



2012 First Quarter Financial Highlights



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Forward Looking Statements

Forward-Looking Statements

The information in this presentation and statements made during this presentation may contain certain forward-looking statements within the meaning of federal securities laws. These statements reflect management's expectations regarding future events and operating performance.

Risk Factors

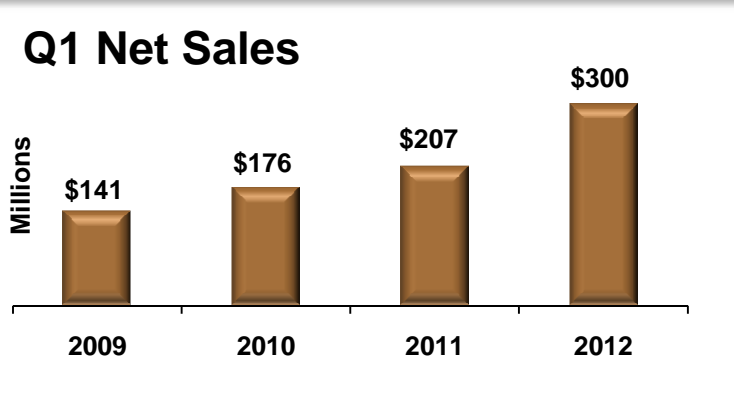
These forward-looking statements involve a number of risks and uncertainties. A list of the factors that could cause actual results to differ materially from those expressed in, or underlying, any forward-looking statements can be found in the Company's filings with the Securities and Exchange Commission, such as its annual and quarterly reports. The Company disclaims any obligation to revise or update such statements to reflect the occurrence of events after the date of this presentation.

Non-GAAP Financial Measures

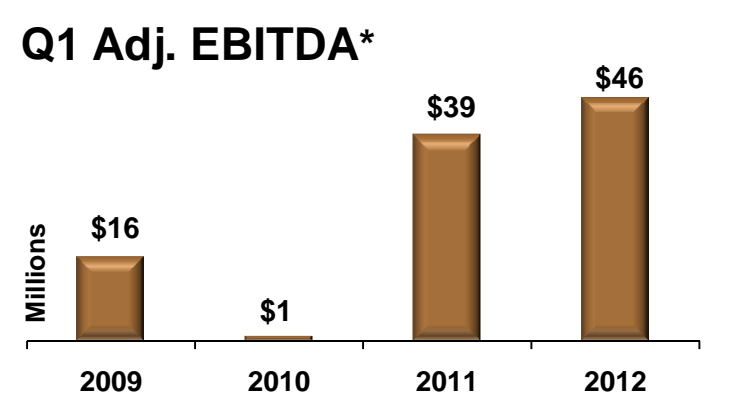
This presentation refers to non-U.S. GAAP financial information. A reconciliation of those numbers to U.S. GAAP financial measures is available on the company's website at KapStonePaper.com under Investors.

KapStone Continues at Strong Pace

USC Acquisition Delivers Profitable Growth



USC provided \$95 million of revenue in Q1 2012



USC provided \$10 million of Adj. EBITDA in Q1 2012

*Adjusted to exclude alternative fuel mixture credits, non-cash stock compensation, acquisition related costs and dunnage bag business sold in March 2009

Integration and realization of synergies proceeding on target

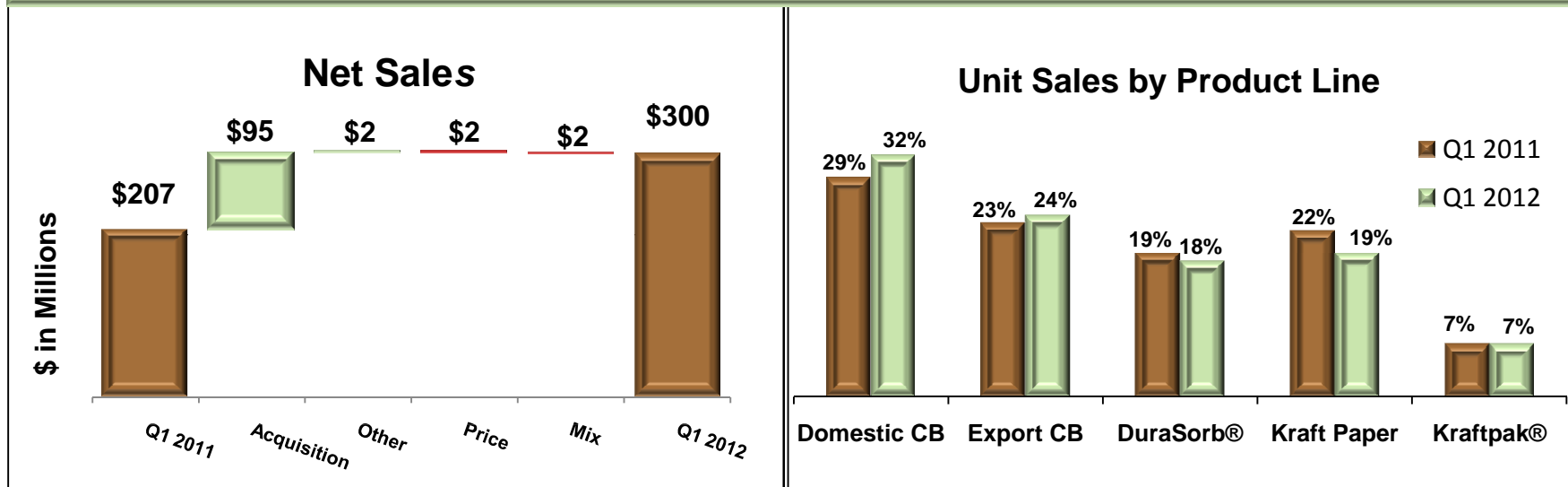
First Quarter Financial Results

	First Quarter			
	(\$ in Millions, except per share data)			
	<u>2011</u>	<u>2012</u>	<u>Inc.</u>	<u>Inc.</u>
Net Sales	\$ 207	\$ 300	\$ 93	45%
EBITDA	\$ 38	\$ 43	\$ 5	13%
Adj. EBITDA*	\$ 39	\$ 46	\$ 7	18%
Net Income	\$ 15	\$ 16	\$ 1	7%
Adj. Net Income*	\$ 16	\$ 18	\$ 2	13%
Diluted EPS	\$ 0.32	\$ 0.33	\$ 0.01	3%
Adj. Diluted EPS*	\$ 0.34	\$ 0.38	\$ 0.04	12%

*Adjusted to exclude non-cash stock compensation and acquisition related costs

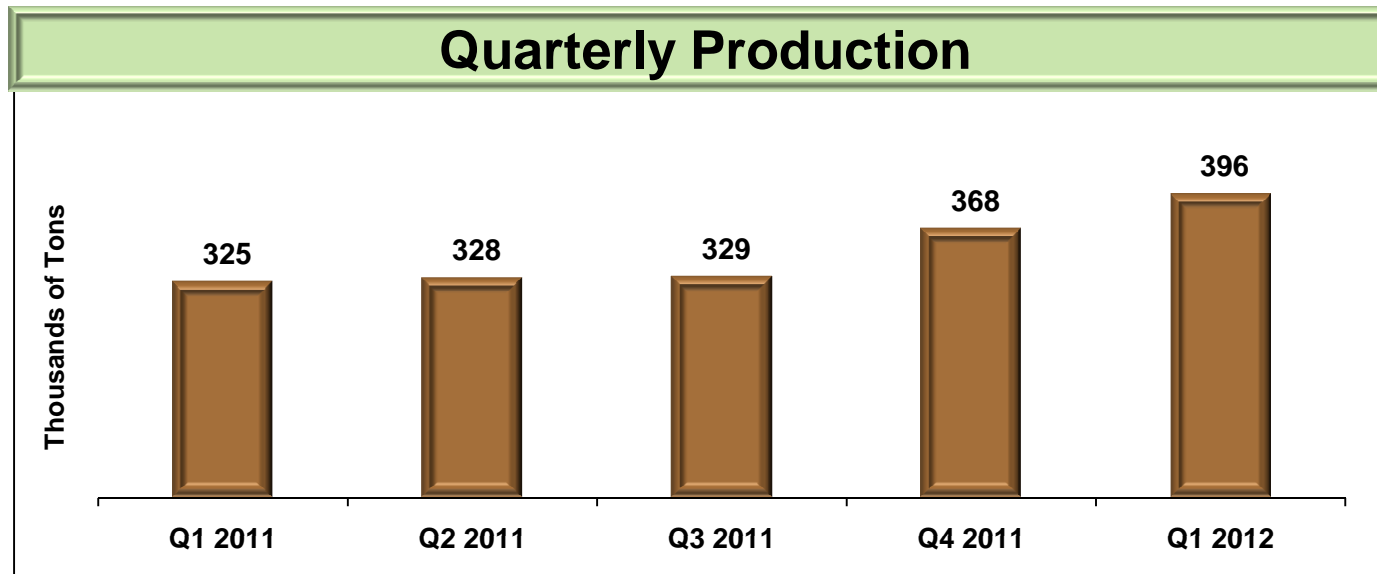
Q1 2012 Compared to Q1 2011

Net Sales Increase 45% Benefitting from USC Acquisition



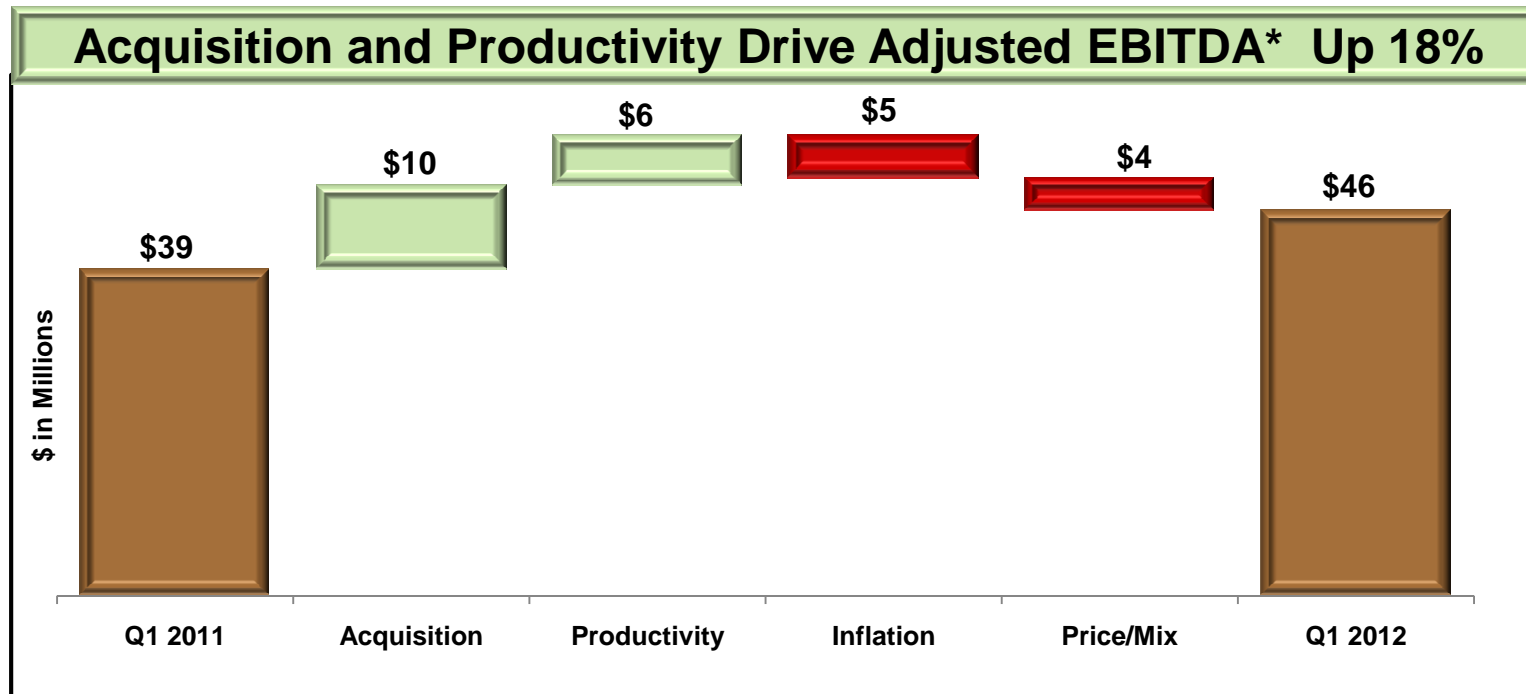
- Average mill revenue per ton was \$608 per ton in Q1 2012 versus \$618 in Q1 2011
 - Average prices on export containerboard dropped over \$70 per ton. Export containerboard price decline was partially offset by increases for both kraft paper and Kraftpak®
- In Q1 2012, 330 thousand tons of paper were sold compared to 323,000 tons of paper in prior year including acquisition tons sold
 - 66 thousand tons of containerboard were shipped to our converting plants
- Q1 2012 also included sales of 1.5 billion square feet of corrugated products
- Product mix was less favorable with fewer tons sold of Durasorb® and kraft paper

Record Mill Production



- Strong operations and one extra day compared to Q1 2011 drove high operating rates from legacy mills resulting in record mill production of 335,000 tons
 - Up 3 percent over Q1 2011 excluding acquisition
 - Benefiting from various productivity programs and strategic capital investments
- Q1 2012 includes 3 months of acquisition's mill production of 61 thousand tons
 - Compared to only 2 months in Q4 2011
- Finished goods inventory at quarter end essentially unchanged from prior year end and inventories are in good position

Q1 2012 Compared to Q1 2011



*Adjusted to exclude non-cash stock compensation and USC one-time and start-up costs

- Acquisition provided \$10 million from \$95 million of sales
- Improved legacy operations added \$6 million from productivity improvements
- Higher costs for caustic soda, energy and labor drove inflation
- Price/mix decline reflects softness in export containerboard markets partially offset by higher kraft paper and Kraftpak® prices
 - Mix reflects lower Durasorb® and Kraftpak® volumes

Sequential Quarter Comparison

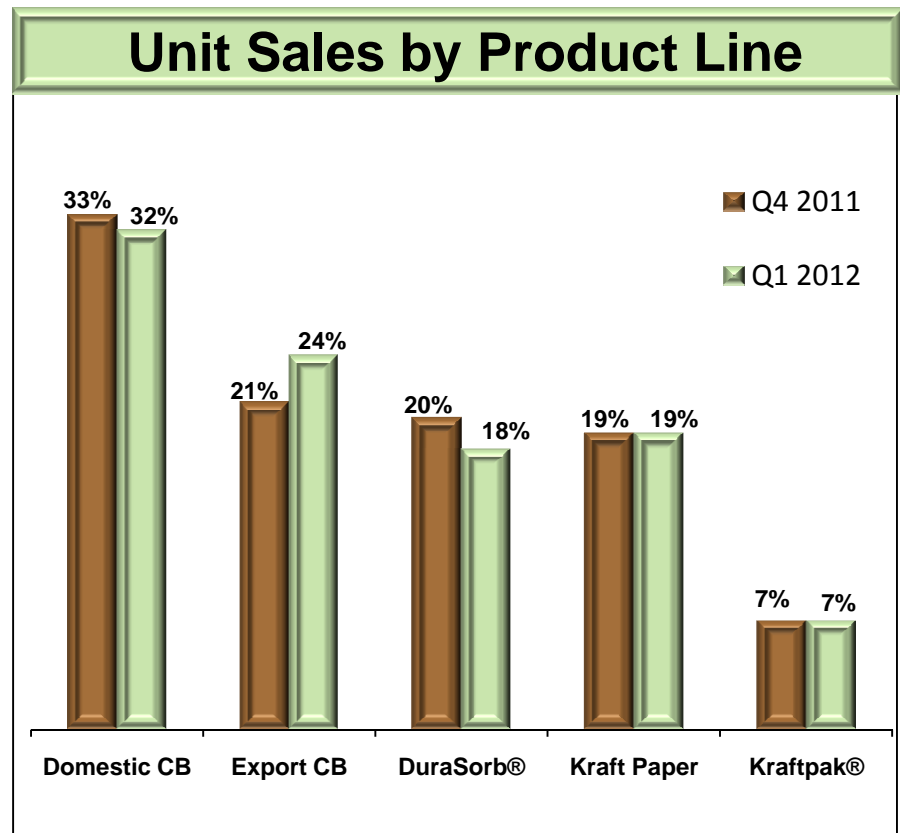
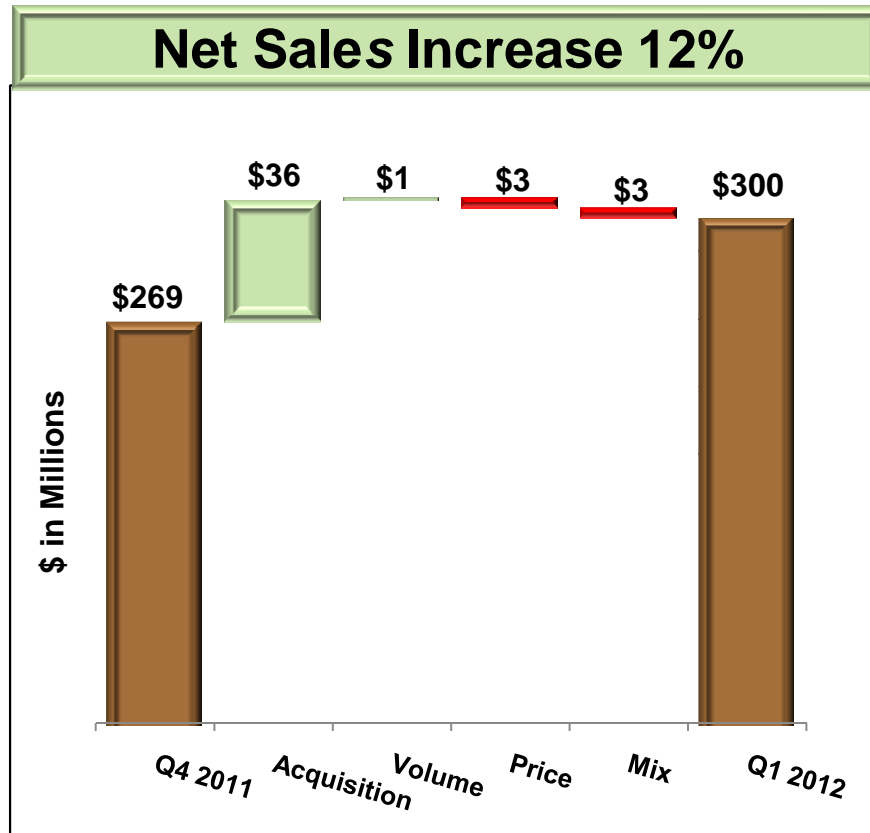
	Q1 2012 vs. Q4 2011			
	(\$ in Millions, except per share data)			
	<u>Q4 2011*</u>	<u>Q1 2012</u>	<u>Inc/(Dec)</u>	<u>Inc/(Dec)</u>
Net Sales	\$ 269	\$ 300	\$ 31	12%
EBITDA	\$ 35	\$ 43	\$ 8	23%
Adj. EBITDA**	\$ 38	\$ 46	\$ 8	21%
Net Income	\$ 74	\$ 16	\$ (58)	(78%)
Adj. Net Income***	\$ 13	\$ 18	\$ 5	38%
Diluted EPS	\$ 1.56	\$ 0.33	\$ (1.23)	(79%)
Adj. Diluted EPS***	\$ 0.29	\$ 0.38	\$ 0.09	31%

*Includes impact of annual planned maintenance outages which reduced production and tons available to be shipped by 14,400 tons and increased maintenance expense by \$10 million

**Adjusted to exclude non-cash stock compensation and acquisition related costs

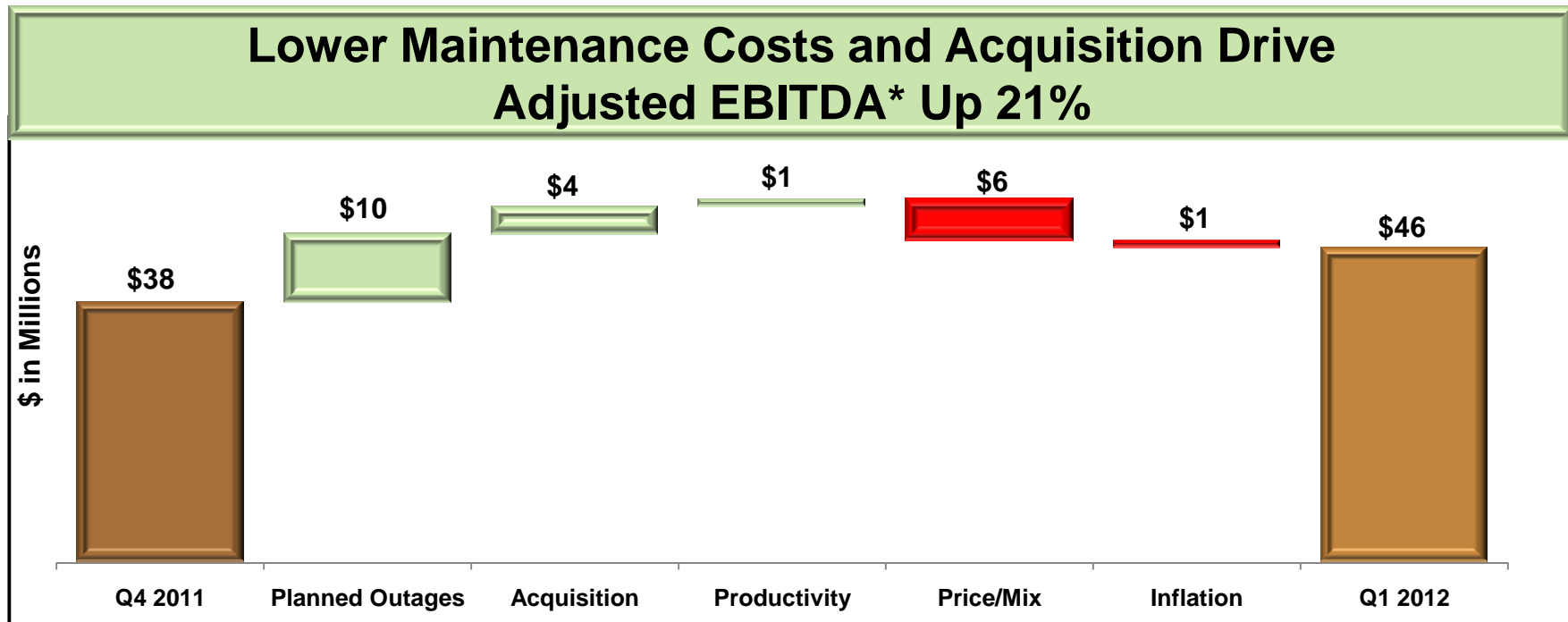
*** Adjusted to exclude items above and realization of unrecognized tax benefit (Q4 2011)

Q1 2012 Compared to Q4 2011



- Acquisition added \$36 million – three months in Q1 2012 versus two months in Q4 2011
- Average mill revenue per ton decreased by \$12 from \$620 in Q4 2011 to \$608 in Q1 2012
 - Lower export containerboard prices partially offset by kraft paper increases

Q1 2012 Compared to Q4 2011



*Adjusted to exclude non-cash stock compensation and acquisition related costs

- Q1 2012 EBITDA benefitted from no planned maintenance outages
- Full quarter of operations from the acquisition versus only two months in the preceding quarter
- Legacy operations' improved productivity strengthened those operations
- Lower export prices and less favorable product mix

Balance Sheet and Free Cash Flows

- Net debt at March 31, 2012 was \$338 million
- Debt to EBITDA ratio of 1.87 times at March 31, 2012
- Interest rate of 2.24%
- Adjusted free cash flow for Q1 2012 was \$9 million, or \$0.19 per diluted share, up \$1 million over Q1 2011
 - Q1 of each year typically is heavy cash usage quarter as many annual payments occur including incentive payments, retirement plan contributions, insurance premiums and property taxes
 - Capex for 2012 expected to be approximately \$60 million with \$11 in Q1 2012 including \$3 million for the acquisition and IT

Summary of Key Assumptions for Q2 2012

➤ Market conditions

- Recovering export containerboard prices
- Domestic containerboard pricing expected to remain stable in Q2
- Improved product mix – higher DuraSorb ®, kraft paper, and Kraftpak ® sales; lower export
- Normal levels of order backlogs

➤ Operations

- Planned maintenance - \$5 million higher than Q1 2012
 - No planned downtime
- Input costs relatively stable
 - Expect seasonal decrease in wood prices offset with higher diesel fuel and OCC prices

➤ Tax rates

- 36.0% effective tax rate in 2012 down from 38.6% in 2011
- Cash tax rate for 2012 expected to be about 10%

➤ FX

- Negative compared to 2011 - Avg. rate for Q2 2011 was 1.42
- Potential \$1 million negative impact in Q2 2012 YOY