



# **2007-2011 GAAP to Non GAAP Reconciliations**

**February 15, 2012**



**KapStone Paper and Packaging Corporation**  
**Supplemental Information**  
**GAAP to Non-GAAP Reconciliations**  
(\$ in thousands, except share and per share amounts)  
(preliminary and unaudited)

	<b>Quarter Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):</b>		
Net income (GAAP)	\$ 74,196	\$ 13,191
Interest expense, net	1,655	733
Amortization of debt issuance costs	1,216	440
Provision (benefit) for income taxes	(56,678)	3,171
Depreciation and amortization	14,507	11,621
<b>EBITDA (Non-GAAP)</b>	<b>\$ 34,896</b>	<b>\$ 29,156</b>
Alternative fuel mixture tax credits	-	-
USC acquisition expenses	2,441	-
Stock-based compensation expense	759	759
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 38,096</b>	<b>\$ 29,915</b>
<b>Net Income (GAAP) to Adjusted Net Income (Non-GAAP):</b>		
Net income (GAAP)	\$ 74,196	\$ 13,191
Realization of unrecognized tax benefit	(63,026)	-
Discrete income tax adjustments	-	(2,267)
Cellulosic Biofuel tax credit	-	(388)
Alternative fuel mixture tax credits	-	-
USC acquisition expenses	1,877	-
Stock-based compensation expense	490	612
<b>Adjusted Net Income (Non-GAAP)</b>	<b>\$ 13,537</b>	<b>\$ 11,148</b>
<b>Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):</b>		
Basic EPS (GAAP)	\$ 1.60	\$ 0.29
Realization of unrecognized tax benefit	( 1.36)	-
Discrete income tax adjustments	-	( 0.05)
Cellulosic Biofuel tax credit	-	(0.01)
Alternative fuel mixture tax credits	-	-
USC acquisition expenses	0.04	-
Stock-based compensation expense	0.01	0.01
<b>Adjusted Basic EPS (Non-GAAP)</b>	<b>\$ 0.29</b>	<b>\$ 0.24</b>
<b>Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):</b>		
Diluted earnings per share (GAAP)	\$ 1.56	\$ 0.28
Realization of unrecognized tax benefit	( 1.32)	-
Discrete income tax adjustments	-	( 0.05)
Cellulosic Biofuel tax credit	-	(0.01)
Alternative fuel mixture tax credits	-	-
USC acquisition expenses	0.04	-
Stock-based compensation expense	0.01	0.01
<b>Adjusted Diluted EPS (Non-GAAP)</b>	<b>\$ 0.29</b>	<b>\$ 0.23</b>



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	<b>Year Ended December 31,</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):</b>					
Net income (GAAP)	\$ 26,963	\$ 19,665	\$ 80,280	\$ 65,041	\$ 123,981
Interest expense	1,945	15,515	13,184	3,166	3,599
Amortization of debt issuance costs	254	2,007	5,980	2,237	2,482
Provision (benefit) for income taxes	15,138	12,482	52,137	(2,407)	(23,640)
Depreciation and amortization	11,327	31,683	54,667	45,245	51,036
<b>EBITDA (Non-GAAP)</b>	<b>\$ 55,627</b>	<b>\$ 81,352</b>	<b>\$ 206,248</b>	<b>\$ 113,282</b>	<b>\$ 157,458</b>
Alternative fuel mixture tax credits	-	-	(163,998)	(22,195)	-
Dunnage bag business	(6,699)	(5,248)	(17,165)	-	-
USC acquisition expenses	-	-	-	-	3,540
Stock based compensation expense	697	1,754	2,377	3,592	3,985
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 49,625</b>	<b>\$ 77,858</b>	<b>\$ 27,462</b>	<b>\$ 94,679</b>	<b>\$ 164,983</b>
<b>Net Income (GAAP) to Adjusted Net Income (Non-GAAP):</b>					
Net income (GAAP)	\$ 26,963	\$ 19,665	\$ 80,280	\$ 65,041	\$ 123,981
Realization of unrecognized tax benefit	-	-	-	-	(63,026)
Discrete tax adjustments	-	-	-	(2,510)	1,257
Alternative fuel mixture tax credits	-	-	(99,427)	(14,737)	-
Cellulosic Biofuel tax credit	-	-	-	(21,048)	-
Dunnage bag business	(4,287)	(3,210)	(10,407)	-	-
USC acquisition expenses	-	-	-	-	2,483
Stock based compensation expense	446	1,073	1,441	2,385	2,471
<b>Adjusted Net Income (Non-GAAP)</b>	<b>\$ 23,122</b>	<b>\$ 17,528</b>	<b>\$ (28,113)</b>	<b>\$ 29,131</b>	<b>\$ 67,166</b>
<b>Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):</b>					
Diluted earnings per share (GAAP)	\$ 0.75	\$ 0.57	\$ 2.29	\$ 1.38	\$ 2.61
Realization of unrecognized tax benefit	-	-	-	-	(1.33)
Discrete tax adjustments	-	-	-	(0.05)	0.03
Alternative fuel mixture tax credits	-	-	( 2.84)	( 0.45)	-
Cellulosic Biofuel tax credit	-	-	-	( 0.31)	-
Dunnage bag business	( 0.12)	( 0.09)	( 0.30)	-	-
USC acquisition expenses	-	-	-	-	0.05
Stock based compensation expense	0.01	0.03	0.04	0.05	0.05
<b>Adjusted Diluted EPS (Non-GAAP)</b>	<b>\$ 0.64</b>	<b>\$ 0.51</b>	<b>\$ (0.81)</b>	<b>\$ 0.62</b>	<b>\$ 1.41</b>



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**Supplemental Information**  
**Cash Flow and Adjusted Free Cash Flow**  
**(preliminary and unaudited)**

\$ 000's	Year Ended December 31,				
	2007	2008	2009	2010	2011
<b>Cash Flow from Operating Activities (GAAP)</b>	\$ 52,235	\$ 47,352	\$ 201,235	\$ 136,076	\$ 136,376
Less consolidated capital expenditures	(11,861)	(23,170)	(29,165)	(38,318)	(42,531)
<b>Free cash flow</b>	<b>40,374</b>	<b>24,182</b>	<b>172,070</b>	<b>97,758</b>	<b>93,845</b>
<b><u>Adjustments:</u></b>					
Dunnage bag business operating income	(6,350)	(5,248)	(748)	-	-
Gain on sale of dunnage bag business	-	-	(16,417)	-	-
Dunnage bag business depreciation	(349)	(384)	(90)	-	-
Income taxes for dunnage bag business	2,413	1,994	6,523	-	-
Capital expenditures for dunnage bag business	359	310	-	-	-
Alternative fuel mixture tax credit	-	-	(163,998)	(14,260)	-
Alternative fuel mixture tax credit claimed on tax return	-	-	-	(7,935)	-
Income taxes for AFTC	-	-	62,319	5,419	-
Change in AFTC receivable	-	-	13,102	(13,102)	-
<b>Adjusted free cash flow (non GAAP)</b>	<b>\$ 36,447</b>	<b>\$ 20,854</b>	<b>\$ 72,761</b>	<b>\$ 67,880</b>	<b>\$ 93,845</b>
Annual shares outstanding	36,064,206	34,455,816	35,067,923	46,979,060	47,487,623
<b>Adjusted free cash flow (non GAAP) per share</b>	<b>\$ 1.01</b>	<b>\$ 0.61</b>	<b>\$ 2.07</b>	<b>\$ 1.44</b>	<b>\$ 1.98</b>

