



# CLEARWATER PAPER CORPORATION

## SECOND QUARTER 2017 SUPPLEMENTAL INFORMATION

08/02/17

LINDA MASSMAN  
PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR

JOHN HERTZ  
SENIOR VICE PRESIDENT FINANCE AND CHIEF FINANCIAL OFFICER

# 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 outlook for Q3 and full year 2017; the costs, timing and benefits associated with strategic capital investments and operational improvements; financial models; estimated Q3 and full year 2017 net earnings, EBITDA, and adjusted EBITDA; and estimated Q3 2017 operating income, adjusted operating income, adjusted net earnings, net earnings per diluted common share, adjusted net earnings per diluted common share, net sales and adjusted operating margin, product volumes shipped, product pricing and sales mix, cost and timing of major maintenance and repairs, pulp costs, energy costs, and productivity gains. 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:

- our ability to execute on our growth and expansion strategies;
- unanticipated construction delays involving our planned new tissue manufacturing operations in Shelby, NC;
- competitive pricing pressures for our products, including as a result of increased capacity as additional manufacturing facilities are operated by our competitors;
- customer acceptance and timing and quantity of purchases of our tissue products, including the existence of sufficient demand for and the quality of tissue produced at our recently announced Shelby, NC facility expansion when it becomes operational;
- changes in the U.S. and international economies and in general economic conditions in the regions and industries in which we operate;
- the loss of or changes in prices in regards to a significant customer;
- our ability to successfully implement our operational efficiencies and cost savings strategies;
- changes in customer product preferences and competitors' product offerings;
- manufacturing or operating disruptions, including IT system and IT system implementation failures, equipment malfunction and damage to our manufacturing facilities;
- changes in transportation costs and disruptions in transportation services;
- changes in the cost and availability of wood fiber and wood pulp;
- labor disruptions;
- cyclical industry conditions;
- changes in costs for and availability of packaging supplies, chemicals, energy and maintenance and repairs;
- environmental liabilities or expenditures;
- our ability to realize the expected benefits of our Manchester Industries acquisition;
- changes in expenses and required contributions associated with our pension plans;
- cyber-security risks;
- reliance on a limited number of third-party suppliers for raw materials;
- our inability to service 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



**\$430 MILLION NET SALES, DOWN 2% VS. Q1'17**

**\$20 MILLION GAAP OPERATING INCOME**

**\$45 MILLION ADJUSTED EBITDA<sup>1</sup>, AT THE MID-POINT OF OUR OUTLOOK RANGE OF \$42 TO \$48 MILLION**

**GAAP AND ADJUSTED<sup>1</sup> EPS OF \$0.48**

**COMPLETED MAJOR MAINTENANCE OUTAGE AT OUR ARKANSAS PAPERBOARD MILL AT A COST OF \$9 MILLION**

**A \$7 MILLION CONTRIBUTION TO OPERATING INCOME AND AN \$8 MILLION CONTRIBUTION TO ADJUSTED EBITDA<sup>1</sup> FROM STRATEGIC CAPITAL AND OPERATIONAL EFFICIENCY INITIATIVES IN Q2'17 VS. Q2'16**

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

# FINANCIAL SUMMARY (GAAP BASIS)

## (UNAUDITED)



(Dollars in thousands - except per-share amounts)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Net sales	\$437,204	\$436,671	\$435,320	\$425,568	\$437,525	\$429,663
Gross Profit	\$68,557	\$74,820	\$38,715	\$57,044	\$50,495	\$48,930
Selling, general and administrative expenses	(\$30,795)	(\$34,655)	(\$31,190)	(\$32,934)	(\$29,937)	(\$29,265)
Gain on divested assets	\$—	\$—	\$1,755	\$—	\$—	\$—
Operating income (loss)	\$37,762	\$40,165	\$9,280	\$24,110	\$20,558	\$19,665
Consumer Products	18,390	18,544	17,201	13,781	6,189	10,534
Pulp and Paperboard	35,163	40,032	9,956	27,581	27,248	21,595
Corporate	(15,791)	(18,411)	(17,877)	(17,252)	(12,879)	(12,464)
Operating margin	8.6%	9.2%	2.1%	5.7%	4.7%	4.6%
Interest expense, net	(\$7,643)	(\$7,396)	(\$7,520)	(\$7,741)	(\$8,043)	(\$7,673)
Debt retirement costs	\$—	\$—	\$—	(\$351)	\$—	\$—
Income tax provision	(\$11,673)	(\$11,905)	(\$859)	(\$6,675)	(\$5,000)	(\$3,955)
Net earnings	\$18,446	\$20,864	\$901	\$9,343	\$7,515	\$8,037
Net earnings per diluted common share	\$1.05	\$1.21	\$0.05	\$0.56	\$0.45	\$0.48

# FINANCIAL SUMMARY (ADJUSTED BASIS) (UNAUDITED)



(Dollars in thousands - except per-share amounts)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17 Outlook <sup>5</sup>
Net sales	\$437,204	\$436,671	\$435,320	\$425,568	\$437,525	\$429,663	1% - 3% higher
Adjusted gross profit <sup>1</sup>	\$68,989	\$75,353	\$41,051	\$60,215	\$56,698	\$50,148	
Adjusted gross profit margin <sup>1,2</sup>	15.8%	17.3%	9.4%	14.1%	13.0%	11.7%	
Adjusted selling, general and administrative expenses <sup>1</sup>	(\$30,069)	(\$31,045)	(\$29,489)	(\$29,915)	(\$31,272)	(\$30,643)	
Adjusted operating income (loss) <sup>1</sup>	\$38,920	\$44,308	\$11,562	\$30,300	\$25,426	\$19,505	
Consumer Products	18,822	19,077	15,912	16,952	12,392	11,752	
Pulp and Paperboard	35,163	40,032	9,956	27,581	27,248	21,595	
Corporate	(15,065)	(14,801)	(14,306)	(14,233)	(14,214)	(13,842)	
Adjusted operating margin <sup>1,3</sup>	8.9%	10.1%	2.7%	7.1%	5.8%	4.5%	3% - 4.5%
Interest expense, net	(\$7,643)	(\$7,396)	(\$7,520)	(\$7,741)	(\$8,043)	(\$7,673)	
Debt retirement costs	\$—	\$—	\$—	(\$351)	\$—	\$—	
Adjusted income tax provision <sup>1</sup>	(\$12,089)	(\$13,368)	(\$1,673)	(\$8,388)	(\$6,655)	(\$3,902)	
Adjusted net earnings <sup>1</sup>	\$19,188	\$23,544	\$2,369	\$13,820	\$10,728	\$7,930	
Depreciation and amortization expense	\$21,150	\$22,024	\$22,747	\$25,169	\$27,557	\$26,055	
Adjusted EBITDA <sup>1</sup>	\$60,070	\$66,332	\$34,309	\$54,125	\$49,320	\$45,023	\$40,000-\$46,000
Consumer Products	32,581	33,280	30,934	31,999	26,971	27,507	
Pulp and Paperboard	41,530	46,481	16,486	34,976	35,353	29,951	
Corporate	(14,041)	(13,429)	(13,111)	(12,850)	(13,004)	(12,435)	
Adjusted EBITDA margin <sup>1,4</sup>	13.7%	15.2%	7.9%	12.7%	11.3%	10.5%	
Adjusted net earnings per diluted common share <sup>1</sup>	\$1.09	\$1.37	\$0.14	\$0.82	\$0.64	\$0.48	
Gross debt to rolling four quarter total Adjusted EBITDA <sup>1</sup>	2.5	2.3	2.7	3.3	3.5	3.7	
Capital Expenditures	\$25,732	\$28,822	\$54,794	\$46,329	\$41,804	\$47,750	

<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.

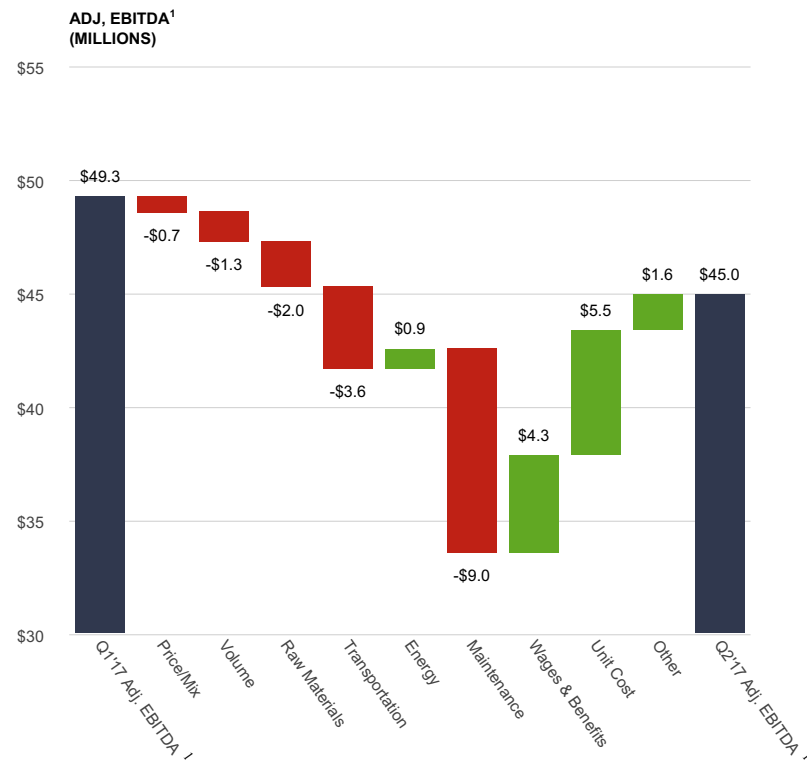
<sup>5</sup> This information is based upon management's current expectations and estimates, which are in part based on market and industry data. Many factors are outside the control of management, including particularly input costs for commodity products, and actual results may differ materially from the information set forth above. See "Forward-Looking Statements" on page 1.

<sup>6</sup> Non-GAAP measure – See page 15 for the reconciliation to the most comparable GAAP measure.

# Q2'17 VS. Q1'17 CONSOLIDATED ADJUSTED EBITDA<sup>1</sup> BRIDGE



PRICE/MIX	Weaker mix of ultra quality tissue sales, partly offset by higher paperboard pricing and improved mix
VOLUME	Slightly lower shipments of commodity grade paperboard and non-retail tissue sales
RAW MATERIALS	Higher external pulp pricing
TRANSPORTATION	Increased internal inventory shipments due to Oklahoma City facility closure, more than offset by reductions in wages and benefits
ENERGY	Lower natural gas pricing and lower seasonal usage
MAINTENANCE	Planned Arkansas major maintenance outage
WAGES & BENEFITS	Lower due to warehouse automation and Oklahoma City facility closure, partly offset by annual wage increases
UNIT COST	No curtailment impact to tissue per unit production costs in Q2 versus impact in Q1'17

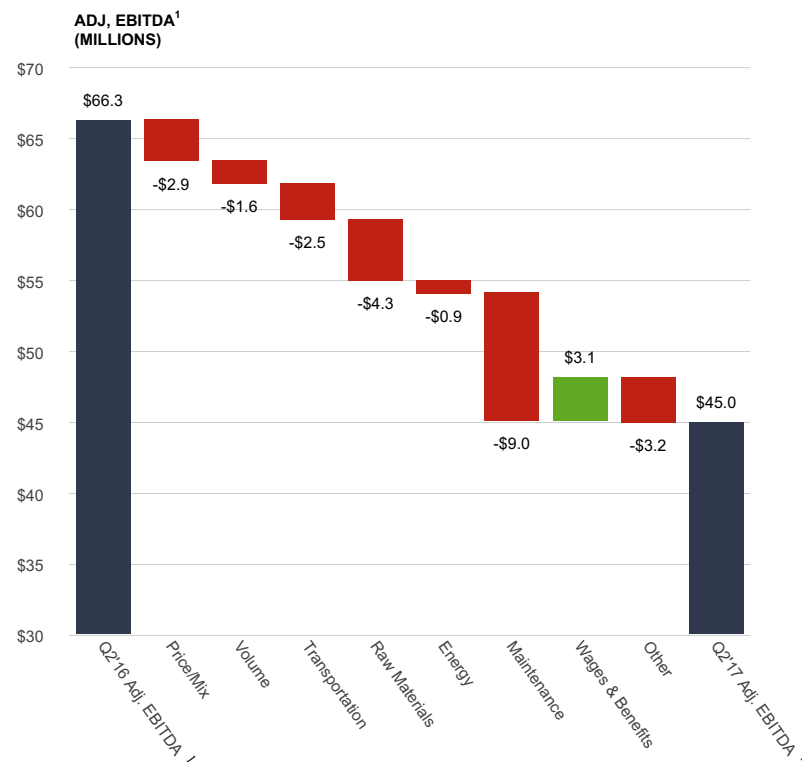


<sup>1</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

# Q2'17 VS. Q2'16 CONSOLIDATED ADJUSTED EBITDA<sup>1</sup> BRIDGE



PRICE/MIX	Weaker mix of ultra quality tissue sales, partly offset by lower mix of commodity grade paperboard sales
VOLUME	Lower non-retail sales due to shutdown of two tissue machines at the Neenah facility, partly offset by higher paperboard shipment volume due to Manchester Industries acquisition
TRANSPORTATION	Increased internal inventory shipments due to Oklahoma City facility closure, more than offset by reductions in wages and benefits
RAW MATERIALS	Higher pricing on pulp, chemicals, and packaging supplies
ENERGY	Higher natural gas prices
MAINTENANCE	Planned Arkansas major maintenance outage
WAGES & BENEFITS	Lower due to warehouse automation, shutdown of two tissue machines at the Neenah facility, and Oklahoma City facility closure, partly offset by annual wage increases
OTHER	Partial reimbursement of costs in Q2'16 related to Arkansas recovery boiler issues



**Net productivity improvement vs. Q2'16 of \$8 million<sup>1</sup>, primarily in wages and benefits**

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

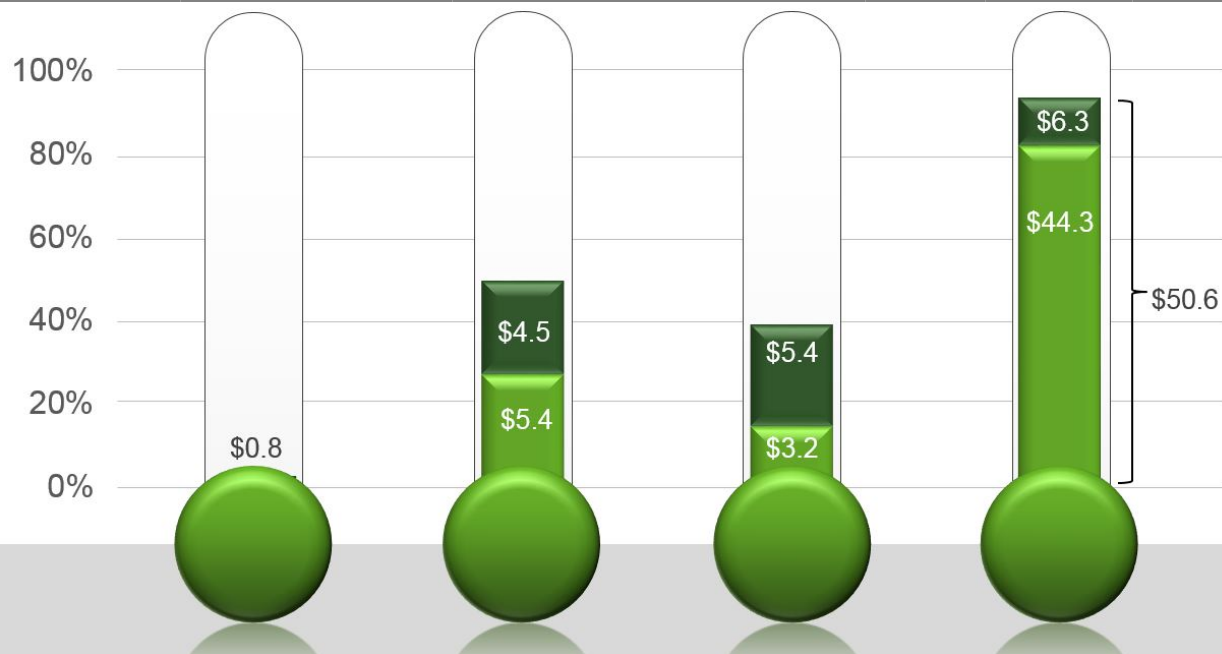
# STRATEGIC INVESTMENT AND OPERATIONAL IMPROVEMENT SCORECARD AS OF Q2'17



- Strategic plan announced in Q1'15, expected capex of \$229-\$241<sup>1</sup> million
- Expected to yield a \$98-\$128 million operating income increase by 2018<sup>3</sup>
- Expected to yield a \$115-\$145 million Adjusted EBITDA<sup>2</sup> increase by 2018<sup>3</sup>
- Would yield a \$285-\$335 2018 Adjusted EBITDA<sup>2</sup> run rate assuming \$10-\$15 million of annual margin pressure<sup>3</sup>

## FULL RUN-RATE EXPECTED IMPACT (MILLIONS \$)<sup>3</sup>

OPERATING INCOME	\$23-\$28	\$15-\$16	\$16-\$19	\$44-\$65
ADJUSTED EBITDA <sup>2</sup>	\$30-\$35	\$20-\$21	\$21-\$24	\$44-\$65



	Continuous Digester <sup>4</sup>	Warehouse Automation	Other Projects	Operational Improvements
TOTAL STRATEGIC CAPEX	\$148-\$158	\$32-\$34 <sup>1</sup>	\$49	\$0

■ 2015-2016 ADJUSTED EBITDA<sup>1</sup> ACHIEVED
 ■ YTD Q2'17 ADJUSTED EBITDA<sup>1</sup> ACHIEVED

<sup>1</sup> Updated to reflect reduction in strategic capex spending on Warehouse Automation.

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

<sup>3</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>4</sup> The Continuous Digester is expected to be completed in Q4'17. 2015 - 2016 and YTD Q2'17 Adjusted EBITDA contributions were \$0.3M and \$0.5M, respectively.

# KEY SEGMENT RESULTS - CONSUMER PRODUCTS (UNAUDITED)



	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	CONSUMER PRODUCTS CROSS-CYCLE FINANCIAL MODEL
<b>Shipments</b>							
Non-Retail (short tons) <sup>1</sup>	24,358	20,028	18,384	19,182	16,678	13,736	
Retail (short tons)	75,027	79,095	82,216	77,704	78,686	77,714	
<b>Total Tissue Tons</b>	<b>99,385</b>	<b>99,123</b>	<b>100,600</b>	<b>96,886</b>	<b>95,364</b>	<b>91,450</b>	
<b>Converted Products (cases in thousands)<sup>2</sup></b>	<b>12,990</b>	<b>13,229</b>	<b>13,770</b>	<b>12,886</b>	<b>13,123</b>	<b>12,709</b>	
<b>Sales Price</b>							
Non-Retail (\$/short ton) <sup>1</sup>	\$1,477	\$1,496	\$1,506	\$1,442	\$1,439	\$1,454	
Retail (\$/short ton)	\$2,784	\$2,747	\$2,742	\$2,757	\$2,772	\$2,723	
<b>Total Tissue (\$/short ton)</b>	<b>\$2,464</b>	<b>\$2,494</b>	<b>\$2,516</b>	<b>\$2,496</b>	<b>\$2,539</b>	<b>\$2,533</b>	
<b>Segment net sales (\$ in thousands)</b>	<b>\$245,018</b>	<b>\$247,912</b>	<b>\$253,319</b>	<b>\$242,131</b>	<b>\$242,423</b>	<b>\$231,912</b>	
<b>Segment GAAP operating income (\$ in thousands)</b>	<b>\$18,390</b>	<b>\$18,544</b>	<b>\$17,201</b>	<b>\$13,781</b>	<b>\$6,189</b>	<b>\$10,534</b>	
Segment GAAP operating margin	7.5%	7.5%	6.8%	5.7%	2.6%	4.5%	
<b>Segment Adjusted EBITDA<sup>3</sup> (\$ in thousands)</b>	<b>\$32,581</b>	<b>\$33,280</b>	<b>\$30,934</b>	<b>\$31,999</b>	<b>\$26,971</b>	<b>\$27,507</b>	
Segment Adjusted EBITDA margin <sup>4</sup>	13.3%	13.4%	12.2%	13.2%	11.1%	11.9%	17.0%

<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.

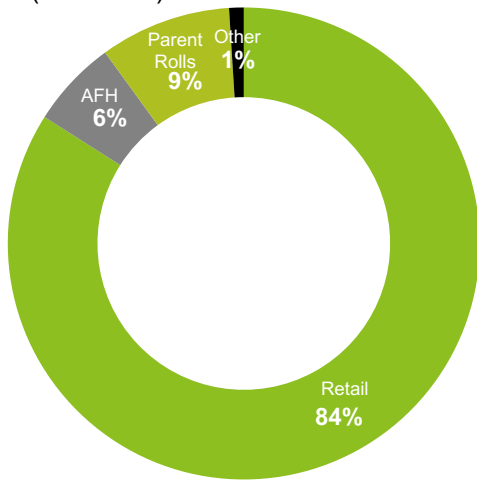
<sup>3</sup> Non-GAAP measure – See Appendix for the definition and reconciliation to the most comparable GAAP measure.

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

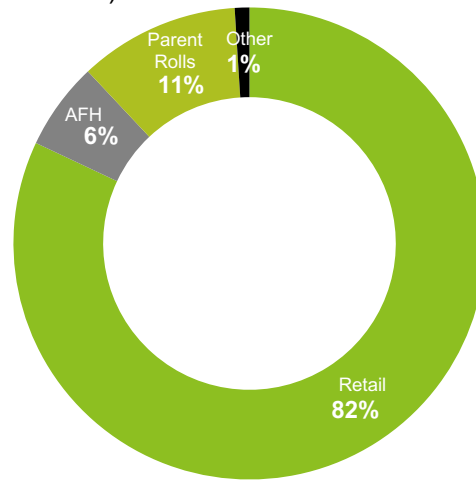
# CLEARWATER PAPER TISSUE SHIPMENTS AND U.S. RETAIL TISSUE MARKET



CLW Q2'17 by  
Market Segment  
(% of Tons)



CLW Q1'17 by  
Market Segment  
(% of Tons)



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

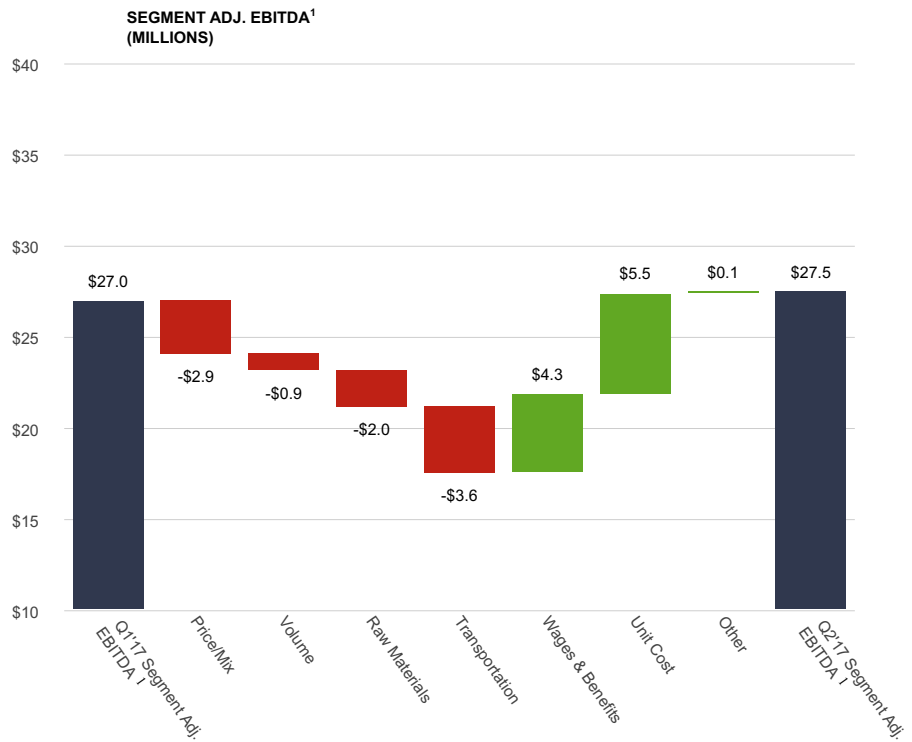
CATEGORY	PRIVATE LABEL	BRANDS	TOTAL
Total Retail Tissue Share (\$)	25%	75 %	100%
% Change Q2'17 vs. Q1'17	0.7%	(0.7)%	—%

<sup>1</sup> Data Source: IRI Worldwide data through June 18, 2017.

# Q2'17 VS. Q1'17 CONSUMER PRODUCTS ADJUSTED EBITDA<sup>1</sup> BRIDGE



<b>PRICE /MIX</b>	Weaker mix of ultra quality tissue sales, partly offset by lower parent roll sales
<b>VOLUME</b>	Lower non-retail tissue sales
<b>RAW MATERIALS</b>	Higher external pulp pricing
<b>TRANSPORTATION</b>	Increased internal inventory shipments due to Oklahoma City facility closure, more than offset by reductions in wages and benefits
<b>WAGES &amp; BENEFITS</b>	Lower due to warehouse automation, Oklahoma City facility closure, and shutdown of two tissue machines at the Neenah facility, partly offset by annual wage increases
<b>UNIT COST</b>	No curtailment impact to tissue per unit production costs in Q2 versus impact in Q1'17



<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)



	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17 <sup>3</sup>	Q2'17 <sup>3</sup>	PULP AND PAPERBOARD CROSS-CYCLE FINANCIAL MODE
<b>Shipments</b>							
Paperboard (short tons)	201,340	199,132	196,271	199,415	210,382	207,152	
<b>Sales Price</b>							
Paperboard (\$/short ton)	\$952	\$948	\$927	\$920	\$927	\$955	
<b>Segment net sales (\$ in thousands)</b>	\$192,186	\$188,759	\$182,001	\$183,437	\$195,102	\$197,751	
<b>Segment GAAP operating income (\$ in thousands)</b>	\$35,163	\$40,032	\$9,956	\$27,581	\$27,248	\$21,595	
<b>Segment GAAP operating margin</b>	18.3%	21.2%	5.5%	15.0%	14.0%	10.9%	
<b>Segment Adjusted EBITDA<sup>1</sup> (\$ in thousands)</b>	\$41,530	\$46,481	\$16,486	\$34,976	\$35,353	\$29,951	
<b>Segment Adjusted EBITDA margin<sup>2</sup></b>	21.6%	24.6%	9.1%	19.1%	18.1%	15.1%	19.0%

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

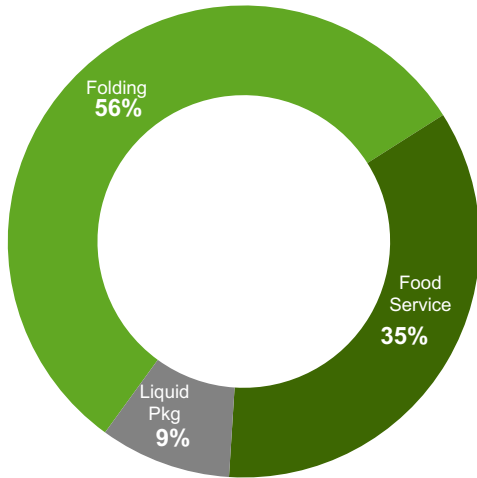
<sup>2</sup> Non-GAAP measure – Segment Adjusted EBITDA margin is defined as Segment Adjusted EBITDA divided by Segment net sales.

<sup>3</sup> Results include the full impact of Manchester Industries, which was acquired at the end of Q4'16.

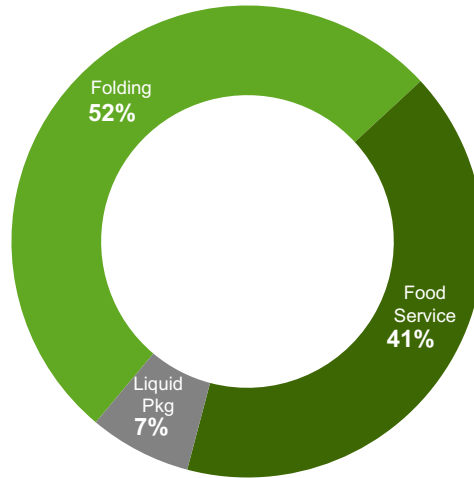
# CLEARWATER PAPER PAPERBOARD SHIPMENTS AND U.S. PAPERBOARD MARKET



CLW Q2'17 by  
Market Segment  
(% of Tons)



CLW Q1'17 by  
Market Segment  
(% of Tons)



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

CATEGORY	CLEARWATER PAPER	OTHER
Total Domestic SBS <sup>1</sup> Market Share	14%	86%
Folding	19%	81%
Food Service <sup>2</sup>	15%	85%
Liquid Packaging	5%	95%

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

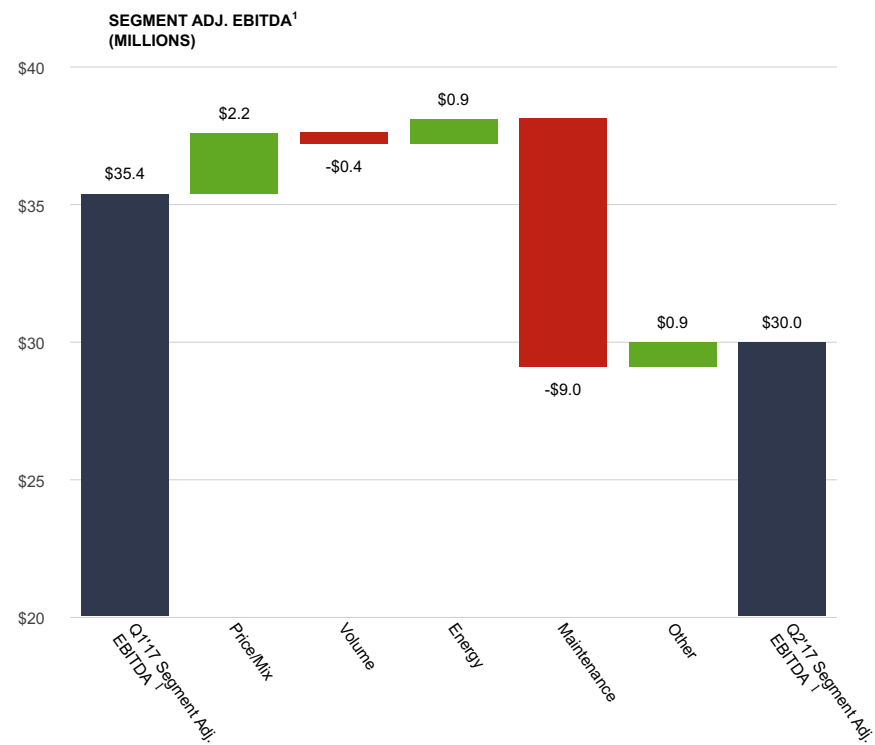
<sup>2</sup> Food Service includes cup, plate, dish and tray products.

<sup>3</sup> Data Source: American Forest and Paper Association Solid Bleached Domestic Production – July YTD 2017.

# Q2'17 vs. Q1'17 PULP AND PAPERBOARD ADJUSTED EBITDA<sup>1</sup> BRIDGE



<b>PRICE/MIX</b>	Higher paperboard pricing and improved mix
<b>VOLUME</b>	Slightly lower shipments of commodity grade paperboard
<b>ENERGY</b>	Lower natural gas pricing and lower seasonal usage
<b>MAINTENANCE</b>	Planned Arkansas major maintenance outage



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

# CLEARWATER PAPER CROSS-CYCLE FINANCIAL MODEL



(Dollars in thousands)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	CLEARWATER PAPER CROSS-CYCLE FINANCIAL MODEL
Net sales	100%	100%	100%	100%	100%	100%	100%
Adjusted gross profit margin <sup>1</sup>	15.8%	17.3%	9.4%	14.1%	13.0%	11.7%	17.0%
Adjusted SG&A expenses <sup>1</sup> as % of net sales	(6.9%)	(7.1%)	(6.8%)	(7.0%)	(7.1%)	(7.1%)	(6.0%)
Adjusted operating margin <sup>1</sup>	8.9%	10.1%	2.7%	7.1%	5.8%	4.5%	11.0%
Adjusted net earnings <sup>1</sup> as % of net sales	4.4%	5.4%	0.5%	3.2%	2.5%	1.8%	5.0%
Adjusted EBITDA margin <sup>1</sup>	13.7%	15.2%	7.9%	12.7%	11.3%	10.5%	15.0%

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

# Q3'17 OUTLOOK<sup>1</sup>

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



(Dollars in thousands)	OUTLOOK	
	THREE MONTHS ENDING SEPTEMBER 30, 2017	
	RANGE OF ESTIMATE	
	FROM	TO
Earnings before interest, income taxes, and depreciation & amortization (EBITDA) <sup>2</sup> :		
GAAP net earnings	\$5,000	\$7,700
Interest expense, net	7,100	7,500
Income tax provision	2,500	3,900
Depreciation and amortization expense	24,500	26,000
<b>EBITDA<sup>2</sup></b>	<b>\$39,100</b>	<b>\$45,100</b>
Directors' equity-based compensation expense	300	300
Costs associated with Long Island facility closure	500	500
Costs associated with announced Oklahoma City facility closure	100	100
<b>Adjusted EBITDA<sup>3</sup></b>	<b>\$40,000</b>	<b>\$46,000</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.

# Q3'17 OUTLOOK<sup>1</sup>

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



(Dollars in thousands)	OUTLOOK	
	THREE MONTHS ENDING SEPTEMBER 30, 2017	
	RANGE OF ESTIMATE	
	FROM	TO
GAAP Operating Income	\$14,300	\$19,300
Directors' equity-based compensation expense	300	300
Costs associated with Long Island facility closure	500	500
Costs associated with announced Oklahoma City facility closure	100	100
<b>Adjusted operating income<sup>2</sup></b>	<b>\$15,200</b>	<b>\$20,200</b>
(Dollars in thousands)	FROM	TO
GAAP net earnings	\$5,000	\$7,700
Special items, after tax <sup>3</sup> :		
Directors' equity-based compensation expense	200	200
Costs associated with Long Island facility closure	330	330
Costs associated with announced Oklahoma City facility closure	70	70
<b>Adjusted net earnings<sup>2</sup></b>	<b>\$5,600</b>	<b>\$8,300</b>
	FROM	TO
GAAP net earnings per diluted common share <sup>4</sup>	\$0.30	\$0.46
Adjusted net earnings per diluted common share <sup>2,4</sup>	\$0.34	\$0.50

<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> Adjusted operating income, 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.

<sup>3</sup> All non-tax items are tax effected at a 33.4% annual rate.

<sup>4</sup> GAAP net earnings per diluted common share and Adjusted net earnings per diluted common share are calculated utilizing second quarter 2017 diluted average common shares outstanding of 16,590 (in thousands).

# REVISED 2017 OUTLOOK<sup>1</sup> RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)



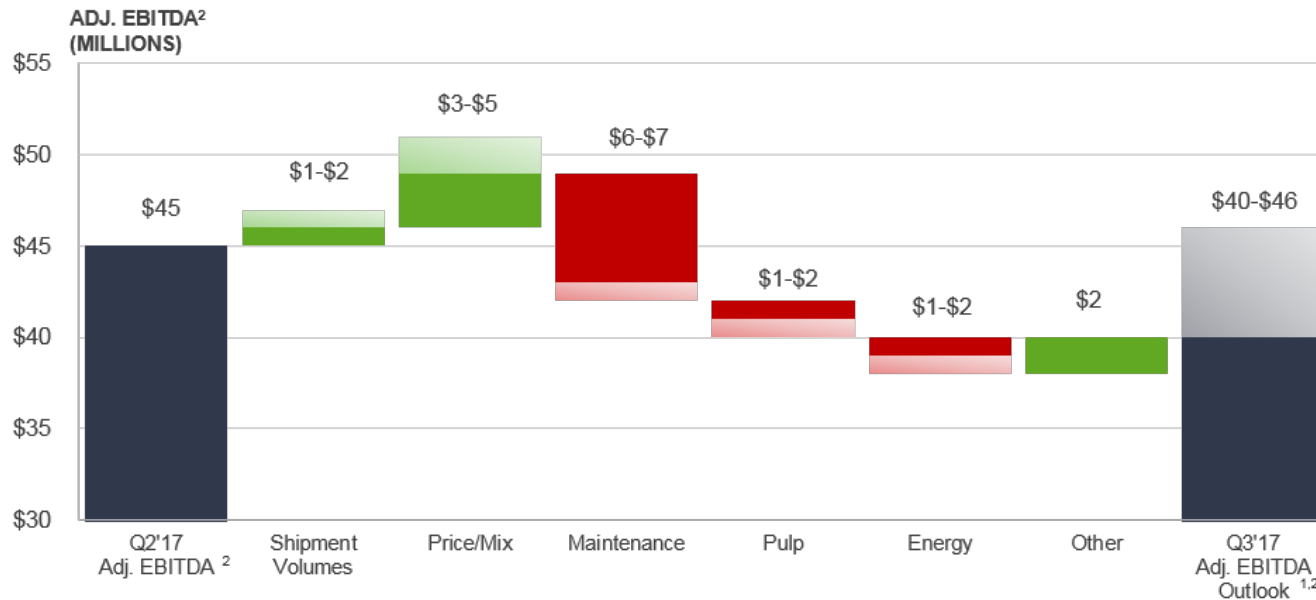
(Dollars in thousands)	REVISED OUTLOOK	
	TWELVE MONTHS ENDING DECEMBER 31, 2017	
	RANGE OF ESTIMATE	
	FROM	TO
Earnings before interest, income taxes, and depreciation & amortization (EBITDA) <sup>2</sup> :		
GAAP net earnings	\$34,600	\$42,900
Interest expense, net	30,000	32,000
Income tax provision	16,700	23,800
Depreciation and amortization expense	103,000	105,000
<b>EBITDA<sup>2</sup></b>	<b>\$184,300</b>	<b>\$203,700</b>
Directors' equity-based compensation expense	(2,600)	(2,400)
Manchester Industries acquisition related expenses	300	300
Costs associated with Long Island facility closure	1,900	2,100
Costs associated with announced Oklahoma City facility closure	6,100	6,300
<b>Adjusted EBITDA<sup>3</sup></b>	<b>\$190,000</b>	<b>\$210,000</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.

# Q3'17 OUTLOOK<sup>1</sup>



NET SALES	1% - 3% higher
ADJUSTED OPERATING MARGIN <sup>2,3</sup>	3% - 4.5%
ADJUSTED EBITDA <sup>2</sup>	\$40M - \$46M
ADJUSTED NET EARNINGS PER DILUTED COMMON SHARE <sup>2,4</sup>	\$0.34 - \$0.50

**Revised full year 2017 outlook of \$190 to \$210 million adjusted EBITDA<sup>1,2</sup>**

<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 reconciliation to the most comparable GAAP measure.

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

<sup>4</sup> Adjusted net earnings per diluted common share is calculated utilizing second quarter 2017 diluted average common shares outstanding of 16,590 (in thousands).

# APPENDIX

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



(Dollars in thousands)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Gross profit <sup>1</sup>	\$68,557	\$74,820	\$38,715	\$57,044	\$50,495	\$48,930
Costs associated with Long Island facility closure	432	533	466	460	466	661
Pension settlement expense	—	—	1,870	—	—	—
Costs associated with Oklahoma City facility closure	—	—	—	1,662	5,737	275
Costs associated with Neenah paper machines shutdown	—	—	—	1,049	—	—
Write-off of assets in association with Warehouse Automation project	—	—	—	—	—	41
Accelerated depreciation of assets associated with Warehouse Automation project	—	—	—	—	—	241
Adjusted gross profit <sup>2</sup>	\$68,989	\$75,353	\$41,051	\$60,215	\$56,698	\$50,148
Selling, general and administrative expenses (SG&A)	(\$30,795)	(\$34,655)	(\$31,190)	(\$32,934)	(\$29,937)	(\$29,265)
Directors' equity-based compensation expense (benefit)	726	3,610	89	354	(1,450)	(1,483)
Pension settlement expense	—	—	1,612	—	—	—
Manchester Industries acquisition related expenses	—	—	—	2,665	115	105
Adjusted selling, general and administrative expenses <sup>2</sup>	(\$30,069)	(\$31,045)	(\$29,489)	(\$29,915)	(\$31,272)	(\$30,643)

<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)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
<b>Consumer Products</b>						
Operating income	\$18,390	\$18,544	\$17,201	\$13,781	\$6,189	\$10,534
Costs associated with Long Island facility closure	432	533	466	460	466	661
Gain associated with the sale of the specialty mills, net	—	—	(1,755)	—	—	—
Costs associated with Oklahoma City facility closure	—	—	—	1,662	5,737	275
Costs associated with Neenah paper machines shutdown	—	—	—	1,049	—	—
Write-off of assets in association with Warehouse Automation project	—	—	—	—	—	41
Accelerated depreciation of assets associated with Warehouse Automation project	—	—	—	—	—	241
<b>Adjusted Consumer Products operating income<sup>1</sup></b>	<b>\$18,822</b>	<b>\$19,077</b>	<b>\$15,912</b>	<b>\$16,952</b>	<b>\$12,392</b>	<b>\$11,752</b>
<b>Pulp and Paperboard</b>						
Operating Income	\$35,163	\$40,032	\$9,956	\$27,581	\$27,248	\$21,595
<b>Adjusted Pulp and Paperboard operating income<sup>1</sup></b>	<b>\$35,163</b>	<b>\$40,032</b>	<b>\$9,956</b>	<b>\$27,581</b>	<b>\$27,248</b>	<b>\$21,595</b>
<b>Corporate</b>						
Operating loss	(\$15,791)	(\$18,411)	(\$17,877)	(\$17,252)	(\$12,879)	(\$12,464)
Directors' equity-based compensation expense (benefit)	726	3,610	89	354	(1,450)	(1,483)
Pension settlement expense	—	—	3,482	—	—	—
Manchester Industries acquisition related expenses	—	—	—	2,665	115	105
<b>Adjusted Corporate operating loss<sup>1</sup></b>	<b>(\$15,065)</b>	<b>(\$14,801)</b>	<b>(\$14,306)</b>	<b>(\$14,233)</b>	<b>(\$14,214)</b>	<b>(\$13,842)</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)

	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
<b>GAAP net earnings</b>	\$18,446	\$20,864	\$901	\$9,343	\$7,515	\$8,037
Special items, after tax <sup>1</sup> :						
Directors' equity-based compensation expense (benefit)	465	2,335	57	229	(957)	(988)
Costs associated with Long Island facility closure	277	345	300	297	308	440
Gain associated with the sale of the specialty mills, net	—	—	(1,129)	—	—	—
Pension settlement expense	—	—	2,240	—	—	—
Costs associated with Oklahoma City facility closure	—	—	—	1,073	3,786	183
Costs associated with Neenah paper machines shutdown	—	—	—	678	—	—
Manchester Industries acquisition related expenses	—	—	—	2,200	76	70
Write-off of assets in association with Warehouse Automation project	—	—	—	—	—	27
Accelerated depreciation of assets associated with Warehouse Automation project	—	—	—	—	—	161
<b>Adjusted net earnings<sup>2</sup></b>	\$19,188	\$23,544	\$2,369	\$13,820	\$10,728	\$7,930
<b>Net earnings per diluted common share</b>	\$1.05	\$1.21	\$0.05	\$0.56	\$0.45	\$0.48
Special items, after tax <sup>1</sup> :						
Directors' equity-based compensation expense (benefit)	0.03	0.14	—	0.01	(0.06)	(0.06)
Costs associated with Long Island facility closure	0.02	0.02	0.02	0.02	0.02	0.03
Gain associated with the sale of the specialty mills, net	—	—	(0.07)	—	—	—
Pension settlement expense	—	—	0.13	—	—	—
Costs associated with Oklahoma City facility closure	—	—	—	0.06	0.23	0.01
Costs associated with Neenah paper machines shutdown	—	—	—	0.04	—	—
Manchester Industries acquisition related expenses	—	—	—	0.13	—	0.01
Write-off of assets in association with Warehouse Automation project	—	—	—	—	—	—
Accelerated depreciation of assets associated with Warehouse Automation project	—	—	—	—	—	0.01
<b>Adjusted net earnings per diluted common share<sup>2</sup></b>	\$1.09	\$1.37	\$0.14	\$0.82	\$0.64	\$0.48

<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)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
GAAP income tax provision	(\$11,673)	(\$11,905)	(\$859)	(\$6,675)	(\$5,000)	(\$3,955)
Special items, tax impact:						
Directors' equity-based compensation (expense) benefit	(261)	(1,275)	(32)	(125)	493	495
Costs associated with Long Island facility closure	(155)	(188)	(166)	(163)	(158)	(221)
Gain associated with the sale of the specialty mills, net	—	—	626	—	—	—
Pension settlement expense	—	—	(1,242)	—	—	—
Costs associated with Oklahoma City facility closure	—	—	—	(589)	(1,951)	(92)
Costs associated with Neenah paper machines shutdown	—	—	—	(371)	—	—
Manchester Industries acquisition related expenses	—	—	—	(465)	(39)	(35)
Write-off of assets in association with Warehouse Automation project	—	—	—	—	—	(14)
Accelerated depreciation of assets associated with Warehouse Automation project	—	—	—	—	—	(80)
Adjusted income tax provision <sup>1</sup>	(\$12,089)	(\$13,368)	(\$1,673)	(\$8,388)	(\$6,655)	(\$3,902)

<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)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
Earnings before interest, income taxes, and depreciation & amortization (EBITDA) <sup>1</sup>						
GAAP net earnings	\$18,446	\$20,864	\$901	\$9,343	\$7,515	\$8,037
Interest expense, net <sup>2</sup>	7,643	7,396	7,520	8,092	8,043	7,673
Income tax provision	11,673	11,905	859	6,675	5,000	3,955
Depreciation and amortization expense	21,150	22,024	22,747	25,169	27,557	26,055
EBITDA <sup>1</sup>	\$58,912	\$62,189	\$32,027	\$49,279	\$48,115	\$45,720
Directors' equity-based compensation expense (benefit)	726	3,610	89	354	(1,450)	(1,483)
Costs associated with Long Island facility closure	432	533	466	460	466	365
Gain associated with the sale of the specialty mills, net	—	—	(1,755)	—	—	—
Pension settlement expense	—	—	3,482	—	—	—
Costs associated with Oklahoma City facility closure	—	—	—	318	2,074	275
Costs associated with Neenah paper machines shutdown	—	—	—	1,049	—	—
Manchester Industries acquisition related expenses	—	—	—	2,665	115	105
Write-off of assets in association with Warehouse Automation project	—	—	—	—	—	41
Adjusted EBITDA <sup>3</sup>	\$60,070	\$66,332	\$34,309	\$54,125	\$49,320	\$45,023

<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> Interest expense, net for the fourth quarter of 2016 includes debt retirement costs of \$0.4 million.

<sup>3</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)	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17
<b>Consumer Products</b>						
Operating income	\$18,390	\$18,544	\$17,201	\$13,781	\$6,189	\$10,534
Depreciation and amortization expense	13,759	14,203	15,022	16,391	18,242	16,292
<b>Segment EBITDA<sup>1</sup></b>	<b>\$32,149</b>	<b>\$32,747</b>	<b>\$32,223</b>	<b>\$30,172</b>	<b>\$24,431</b>	<b>\$26,826</b>
Costs associated with Long Island facility closure	432	533	466	460	466	365
Gain associated with the sale of the specialty mills, net	—	—	(1,755)	—	—	—
Costs associated with Oklahoma City facility closure	—	—	—	318	2,074	275
Costs associated with Neenah paper machines shutdown	—	—	—	1,049	—	—
Write-off of assets in association with Warehouse Automation project	—	—	—	—	—	41
<b>Segment Adjusted EBITDA<sup>2</sup></b>	<b>\$32,581</b>	<b>\$33,280</b>	<b>\$30,934</b>	<b>\$31,999</b>	<b>\$26,971</b>	<b>\$27,507</b>
<b>Pulp and Paperboard</b>						
Operating income	\$35,163	\$40,032	\$9,956	\$27,581	\$27,248	\$21,595
Depreciation and amortization expense	6,367	6,449	6,530	7,395	8,105	8,356
<b>Segment EBITDA<sup>1</sup></b>	<b>\$41,530</b>	<b>\$46,481</b>	<b>\$16,486</b>	<b>\$34,976</b>	<b>\$35,353</b>	<b>\$29,951</b>
<b>Segment Adjusted EBITDA<sup>2</sup></b>	<b>\$41,530</b>	<b>\$46,481</b>	<b>\$16,486</b>	<b>\$34,976</b>	<b>\$35,353</b>	<b>\$29,951</b>
<b>Corporate</b>						
Operating loss	(\$15,791)	(\$18,411)	(\$17,877)	(\$17,252)	(\$12,879)	(\$12,464)
Depreciation and amortization expense	1,024	1,372	1,195	1,383	1,210	1,407
<b>Corporate EBITDA<sup>1</sup></b>	<b>(\$14,767)</b>	<b>(\$17,039)</b>	<b>(\$16,682)</b>	<b>(\$15,869)</b>	<b>(\$11,669)</b>	<b>(\$11,057)</b>
Directors' equity-based compensation expense (benefit)	726	3,610	89	354	(1,450)	(1,483)
Pension settlement expense	—	—	3,482	—	—	—
Manchester Industries acquisition related expenses	—	—	—	2,665	115	105
<b>Corporate Adjusted EBITDA<sup>2</sup></b>	<b>(\$14,041)</b>	<b>(\$13,429)</b>	<b>(\$13,111)</b>	<b>(\$12,850)</b>	<b>(\$13,004)</b>	<b>(\$12,435)</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.

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



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

(Dollars in millions)	CONTINUOUS DIGESTER	WAREHOUSE AUTOMATION	OTHER PROJECTS		OPERATIONAL IMPROVEMENTS		
			PAPER MACHINE UPGRADES	CONVERTING LINE	OPERATIONAL EFFICIENCY	SALES & MARKETING EFFICIENCY	STRANDED OVERHEAD
Expected Operating income	\$22.5 - \$27.5	\$15.3 - \$16.3	\$7.1 - \$8.1	\$8.6 - \$10.9	\$27 - \$43	\$10 - \$15	\$7
Expected depreciation	\$7.5	\$4.7	\$3.9	\$1.4	\$—	\$—	\$—
Expected EBITDA <sup>2</sup>	\$30 - \$35	\$20 - \$21	\$11 - \$12	\$10 - \$12	\$27 - \$43	\$10 - \$15	\$7
Expected Adjusted EBITDA <sup>2</sup>	\$30 - \$35	\$20 - \$21	\$11 - \$12	\$10 - \$12	\$27 - \$43	\$10 - \$15	\$7

## 2015 THROUGH Q2'17 ADJUSTED EBITDA<sup>2</sup> IMPACT

(Dollars in millions)	CONTINUOUS DIGESTER	WAREHOUSE AUTOMATION	OTHER PROJECTS	OPERATIONAL IMPROVEMENTS
Operating income	\$—	\$8.7	\$5.7	\$50.6
Depreciation	\$0.8	\$1.2	\$2.9	\$—
EBITDA <sup>2</sup>	\$0.8	\$9.9	\$8.6	\$50.6
Adjusted EBITDA <sup>2</sup>	\$0.8	\$9.9	\$8.6	\$50.6

<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.

# RECONCILIATION OF GAAP TO NON-GAAP: STRATEGIC INVESTMENT<sup>1</sup> (UNAUDITED)



## Q2'17 ADJUSTED EBITDA<sup>2</sup> IMPACT

(Dollars in millions)	CONTINUOUS DIGESTER	WAREHOUSE AUTOMATION	OTHER PROJECTS	OPERATIONAL IMPROVEMENTS
Operating income	\$0.3	\$2.1	\$2.0	\$2.4
Depreciation	\$0.2	\$0.4	\$0.6	\$—
EBITDA <sup>2</sup>	\$0.5	\$2.5	\$2.6	\$2.4
Adjusted EBITDA <sup>2</sup>	\$0.5	\$2.5	\$2.6	\$2.4

## 2015-2016 ADJUSTED EBITDA<sup>2</sup> IMPACT

(Dollars in millions)	CONTINUOUS DIGESTER	WAREHOUSE AUTOMATION	OTHER PROJECTS	OPERATIONAL IMPROVEMENTS
Operating income	(\$0.1)	\$5.0	\$1.4	\$44.3
Depreciation	\$0.4	\$0.4	\$1.8	\$—
EBITDA <sup>2</sup>	\$0.3	\$5.4	\$3.2	\$44.3
Adjusted EBITDA <sup>2</sup>	\$0.3	\$5.4	\$3.2	\$44.3

<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.

FOR MORE INFORMATION:  
[WWW.CLEARWATERPAPER.COM](http://WWW.CLEARWATERPAPER.COM)

