



**Third Quarter 2014
GAAP to Non-GAAP
Reconciliations**

October 29, 2014



KapStone Paper and Packaging Corporation
Consolidated Statements of Income
(In thousands, except share and per share amounts)
(unaudited)

	Quarter Ended September 30,		Fav / (Unfav)	Nine Months Ended September 30,		Fav / (Unfav)
	2014	2013	Variance %	2014	2013	Variance %
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):						
Net income (GAAP)	\$ 54,254	\$ 44,414	22.2%	\$ 137,812	\$ 83,864	64.3%
Interest expense, net	6,617	8,034	17.6%	20,884	11,818	-76.7%
Amortization of debt issuance costs	1,482	1,551	4.4%	4,415	3,004	-47.0%
Provision for income taxes	27,886	27,055	-3.1%	70,660	47,533	-48.7%
Depreciation and amortization	34,997	28,522	-22.7%	101,580	62,999	-61.2%
EBITDA (Non-GAAP)	\$ 125,236	\$ 109,576	14.3%	\$ 335,351	\$ 209,218	60.3%
Acquisition, start up and other expenses	603	6,256	90.4%	3,350	9,540	64.9%
Voluntary separation plan	1,465	—	—	6,283	—	—
Stock-based compensation expense	1,401	972	-44.1%	5,630	4,271	-31.8%
Loss on debt extinguishment	2,963	—	—	2,963	—	—
Adjusted EBITDA (Non-GAAP)	\$ 131,668	\$ 116,804	12.7%	\$ 353,577	\$ 223,029	58.5%
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):						
Net income (GAAP)	\$ 54,254	\$ 44,414		\$ 137,812	\$ 83,864	
Acquisition, start up and other expenses	395	4,060		2,194	6,191	
Voluntary separation plan	960	—		4,115	—	
Stock-based compensation expense	918	631		3,688	2,772	
Loss on debt extinguishment	1,941	—		1,941	—	
Tax adjustment - Longview acquisition	(279)	1,606		(279)	1,406	
Adjusted Net Income (Non-GAAP)	\$ 58,189	\$ 50,711		\$ 149,471	\$ 94,233	
Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):						
Basic EPS (GAAP)	\$ 0.57	\$ 0.47		\$ 1.44	\$ 0.88	
Acquisition, start up and other expenses	—	0.05		0.02	0.07	
Voluntary separation plan	0.01	—		0.04	—	
Stock-based compensation expense	0.01	—		0.04	0.03	
Loss on debt extinguishment	0.02	—		0.02	—	
Tax adjustment - Longview acquisition	—	0.01		—	0.01	
Adjusted Basic EPS (Non-GAAP)	\$ 0.61	\$ 0.53		\$ 1.56	\$ 0.99	
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):						
Diluted earnings per share (GAAP)	\$ 0.56	\$ 0.46		\$ 1.41	\$ 0.87	
Acquisition, start up and other expenses	—	0.04		0.02	0.05	
Voluntary separation plan	0.01	—		0.04	—	
Stock-based compensation expense	0.01	0.01		0.04	0.03	
Loss on debt extinguishment	0.02	—		0.02	—	
Tax adjustment - Longview acquisition	—	0.01		—	0.02	
Adjusted Diluted EPS (Non-GAAP)	\$ 0.60	\$ 0.52		\$ 1.53	\$ 0.97	

KapStone Paper and Packaging Corporation
Supplemental Information
Net Debt and Debt to Equity Ratio
(In thousands)
(unaudited)

Calculation of Net Debt

	Quarter Ended				
	<u>9/30/2014</u>	<u>6/30/2014</u>	<u>3/31/2014</u>	<u>12/31/2013</u>	<u>9/30/2013</u>
Current portion of LT debt	\$ -	\$ 25,075	\$ 15,013	\$ 4,950	\$ 44,950
Short-term borrowings	-	-	-	-	36,500
Other borrowings	1,162	2,898	4,627	-	1,376
Long term debt, net	1,200,278	1,172,073	1,182,579	1,192,413	1,202,213
Unamortized debt issuance costs	19,959	24,265	24,996	26,400	27,837
	<u>1,221,399</u>	<u>1,224,311</u>	<u>1,227,215</u>	<u>1,223,763</u>	<u>1,312,876</u>
Less cash and cash equivalents	<u>(105,649)</u>	<u>(49,352)</u>	<u>(23,949)</u>	<u>(12,967)</u>	<u>(12,187)</u>
Total Net Debt (non GAAP)	<u>\$ 1,115,750</u>	<u>\$ 1,174,959</u>	<u>\$ 1,203,266</u>	<u>\$ 1,210,796</u>	<u>\$ 1,300,689</u>
Decrease (increase) during the quarter	<u>\$ 59,209</u>	<u>\$ 28,307</u>	<u>\$ 7,530</u>	<u>\$ 89,893</u>	<u>\$ (988,377)</u>
<u>Net Debt to Capital ratio calculation</u>					
Net debt	\$ 1,115,750	\$ 1,174,959	\$ 1,203,266	\$ 1,210,796	\$ 1,300,689
Capital (Equity plus Long term debt, net)	\$ 2,012,331	\$ 1,927,564	\$ 1,884,705	\$ 1,858,493	\$ 1,812,072
Ratio	<u>55.4%</u>	<u>61.0%</u>	<u>63.8%</u>	<u>65.1%</u>	<u>71.8%</u>



KapStone Paper and Packaging Corporation
Supplemental Information
Cash Flow From Operations and Adjusted Free Cash Flow
(In thousands)
(unaudited)

	Quarter Ended				
	<u>9/30/2014</u>	<u>6/30/2014</u>	<u>3/31/2014</u>	<u>12/30/2013</u>	<u>9/30/2013</u>
Cash flow from operations (GAAP)	\$ 97,395	\$ 69,703	\$ 38,951	\$ 129,811	\$ 98,211
Less capital expenditures	(38,691)	(41,256)	(32,420)	(40,435)	(23,558)
Adjusted free cash flow (Non-GAAP)	<u>\$ 58,704</u>	<u>\$ 28,447</u>	<u>\$ 6,531</u>	<u>\$ 89,376</u>	<u>\$ 74,653</u>
Average diluted shares outstanding	97,515,901	97,418,941	97,315,766	97,112,699	96,957,140
Adjusted free cash flow per share	<u>\$ 0.60</u>	<u>\$ 0.29</u>	<u>\$ 0.07</u>	<u>\$ 0.92</u>	<u>\$ 0.77</u>