



# Clearwater Paper Corporation

Second Quarter 2012 Results Conference Call  
Supplemental Information

Gordon Jones  
Johnathan Hunter

Chairman and Chief Executive Officer  
VP, Corporate Controller and Interim Chief Financial Officer

(Dollars in thousands - except per-share amounts)	Six Months Ended June 30,							
	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	2011	2012
<b>Net sales</b>	\$ 465,830	\$ 494,627	\$ 501,125	\$ 466,391	\$ 457,798	\$ 473,572	\$ 960,457	\$ 931,370
<b>Operating income (loss)</b>								
Consumer Products	13,815	6,868	7,075	15,048	26,271	25,696	20,683	51,967
Pulp and Paperboard <sup>1</sup>	15,648	34,456	26,266	16,457	11,658	32,001	50,104	43,659
Corporate and eliminations <sup>1</sup>	(5,917)	(7,531)	(7,958)	1,218	(12,281)	(13,200)	(13,448)	(25,481)
<b>Income from operations</b>	\$ 23,546	\$ 33,793	\$ 25,383	\$ 32,723	\$ 25,648	\$ 44,497	\$ 57,339	\$ 70,145
Interest expense, net	(11,333)	(10,992)	(12,100)	(10,384)	(9,728)	(9,147)	(22,325)	(18,875)
Income tax provision	(6,133)	(8,649)	(5,928)	(10,536)	(12,194)	(13,861)	(14,782)	(26,055)
Other, net	(476)	(229)	1,290	(301)	-	-	(705)	-
<b>Net earnings</b>	\$ 5,604	\$ 13,923	\$ 8,645	\$ 11,502	\$ 3,726	\$ 21,489	\$ 19,527	\$ 25,215
Depreciation and amortization expense	18,669	18,870	19,569	19,825	19,548	19,730	37,539	39,278
<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	\$ 94,173	\$ 109,423
<b>Adjusted EBITDA <sup>2</sup></b>	\$ 41,739	\$ 52,434	\$ 46,242	\$ 55,130	\$ 46,186	\$ 66,199	\$ 94,173	\$ 112,385
<b>EBITDA/Adjusted EBITDA margin <sup>2</sup></b>	9.0%	10.6%	9.2%	11.8%	10.1%	14.0%	9.8%	12.1%
<b>Diluted net earnings per common share <sup>3</sup></b>	\$ 0.24	\$ 0.59	\$ 0.37	\$ 0.48	\$ 0.16	\$ 0.91	\$ 0.82	\$ 1.07
<b>Total debt to total capitalization (excluding accumulated other comprehensive loss)</b>	48.5%	47.8%	47.1%	46.6%	46.8%	46.0%	47.8%	46.0%
<b>EBITDA/Adjusted EBITDA to interest expense, net</b>	3.7	4.8	3.8	5.3	4.7	7.2	4.2	6.0

<sup>1</sup> Includes the impact of the Wood Products sale in Q4 2011.

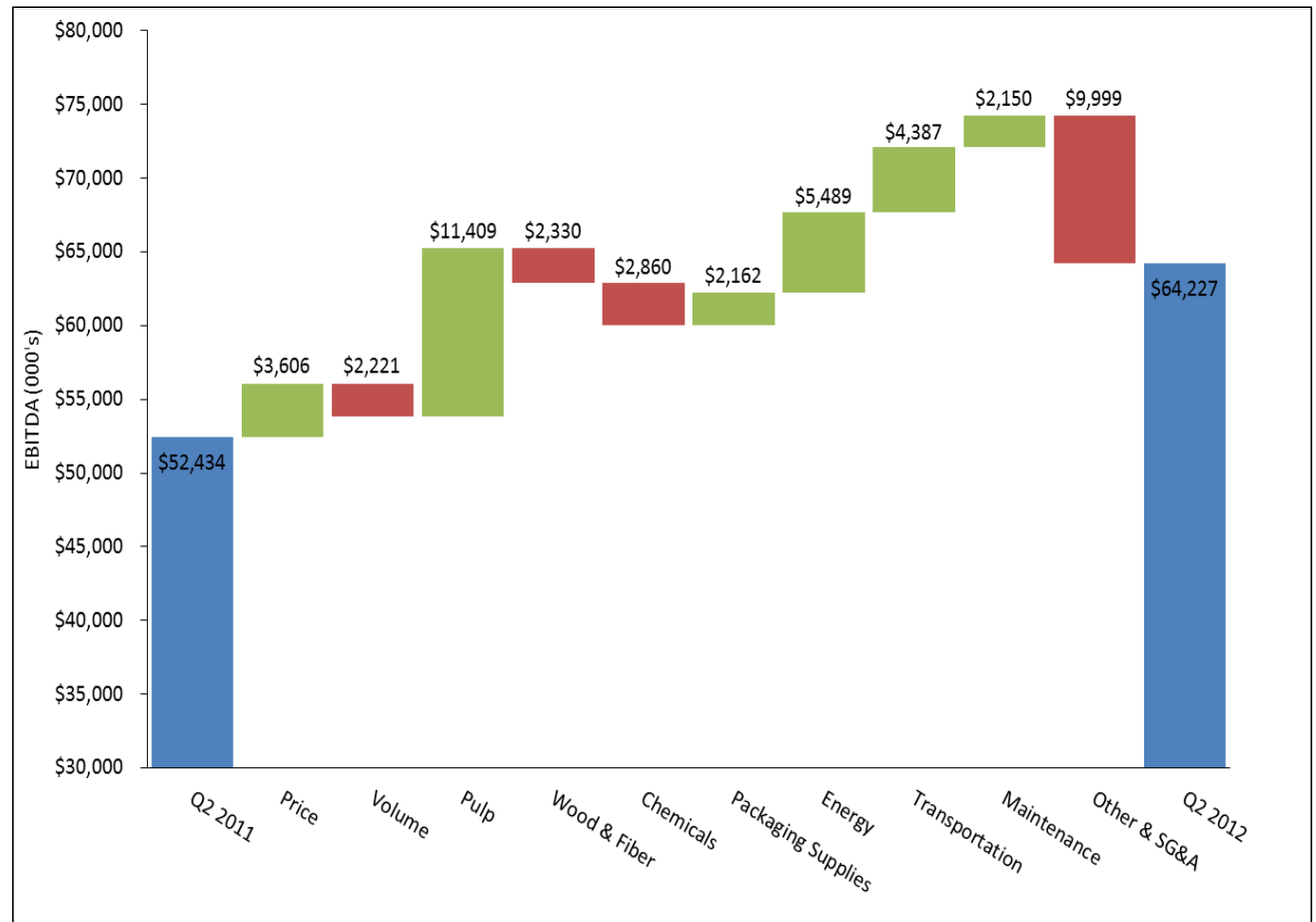
<sup>2</sup> Non-GAAP measures - See reconciliation to GAAP and definitions.

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

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Six Months Ended June 30,	
							2011	2012
<b><u>Shipments (short tons)</u></b>								
Consumer Products								
Tissue	129,566	128,762	134,145	123,046	128,768	132,978	258,328	261,746
Pulp and Paperboard								
Paperboard	171,497	201,991	184,870	185,487	182,198	193,285	373,488	375,483
Pulp <sup>1</sup>	7,800	11,140	20,901	2,360	862	4,093	18,940	4,955
<b><u>Sales Price (\$/short ton)</u></b>								
Consumer Products								
Tissue	\$ 2,078	\$ 2,088	\$ 2,126	\$ 2,182	\$ 2,158	\$ 2,129	\$ 2,084	\$ 2,143
Pulp and Paperboard								
Paperboard	\$ 983	\$ 980	\$ 971	\$ 970	\$ 968	\$ 975	\$ 982	\$ 971
Pulp <sup>1</sup>	684	718	684	694	659	502	704	529

<sup>1</sup> Excludes shipments of pulp and transfer prices of pulp used internally.

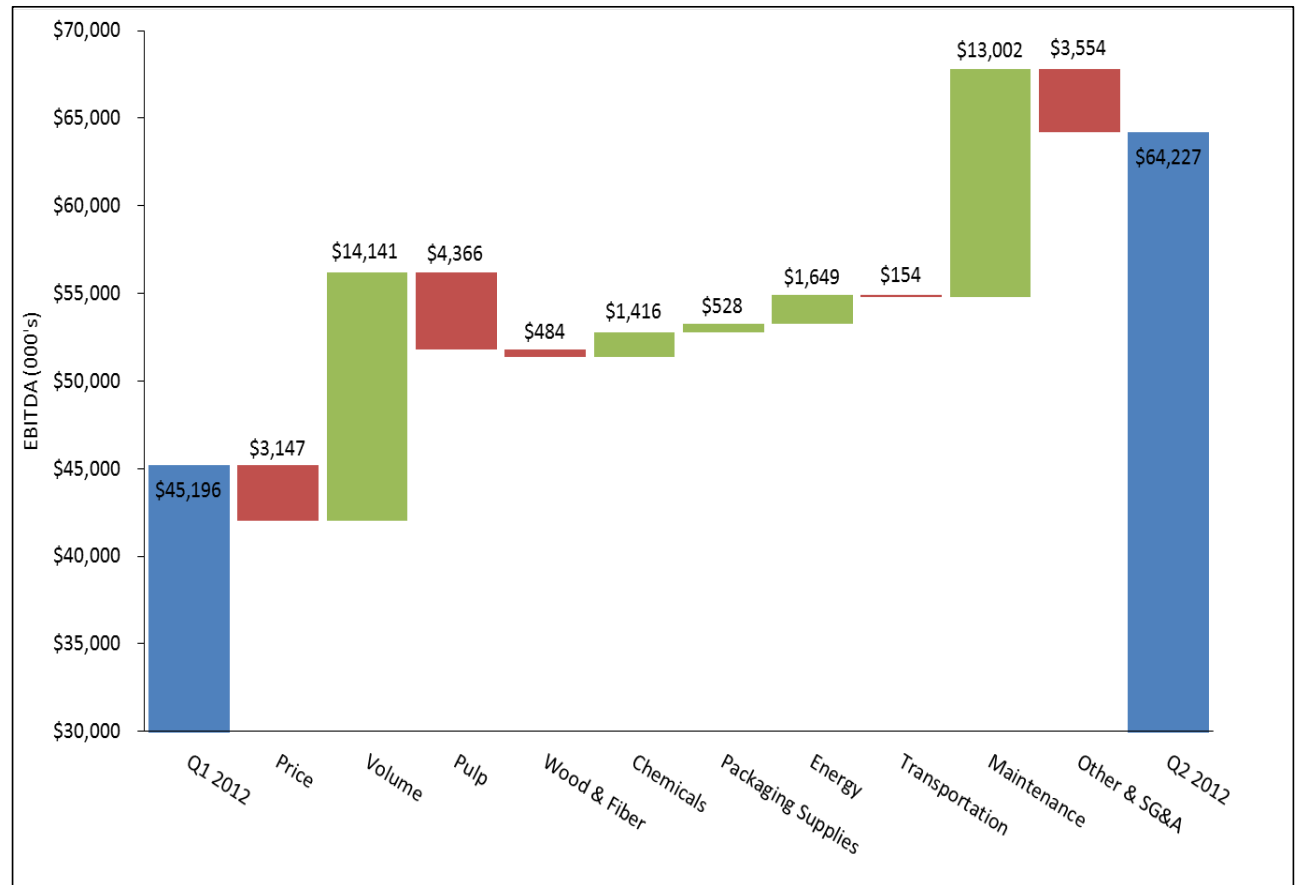
- Price:** Improved tissue pricing due to Q4'11 price increase and mix, partially offset by lower paperboard and external pulp pricing
- Volume:** Lower paperboard and external pulp shipments partially offset by higher tissue shipments
- Pulp:** Significantly lower external pulp market pricing
- Wood and Fiber:** Increased costs for Pulp and Paperboard resulting from supply limitations caused by wet weather conditions in Arkansas
- Chemicals:** Higher Pulp and Paperboard chemical costs, mainly for caustic, partially offset by lower polyethylene costs
- Packaging Supplies:** Improved contract pricing from procurement synergies
- Energy:** Lower natural gas and electricity costs
- Transportation:** Lower due to improvement in negotiated rates as well as lower miles for internal and customer shipments
- Maintenance:** Slightly lower costs due to timing of maintenance projects
- Other and SG&A:** Higher costs related to integration efforts to achieve synergies, overall administration costs, operating supplies and employee labor and benefits, partially offset by positive net impact of Wood Products sale



**NOTE:** All amounts associated with our Wood Products operation, which was sold in November 2011, have been removed from categories and included in Other and SG&A.

<sup>1</sup> Non-GAAP measures - See reconciliation to GAAP and definitions.

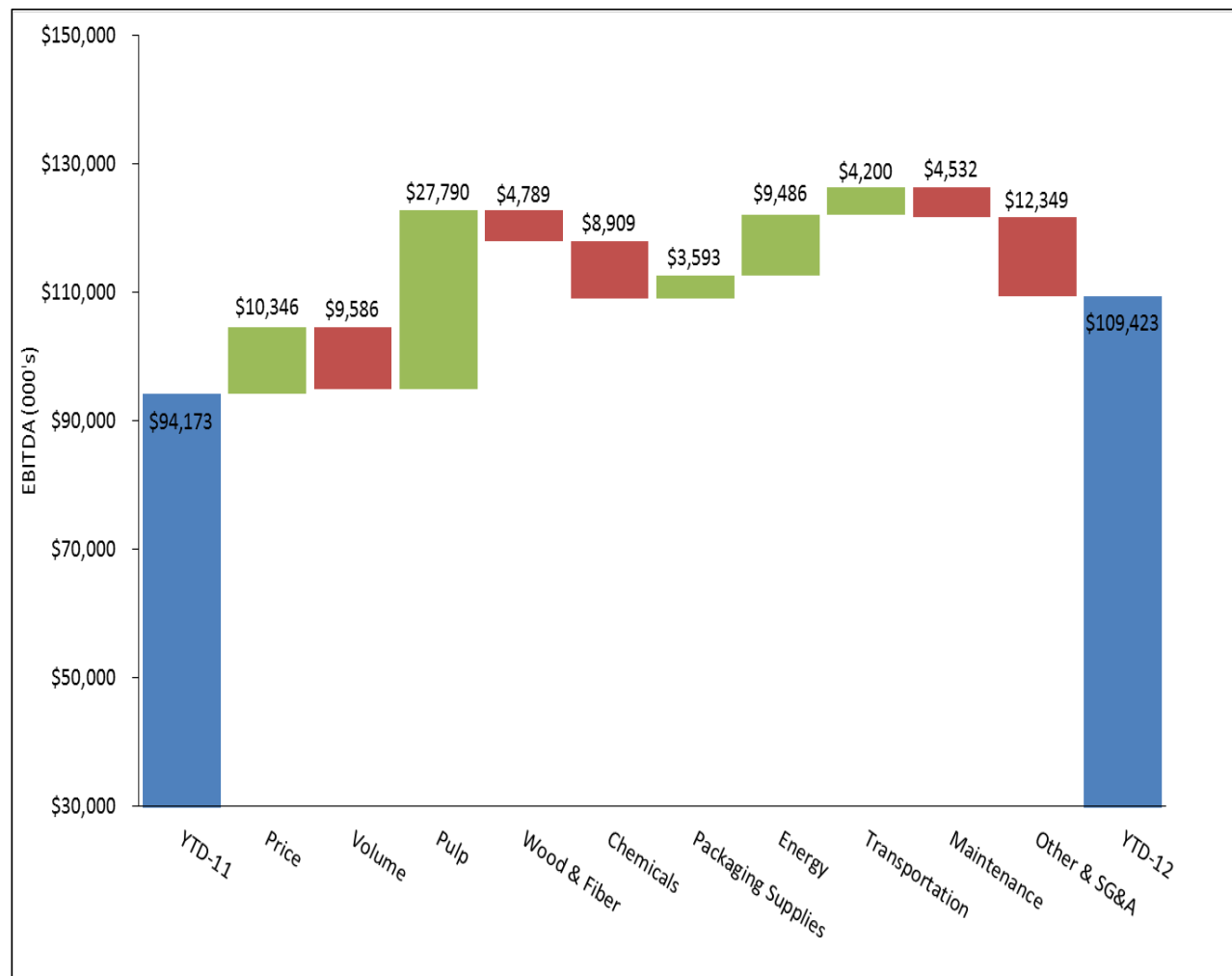
- Price:** Lower tissue pricing due to higher parent roll shipments and lower pulp pricing, partially offset by higher paperboard pricing
- Volume:** Higher tissue, paperboard and external pulp shipments
- Pulp:** Higher external pulp costs, reflecting lagging impact of higher pulp pricing in first quarter
- Wood and Fiber:** Slightly higher costs for Pulp and Paperboard resulting from supply limitations caused by wet weather conditions in Arkansas
- Chemicals:** Reduced caustic costs partially offset by higher polyethylene costs
- Packaging Supplies:** Improved contract pricing from procurement synergies
- Energy:** Lower natural gas and electricity costs
- Transportation:** Higher shipment volumes mostly offset by lower negotiated rates
- Maintenance:** Lower maintenance due to no major outage in Q2, compared to Pulp and Paperboard's \$15.5M planned outage in Q1'12
- Other and SG&A:** Higher integration costs and operating supplies as well as loss on disposal of foam assets



**NOTE:** All amounts associated with our Wood Products operation, which was sold in November 2011, have been removed from categories and included in Other and SG&A.

<sup>1</sup> Non-GAAP measures - See reconciliation to GAAP and definitions.

- Price:** Improved tissue pricing due to increased finished good sales and Q4'11 price increase, partially offset by lower paperboard and external pulp pricing
- Volume:** Significantly lower external pulp shipments, partially offset by slightly higher tissue and paperboard shipments
- Pulp:** Significantly lower external pulp market prices versus record highs in 2011
- Wood and Fiber:** Increased costs for Pulp and Paperboard resulting from supply limitations caused by wet weather conditions in Arkansas
- Chemicals:** Higher Pulp and Paperboard costs mainly due to increased caustic costs, partially offset by lower polyethylene costs
- Packaging Supplies:** Improved contract pricing from procurement synergies
- Energy:** Lower natural gas and electricity costs
- Transportation:** Lower due to improvement in negotiated rates as well as lower miles for internal and customer shipments
- Maintenance:** Pulp and Paperboard planned major outage in Q1'12 of \$15.5M was \$4.1 million higher than the planned Q1'11 outage
- Other and SG&A:** Increase in costs related to integration efforts to achieve synergies and loss on sale of foam assets. Also higher administrative, labor and benefits costs partially offset by positive impact of Wood Products sale



**NOTE:** All amounts associated with our Wood Products operation, which was sold in November 2011, have been removed from categories and included in Other and SG&A.

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<b>2012 Estimated Synergies from Cost Savings</b>
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	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012
<b>Estimated Synergies (in millions)</b>					
Original Estimate	\$ 3.0	\$ 4.0	\$ 5.0	\$ 8.0	\$ 20.0
Revised Estimate*	5.3	6.7	7.4	8.6	28.0
Realized Amounts	5.3	6.7	-	-	12.0

<b>Expected Annual Synergy Run Rate For 2013: \$35-40 Million</b>
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\* Amounts updated in Q2 2012

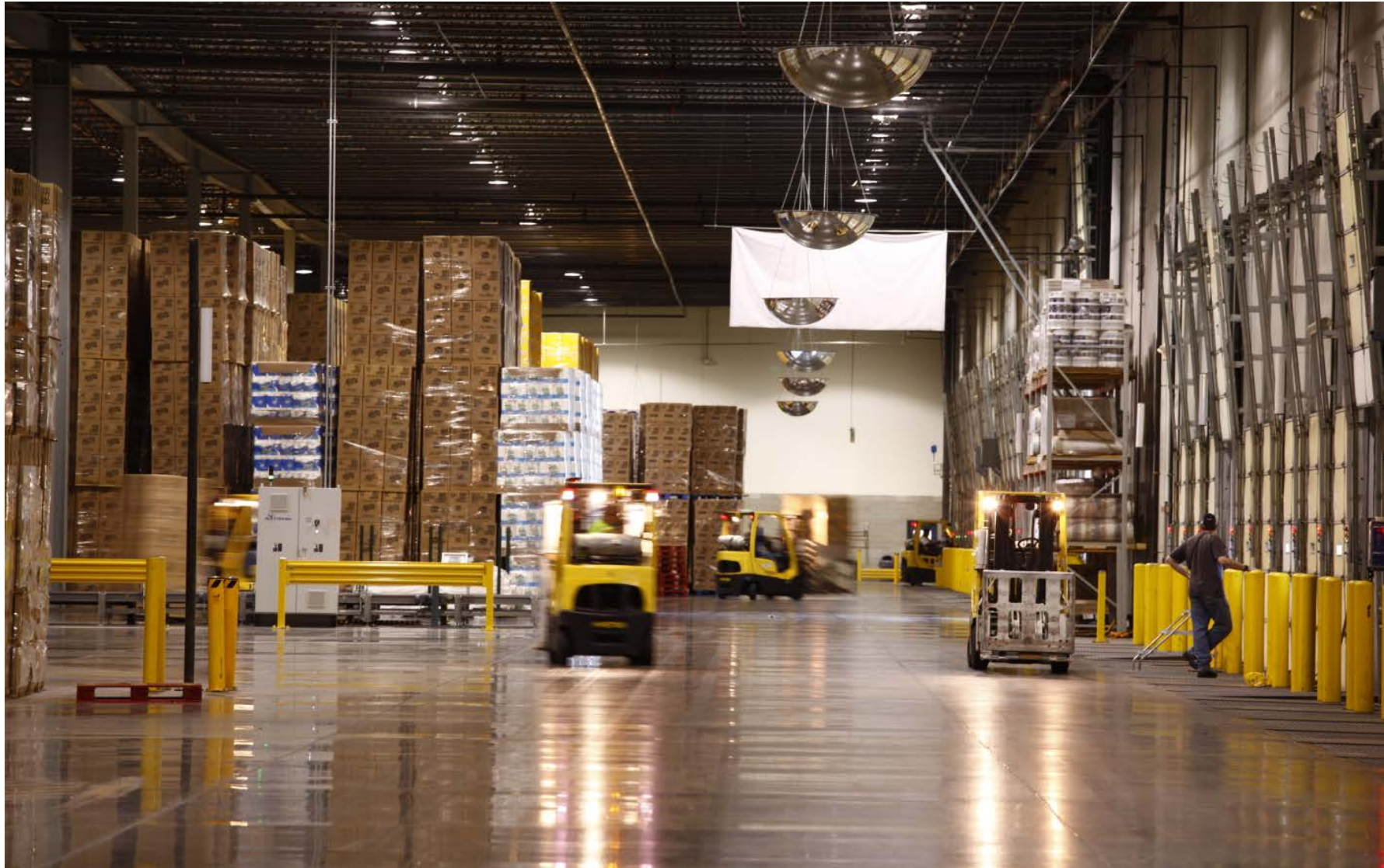
## Reconciliation of Non-GAAP Measures (Unaudited)

(Dollars in thousands)							Six Months Ended June 30,	
	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 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	\$ 19,527	\$ 25,215
Interest expense, net	11,333	10,992	12,100	10,384	9,728	9,147	22,325	18,875
Income tax provision	6,133	8,649	5,928	10,536	12,194	13,861	14,782	26,055
Depreciation and amortization expense	18,669	18,870	19,569	19,825	19,548	19,730	37,539	39,278
<b>EBITDA</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>\$ 94,173</b>	<b>\$ 109,423</b>
Wood Products sale related adjustments	-	-	-	2,883	-	-	-	-
Loss on sale of foam assets	-	-	-	-	-	1,014	-	1,014
Expenses associated with Metso litigation	-	-	-	-	990	958	-	1,948
<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>\$ 94,173</b>	<b>\$ 112,385</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 Wood Products 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.





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