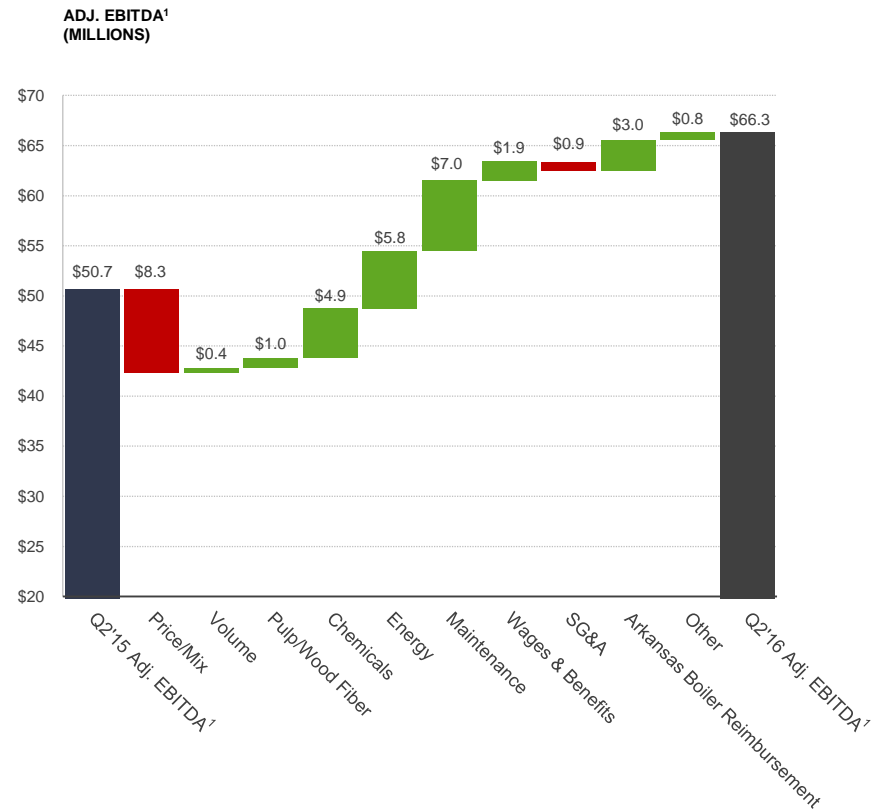


<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

# Q2'16 VS. Q2'15 CONSOLIDATED ADJUSTED EBITDA<sup>1</sup> BRIDGE



|                                      |  |
|--------------------------------------|--|
| <b>PRICE/MIX</b>                     | Lower paperboard pricing, partly offset by a higher mix of retail tissue sales   |
| <b>VOLUME</b>                        | Higher retail tissue shipments, partly offset by lower paperboard shipments  |
| <b>PULP/WOOD FIBER</b>               | Lower external pulp pricing  |
| <b>CHEMICALS</b>                     | Lower pricing  |
| <b>ENERGY</b>                        | Lower natural gas and other energy pricing   |
| <b>MAINTENANCE</b>                   | Major maintenance at Arkansas in Q2'15, no major maintenance expense in Q2'16  |
| <b>WAGES &amp; BENEFITS</b>          | Lower benefits expense   |
| <b>SG&amp;A</b>                      | Higher profit dependent compensation accruals  |
| <b>ARKANSAS BOILER REIMBURSEMENT</b> | Partial reimbursement of costs previously incurred related to Arkansas recovery boiler issues from Q2'13 through Q1'15 |



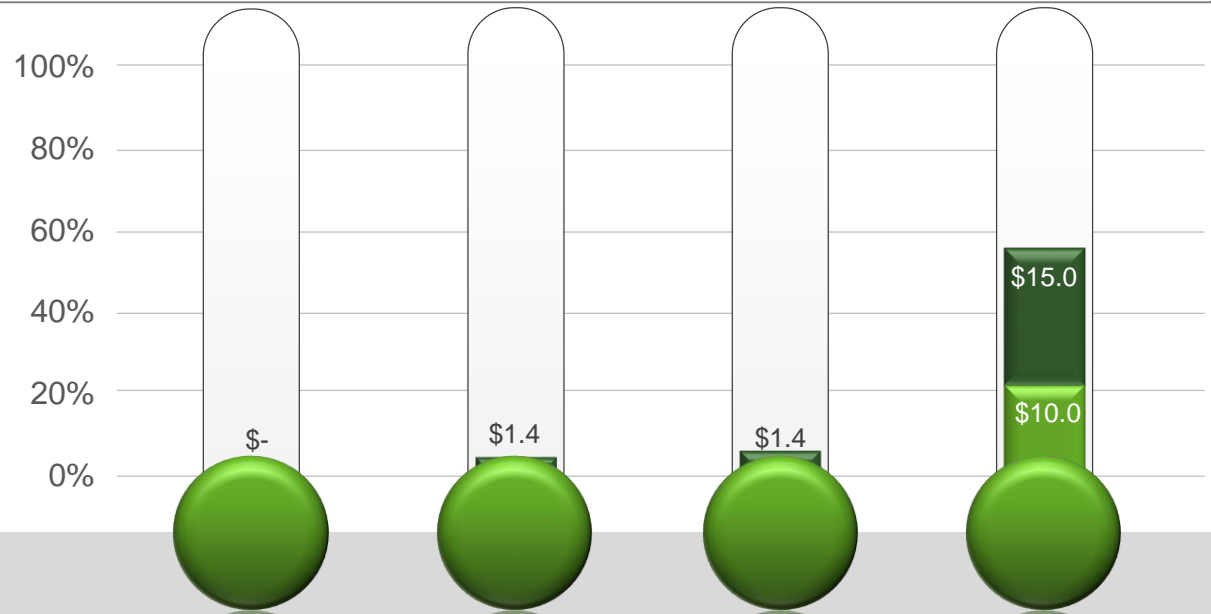
<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

# STRATEGIC INVESTMENT AND OPERATIONAL IMPROVEMENT SCORECARD AS OF Q2'16



- Strategic plan announced in Q1'15, expected capex of \$237-\$249 million
- Expected to yield a \$97-\$127 million operating income increase by 2018
- Expected to yield a \$115-\$145 million Adjusted EBITDA<sup>1</sup> increase by 2018
- In addition, assume an annual \$10-\$15 million of margin pressure

| FULL RUN-RATE EXPECTED IMPACT (MILLIONS \$) <sup>2</sup> |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| OPERATING INCOME   | \$23-\$28 | \$21-\$26 | \$16-\$19 | \$37-\$54 |
| ADJUSTED EBITDA <sup>1</sup>                             | \$30-\$35 | \$27-\$32 | \$21-\$24 | \$37-\$54 |



|                       | Continuous Digester <sup>3</sup> | Warehouse Automation <sup>4</sup> | Other Projects <sup>5</sup> | Operational Improvements |
|-----------------------|----------------------------------|-----------------------------------|-----------------------------|--------------------------|
| TOTAL STRATEGIC CAPEX | \$148-\$158                      | \$40-\$42                         | \$49                        | \$0                      |

■ 2015 ADJUSTED EBITDA<sup>1</sup> ACHIEVED ■ YTD Q2'16 ADJUSTED EBITDA<sup>1</sup> ACHIEVED

<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure

<sup>2</sup> Based on Q1'15 prices, input costs, and 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.

<sup>3</sup> The Continuous Digester is expected to be completed in Q4'17.

<sup>4</sup> 2015 and YTD Q2'16 Adjusted EBITDA contributions were \$0.6M and \$0.8M, respectively.

<sup>5</sup> 2015 and YTD Q2'16 Adjusted EBITDA contributions were \$0.4M and \$1.0M, respectively.



# KEY SEGMENT RESULTS – CONSUMER PRODUCTS (UNAUDITED)



|  | Q1'15            | Q2'15            | Q3'15            | Q4'15            | Q1'16            | Q2'16            | CONSUMER<br>PRODUCTS<br>CROSS-CYCLE<br>FINANCIAL MODEL |
|--|------------------|------------------|------------------|------------------|------------------|------------------|--|
| <b>Shipments</b>   |                  |                  |                  |                  |                  |                  |  |
| Non-Retail (short tons) <sup>1</sup>                         | 21,107           | 24,744           | 21,250           | 23,077           | 24,358           | 20,028           |  |
| Retail (short tons)  | 71,102           | 71,476           | 76,856           | 73,004           | 75,027           | 79,095           |  |
| <b>Total Tissue Tons</b>                                     | <b>92,209</b>    | <b>96,220</b>    | <b>98,106</b>    | <b>96,081</b>    | <b>99,385</b>    | <b>99,123</b>    |  |
| <b>Converted Products (cases in thousands)<sup>2</sup></b>   | <b>13,025</b>    | <b>13,125</b>    | <b>13,375</b>    | <b>12,624</b>    | <b>12,990</b>    | <b>13,229</b>    |  |
| <b>Sales Price</b>   |                  |                  |                  |                  |                  |                  |  |
| Non-Retail (\$/short ton) <sup>1</sup>                       | \$1,475          | \$1,430          | \$1,530          | \$1,448          | \$1,477          | \$1,496          |  |
| Retail (\$/short ton)  | \$2,864          | \$2,846          | \$2,787          | \$2,805          | \$2,784          | \$2,747          |  |
| <b>Total Tissue (\$/short ton)</b>                           | <b>\$2,546</b>   | <b>\$2,482</b>   | <b>\$2,515</b>   | <b>\$2,479</b>   | <b>\$2,464</b>   | <b>\$2,494</b>   |  |
| <b>Segment net sales (\$ in thousands)</b>                   | <b>\$235,176</b> | <b>\$239,391</b> | <b>\$247,039</b> | <b>\$238,288</b> | <b>\$245,018</b> | <b>\$247,912</b> |  |
| <b>Segment GAAP operating income (\$ in thousands)</b>       | <b>\$12,395</b>  | <b>\$17,032</b>  | <b>\$15,521</b>  | <b>\$10,756</b>  | <b>\$18,390</b>  | <b>\$18,544</b>  |  |
| <b>Segment GAAP operating margin</b>                         | <b>5.3%</b>      | <b>7.1%</b>      | <b>6.3%</b>      | <b>4.5%</b>      | <b>7.5%</b>      | <b>7.5%</b>      |  |
| <b>Segment Adjusted EBITDA<sup>3</sup> (\$ in thousands)</b> | <b>\$26,609</b>  | <b>\$29,874</b>  | <b>\$30,791</b>  | <b>\$25,591</b>  | <b>\$32,581</b>  | <b>\$33,280</b>  |  |
| <b>Segment Adjusted EBITDA margin<sup>4</sup></b>            | <b>11.3%</b>     | <b>12.5%</b>     | <b>12.5%</b>     | <b>10.7%</b>     | <b>13.3%</b>     | <b>13.4%</b>     | <b>17.0%</b>   |

<sup>1</sup> Includes away-from-home (AFH), contract and parent roll tissue products. <sup>2</sup> Includes retail, AFH, and contract tissue case products.

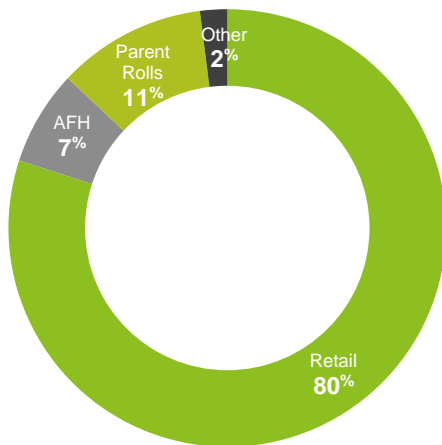
<sup>3</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

<sup>4</sup> Non-GAAP measure – Segment Adjusted EBITDA margin is defined as Segment Adjusted EBITDA divided by Segment net sales.

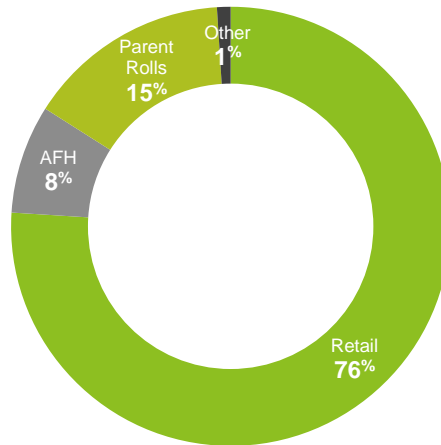
# CLEARWATER PAPER TISSUE SHIPMENTS AND U.S. RETAIL TISSUE MARKET



CLW Q2'16 by  
Market Segment  
(% of Tons)



CLW Q1'16 by  
Market Segment  
(% of Tons)



U.S. Retail Tissue Market (\$)  
(MultiOutlet)<sup>1</sup>

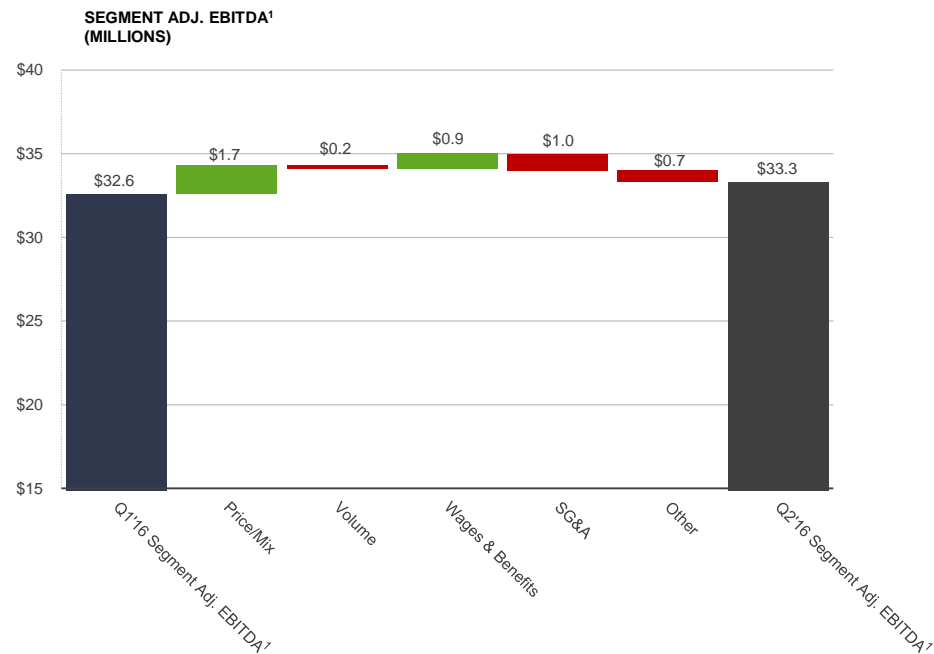
| CATEGORY                       | PRIVATE LABEL | BRANDS | TOTAL |
|--------------------------------|---------------|--------|-------|
| Total Retail Tissue Share (\$) | 24%           | 76%    | 100%  |
| % Change Q2'16 vs. Q1'16       | 0.5%          | (0.5)% | -%    |

<sup>1</sup> Data Source: IRI Worldwide data through June 19, 2016.

# Q2'16 VS. Q1'16 CONSUMER PRODUCTS ADJUSTED EBITDA<sup>1</sup> BRIDGE



|                             |   |
|-----------------------------|---|
| <b>PRICE/MIX</b>            | Higher mix of retail sales  |
| <b>VOLUME</b>               | Lower parent roll shipments, partly offset by higher retail shipments |
| <b>WAGES &amp; BENEFITS</b> | Lower benefit expense   |
| <b>SG&amp;A</b>             | Higher profit dependent compensation accruals                         |



## Previous Outlook vs. Segment Actual

|                                   | PRICE/MIX        | SHIPMENT VOLUMES | EXTERNAL PULP                      | CHEMICAL COSTS                     | OP. & PKG. SUPPLIES                | TRANSPORTATION COSTS               | ENERGY COSTS                       | MAINTENANCE | SG&A        |
|-----------------------------------|------------------|------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|-------------|-------------|
| <b>Q2'16 OUTLOOK VERSUS Q1'16</b> | 3-5% higher<br>▲ | 2-4% lower<br>▼  | Cost / shipped ton:<br>stable<br>▶ | Cost / shipped ton:<br>stable<br>▶ | Cost / shipped ton:<br>stable<br>▶ | Cost / shipped ton:<br>stable<br>▶ | Cost / shipped ton:<br>stable<br>▶ | Stable<br>▶ | Higher<br>▲ |
| <b>Q2'16 ACTUAL VERSUS Q1'16</b>  | 5% higher<br>▲   | 1% lower<br>▼    | Cost / shipped ton:<br>stable<br>▶ | Cost / shipped ton:<br>stable<br>▶ | Cost / shipped ton:<br>stable<br>▶ | Cost / shipped ton:<br>stable<br>▶ | Cost / shipped ton:<br>stable<br>▶ | Stable<br>▶ | Higher<br>▲ |

<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

# KEY SEGMENT RESULTS – PULP AND PAPERBOARD (UNAUDITED)



|  | Q1'15            | Q2'15            | Q3'15            | Q4'15            | Q1'16            | Q2'16            | PULP AND<br>PAPERBOARD<br>CROSS-CYCLE<br>FINANCIAL MODEL |
|--|------------------|------------------|------------------|------------------|------------------|------------------|--|
| <b>Shipments</b>   |                  |                  |                  |                  |                  |                  |  |
| Paperboard (short tons)                                      | 191,635          | 204,983          | 198,535          | 201,580          | 201,340          | 199,132          |  |
| <b>Sales Price</b>   |                  |                  |                  |                  |                  |                  |  |
| Paperboard (\$/short ton)                                    | \$1,031          | \$997            | \$979            | \$956            | \$952            | \$948            |  |
| <b>Segment net sales (\$ in thousands)</b>                   | <b>\$198,850</b> | <b>\$205,167</b> | <b>\$195,183</b> | <b>\$193,307</b> | <b>\$192,186</b> | <b>\$188,759</b> |  |
| <b>Segment GAAP operating income (\$ in thousands)</b>       | <b>\$16,194</b>  | <b>\$27,754</b>  | <b>\$37,446</b>  | <b>\$39,467</b>  | <b>\$35,163</b>  | <b>\$40,032</b>  |  |
| Segment GAAP operating margin                                | 8.1%             | 13.5%            | 19.2%            | 20.4%            | 18.3%            | 21.2%            |  |
| <b>Segment Adjusted EBITDA<sup>1</sup> (\$ in thousands)</b> | <b>\$24,421</b>  | <b>\$34,491</b>  | <b>\$44,220</b>  | <b>\$46,268</b>  | <b>\$41,530</b>  | <b>\$46,481</b>  |  |
| Segment Adjusted EBITDA margin <sup>2</sup>                  | 12.3%            | 16.8%            | 22.7%            | 23.9%            | 21.6%            | 24.6%            | 19.0%  |

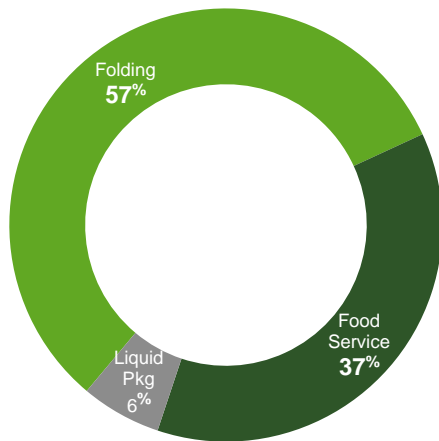
<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

<sup>2</sup> Non-GAAP measure – Segment Adjusted EBITDA margin is defined as Segment Adjusted EBITDA divided by Segment net sales.

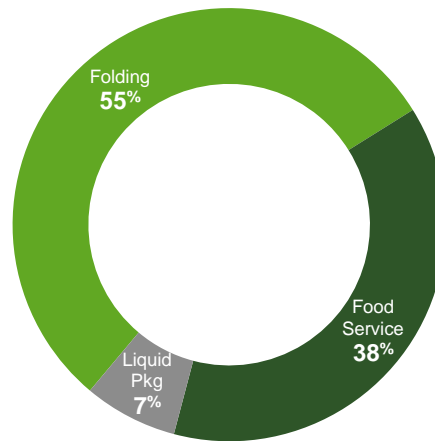
# CLEARWATER PAPER PAPERBOARD SHIPMENTS AND U.S. PAPERBOARD MARKET



CLW Q2'16 by  
Market Segment  
(% of Tons)



CLW Q1'16 by  
Market Segment  
(% of Tons)



U.S. Paperboard Production<sup>3</sup>

| CATEGORY                                     | CLEARWATER PAPER | OTHER |
|--|------------------|-------|
| Total Domestic SBS <sup>1</sup> Market Share | 15%              | 85%   |
| Folding                                      | 20%              | 80%   |
| Food Service <sup>2</sup>                    | 16%              | 84%   |
| Liquid Packaging                             | 4%               | 96%   |

<sup>1</sup> Solid Bleached Sulfate.

<sup>2</sup> Food Service includes cup, plate, dish and tray products.

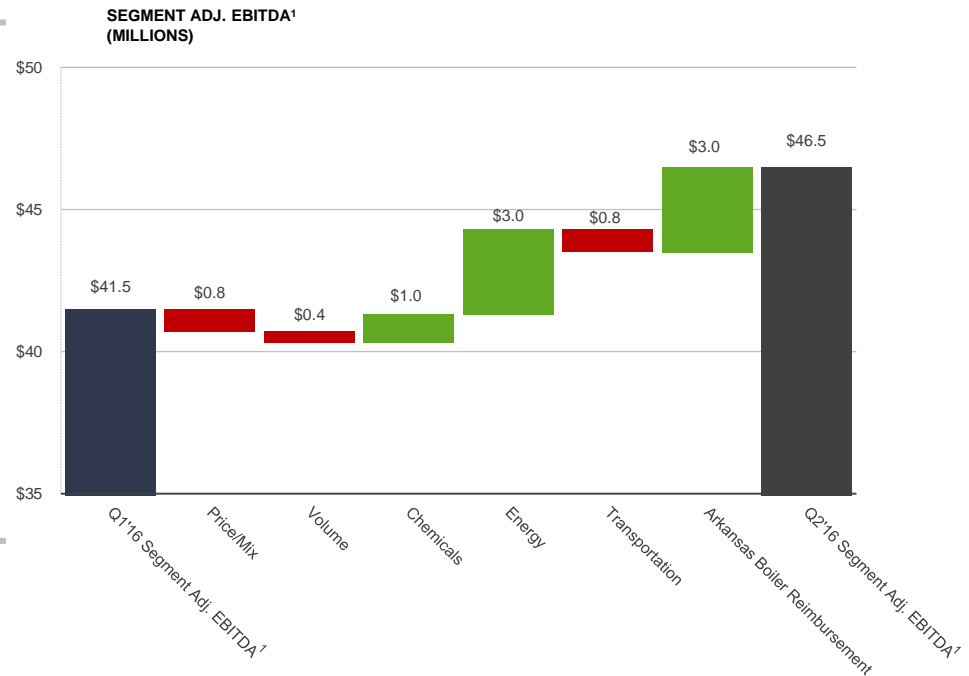
<sup>3</sup> Data Source: American Forest and Paper Association Solid Bleached Domestic Production – June YTD 2016.



# Q2'16 VS. Q1'16 PULP AND PAPERBOARD ADJUSTED EBITDA<sup>1</sup> BRIDGE



|                                      |  |
|--------------------------------------|--|
| <b>PRICE/MIX</b>                     | Slightly lower paperboard pricing  |
| <b>VOLUME</b>                        | Lower demand in commodity grades   |
| <b>CHEMICALS</b>                     | Lower usage and pricing  |
| <b>ENERGY</b>                        | Lower natural gas prices, higher internal electricity generation   |
| <b>TRANSPORTATION</b>                | Higher due to customer mix   |
| <b>ARKANSAS BOILER REIMBURSEMENT</b> | Partial reimbursement of costs previously incurred related to Arkansas recovery boiler issues from Q2'13 through Q1'15 |



## Previous Outlook vs. Segment Actual

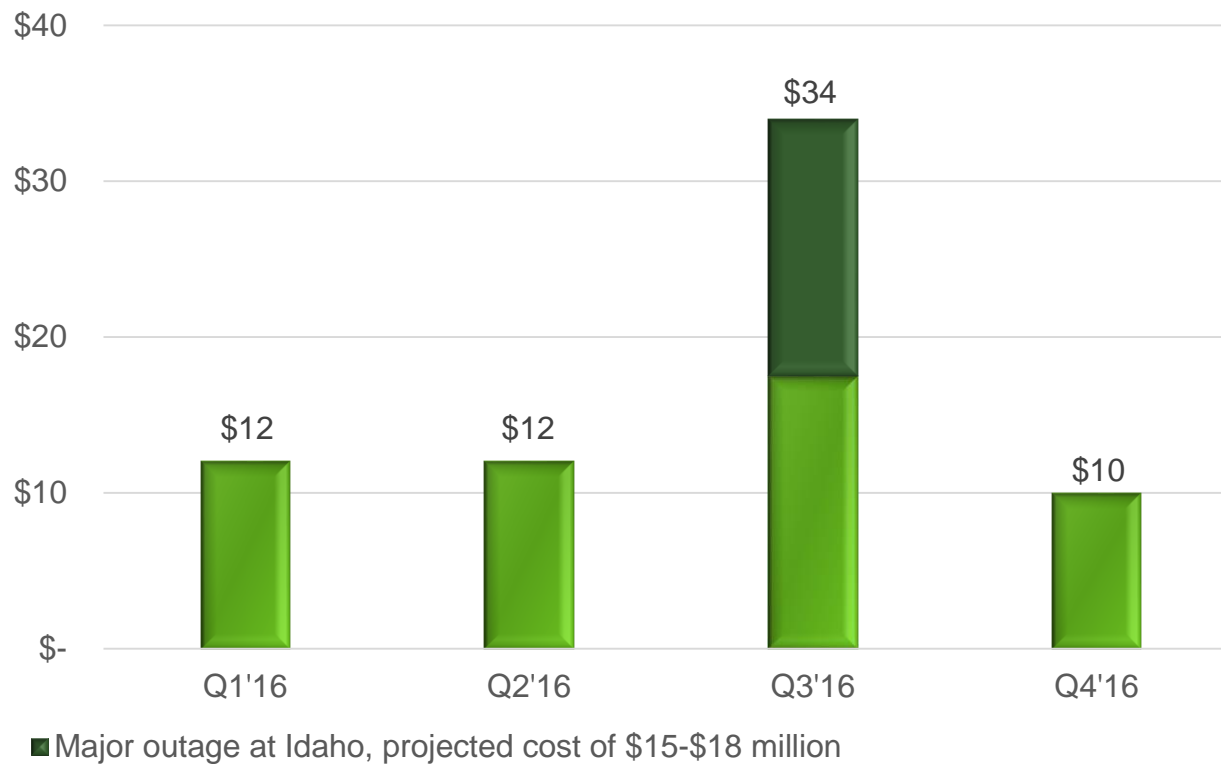
|                                   | PRICE/MIX       | SHIPMENT VOLUMES | WOOD FIBER                               | CHEMICAL COSTS                  | OP. & PKG. SUPPLIES             | TRANSPORTATION COSTS                     | ENERGY COSTS                   | MAINTENANCE | SG&A        |
|-----------------------------------|-----------------|------------------|--|---------------------------------|---------------------------------|--|--------------------------------|-------------|-------------|
| <b>Q2'16 OUTLOOK VERSUS Q1'16</b> | 1-3% lower<br>▼ | 1-3% higher<br>▲ | Cost / shipped ton: slightly higher<br>▲ | Cost / shipped ton: stable<br>▶ | Cost / shipped ton: stable<br>▶ | Cost / shipped ton: stable<br>▶          | Cost / shipped ton: lower<br>▼ | Higher<br>▲ | Stable<br>▶ |
| <b>Q2'16 ACTUAL VERSUS Q1'16</b>  | 2% lower<br>▼   | 1% lower<br>▼    | Cost / shipped ton: stable<br>▶          | Cost / shipped ton: lower<br>▼  | Cost / shipped ton: stable<br>▶ | Cost / shipped ton: slightly higher<br>▲ | Cost / shipped ton: lower<br>▼ | Stable<br>▶ | Stable<br>▶ |

<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

# PROJECTED 2016 PULP AND PAPERBOARD MAINTENANCE EXPENSE OF \$68 MILLION (DIRECT AND INDIRECT COSTS)



Projected 2016 Pulp and Paperboard Maintenance Expense (Millions \$)



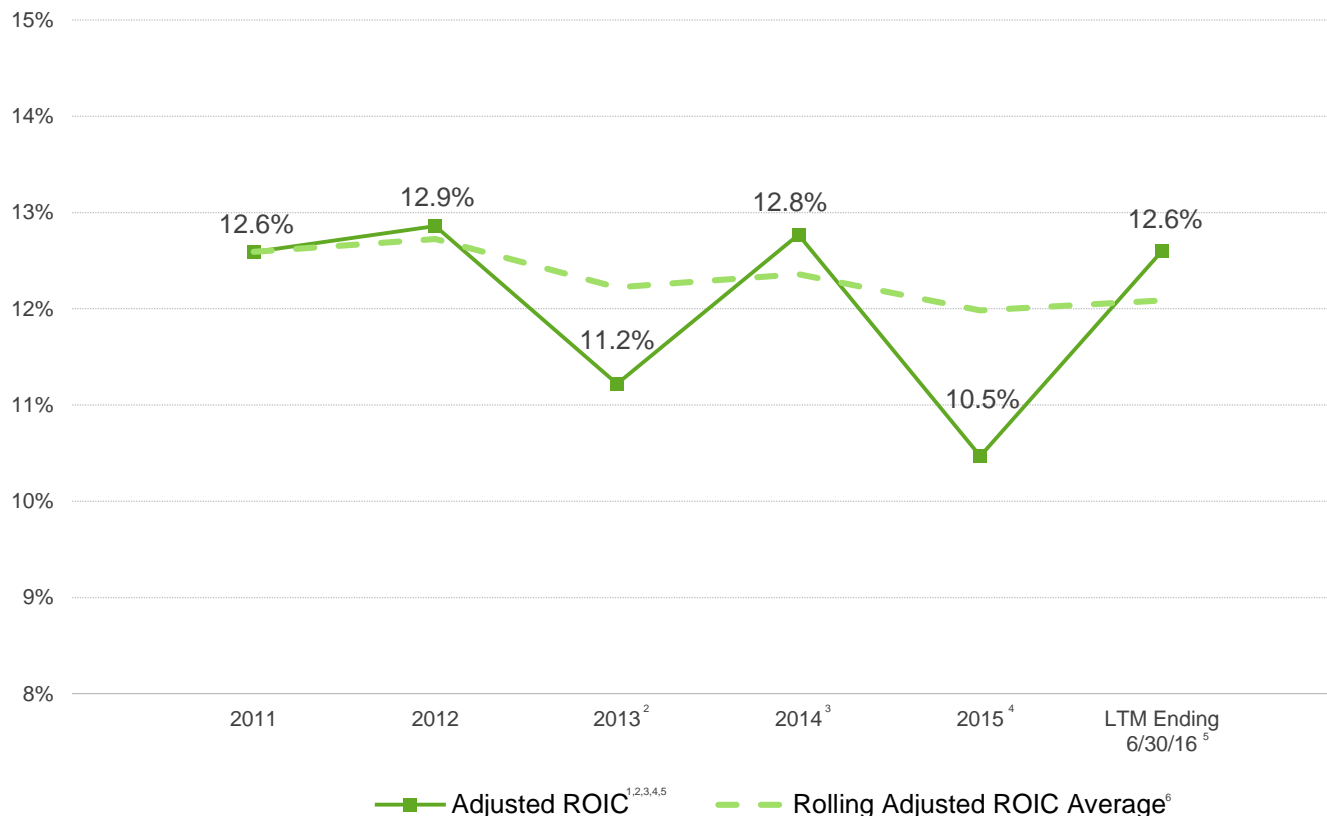
# CLEARWATER PAPER CROSS-CYCLE FINANCIAL MODEL



| (Dollars in thousands)                                | Q1'15  | Q2'15  | Q3'15  | Q4'15  | Q1'16  | Q2'16  | CLEARWATER PAPER CROSS-CYCLE FINANCIAL MODEL |
|---|--------|--------|--------|--------|--------|--------|--|
| Net sales   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   | 100%   |
| Adjusted gross profit margin <sup>1</sup>             | 10.7%  | 13.7%  | 15.6%  | 15.6%  | 15.8%  | 17.3%  | 17.0%  |
| Adjusted SG&A expenses <sup>1</sup> as % of net sales | (6.8%) | (7.0%) | (6.1%) | (7.0%) | (6.9%) | (7.1%) | (6.0%)                                       |
| Adjusted operating margin <sup>1</sup>                | 3.9%   | 6.8%   | 9.5%   | 8.6%   | 8.9%   | 10.1%  | 11.0%  |
| Adjusted net earnings <sup>1</sup> as % of net sales  | 1.6%   | 3.2%   | 5.5%   | 3.1%   | 4.4%   | 4.8%   | 5.0%   |
| Adjusted EBITDA margin <sup>1</sup>                   | 8.7%   | 11.4%  | 14.3%  | 13.6%  | 13.7%  | 15.2%  | 15.0%  |

<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

# ADJUSTED RETURN ON INVESTED CAPITAL<sup>1</sup> (UNAUDITED)



<sup>1</sup> Adjusted Return on Invested Capital (Adjusted ROIC) is defined as [Net Earnings + Interest Expense] / [Tangible Stockholders' Equity<sup>6</sup> + Debt – Excess (Deficit) Cash<sup>6</sup>] adjusted for non-recurring discrete items. Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

<sup>2</sup> 2013 Adjusted ROIC Net Earnings was adjusted to remove a benefit of \$67.5 million from discrete tax items relating to release of uncertain tax positions.

<sup>3</sup> 2013 Adjusted ROIC Interest Expense includes debt retirement costs of \$17.1 million.

<sup>4</sup> 2014 Adjusted ROIC Net Earnings was adjusted to remove a loss associated with the optimization and sale of the specialty mills totaling \$37.0 million after-tax.

<sup>5</sup> 2014 Adjusted ROIC Interest Expense includes debt retirement costs of \$24.4 million.

<sup>6</sup> 2015 Adjusted ROIC Net Earnings was adjusted to remove a gain associated with the sale of the specialty mills totaling \$0.9 million after-tax.

<sup>7</sup> LTM Ending 6/30/16 Adjusted ROIC Net Earnings was adjusted to remove a loss associated with the sale of the specialty mills totaling \$0.1 million after-tax.

<sup>8</sup> Rolling Adjusted ROIC Average is the average percentage of each annual and prior years' Adjusted ROIC values.

# THIRD QUARTER 2016 OUTLOOK

(COMPARED TO Q2'16)<sup>1</sup>  
ARROWS REPRESENT ADJUSTED EBITDA<sup>2</sup> IMPACT



|  | CONSUMER PRODUCTS                      |   | PULP AND PAPERBOARD   |   | CORPORATE |
|--|--|---|---|---|-----------|
| REVENUE CHANGE   | • Higher<br>0-1% higher                | ▲ | Lower<br>0-1% lower   | ▼ |           |
| SHIPMENT VOLUME IMPACT ON ADJUSTED EBITDA <sup>2</sup> | • Lower<br>2-4% lower                  | ▼ | • Stable  | ▶ |           |
| PRICE/MIX IMPACT ON ADJUSTED EBITDA <sup>2</sup>       | • Higher:<br>5-10% higher              | ▲ | • Lower:<br>3-5% lower  | ▼ |           |
| PULP/WOOD FIBER COSTS                                  | • Cost/shipped ton:<br>higher          | ▲ | • Cost/shipped ton:<br>higher   | ▲ |           |
| CHEMICAL COSTS   | • Cost/shipped ton:<br>stable          | ▶ | • Cost/shipped ton:<br>slightly higher  | ▲ |           |
| OP. & PKG. SUPPLIES                                    | • Cost/shipped ton:<br>stable          | ▶ | • Cost/shipped ton:<br>stable   | ▶ |           |
| TRANSPORTATION COSTS                                   | • Cost/shipped ton:<br>stable          | ▶ | • Cost/shipped ton:<br>stable   | ▶ |           |
| ENERGY COSTS   | • Cost/shipped ton:<br>slightly higher | ▲ | • Cost/shipped ton:<br>slightly higher  | ▲ |           |
| MAINTENANCE & REPAIRS                                  | • Stable                               | ▶ | • Major outage at Idaho, higher<br>maintenance at Arkansas due to<br>timing of water wash impact on P&L | ▲ |           |
| SG&A   | • Stable                               | ▶ | • Stable  | ▶ | • Stable  |

<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.

<sup>2</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.



# Q3'16 OUTLOOK<sup>1</sup>

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



| (Dollars in thousands)  | OUTLOOK                                   |                 |
|---|---|-----------------|
|   | THREE MONTHS ENDING<br>SEPTEMBER 30, 2016 |                 |
|   | RANGE OF ESTIMATE                         |                 |
|   | FROM                                      | TO              |
| Earnings before interest, income taxes, and depreciation & amortization (EBITDA) <sup>2</sup> : |   |                 |
| GAAP net earnings   | \$0                                       | \$3,000         |
| Interest expense, net   | \$7,500                                   | \$7,500         |
| Income tax provision  | \$0                                       | \$1,500         |
| Depreciation and amortization expense   | \$21,500                                  | \$22,000        |
| <b>EBITDA<sup>2</sup></b>   | <b>\$29,000</b>                           | <b>\$34,000</b> |
| Directors' equity-based compensation expense  | \$500                                     | \$500           |
| Costs associated with Long Island facility closure  | \$500                                     | \$500           |
| <b>Adjusted EBITDA<sup>3</sup></b>  | <b>\$30,000</b>                           | <b>\$35,000</b> |

<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.

<sup>2</sup> EBITDA is a non-GAAP measure that management uses as a supplemental performance measure. The most directly comparable GAAP measure is net earnings (loss). EBITDA is net earnings adjusted for net interest expense (including debt retirement costs), income taxes, and depreciation and amortization. It should not be considered as an alternative to net earnings computed under GAAP.

<sup>3</sup> Adjusted EBITDA excludes the impact of the items listed that we do not believe are indicative of our core operating performance.

# 2016 OUTLOOK<sup>1</sup> RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



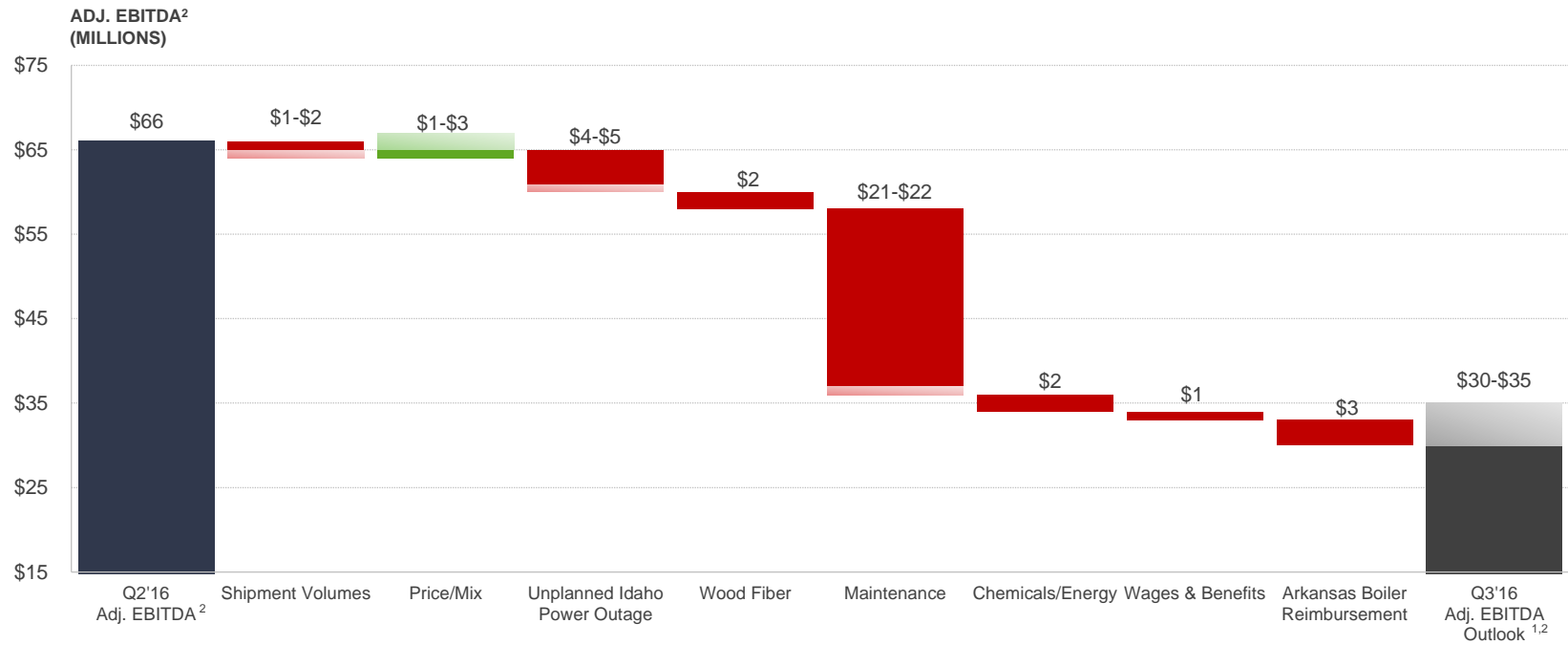
|   | OUTLOOK                                   |                  |
|---|---|------------------|
|   | TWELVE MONTHS ENDING<br>DECEMBER 31, 2016 |                  |
|   | RANGE OF ESTIMATE                         |                  |
| (Dollars in thousands)  | FROM                                      | TO               |
| Earnings before interest, income taxes, and depreciation & amortization (EBITDA) <sup>2</sup> |   |                  |
| GAAP net earnings   | \$56,000                                  | \$61,000         |
| Interest expense, net   | \$30,000                                  | \$30,000         |
| Income tax provision  | \$32,000                                  | \$35,000         |
| Depreciation and amortization expense   | \$86,000                                  | \$88,000         |
| <b>EBITDA<sup>2</sup></b>   | <b>\$204,000</b>                          | <b>\$214,000</b> |
| Directors' equity-based compensation expense  | \$4,300                                   | \$4,300          |
| Costs associated with Long Island facility closure  | \$1,700                                   | \$1,700          |
| <b>Adjusted EBITDA<sup>3</sup></b>  | <b>\$210,000</b>                          | <b>\$220,000</b> |

<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.

<sup>2</sup> EBITDA is a non-GAAP measure that management uses as a supplemental performance measure. The most directly comparable GAAP measure is net earnings (loss). EBITDA is net earnings adjusted for net interest expense (including debt retirement costs), income taxes, and depreciation and amortization. It should not be considered as an alternative to net earnings computed under GAAP.

<sup>3</sup> Adjusted EBITDA excludes the impact of the items listed that we do not believe are indicative of our core operating performance.

# BRIDGE TO Q3'16 ADJUSTED EBITDA OUTLOOK<sup>1,2</sup>



2016 Adjusted EBITDA Outlook<sup>1,2</sup>: \$210-\$220 Million

<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.

<sup>2</sup> Non-GAAP measure – See prior slides for the definition and reconciliation to the most comparable GAAP measure.

# APPENDIX

# ADJUSTED GROSS PROFIT & ADJUSTED SG&A RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



| (Dollars in thousands)   | Q1'15      | Q2'15      | Q3'15      | Q4'15      | Q1'16      | Q2'16      |
|--|------------|------------|------------|------------|------------|------------|
| Gross profit <sup>1</sup>  | \$ 44,194  | \$ 60,211  | \$ 68,330  | \$ 66,817  | \$ 68,557  | \$ 74,820  |
| Costs associated with Long Island facility closure                 | 554        | 735        | 728        | 446        | 432        | 533        |
| Costs associated with labor agreement                              | 1,730      | -          | -          | -          | -          | -          |
| Reorganization related expenses                                    | -          | -          | 112        | 17         | -          | -          |
| Adjusted gross profit <sup>2</sup>                                 | \$ 46,478  | \$ 60,946  | \$ 69,170  | \$ 67,280  | \$ 68,989  | \$ 75,353  |
| Selling, general and administrative expenses (SG&A)                | (\$28,957) | (\$28,138) | (\$28,284) | (\$30,308) | (\$30,795) | (\$34,655) |
| Directors' equity-based compensation (benefit) expense             | (470)      | (1,457)    | (1,914)    | (232)      | 726        | 3,610      |
| (Gain) loss associated with the sale of the specialty mills        | (131)      | (1,331)    | -          | -          | -          | -          |
| Legal expenses and settlement costs                                | -          | -          | 1,972      | -          | -          | -          |
| Reorganization related expenses                                    | -          | -          | 1,073      | 268        | -          | -          |
| Adjusted selling, general and administrative expenses <sup>2</sup> | (\$29,558) | (\$30,926) | (\$27,153) | (\$30,272) | (\$30,069) | (\$31,045) |

<sup>1</sup> Gross profit is defined as net sales minus cost of sales.

<sup>2</sup> Adjusted gross profit and Adjusted selling, general and administrative expenses exclude the impact of the items listed that we do not believe are indicative of our core operating performance.



# SEGMENT ADJUSTED OPERATING INCOME (LOSS) RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



| (Dollars in thousands)   | Q1'15             | Q2'15             | Q3'15             | Q4'15             | Q1'16             | Q2'16             |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Consumer Products</b>   |                   |                   |                   |                   |                   |                   |
| Operating income   | \$ 12,395         | \$ 17,032         | \$ 15,521         | \$ 10,756         | \$ 18,390         | \$ 18,544         |
| Costs associated with Long Island facility closure               | 554               | 735               | 728               | 446               | 432               | 533               |
| (Gain) loss associated with the sale of the specialty mills      | (131)             | (1,331)           | -                 | 195               | -                 | -                 |
| Costs associated with labor agreement                            | 814               | -                 | -                 | -                 | -                 | -                 |
| Reorganization related expenses                                  | -                 | -                 | 494               | 62                | -                 | -                 |
| <b>Adjusted Consumer Products operating income<sup>1</sup></b>   | <b>\$ 13,632</b>  | <b>\$ 16,436</b>  | <b>\$ 16,743</b>  | <b>\$ 11,459</b>  | <b>\$ 18,822</b>  | <b>\$ 19,077</b>  |
| <b>Pulp and Paperboard</b>                                       |                   |                   |                   |                   |                   |                   |
| Operating Income   | \$ 16,194         | \$ 27,754         | \$ 37,446         | \$ 39,467         | \$ 35,163         | \$ 40,032         |
| Costs associated with labor agreement                            | 916               | -                 | -                 | -                 | -                 | -                 |
| Reorganization related expenses                                  | -                 | -                 | 239               | 180               | -                 | -                 |
| <b>Adjusted Pulp and Paperboard operating income<sup>1</sup></b> | <b>\$ 17,110</b>  | <b>\$ 27,754</b>  | <b>\$ 37,685</b>  | <b>\$ 39,647</b>  | <b>\$ 35,163</b>  | <b>\$ 40,032</b>  |
| <b>Corporate</b>   |                   |                   |                   |                   |                   |                   |
| Operating loss   | (\$13,352)        | (\$12,713)        | (\$12,921)        | (\$13,909)        | (\$15,791)        | (\$18,411)        |
| Directors' equity-based compensation (benefit) expense           | (470)             | (1,457)           | (1,914)           | (232)             | 726               | 3,610             |
| Legal expenses and settlement costs                              | -                 | -                 | 1,972             | -                 | -                 | -                 |
| Reorganization related expenses                                  | -                 | -                 | 452               | 43                | -                 | -                 |
| <b>Adjusted Corporate operating loss<sup>1</sup></b>             | <b>(\$13,822)</b> | <b>(\$14,170)</b> | <b>(\$12,411)</b> | <b>(\$14,098)</b> | <b>(\$15,065)</b> | <b>(\$14,801)</b> |

<sup>1</sup> Adjusted operating income (loss) excludes the impact of the items listed that we do not believe are indicative of our core operating performance.

# ADJUSTED NET EARNINGS & ADJUSTED NET EARNINGS PER DILUTED COMMON SHARE RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



(Dollars in thousands - except per-share amounts)

|   | Q1'15           | Q2'15            | Q3'15            | Q4'15            | Q1'16            | Q2'16            |
|---|-----------------|------------------|------------------|------------------|------------------|------------------|
| <b>GAAP net earnings</b>  | <b>\$ 5,757</b> | <b>\$ 15,597</b> | <b>\$ 23,064</b> | <b>\$ 11,565</b> | <b>\$ 18,446</b> | <b>\$ 20,864</b> |
| Special items, after tax: <sup>1</sup>                            |                 |                  |                  |                  |                  |                  |
| Directors' equity-based compensation (benefit) expense            | (325)           | (998)            | (1,307)          | (155)            | 465              | 2,335            |
| Costs associated with Long Island facility closure                | 383             | 504              | 497              | 299              | 277              | 345              |
| (Gain) loss associated with the sale of the specialty mills       | (91)            | (912)            | -                | 131              | -                | -                |
| Discrete tax items related to foreign tax credits                 | -               | -                | -                | 1,309            | -                | -                |
| Costs associated with labor agreement                             | 1,197           | -                | -                | -                | -                | -                |
| Legal expenses and settlement costs                               | -               | -                | 1,346            | -                | -                | -                |
| Reorganization related expenses                                   | -               | -                | 809              | 191              | -                | -                |
| <b>Adjusted net earnings<sup>2</sup></b>                          | <b>\$ 6,921</b> | <b>\$ 14,191</b> | <b>\$ 24,409</b> | <b>\$ 13,340</b> | <b>\$ 19,188</b> | <b>\$ 23,544</b> |
| <b>Net earnings per diluted common share</b>                      | <b>\$ 0.30</b>  | <b>\$ 0.81</b>   | <b>\$ 1.21</b>   | <b>\$ 0.65</b>   | <b>\$ 1.05</b>   | <b>\$ 1.21</b>   |
| Special items, after tax: <sup>1</sup>                            |                 |                  |                  |                  |                  |                  |
| Directors' equity-based compensation (benefit) expense            | (0.02)          | (0.05)           | (0.07)           | (0.01)           | 0.03             | 0.14             |
| Costs associated with Long Island facility closure                | 0.02            | 0.03             | 0.03             | 0.02             | 0.02             | 0.02             |
| (Gain) loss associated with the sale of the specialty mills       | -               | (0.05)           | -                | 0.01             | -                | -                |
| Discrete tax items related to foreign tax credits                 | -               | -                | -                | 0.07             | -                | -                |
| Costs associated with labor agreement                             | 0.06            | -                | -                | -                | -                | -                |
| Legal expenses and settlement costs                               | -               | -                | 0.07             | -                | -                | -                |
| Reorganization related expenses                                   | -               | -                | 0.04             | 0.01             | -                | -                |
| <b>Adjusted net earnings per diluted common share<sup>2</sup></b> | <b>\$ 0.36</b>  | <b>\$ 0.74</b>   | <b>\$ 1.28</b>   | <b>\$ 0.75</b>   | <b>\$ 1.09</b>   | <b>\$ 1.37</b>   |

<sup>1</sup> All non-tax items are tax effected at the expected annual rate for that period.

<sup>2</sup> Adjusted net earnings and Adjusted net earnings per diluted common share exclude the impact of the items listed that we do not believe are indicative of our core operating performance.

# ADJUSTED INCOME TAX PROVISION RECONCILIATION OF NON-GAAP FINANCIAL MEASURE (UNAUDITED)



| (Dollars in thousands)                                      | Q1'15     | Q2'15     | Q3'15     | Q4'15      | Q1'16      | Q2'16      |
|---|-----------|-----------|-----------|------------|------------|------------|
| GAAP income tax provision                                   | (\$1,698) | (\$8,702) | (\$9,100) | (\$17,005) | (\$11,673) | (\$11,905) |
| Special items, tax impact:                                  |           |           |           |            |            |            |
| Directors' equity-based compensation benefit (expense)      | 145       | 459       | 607       | 77         | (261)      | (1,275)    |
| Costs associated with Long Island facility closure          | (171)     | (231)     | (231)     | (147)      | (155)      | (188)      |
| Gain (loss) associated with the sale of the specialty mills | 40        | 419       | -         | (64)       | -          | -          |
| Discrete tax items related to foreign tax credits           | -         | -         | -         | 1,309      | -          | -          |
| Costs associated with labor agreement                       | (533)     | -         | -         | -          | -          | -          |
| Legal expenses and settlement costs                         | -         | -         | (626)     | -          | -          | -          |
| Reorganization related expenses                             | -         | -         | (376)     | (94)       | -          | -          |
| Adjusted income tax provision <sup>1</sup>                  | (\$2,217) | (\$8,055) | (\$9,726) | (\$15,924) | (\$12,089) | (\$13,368) |

<sup>1</sup> Adjusted income tax provision excludes the impact of the items listed that we do not believe are indicative of our core operating performance.

# EBITDA & ADJUSTED EBITDA RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



| (Dollars in thousands)  | Q1'14            | Q2'14            | Q3'14            | Q4'14            |
|---|------------------|------------------|------------------|------------------|
| Earnings before interest, income taxes, and depreciation & amortization (EBITDA) <sup>1</sup> |                  |                  |                  |                  |
| GAAP net earnings   | \$ 6,226         | \$ 12,453        | \$ 6,253         | (\$27,247)       |
| Interest expense, net   | 10,734           | 10,688           | 33,990           | 8,158            |
| Income tax provision  | 3,558            | 9,942            | 3,735            | 1,321            |
| Depreciation and amortization expense   | 22,231           | 22,015           | 22,293           | 23,606           |
| <b>EBITDA<sup>1</sup></b>   | <b>\$ 42,749</b> | <b>\$ 55,098</b> | <b>\$ 66,271</b> | <b>\$ 5,838</b>  |
| Directors' equity-based compensation (benefit) expense  | 2,817            | (36)             | (185)            | 2,010            |
| Costs associated with Thomaston facility closure  | 750              | 374              | 42               | 91               |
| Costs associated with Long Island facility closure  | 8,432            | 1,843            | 4,767            | 3,771            |
| Loss associated with optimization and sale of the specialty mills                             | -                | -                | 1,066            | 39,735           |
| Loss on impairment of Clearwater Fiber intangible asset                                       | -                | -                | -                | 3,078            |
| <b>Adjusted EBITDA<sup>2</sup></b>  | <b>\$ 54,748</b> | <b>\$ 57,279</b> | <b>\$ 71,961</b> | <b>\$ 54,523</b> |

<sup>1</sup> EBITDA is a non-GAAP measure that management uses as a supplemental performance measure. The most directly comparable GAAP measure is net earnings (loss). EBITDA is net earnings (loss) adjusted for net interest expense (including debt retirement costs), income taxes, and depreciation and amortization. It should not be considered as an alternative to net earnings (loss) computed under GAAP.

<sup>2</sup> Adjusted EBITDA excludes the impact of the items listed that we do not believe are indicative of our core operating performance.

# EBITDA & ADJUSTED EBITDA RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



| (Dollars in thousands)  | Q1'15            | Q2'15            | Q3'15            | Q4'15            | Q1'16            | Q2'16            |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Earnings before interest, income taxes, and depreciation &amp; amortization (EBITDA)<sup>1</sup></b> |                  |                  |                  |                  |                  |                  |
| GAAP net earnings   | \$ 5,757         | \$ 15,597        | \$ 23,064        | \$ 11,565        | \$ 18,446        | \$ 20,864        |
| Interest expense, net   | 7,782            | 7,774            | 7,882            | 7,744            | 7,643            | 7,396            |
| Income tax provision  | 1,698            | 8,702            | 9,100            | 17,005           | 11,673           | 11,905           |
| Depreciation and amortization expense   | 21,008           | 20,632           | 21,204           | 21,888           | 21,150           | 22,024           |
| <b>EBITDA<sup>1</sup></b>   | <b>\$ 36,245</b> | <b>\$ 52,705</b> | <b>\$ 61,250</b> | <b>\$ 58,202</b> | <b>\$ 58,912</b> | <b>\$ 62,189</b> |
| Directors' equity-based compensation (benefit) expense  | (470)            | (1,457)          | (1,914)          | (232)            | 726              | 3,610            |
| Costs associated with Long Island facility closure  | 554              | 735              | 728              | 446              | 432              | 533              |
| (Gain) loss associated with the sale of the specialty mills   | (131)            | (1,331)          | -                | 195              | -                | -                |
| Costs associated with labor agreement   | 1,730            | -                | -                | -                | -                | -                |
| Legal expenses and settlement costs   | -                | -                | 1,972            | -                | -                | -                |
| Reorganization related expenses   | -                | -                | 1,185            | 285              | -                | -                |
| <b>Adjusted EBITDA<sup>2</sup></b>  | <b>\$ 37,928</b> | <b>\$ 50,652</b> | <b>\$ 63,221</b> | <b>\$ 58,896</b> | <b>\$ 60,070</b> | <b>\$ 66,332</b> |

<sup>1</sup> EBITDA is a non-GAAP measure that management uses as a supplemental performance measure. The most directly comparable GAAP measure is net earnings (loss). EBITDA is net earnings (loss) adjusted for net interest expense (including debt retirement costs), income taxes, and depreciation and amortization. It should not be considered as an alternative to net earnings (loss) computed under GAAP.

<sup>2</sup> Adjusted EBITDA excludes the impact of the items listed that we do not believe are indicative of our core operating performance.

# SEGMENT EBITDA & ADJUSTED EBITDA RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



| (Dollars in thousands)                                      | Q1'15             | Q2'15             | Q3'15             | Q4'15             | Q1'16             | Q2'16             |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Consumer Products</b>                                    |                   |                   |                   |                   |                   |                   |
| Operating income  | \$ 12,395         | \$ 17,032         | \$ 15,521         | \$ 10,756         | \$ 18,390         | \$ 18,544         |
| Depreciation and amortization expense                       | 12,977            | 13,438            | 14,048            | 14,132            | 13,759            | 14,203            |
| <b>Segment EBITDA<sup>1</sup></b>                           | <b>\$ 25,372</b>  | <b>\$ 30,470</b>  | <b>\$ 29,569</b>  | <b>\$ 24,888</b>  | <b>\$ 32,149</b>  | <b>\$ 32,747</b>  |
| Costs associated with Long Island facility closure          | 554               | 735               | 728               | 446               | 432               | 533               |
| (Gain) loss associated with the sale of the specialty mills | (131)             | (1,331)           | -                 | 195               | -                 | -                 |
| Costs associated with labor agreement                       | 814               | -                 | -                 | -                 | -                 | -                 |
| Reorganization related expenses                             | -                 | -                 | 494               | 62                | -                 | -                 |
| <b>Segment Adjusted EBITDA<sup>2</sup></b>                  | <b>\$ 26,609</b>  | <b>\$ 29,874</b>  | <b>\$ 30,791</b>  | <b>\$ 25,591</b>  | <b>\$ 32,581</b>  | <b>\$ 33,280</b>  |
| <b>Pulp and Paperboard</b>                                  |                   |                   |                   |                   |                   |                   |
| Operating income  | \$ 16,194         | \$ 27,754         | \$ 37,446         | \$ 39,467         | \$ 35,163         | \$ 40,032         |
| Depreciation and amortization expense                       | 7,311             | 6,737             | 6,535             | 6,621             | 6,367             | 6,449             |
| <b>Segment EBITDA<sup>1</sup></b>                           | <b>\$ 23,505</b>  | <b>\$ 34,491</b>  | <b>\$ 43,981</b>  | <b>\$ 46,088</b>  | <b>\$ 41,530</b>  | <b>\$ 46,481</b>  |
| Costs associated with labor agreement                       | 916               | -                 | -                 | -                 | -                 | -                 |
| Reorganization related expenses                             | -                 | -                 | 239               | 180               | -                 | -                 |
| <b>Segment Adjusted EBITDA<sup>2</sup></b>                  | <b>\$ 24,421</b>  | <b>\$ 34,491</b>  | <b>\$ 44,220</b>  | <b>\$ 46,268</b>  | <b>\$ 41,530</b>  | <b>\$ 46,481</b>  |
| <b>Corporate</b>  |                   |                   |                   |                   |                   |                   |
| Operating loss  | (\$13,352)        | (\$12,713)        | (\$12,921)        | (\$13,909)        | (\$15,791)        | (\$18,411)        |
| Depreciation and amortization expense                       | 720               | 457               | 621               | 1,135             | 1,024             | 1,372             |
| <b>Corporate EBITDA<sup>1</sup></b>                         | <b>(\$12,632)</b> | <b>(\$12,256)</b> | <b>(\$12,300)</b> | <b>(\$12,774)</b> | <b>(\$14,767)</b> | <b>(\$17,039)</b> |
| Directors' equity-based compensation (benefit) expense      | (470)             | (1,457)           | (1,914)           | (232)             | 726               | 3,610             |
| Legal expenses and settlement costs                         | -                 | -                 | 1,972             | -                 | -                 | -                 |
| Reorganization related expenses                             | -                 | -                 | 452               | 43                | -                 | -                 |
| <b>Corporate Adjusted EBITDA<sup>2</sup></b>                | <b>(\$13,102)</b> | <b>(\$13,713)</b> | <b>(\$11,790)</b> | <b>(\$12,963)</b> | <b>(\$14,041)</b> | <b>(\$13,429)</b> |

<sup>1</sup> Segment EBITDA is a non-GAAP measure that management uses as a supplemental performance measure. The most directly comparable GAAP measure is segment operating income (loss). Segment EBITDA is segment operating income (loss) adjusted for depreciation and amortization. It should not be considered as an alternative to segment operating income (loss) computed under GAAP.

<sup>2</sup> Segment Adjusted EBITDA excludes the impact of the items listed that we do not believe are indicative of our core operating performance.

# RETURN ON INVESTED CAPITAL, TANGIBLE STOCKHOLDERS' EQUITY & EXCESS CASH RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



| (Dollars in thousands)                           | Twelve Months     |                   |                   |                   |                   |                      |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|
|  | 2011              | 2012              | 2013              | 2014              | 2015              | Ending June 30, 2016 |
| Net earnings (loss)                              | \$ 39,674         | \$ 64,131         | \$ 106,955        | (\$2,315)         | \$ 55,983         | \$ 73,939            |
| Interest expense, net                            | 44,809            | 33,796            | 44,036            | 39,150            | 31,182            | 30,665               |
| <b>Net earnings before interest<sup>1</sup></b>  | <b>\$ 84,483</b>  | <b>\$ 97,927</b>  | <b>\$ 150,991</b> | <b>\$ 36,835</b>  | <b>\$ 87,165</b>  | <b>\$ 104,604</b>    |
| Tangible stockholders' equity <sup>2</sup>       | \$ 205,623        | \$ 263,608        | \$ 334,783        | \$ 263,494        | \$ 245,789        | \$ 256,290           |
| Debt   | 513,646           | 515,570           | 640,410           | 568,221           | 568,987           | 569,371              |
| Less excess cash <sup>3</sup>                    | (48,440)          | (17,579)          | (78,675)          | (62,331)          | 9,140             | 5,605                |
| <b>Invested capital</b>                          | <b>\$ 670,829</b> | <b>\$ 761,599</b> | <b>\$ 896,518</b> | <b>\$ 769,384</b> | <b>\$ 823,916</b> | <b>\$ 831,266</b>    |
| Return on Invested Capital (ROIC)                | 12.6%             | 12.9%             | 16.8%             | 4.8%              | 10.6%             | 12.6%                |
| Stockholders' equity                             | \$ 484,904        | \$ 540,894        | \$ 605,094        | \$ 497,537        | \$ 474,866        | \$ 482,894           |
| Goodwill   | (229,533)         | (229,533)         | (229,533)         | (209,087)         | (209,087)         | (209,087)            |
| Intangible assets, net                           | (49,748)          | (47,753)          | (40,778)          | (24,956)          | (19,990)          | (17,517)             |
| <b>Tangible stockholders' equity<sup>2</sup></b> | <b>\$ 205,623</b> | <b>\$ 263,608</b> | <b>\$ 334,783</b> | <b>\$ 263,494</b> | <b>\$ 245,789</b> | <b>\$ 256,290</b>    |
| Cash   | \$ 8,439          | \$ 12,579         | \$ 23,675         | \$ 27,331         | \$ 5,610          | \$ 9,395             |
| Short-term investments                           | 55,001            | 20,000            | 70,000            | 50,000            | 250               | -                    |
| Operating cash <sup>4</sup>                      | (15,000)          | (15,000)          | (15,000)          | (15,000)          | (15,000)          | (15,000)             |
| <b>Excess cash<sup>3</sup></b>                   | <b>\$ 48,440</b>  | <b>\$ 17,579</b>  | <b>\$ 78,675</b>  | <b>\$ 62,331</b>  | <b>\$ (9,140)</b> | <b>\$ (5,605)</b>    |

<sup>1</sup> Non-GAAP measure.

<sup>2</sup> Tangible stockholders' equity is defined as stockholders' equity less Goodwill and Intangible assets, net.

<sup>3</sup> Excess cash is defined as the sum of Cash and Short-term investments less Operating cash<sup>1,4</sup>.

<sup>4</sup> Operating cash is defined as a minimum amount of available cash deemed by management to be sufficient to avoid operating disruptions due to a mismatch of cash inflows and outflows during an accounting period.

Note: Balance sheet items are as of the end of each period presented.



# RECONCILIATION OF GAAP TO NON-GAAP: STRATEGIC INVESTMENTS<sup>1</sup>



## FULL RUN-RATE EXPECTED ADJUSTED EBITDA<sup>2</sup> IMPACT

| (Dollars in millions)        | CONTINUOUS<br>DIGESTER | WAREHOUSE<br>AUTOMATION | OTHER PROJECTS            |                    | OPERATIONAL IMPROVEMENTS  |                                 |                      |
|------------------------------|------------------------|-------------------------|---------------------------|--------------------|---------------------------|---------------------------------|----------------------|
|                              |                        |                         | PAPER MACHINE<br>UPGRADES | CONVERTING<br>LINE | OPERATIONAL<br>EFFICIENCY | SALES & MARKETING<br>EFFICIENCY | STRANDED<br>OVERHEAD |
| Operating income             | \$22.5 - \$27.5        | \$21.3 - \$26.3         | \$7.1 - \$8.1             | \$8.6 - \$10.6     | \$20 - \$32               | \$10 - \$15                     | \$ 7.0               |
| Depreciation                 | \$ 7.5                 | \$ 5.7                  | \$ 3.9                    | \$ 1.4             | \$ -                      | \$ -                            | \$ -                 |
| EBITDA <sup>2</sup>          | \$30 - \$35            | \$27 - \$32             | \$11 - \$12               | \$10 - \$12        | \$20 - \$32               | \$10 - \$15                     | \$ 7.0               |
| Adjusted EBITDA <sup>2</sup> | \$30 - \$35            | \$27 - \$32             | \$11 - \$12               | \$10 - \$12        | \$20 - \$32               | \$10 - \$15                     | \$ 7.0               |

## 2015 THROUGH Q2'16 ADJUSTED EBITDA<sup>2</sup> IMPACT

| (Dollars in millions)        | CONTINUOUS<br>DIGESTER | WAREHOUSE<br>AUTOMATION | OTHER PROJECTS | OPERATIONAL<br>IMPROVEMENTS |
|------------------------------|------------------------|-------------------------|----------------|-----------------------------|
| Operating income             | \$ -                   | \$ 1.4                  | \$ 0.7         | \$ 25.0                     |
| Depreciation                 | \$ -                   | \$ -                    | \$ 0.7         | \$ -                        |
| EBITDA <sup>2</sup>          | \$ -                   | \$ 1.4                  | \$ 1.4         | \$ 25.0                     |
| Adjusted EBITDA <sup>2</sup> | \$ -                   | \$ 1.4                  | \$ 1.4         | \$ 25.0                     |

<sup>1</sup> Based on Q1'15 prices, input costs, and 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.

<sup>2</sup> Non-GAAP measure – See Appendix for the definition.

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