



## Clearwater Paper Reports Fourth Quarter and Full Year 2010 Results

### Fourth Quarter Net Sales Increase 9.7% to \$345.6 million

SPOKANE, Wash.--(BUSINESS WIRE)-- Clearwater Paper Corporation (NYSE:CLW) today reported financial results for the fourth quarter ended December 31, 2010. Net earnings for the fourth quarter of 2010, were \$37.8 million, or \$3.19 per diluted common share, compared to net earnings of \$47.2 million, or \$4.01 per diluted common share, for the fourth quarter of 2009.

Clearwater Paper acquired Cellu Tissue Holdings, Inc. on December 27, 2010. The company's fourth quarter 2010 results included four days of Cellu Tissue's operating results and acquisition related expenses.

Excluding \$10.5 million in after-tax charges related to the Cellu Tissue acquisition and a \$27.1 million benefit related to a Cellulosic Biofuel Producer Credit, fourth quarter 2010 earnings were \$21.2 million or \$1.79 per diluted common share. Fourth quarter 2009 results included a \$29.7 million benefit, or \$2.53 per diluted common share, related to the Alternative Fuel Mixture Tax Credit. Excluding the Alternative Fuel Mixture Tax Credit, fourth quarter 2009 earnings were \$17.4 million, or \$1.48 per diluted common share.

"We had a solid finish to a year in which we had very strong operational execution while also making significant strides on the strategic front," said Gordon Jones, chairman, president and chief executive officer. "In the last week of the year we closed the Cellu Tissue acquisition, which significantly enhances our ability to supply existing and new customers and provides us a nationwide manufacturing footprint."

"Throughout the year we also made great progress in the construction of our new facility in North Carolina, which will provide more premium products to our customers. We believe these accomplishments put us in a very strong competitive position for the future," concluded Jones.

### FOURTH QUARTER 2010 SEGMENT PERFORMANCE

#### Consumer Products

Net sales in the consumer products segment were \$142.9 million for the fourth quarter of 2010, an increase of 3.3% over fourth quarter 2009 net sales of \$138.3 million. Operating income for the quarter was \$7.3 million, compared with operating income of \$28.7 million for the fourth quarter of 2009.

- The slight increase in net sales was primarily a result of the inclusion of Cellu Tissue's operating results for the last four days of the quarter.
- Volume increased by 6.6% in the fourth quarter of 2010 compared to 2009, partially offset by net selling prices that were 3.2% lower in the quarter.
- Operating income for the 2010 fourth quarter was lower primarily due to significantly higher pulp costs and \$6.4 million of acquisition related expenses reflected in segment results.

#### Pulp and Paperboard

Net sales of \$222.5 million for the fourth quarter of 2010 were up 16.5% compared to fourth quarter 2009 net sales of \$191.1 million. Operating income for the quarter was \$33.1 million, compared to operating income of \$52.9 million for the fourth quarter of 2009, which included \$47.1 million pre-tax associated with the Alternative Fuel Mixture Tax Credit.

- Higher net sales for the quarter were primarily the result of a 9.0% increase in paperboard pricing and a 24.8% increase in pulp prices compared to fourth quarter 2009.
- Pulp shipments were up 81.2% over the 2009 fourth quarter, while paperboard shipments were flat compared to fourth quarter 2009.

#### Taxes



|  |                  |            |                  |            |                  |            |                   |            |
|--|------------------|------------|------------------|------------|------------------|------------|-------------------|------------|
| Cost of sales  | 281,883          | 82%        | 256,999          | 82%        | 1,173,804        | 85%        | 1,052,151         | 84%        |
| Selling, general and administrative expenses                     | 41,270           | 12%        | 18,470           | 6%         | 100,394          | 7%         | 71,125            | 6%         |
|  | <u>323,153</u>   | <u>94%</u> | <u>275,469</u>   | <u>87%</u> | <u>1,274,198</u> | <u>93%</u> | <u>1,123,276</u>  | <u>90%</u> |
| Alternative fuel mixture tax credit                              | -                |            | 47,137           |            | -                |            | 170,647           |            |
| Earnings before interest, debt retirement costs and income taxes | 22,404           | 6%         | 86,648           | 28%        | 98,767           | 7%         | 297,440           | 24%        |
| Interest expense, net  | 10,335           |            | 4,234            |            | 22,571           |            | 15,505            |            |
| Debt retirement costs  | -                |            | -                |            | -                |            | 6,250             |            |
| Earnings before income taxes                                     | 12,069           | 3%         | 82,414           | 26%        | 76,196           | 6%         | 275,685           | 22%        |
| Income tax provision (benefit)                                   | (25,717)         |            | 35,254           |            | 2,396            |            | 93,221            |            |
| Net earnings   | <u>\$ 37,786</u> | <u>11%</u> | <u>\$ 47,160</u> | <u>15%</u> | <u>\$ 73,800</u> | <u>5%</u>  | <u>\$ 182,464</u> | <u>15%</u> |
| Net earnings per common share:                                   |                  |            |                  |            |                  |            |                   |            |
| Basic  | \$ 3.29          |            | \$ 4.15          |            | \$ 6.43          |            | \$ 16.06          |            |
| Diluted  | 3.19             |            | 4.01             |            | 6.24             |            | 15.50             |            |
| Average shares outstanding (in thousands):                       |                  |            |                  |            |                  |            |                   |            |
| Basic  | 11,479           |            | 11,365           |            | 11,474           |            | 11,360            |            |
| Diluted  | 11,846           |            | 11,758           |            | 11,835           |            | 11,770            |            |

Clearwater Paper Corporation  
Condensed Consolidated Balance Sheets  
Unaudited (Dollars in thousands)

|   | December 31,<br>2010 | December 31,<br>2009 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| Current assets:   |                      |                      |
| Cash  | \$ 18,928            | \$ 2,824             |
| Restricted cash   | 3,637                | -                    |
| Short-term investments  | 126,095              | 187,926              |
| Receivables, net  | 153,335              | 94,458               |
| Taxes receivable  | 10,354               | 101,343              |
| Inventories   | 228,321              | 169,761              |
| Deferred tax assets   | 37,374               | 12,926               |
| Prepaid expenses  | 11,415               | 3,053                |
| Total current assets  | <u>589,459</u>       | <u>572,291</u>       |
| Property, plant and equipment, net  | 654,456              | 364,024              |
| Goodwill  | 229,533              | -                    |
| Intangible assets   | 56,400               | -                    |
| Other assets  | 15,488               | 11,148               |
|   | <u>\$ 1,545,336</u>  | <u>\$ 947,463</u>    |
| <b>Liabilities and Stockholders' Equity</b>                               |                      |                      |
| Current liabilities:  |                      |                      |
| Accounts payable and accrued liabilities                                  | \$ 184,604           | \$ 109,775           |
| Current portion of long-term debt   | 760                  | -                    |
| Current liability for pensions and other postretirement employee benefits | 9,749                | 9,933                |
| Total current liabilities   | <u>195,113</u>       | <u>119,708</u>       |
| Long-term debt  | 538,314              | 148,285              |
| Liability for pensions and other postretirement employee benefits         | 187,116              | 236,422              |
| Other long-term obligations   | 23,369               | 5,825                |
| Accrued taxes   | 72,011               | 73,487               |

|   |                     |                   |
|---|---------------------|-------------------|
| Deferred taxes  | 61,064              | -                 |
| Accumulated other comprehensive loss                                | (98,352)            | (126,962)         |
| Stockholders' equity excluding accumulated other comprehensive loss | 566,701             | 490,698           |
|   | <u>\$ 1,545,336</u> | <u>\$ 947,463</u> |

Clearwater Paper Corporation  
Segment Information  
Unaudited (Dollars in thousands)

|   | Three Months Ended<br>December 31, |             |                   |             | Twelve Months Ended<br>December 31, |             |                     |             |
|---|------------------------------------|-------------|-------------------|-------------|-------------------------------------|-------------|---------------------|-------------|
|   | 2010                               |             | 2009              |             | 2010                                |             | 2009                |             |
| Segment net sales:  |                                    |             |                   |             |                                     |             |                     |             |
| Consumer Products   | \$ 142,930                         | 41%         | \$ 138,342        | 44%         | \$ 570,129                          | 42%         | \$ 554,034          | 44%         |
| Pulp and Paperboard   | 222,513                            | 64%         | 191,072           | 61%         | 879,889                             | 64%         | 749,544             | 60%         |
|   | 365,443                            |             | 329,414           |             | 1,450,018                           |             | 1,303,578           |             |
| Elimination of intersegment net sales                                   | (19,886)                           | -6%         | (14,434)          | -5%         | (77,053)                            | -6%         | (53,509)            | -4%         |
| <u>Total net sales</u>  | <u>\$ 345,557</u>                  | <u>100%</u> | <u>\$ 314,980</u> | <u>100%</u> | <u>\$ 1,372,965</u>                 | <u>100%</u> | <u>\$ 1,250,069</u> | <u>100%</u> |
| Operating income:   |                                    |             |                   |             |                                     |             |                     |             |
| Consumer Products   | \$ 7,263                           | 32%         | \$ 28,719         | 33%         | \$ 63,749                           | 65%         | \$ 122,117          | 41%         |
| Pulp and Paperboard (1)   | 33,060                             | 148%        | 52,945            | 61%         | 81,911                              | 83%         | 191,894             | 65%         |
|   | 40,323                             |             | 81,664            |             | 145,660                             |             | 314,011             |             |
| Corporate and eliminations  | (17,919)                           | -80%        | 4,984             | 6%          | (46,893)                            | -47%        | (16,571)            | -6%         |
| <u>Earnings before interest, debt retirement costs and income taxes</u> | <u>\$ 22,404</u>                   | <u>100%</u> | <u>\$ 86,648</u>  | <u>100%</u> | <u>\$ 98,767</u>                    | <u>100%</u> | <u>\$ 297,440</u>   | <u>100%</u> |

(1) Operating income for the three and twelve months ended December 31, 2009, for the Pulp and Paperboard segment included \$47.1 million and \$170.6 million, respectively, associated with the Alternative Fuel Mixture Tax Credit.

Clearwater Paper Corporation  
Reconciliation of Non-GAAP Financial Measures  
Unaudited (Dollars in thousands, except per-share amounts)

|  | Three Months Ended<br>December 31, |                  | Twelve Months Ended<br>December 31, |                  |
|--|------------------------------------|------------------|-------------------------------------|------------------|
|  | 2010                               | 2009             | 2010                                | 2009             |
| GAAP net earnings                            | \$ 37,786                          | \$ 47,160        | \$ 73,800                           | \$ 182,464       |
| Special items, after-tax:                    |                                    |                  |                                     |                  |
| Alternative Fuel Mixture Tax Credit          | -                                  | (29,743)         | -                                   | (107,508)        |
| Cellulosic Biofuel Producer Credit           | (27,087)                           | -                | (27,087)                            | -                |
| Patient Protection and Affordable Care Act   | (106)                              | -                | 3,099                               | -                |
| Cellu Tissue acquisition related expenses    | 10,521                             | -                | 12,416                              | -                |
| <u>Net earnings, excluding special items</u> | <u>\$ 21,114</u>                   | <u>\$ 17,417</u> | <u>\$ 62,228</u>                    | <u>\$ 74,956</u> |
| GAAP net earnings per diluted share          | \$ 3.19                            | \$ 4.01          | \$ 6.24                             | \$ 15.50         |
| Special items, after-tax:                    |                                    |                  |                                     |                  |
| Alternative Fuel Mixture Tax Credit          | -                                  | (2.53)           | -                                   | (9.13)           |
| Cellulosic Biofuel Producer Credit           | (2.29)                             | -                | (2.29)                              | -                |
| Patient Protection and Affordable Care Act   | (0.01)                             | -                | 0.26                                | -                |

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Cellu Tissue acquisition related expenses                      | 0.89           | -              | 1.05           | -              |
| <u>Net earnings per diluted share, excluding special items</u> | <u>\$ 1.78</u> | <u>\$ 1.48</u> | <u>\$ 5.26</u> | <u>\$ 6.37</u> |

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Diluted average shares outstanding (in thousands) | 11,846 | 11,758 | 11,835 | 11,770 |
|---|--------|--------|--------|--------|

Clearwater Paper Corporation  
News media  
Matt Van Vleet, 509-344-5912  
or  
CFO  
Linda Massman, 509-344-5905  
or  
Investors  
IR Sense  
Sean Butson, 509-344-5906

Source: Clearwater Paper Corporation

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