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Clearwater Paper Corp  
Form 10-Q  
August 07, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q  
(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2018

or  
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-34146

CLEARWATER PAPER CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware 20-3594554  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

601 West Riverside, Suite 1100 99201  
Spokane, Washington  
(Address of principal executive offices) (Zip Code)  
(509) 344-5900  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The number of shares of common stock of the registrant outstanding as of August 3, 2018 was 16,461,119.

CLEARWATER PAPER CORPORATION

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Part I  
 ITEM 1.  
 Consolidated  
 Financial  
 Statements  
 Clearwater Paper Corporation  
 Consolidated Statements of Operations  
 Unaudited (Dollars in thousands - except per-share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	\$432,099	\$429,663	\$869,051	\$867,188
Costs and expenses:				
Cost of sales	(387,154 )	(381,061 )	(779,587 )	(768,121 )
Selling, general and administrative expenses	(26,564 )	(29,454 )	(59,544 )	(59,409 )
Total operating costs and expenses	(413,718 )	(410,515 )	(839,131 )	(827,530 )
Income from operations	18,381	19,148	29,920	39,658
Interest expense, net	(7,723 )	(7,673 )	(15,743 )	(15,716 )
Non-operating pension and other postretirement benefit (costs) income	(1,187 )	517	(2,466 )	565
Earnings before income taxes	9,471	11,992	11,711	24,507
Income tax provision	(2,510 )	(3,955 )	(2,150 )	(8,955 )
Net earnings	\$6,961	\$8,037	\$9,561	\$15,552
Net earnings per common share:				
Basic	\$0.42	\$0.49	\$0.58	\$0.94
Diluted	0.42	0.48	0.58	0.94

The accompanying condensed notes are an integral part of these consolidated financial statements.

Clearwater Paper Corporation  
 Consolidated Statements of Comprehensive Income  
 Unaudited (Dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net earnings	\$6,961	\$8,037	\$9,561	\$15,552
Other comprehensive income:				
Defined benefit pension and other postretirement employee benefits:				
Amortization of actuarial loss included in net periodic cost, net of tax of \$588, \$234, \$1,205 and \$648	1,644	357	3,372	988
Amortization of prior service credit included in net periodic cost, net of tax of \$(111), \$(151), \$(221) and \$(302)	(308 )	(231 )	(617 )	(461 )
Other comprehensive income, net of tax	1,336	126	2,755	527
Comprehensive income	\$8,297	\$8,163	\$12,316	\$16,079

The accompanying condensed notes are an integral part of these consolidated financial statements.

Clearwater Paper Corporation  
Consolidated Balance Sheets  
Unaudited (Dollars in thousands – except per-share amounts)

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 53,278	\$ 15,738
Receivables, net	118,726	142,065
Taxes receivable	8,784	20,282
Inventories	262,213	266,043
Other current assets	8,132	8,661
Total current assets	451,133	452,789
Property, plant and equipment, net	1,171,368	1,050,982
Goodwill	244,161	244,161
Intangible assets, net	28,642	32,542
Other assets, net	24,093	21,778
<b>TOTAL ASSETS</b>	<b>\$ 1,919,397</b>	<b>\$ 1,802,252</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Borrowings under revolving credit facilities	\$ 160,000	\$ 155,000
Accounts payable and accrued liabilities	357,588	256,621
Current liability for pensions and other postretirement employee benefits	7,631	7,631
Total current liabilities	525,219	419,252
Long-term debt	570,908	570,524
Liability for pensions and other postretirement employee benefits	69,504	72,469
Other long-term obligations	37,734	43,275
Accrued taxes	3,116	2,770
Deferred tax liabilities	122,347	118,528
<b>TOTAL LIABILITIES</b>	<b>1,328,828</b>	<b>1,226,818</b>
Stockholders' equity:		
Preferred stock, par value \$0.0001 per share, 5,000,000 authorized shares, no shares issued	—	—
Common stock, par value \$0.0001 per share, 100,000,000 authorized shares-16,461,119 and 16,447,898 shares issued	2	2
Additional paid-in capital	3,980	1,161
Retained earnings	640,667	618,254
Accumulated other comprehensive loss, net of tax	(54,080	) (43,983
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>590,569</b>	<b>575,434</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,919,397</b>	<b>\$ 1,802,252</b>

The accompanying condensed notes are an integral part of these consolidated financial statements.

Clearwater Paper Corporation  
Condensed Consolidated Statements of Cash Flows  
Unaudited (Dollars in thousands)

	Six Months Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$9,561	\$15,552
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	50,344	53,612
Deferred taxes	2,649	7,891
Employee benefit plans	326	(2,183 )
Deferred issuance costs on debt	716	598
Other non-cash adjustments, net	427	1,072
Changes in working capital, net	36,317	23,742
Changes in taxes receivable, net	11,498	4,229
Other, net	(962 )	(914 )
Net cash flows from operating activities	110,876	103,599
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(78,600 )	(85,709 )
Other, net	807	417
Net cash flows from investing activities	(77,793 )	(85,292 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of treasury stock	—	(4,875 )
Borrowings on revolving credit facilities	124,063	117,000
Repayments of borrowings on revolving credit facilities	(119,063)	(144,000)
Other, net	(543 )	(914 )
Net cash flows from financing activities	4,457	(32,789 )
Increase (decrease) in cash and cash equivalents	37,540	(14,482 )
Cash and cash equivalents at beginning of period	15,738	23,001
Cash and cash equivalents at end of period	\$53,278	\$8,519
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest, net of amounts capitalized	\$14,294	\$14,310
Cash paid for income taxes	1,517	2,329
Cash received from income tax refunds	13,281	5,650
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Changes in accrued property, plant and equipment	\$88,859	\$3,845
Non-cash additions to property, plant and equipment	—	4,525
The accompanying condensed notes are an integral part of these consolidated financial statements.		

Clearwater Paper Corporation  
Condensed Notes to Consolidated Financial Statements  
Unaudited

NOTE 1 Nature of Operations and Basis of Presentation

GENERAL

Clearwater Paper manufactures quality consumer tissue, away-from-home tissue, parent roll tissue, bleached paperboard and pulp at manufacturing facilities across the nation. The company is a premier supplier of private label tissue to major retailers and wholesale distributors, including grocery, drug, mass merchants and discount stores. In addition, the company produces bleached paperboard used by quality-conscious printers and packaging converters, and offers services that include custom sheeting, slitting and cutting. Clearwater Paper's employees build shareholder value by developing strong customer relationships through quality and service.

In the second half of 2017, we began a review of our selling, general and administrative cost structure as part of our effort to maintain our longer-term competitiveness. As a result of this review, in the fourth quarter of 2017 we began executing on a plan that is expected to result in lower selling, general and administrative expenses beginning in 2018. For the six months ended June 30, 2018, we incurred \$6.2 million of expenses associated with these efforts, which consisted primarily of severance and professional services expenses.

On March 31, 2017, we closed our Oklahoma City, Oklahoma facility. In the first half of 2017, we incurred \$6.0 million of costs associated with this closure, which included \$3.7 million in accelerated depreciation.

FINANCIAL STATEMENT PREPARATION AND PRESENTATION

The accompanying Consolidated Balance Sheets at June 30, 2018 and December 31, 2017, the related Consolidated Statements of Operations, and Comprehensive Income for the three and six months ended June 30, 2018 and 2017, and Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017, have been prepared in conformity with accounting principles generally accepted in the United States of America, or GAAP. We believe that all adjustments necessary for a fair presentation of the results of the interim periods presented have been included. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission, or SEC, on February 21, 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Significant areas that may require the use of estimates and measurement of uncertainty include determination of net realizable value for deferred tax assets, uncertain tax positions, assessment of impairment of long-lived assets, variable consideration or reductions to revenue, revenue recognition estimates related to allocating the transaction price to various performance obligations, goodwill and intangibles, assessment of environmental matters, equity-based compensation and pension and postretirement obligation assumptions. Actual results could differ from those estimates and assumptions.

CASH AND CASH EQUIVALENTS

We consider all highly liquid instruments with maturities of three months or less at date of purchase to be cash equivalents.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, including any interest costs capitalized, less accumulated depreciation. Depreciation of buildings, equipment and other depreciable assets is determined using the straight-line method. Assets we acquire through business combinations have estimated lives that are typically shorter than the assets we construct or buy new. Accumulated depreciation totaled \$1,678.6 million and \$1,636.3 million at June 30, 2018 and December 31, 2017, respectively.

For the six months ended June 30, 2018, we capitalized \$2.6 million of interest expense associated with the construction of a paper machine at our Shelby, North Carolina consumer products facility and \$0.6 million of interest expense associated with the construction of a continuous pulp digester at our Lewiston, Idaho pulp and paperboard facility. For the six months ended June 30, 2017, we capitalized \$1.8 million of interest expense associated with the continuous pulp digester project and \$0.2 million associated with the Shelby paper machine.

Consistent with authoritative guidance, we assess the carrying amount of long-lived assets with definite lives that are held-for-use and evaluate them for recoverability whenever events or changes in circumstances indicate that we may be unable to recover the carrying amount of the assets.

## REVENUE RECOGNITION

We enter into contracts that can include various combinations of tissue and paperboard products, which are generally capable of being distinct and accounted for as separate performance obligations.

Revenue is recognized at a point in time upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. Transfer of control typically occurs when the title and risk of loss passes to the customer. Shipping terms generally indicate when title and the risk of loss have passed. Revenue is recognized at shipment for sales when shipping terms are free on board, or FOB, shipping point. For sales where shipping terms are FOB destination, revenue is recognized when the goods are received by the customer. Revenue from both domestic and foreign sales of our products can involve shipping terms of either FOB shipping point or FOB destination or other shipping terms, depending upon the sales agreement with the customer. We have elected to treat shipping and handling costs for FOB shipping point contracts as a fulfillment cost, not as a separate performance obligation. No revenue is recognized over time. We typically expense incremental direct costs of obtaining a contract (sales commissions) when incurred because the amortization period is generally 12 months or less. We have also elected to use the practical expedient to not disclose unsatisfied or partially satisfied performance obligations as we have no unsatisfied contracts where the remaining portions are expected to be satisfied in a period greater than one year.

We provide for trade promotions, customer cash discounts, customer returns and other deductions as reductions to net sales, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. Revenue net of returns and credits is only recognized to the extent that it is probable that a significant reversal of any incremental revenue will not occur. Significant judgment is required to determine the most probable amount of variable consideration to apply as a reduction to net sales. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

Payment terms and conditions vary by contract type. Terms generally include a requirement of payment within 30 days, and do not include a significant financing component.

Trade accounts receivable are stated at the amount we expect to collect. Trade accounts receivable do not bear interest. The allowance for doubtful accounts is our best estimate of the losses we expect will result from the inability of our customers to make required payments. We generally determine the allowance based on a combination of actual historical write-off experience and an analysis of specific customer accounts. As of June 30, 2018 and December 31, 2017, we had allowances for doubtful accounts of \$1.3 million and \$1.4 million, respectively.

Refer to Note 15, "Segment Information," for further information, including the disaggregation of revenue by segment, primary geographical market, and major product type.

## ACCOUNT PURCHASE AGREEMENT

In June 2018, we entered into an agreement (the “Account Purchase Agreement”) to offer to sell, on a revolving and discounted basis, certain trade accounts receivable balances to an unrelated third-party financial institution. If the financial institution purchases receivables thereunder, in its sole discretion, such transfers are accounted for as sales of receivables resulting in the receivables being de-recognized from our Consolidated Balance Sheet. The Account Purchase Agreement provides for the continuing sale of certain receivables on a revolving basis until June 2020 and automatically renews for successive one year terms, unless either

party elects to terminate the Account Purchase Agreement in accordance with its terms. The maximum amount of receivables that may be sold at any time, prior to the settlement thereof, is \$60.0 million.

For the quarter ended June 30, 2018, \$22.0 million of receivables had been sold under the Account Purchase Agreement. The proceeds from these sales of receivables are included within the change in receivables in the operating activities section of the Condensed Consolidated Statements of Cash Flows. The recorded factoring expense on sale of receivables is less than \$0.1 million for the quarter ended June 30, 2018 and is included in the "Selling, general and administrative expenses" line in the Consolidated Statement of Operations.

We have no retained interest in the receivables sold under the Account Purchase Agreement, however, we do have collection and administrative responsibilities for the sold receivables. The fair value of the servicing arrangement was not material to the financial statements.

#### STOCKHOLDERS' EQUITY

On December 15, 2015, we announced that our Board of Directors had approved a stock repurchase program authorizing the repurchase of up to \$100 million of our common stock. The repurchase program authorizes purchases of our common stock from time to time through open market purchases, negotiated transactions or other means, including accelerated stock repurchases and 10b5-1 trading plans in accordance with applicable securities laws and other restrictions. We have no obligation to repurchase stock under this program and may suspend or terminate the program at any time. In total, we have repurchased 1,440,696 shares of our outstanding common stock pursuant to this repurchase program, of which 84,750 shares were repurchased during the first half of 2017 at an average price of \$57.53 per share. We did not repurchase shares during the first half of 2018. As of June 30, 2018, we had up to \$29.8 million of authorization remaining pursuant to this stock repurchase program.

#### DERIVATIVES

We had no activity during the three and six months ended June 30, 2018 and 2017 that required hedge or derivative accounting treatment. To help mitigate our exposure to market risk for changes in utility commodity pricing, we use firm price contracts to supply a portion of the natural gas requirements for our manufacturing facilities. As of June 30, 2018, these contracts covered approximately 29% of our expected average monthly natural gas requirements for the remainder of 2018. Historically, these contracts have qualified for treatment as "normal purchases or normal sales" under authoritative guidance and thus required no mark-to-market adjustment.

NOTE 2 Recently Adopted and New Accounting Standards

Recently Adopted

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income to allow for reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (Act). This ASU also requires certain disclosures about stranded tax effects. We adopted this standard on January 1, 2018, which resulted in the reclassification of \$12.9 million between retained earnings and accumulated other comprehensive loss (AOCL), increasing retained earnings and AOCL within the equity section of our Consolidated Balance Sheet.

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The ASU was effective prospectively for annual periods beginning after December 15, 2017, including interim periods within those annual periods. We adopted this standard on January 1, 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The standard requires that an employer disaggregate the service cost component, presented within the "Cost of sales" and "Selling, general, and administrative" line items on our Consolidated Statements of Operations, from the other components of net periodic cost (benefit), which are now presented within the "Non-operating pension and other postretirement benefit (costs) income" line item in our Consolidated Statements of Operations. We adopted the standard effective January 1, 2018, which resulted in the retrospective presentation in the income statement of the disaggregated components and the prospective changes to the capitalized portion of both service cost and the other components within inventory. The adoption did not have a material impact on our consolidated financial statements. Refer to Note 10, "Pension and Other Postretirement Employee Benefit Plans," for further information, including the amounts associated with the reclassification of the components of net periodic cost as operating and non-operating.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new standard is for companies to recognize revenue in a manner that depicts the transfer of goods or services to customers in amounts that reflect the consideration, or payment, to which the company expects to be entitled in exchange for those goods or services. The standard requires enhanced disclosures about revenue, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. We adopted the new revenue guidance effective January 1, 2018 using the cumulative effect method, and did not have an adjustment to retained earnings upon adoption. The standard was applied to open contracts at the date of initial application. Aside from expanded disclosures, the adoption of Topic 606 did not have a material impact on our consolidated financial statement line items, processes, or internal controls. Refer to Note 1, "Nature of Operations and Basis of Presentation," for information about the basis of revenue recognition, and Note 15, "Segment Information," for further information including the disaggregation of revenue by segment, primary geographical market, and major product type.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We expect the adoption of this ASU will increase both our assets and liabilities presented on our Consolidated Balance Sheets to reflect the ROU assets and corresponding lease liabilities, as well as increase our leasing disclosures. As of December 31, 2017, the total future minimum lease payments for our operating leases totaled \$75.3 million. We plan to adopt this standard on January 1, 2019. We are continuing our assessment and review of existing leases, implementing a leasing software solution, and

addressing necessary policy and process changes in preparation for adoption.

We reviewed all other new accounting pronouncements issued in the period and concluded that they are not applicable to our business.

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## NOTE 3 Inventories

Inventories at the balance sheet dates consist of:

(In thousands)	June 30, 2018	December 31, 2017
Pulp, paperboard and tissue products	\$163,426	\$ 165,281
Materials and supplies	87,369	85,987
Logs, pulpwood, chips and sawdust	11,418	14,775
	\$262,213	\$ 266,043

## NOTE 4 Intangible Assets and Goodwill

Intangible assets at the balance sheet dates are comprised of the following:

(Dollars in thousands, lives in years)	June 30, 2018			
	Weighted Average Useful Life	Historical Cost	Accumulated Amortization	Net Balance
Customer relationships	9.3	\$ 62,401	\$ (37,409 )	\$24,992
Trade names and trademarks	7.4	6,786	(3,514 )	3,272
Other intangibles	6.0	572	(194 )	378
		\$ 69,759	\$ (41,117 )	\$28,642

(Dollars in thousands, lives in years)	December 31, 2017			
	Weighted Average Useful Life	Historical Cost	Accumulated Amortization	Net Balance
Customer relationships	9.3	\$ 62,401	\$ (34,061 )	\$28,340
Trade names and trademarks	7.4	6,786	(3,000 )	3,786
Non compete agreements	5.0	574	(574 )	—
Other intangibles	6.0	572	(156 )	416
		\$ 70,333	\$ (37,791 )	\$32,542

For the three months ended June 30, 2018 and 2017, intangible assets amortization expense was \$2.0 million and \$2.1 million, respectively. For the six months ended June 30, 2018 and 2017, intangible assets amortization expense was \$3.9 million and \$4.0 million, respectively.

Goodwill is not amortized but is reviewed for impairment annually as of November 1 and at any time when events indicate impairment may have occurred. During the quarter ended June 30, 2018, we identified indicators of possible goodwill impairment for our Consumer Products reporting unit, namely the decline in actual results compared to the forecast used as part of our annual goodwill assessment performed in the fourth quarter of 2017, as well as a decline in our stock price. As a result, we performed a qualitative assessment and determined that it was more likely than not that the fair value of the reporting unit was greater than its carrying amount. Therefore, there was no impairment of goodwill as of June 30, 2018.

## NOTE 5 Income Taxes

Consistent with authoritative guidance, our estimated annual effective tax rate is used to allocate expected annual income tax expense to interim periods. The rate is the ratio of estimated annual income tax expense to estimated pre-tax ordinary income, and excludes "discrete items," which are significant, unusual or infrequent items reported separately net of their related tax effect. The estimated annual effective tax rate is applied to the current interim period's ordinary income to determine the income tax expense allocated to the interim period. The income tax effects of discrete items are then determined separately and recognized in the interim period in which the income or expense items arise.

Our estimated annual effective tax rate applied to the second quarter of 2018 is approximately 26%, compared with approximately 33% for the comparable interim period in 2017. The decrease in the rate is primarily due to the rate reduction enacted with the Tax Cuts and Jobs Act.

**NOTE 6 Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at the balance sheet dates consist of:

(In thousands)	June 30, 2018	December 31, 2017
Trade accounts payable	\$271,781	\$ 169,293
Accrued wages, salaries and employee benefits	37,485	41,979
Accrued interest	12,400	12,723
Accrued discounts and allowances	8,332	7,283
Accrued taxes other than income taxes payable	6,495	6,907
Accrued utilities	6,087	6,759
Other	15,008	11,677
	\$357,588	\$ 256,621

**NOTE 7 Debt****REVOLVING CREDIT FACILITIES**

As of June 30, 2018, there was an aggregate of \$160.0 million in borrowings outstanding under the credit facilities and \$7.6 million of the credit facilities was being used to support outstanding standby letters of credit. As of December 31, 2017, there was an aggregate of \$155.0 million in borrowings outstanding under the credit facilities. The borrowings outstanding under the revolving credit facilities as of June 30, 2018, consisted of short-term base and LIBOR rate loans and are classified as current liabilities in our Consolidated Balance Sheet. As of June 30, 2018, we would have been permitted to draw an additional \$132.4 million under the credit facilities.

**NOTE 8 Other Long-Term Obligations**

Other long-term obligations at the balance sheet dates consist of:

(In thousands)	June 30, 2018	December 31, 2017
Long-term lease obligations, net of current portion	\$25,778	\$ 26,460
Deferred proceeds	5,043	5,576
Deferred compensation	2,586	5,023
Other	4,327	6,216
	\$37,734	\$ 43,275

## NOTE 9 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of tax, is comprised of the following:

(In thousands)	Pension and Other Post Retirement Employee Benefit Plan Adjustments
Balance at December 31, 2016	\$ (51,753 )
Other comprehensive income, net of tax <sup>1</sup>	527
Balance at June 30, 2017	\$ (51,226 )
Balance at December 31, 2017	\$ (43,983 )
Other comprehensive income, net of tax <sup>1</sup>	2,755
Reclassification of the income tax effects of the Tax Cuts and Jobs Act	(12,852 )
Balance at June 30, 2018	\$ (54,080 )

Included in other comprehensive income are net periodic costs associated with our pension and other postretirement employee benefit (OPEB) plans that were reclassified from accumulated other comprehensive loss. For the six months ended June 30, 2018 and 2017, actuarial loss amortization of \$3.4 million and \$1.0 million, respectively, as well as \$0.6 million and \$0.5 million, respectively, of prior service credit amortization were reclassified. These amounts are net of tax totaling \$1.0 million and \$0.3 million for each respective period. These accumulated other comprehensive loss components are included in the computation of net periodic pension and OPEB costs in Note 10, "Pension and Other Postretirement Employee Benefit Plans."

## NOTE 10 Pension and Other Postretirement Employee Benefit Plans

The following table details the components of net periodic cost of our company-sponsored pension and OPEB plans for the periods presented:

(In thousands)	Three Months Ended June 30,			
	2018	2017	2018	2017
			Other Postretirement Pension Benefit Plans Employee Benefit Plans	
Service cost	\$461	\$474	\$ 20	\$ 13
Interest cost	3,010	3,296	611	667
Expected return on plan assets	(4,247 )	(4,688 )	—	(1 )
Amortization of prior service cost (credit)	—	2	(419 )	(384 )
Amortization of actuarial loss (gain)	2,458	2,412	(226 )	(1,821 )
Net periodic cost (benefit)	\$1,682	\$1,496	\$ (14 )	\$ (1,526 )

(In thousands)	Six Months Ended June 30,			
	2018	2017	2018	2017
			Other Postretirement Pension Benefit Plans Employee Benefit Plans	
Service cost	\$895	\$1,034	\$ 68	\$ 81
Interest cost	6,010	6,574	1,218	1,371
Expected return on plan assets	(8,501 )	(9,382 )	—	(1 )
Amortization of prior service cost (credit)	—	4	(838 )	(767 )
Amortization of actuarial loss (gain)	5,028	4,937	(451 )	(3,301 )

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Net periodic cost (benefit)                      \$3,432   \$3,167   \$ (3 )   \$ (2,617 )

During the six months ended June 30, 2018 and 2017, we made no contributions to our qualified pension plans. We do not expect, nor are we required, to make contributions in 2018.

During the six months ended June 30, 2018, we made contributions of \$0.2 million to our company-sponsored non-qualified pension plan. We estimate contributions will total \$0.4 million in 2018. We do not anticipate funding our OPEB plans in 2018 except to pay benefit costs as incurred during the year by plan participants.

On January 1, 2018 we adopted ASU 2017-07, which allows for only the service cost component of net periodic cost to be included as an operating cost. The other components of net periodic costs are to be included as non-operating costs in the accompanying Consolidated Statements of Operations. During the three and six months ended June 30, 2018, \$0.3 million and \$0.5 million of net periodic pension and OPEB service costs were charged to "Cost of sales," \$0.2 million and \$0.4 million were charged to "Selling, general and administrative expenses," and \$1.2 million and \$2.5 million were charged to "Non-operating pension and other post retirement benefit (costs) income" in the accompanying Consolidated Statements of Operations, respectively.

The adoption of ASU 2017-07 also required the reclassification of all prior period costs other than service costs from operating to non-operating. During the three and six months ended June 30, 2017, \$0.3 million and \$0.7 million of net periodic costs were charged to "Cost of sales," \$0.2 million and \$0.4 million were charged to "Selling, general and administrative expenses," and \$0.5 million and \$0.6 million of income was charged to "Non-operating pension and other postretirement benefit (costs) income" in the accompanying Consolidated Statements of Operations, respectively.

#### NOTE 11 Earnings per Common Share

Basic earnings per share are based on the weighted average number of shares of common stock outstanding. Diluted earnings per share are based upon the weighted average number of shares of common stock outstanding plus all potentially dilutive securities that were assumed to be converted into common shares at the beginning of the period under the treasury stock method.

The following table reconciles the number of common shares used in calculating the basic and diluted net earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Basic weighted-average common shares outstanding <sup>1</sup>	16,486,064	15,196,196	16,491,364	17,052,525
Incremental shares due to:				
Restricted stock units	20,970	37,703	29,530	35,922
Performance shares	47,266	78,351	52,051	74,975
Stock options	—	16,868	90	30,636
Diluted weighted-average common shares outstanding	16,555,167	15,190,118	16,573,167	17,112,058
Basic net earnings per common share	\$0.42	\$ 0.49	\$0.58	\$ 0.94
Diluted net earnings per common share	0.42	0.48	0.58	0.94

Anti-dilutive shares excluded from calculation 1,029,985 1,322 912,864 493,150

<sup>1</sup> Basic average common shares outstanding include restricted stock awards that are fully vested, but are deferred for future issuance.

#### NOTE 12 Equity-Based Compensation

We recognize equity-based compensation expense for all equity-based payment awards made to employees and directors, including restricted stock units, or RSUs, performance shares and stock options, based on estimated fair values.

#### EMPLOYEE AWARDS

Employee equity-based compensation expense was recognized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Restricted stock units	\$582	\$503	\$1,004	\$795
Performance shares	377	630	910	1,226
Stock options	593	736	1,128	1,315
Total employee equity-based compensation expense	\$1,552	\$1,869	\$3,042	\$3,336

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As provided in the Clearwater Paper Corporation 2008 and 2017 Stock Incentive Plans, the following performance measures are used to determine the number of performance shares ultimately issuable:  
For performance shares granted in 2017, the performance measure used for 40% of the grant is a comparison of the percentile ranking of our total stockholder return, or TSR, compared to the TSR of a selected index, and for 60% of the

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performance share awards granted the performance measure used is a return on invested capital, or ROIC, performance measure.

For performance shares granted in 2018, the performance measure used for 40% of the performance share awards granted is an ROIC performance measure. For the remaining 60% of the grants, a free cash flow performance measure is used. The combined performance of these measures is then subject to an adjustment (increase or decrease) of up to 25% based on our TSR compared to the TSR performance of a selected index.

The number of performance shares actually issued, as a percentage of the amount subject to the performance share award, could range from 0%-200%.

During the first six months of 2018, 19,133 RSUs were settled and distributed. After adjusting for minimum tax withholdings, a net 13,221 shares were issued. In connection with the issued RSUs, the minimum tax withholding payments made during the six months ended June 30, 2018 totaled \$0.2 million.

During the six months ended June 30, 2018, we had 4,731 stock option awards expire with a weighted-average exercise price of \$64.31. At June 30, 2018, we had 300,021 stock option awards that were exercisable with a weighted-average exercise price of \$63.18.

The following table summarizes the number of share-based awards granted under the Clearwater Paper Corporation 2017 Stock Incentive Plan during the six months ended June 30, 2018 and the grant-date fair value of the awards:

	Six Months Ended June 30, 2018	
	Number of Shares Subject to Award	Average Fair Value of Award Per Share
Restricted stock units	108,816	\$ 37.45
Performance shares	49,040	37.45
Stock options	196,488	14.51

#### DIRECTOR AWARDS

Annually, each outside member of our Board of Directors receives deferred equity-based awards that are measured in units of our common stock and ultimately settled in cash at the time of payment. Accordingly, the compensation expense associated with these awards is subject to fluctuations each quarter based on mark-to-market adjustments at each reporting period in line with changes in the market price of our common stock. As a result of the mark-to-market adjustment, we recorded director equity-based compensation benefit of \$2.0 million and \$1.5 million for the three months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018 and 2017, we recorded director equity-based compensation benefit of \$2.7 million and \$2.9 million, respectively.

As of June 30, 2018, the liability amounts associated with director equity-based compensation included in "Other long-term obligations" and "Accounts payable and accrued liabilities" on the accompanying Consolidated Balance Sheet were \$0.8 million and \$1.2 million, respectively. At December 31, 2017, the liability amounts associated with director equity-based compensation included in "Other long-term obligations" and "Accounts payable and accrued liabilities" totaled \$3.6 million and \$2.4 million, respectively.

## NOTE 13 Fair Value Measurements

The estimated fair values of our financial instruments at the dates presented below are as follows:

(In thousands)	June 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents (Level 1)	\$53,278	\$53,278	\$15,738	\$15,738
Borrowings under revolving credit facilities (Level 2)	160,000	159,971	155,000	154,882
Long-term debt (Level 2)	575,000	525,625	575,000	569,250

Accounting guidance establishes a framework for measuring the fair value of financial instruments, providing a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, or “Level 1” measurements, followed by quoted prices of similar assets or observable market data considering the assets' underlying maturities, or “Level 2” measurements, and the lowest priority to unobservable inputs, or “Level 3” measurements.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should seek to maximize the use of observable inputs and minimize the use of unobservable inputs.

Cash and cash equivalents, borrowings under the revolving credit facilities and long-term debt are the only items measured at fair value on a recurring basis.

We do not have any financial assets measured at fair value on a nonrecurring basis. Nonfinancial assets measured at fair value on a nonrecurring basis include items such as long-lived assets held and used that are measured at fair value resulting from impairment, if deemed necessary.

## NOTE 14 Business Interruption and Insurance Recovery

In the first quarter of 2017, our financial statements included the impact of two separate fires, one of which occurred in the fourth quarter of 2016. Both claims were finalized in the first quarter of 2017 and the net proceeds from our insurance provider of \$4.3 million was included in "Cost of Sales" in our Consolidated Statement of Operations for the six months ended June 30, 2017.

There was no business interruption insurance activity in the six months ended June 30, 2018 at any of our facilities.

## NOTE 15 Segment Information

Our reportable segments are described below.

## Consumer Products

Our Consumer Products segment manufactures and sells a complete line of at-home tissue products, or retail products, and away-from-home tissue products, or non-retail products, and parent rolls. Retail products include bath, paper towels, facial and napkin product categories. Non-retail products include conventional one and two-ply bath tissue, two-ply paper towels, hard wound towels and dispenser napkins sold to customers with commercial and industrial tissue needs. Each category is further distinguished according to quality segments: ultra, premium, value and economy.

## Pulp and Paperboard

Our Pulp and Paperboard segment manufactures and markets solid bleached sulfate paperboard for the high-end segment of the packaging industry as well as offers custom sheeting, slitting and cutting of paperboard. Our overall production consists primarily of folding carton, liquid packaging, cup and plate products and commercial printing grades. The majority of our Pulp and Paperboard customers are packaging converters, folding carton converters, merchants and commercial printers.

The table below presents information about our reportable segments:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2018	2017	June 30, 2018	2017
Segment net sales:				
Consumer Products	\$221,585	\$231,912	\$460,427	\$474,335
Pulp and Paperboard	210,514	197,751	408,624	392,853
Total segment net sales	\$432,099	\$429,663	\$869,051	\$867,188
Earnings (loss) before income taxes:				
Consumer Products <sup>1,2,3</sup>	\$(3,604 )	\$10,698	\$(1,975 )	\$16,902
Pulp and Paperboard <sup>2,3</sup>	34,192	21,071	60,346	48,271
	30,588	31,769	58,371	65,173
Corporate <sup>2,3</sup>	(12,207 )	(12,621 )	(28,451 )	(25,515 )
Income from operations	18,381	19,148	29,920	39,658
Interest expense, net	(7,723 )	(7,673 )	(15,743 )	(15,716 )
Non-operating pension and other postretirement benefit (costs) income <sup>2</sup>	(1,187 )	517	(2,466 )	565
Earnings before income taxes	\$9,471	\$11,992	\$11,711	\$24,507
Depreciation and amortization:				
Consumer Products <sup>1</sup>	\$14,220	\$16,292	\$28,517	\$34,534
Pulp and Paperboard	9,361	8,356	18,790	16,461
Corporate	1,596	1,407	3,037	2,617
Total depreciation and amortization	\$25,177	\$26,055	\$50,344	\$53,612

Operating income for the Consumer Products segment for the three and six months ended June 30, 2017 includes <sup>1</sup> \$0.3 million and \$6.0 million, respectively, of costs associated with the closure of the Oklahoma City facility. These costs for the six months ended June 30, 2017 include \$3.7 million of accelerated depreciation.

<sup>2</sup> As a result of the adoption of ASU 2017-07, certain pension and OPEB (costs) income have been reclassified from operating to non-operating income. The service cost component of pension and OPEB costs remains within segment operating income. Refer to Note 2, "Recently Adopted and New Accounting Standards," and Note 10, "Pension and Other Postretirement Benefit Plans," for additional detail.

<sup>3</sup> Income (loss) from operations for the Consumer Products, Pulp and Paperboard and Corporate segments for the three months ended June 30, 2018 include \$0.2 million, \$0.1 million, and \$0.8 million, respectively, of expenses associated with our selling, general, and administrative cost control measures. Income (loss) from operations for the Consumer Products, Pulp and Paperboard and Corporate segments for the six months ended June 30, 2018 include \$1.7 million, \$0.4 million and \$4.1 million, respectively, of expenses associated with our selling, general and administrative cost control measures.

For the six months ended June 30, 2018 and 2017, one customer, the Kroger Company, accounted for approximately 13.4% and 15.2%, respectively, of our total company net sales.

Net sales, classified by the major geographic areas in which our customers are located and by major products, were as follows:

(In thousands)	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
	2018	2017	2018	2017
Primary geographical markets:				
United States	\$412,231	\$409,876	\$833,051	\$831,843
Other countries	19,868	19,787	36,000	35,345
Total net sales	\$432,099	\$429,663	\$869,051	\$867,188
Major products:				
Retail tissue	\$197,767	\$211,589	\$418,652	\$429,726
Paperboard	210,514	197,751	408,624	392,853
Non-retail tissue	23,765	19,966	40,724	43,959
Other	53	357	1,051	650
Total net sales	\$432,099	\$429,663	\$869,051	\$867,188

## NOTE 16 Supplemental Guarantor Financial Information

All of our subsidiaries that are 100% directly or indirectly owned by Clearwater Paper, guarantee our \$275 million aggregate principal amount of 4.5% senior notes issued in January 2013 and due 2023, which we refer to as the 2013 Notes, on a full and unconditional, and joint and several basis. There are no significant restrictions on the ability of the guarantor subsidiaries to make distributions to Clearwater Paper, the issuer of the 2013 Notes. The following tables present the results of operations, financial position and cash flows of Clearwater Paper and its subsidiaries, the guarantor subsidiaries, and the eliminations necessary to arrive at the information for Clearwater Paper on a consolidated basis.

## Clearwater Paper Corporation

## Consolidating Statement of Operations and Comprehensive Income

Three Months Ended June 30, 2018

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
Net sales	\$433,826	\$ 54,313	\$ (56,040 )	\$432,099
Cost and expenses:				
Cost of sales	(394,260 )	(47,918 )	55,024	(387,154 )
Selling, general and administrative expenses	(21,226 )	(5,338 )	—	(26,564 )
Total operating costs and expenses	(415,486 )	(53,256 )	55,024	(413,718 )
Income from operations	18,340	1,057	(1,016 )	18,381
Interest expense, net	(7,627 )	(96 )	—	(7,723 )
Non-operating pension and other postretirement benefit costs	(1,187 )	—	—	(1,187 )
Earnings before income taxes	9,526	961	(1,016 )	9,471
Income tax provision	(2,574 )	(186 )	250	(2,510 )
Equity in income of subsidiary	775	—	(775 )	—
Net earnings	\$7,727	\$ 775	\$ (1,541 )	\$6,961
Other comprehensive income, net of tax	1,336	—	—	1,336
Comprehensive income	\$9,063	\$ 775	\$ (1,541 )	\$8,297

## Clearwater Paper Corporation

## Consolidating Statement of Operations and Comprehensive Income

Six Months Ended June 30, 2018

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
Net sales	\$889,003	\$ 100,526	\$ (120,478 )	\$869,051
Cost and expenses:				
Cost of sales	(807,217 )	(88,278 )	115,908	(779,587 )
Selling, general and administrative expenses	(48,858 )	(10,686 )	—	(59,544 )
Total operating costs and expenses	(856,075 )	(98,964 )	115,908	(839,131 )
Income from operations	32,928	1,562	(4,570 )	29,920
Interest expense, net	(15,556 )	(187 )	—	(15,743 )
Non-operating pension and other postretirement benefit costs	(2,466 )	—	—	(2,466 )
Earnings before income taxes	14,906	1,375	(4,570 )	11,711
Income tax provision	(2,956 )	(199 )	1,005	(2,150 )
Equity in income of subsidiary	1,176	—	(1,176 )	—
Net earnings	\$13,126	\$ 1,176	\$ (4,741 )	\$9,561
Other comprehensive income, net of tax	2,755	—	—	2,755
Comprehensive income	\$15,881	\$ 1,176	\$ (4,741 )	\$12,316



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Clearwater Paper Corporation  
Consolidating Statement of Operations and Comprehensive Income  
Three Months Ended June 30, 2017

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
Net sales	\$419,540	\$ 63,956	\$ (53,833 )	\$429,663
Cost and expenses:				
Cost of sales	(376,112 )	(57,942 )	52,993	(381,061 )
Selling, general and administrative expenses	(23,411 )	(6,043 )	—	(29,454 )
Total operating costs and expenses	(399,523 )	(63,985 )	52,993	(410,515 )
Income (loss) from operations	20,017	(29 )	(840 )	19,148
Interest expense, net	(7,582 )	(91 )	—	(7,673 )
Non-operating pension and other postretirement benefit income	517	—	—	517
Earnings (loss) before income taxes	12,952	(120 )	(840 )	11,992
Income tax provision	(4,224 )	(52 )	321	(3,955 )
Equity in loss of subsidiary	(172 )	—	172	—
Net earnings (loss)	\$8,556	\$ (172 )	\$ (347 )	\$8,037
Other comprehensive income, net of tax	126	—	—	126
Comprehensive income (loss)	\$8,682	\$ (172 )	\$ (347 )	\$8,163

Clearwater Paper Corporation  
Consolidating Statement of Operations and Comprehensive Income  
Six Months Ended June 30, 2017

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
Net sales	\$839,755	\$ 140,505	\$ (113,072 )	\$867,188
Cost and expenses:				
Cost of sales	(750,593 )	(127,680 )	110,152	(768,121 )
Selling, general and administrative expenses	(46,976 )	(12,433 )	—	(59,409 )
Total operating costs and expenses	(797,569 )	(140,113 )	110,152	(827,530 )
Income from operations	42,186	392	(2,920 )	39,658
Interest expense, net	(15,574 )	(142 )	—	(15,716 )
Non-operating pension and other postretirement benefit income	565	—	—	565
Earnings before income taxes	27,177	250	(2,920 )	24,507
Income tax provision	(10,010 )	(7 )	1,062	(8,955 )
Equity in income of subsidiary	243	—	(243 )	—
Net earnings	\$17,410	\$ 243	\$ (2,101 )	\$15,552
Other comprehensive income, net of tax	527	—	—	527
Comprehensive income	\$17,937	\$ 243	\$ (2,101 )	\$16,079

Clearwater Paper Corporation  
Consolidating Balance Sheet  
At June 30, 2018

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 53,278	\$ —	\$ —	\$ 53,278
Receivables, net	95,309	23,417	—	118,726
Taxes receivable	8,740	44	—	8,784
Inventories	221,994	44,789	(4,570)	262,213
Other current assets	7,877	255	—	8,132
Total current assets	387,198	68,505	(4,570)	451,133
Property, plant and equipment, net	1,063,183	108,185	—	1,171,368
Goodwill	244,161	—	—	244,161
Intangible assets, net	1,567	27,075	—	28,642
Intercompany (payable) receivable	(6,795)	) 2,225	4,570	—
Investment in subsidiary	158,176	—	(158,176)	—
Other assets, net	23,114	3,391	(2,412)	24,093
<b>TOTAL ASSETS</b>	<b>\$ 1,870,604</b>	<b>\$ 209,381</b>	<b>\$ (160,588)</b>	<b>\$ 1,919,397</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Borrowings under revolving credit facilities	\$ 160,000	\$ —	\$ —	\$ 160,000
Accounts payable and accrued liabilities	333,307	24,281	—	357,588
Current liability for pensions and other postretirement employee benefits	7,631	—	—	7,631
Total current liabilities	500,938	24,281	—	525,219
Long-term debt	570,908	—	—	570,908
Liability for pensions and other postretirement employee benefits	69,504	—	—	69,504
Other long-term obligations	37,734	—	—	37,734
Accrued taxes	2,262	854	—	3,116
Deferred tax liabilities	98,689	26,070	(2,412)	122,347
<b>TOTAL LIABILITIES</b>	<b>1,280,035</b>	<b>51,205</b>	<b>(2,412)</b>	<b>1,328,828</b>
Stockholders' equity excluding accumulated other comprehensive loss	644,649	158,176	(158,176)	644,649
Accumulated other comprehensive loss, net of tax	(54,080)	) —	—	(54,080)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,870,604</b>	<b>\$ 209,381</b>	<b>\$ (160,588)</b>	<b>\$ 1,919,397</b>

Clearwater Paper Corporation  
 Consolidating Balance Sheet  
 At December 31, 2017

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 15,738	\$ —	\$ —	\$ 15,738
Receivables, net	125,001	17,064	—	142,065
Taxes receivable	20,242	40	—	20,282
Inventories	228,311	41,594	(3,862)	266,043
Other current assets	8,587	74	—	8,661
Total current assets	397,879	58,772	(3,862)	452,789
Property, plant and equipment, net	936,659	114,323	—	1,050,982
Goodwill	244,161	—	—	244,161
Intangible assets, net	2,089	30,453	—	32,542
Intercompany payable	(2,807)	(1,055)	3,862	—
Investment in subsidiary	157,000	—	(157,000)	—
Other assets, net	21,413	2,696	(2,331)	21,778
<b>TOTAL ASSETS</b>	<b>\$ 1,756,394</b>	<b>\$ 205,189</b>	<b>\$ (159,331)</b>	<b>\$ 1,802,252</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Borrowings under revolving credit facilities	\$ 155,000	\$ —	\$ —	\$ 155,000
Accounts payable and accrued liabilities	235,439	21,182	—	256,621
Current liability for pensions and other postretirement employee benefits	7,631	—	—	7,631
Total current liabilities	398,070	21,182	—	419,252
Long-term debt	570,524	—	—	570,524
Liability for pensions and other postretirement employee benefits	72,469	—	—	72,469
Other long-term obligations	43,275	—	—	43,275
Accrued taxes	1,928	842	—	2,770
Deferred tax liabilities	94,694	26,165	(2,331)	118,528
<b>TOTAL LIABILITIES</b>	<b>1,180,960</b>	<b>48,189</b>	<b>(2,331)</b>	<b>1,226,818</b>
Stockholders' equity excluding accumulated other comprehensive loss	619,417	157,000	(157,000)	619,417
Accumulated other comprehensive loss, net of tax	(43,983)	—	—	(43,983)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,756,394</b>	<b>\$ 205,189</b>	<b>\$ (159,331)</b>	<b>\$ 1,802,252</b>

Clearwater Paper Corporation  
Consolidating Statement of Cash Flows  
Six Months Ended June 30, 2018

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net earnings	\$ 13,126	\$ 1,176	\$ (4,741 )	\$ 9,561
Adjustments to reconcile net earnings to net cash flows from operating activities:				
Depreciation and amortization	39,905	10,439	—	50,344
Deferred taxes	2,979	(330 )	—	2,649
Employee benefit plans	326	—	—	326
Deferred issuance costs on debt	716	—	—	716
Other non-cash adjustments, net	431	(4 )	—	427
Changes in working capital, net	41,660	(6,051 )	708	36,317
Changes in taxes receivable, net	11,502	(4 )	—	11,498
Other, net	(436 )	(526 )	—	(962 )
Net cash flows from operating activities	110,209	4,700	(4,033 )	110,876
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(77,257 )	(1,343 )	—	(78,600 )
Other, net	793	14	—	807
Net cash flows from investing activities	(76,464 )	(1,329 )	—	(77,793 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Borrowings on revolving credit facilities	124,063	—	—	124,063
Repayments of borrowings on revolving credit facilities	(119,063)	—	—	(119,063)
Investment from (to) parent	(662 )	(3,371 )	4,033	—
Other, net	(543 )	—	—	(543 )
Net cash flows from financing activities	3,795	(3,371 )	4,033	4,457
Increase in cash and cash equivalents	37,540	—	—	37,540
Cash and cash equivalents at beginning of period	15,738	—	—	15,738
Cash and cash equivalents at end of period	\$ 53,278	\$ —	\$ —	\$ 53,278

Clearwater Paper Corporation  
Consolidating Statement of Cash Flows  
Six Months Ended June 30, 2017