



KAPSTONE

PAPER AND PACKAGING CORPORATION

2012 Second 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.

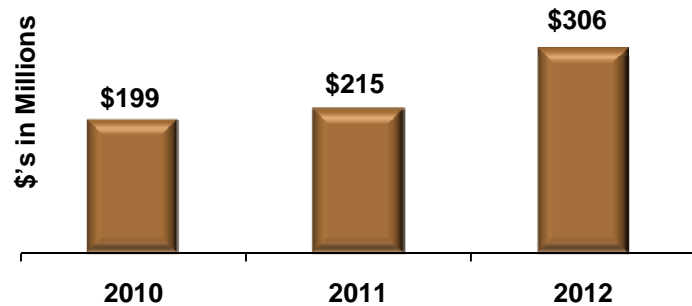
Non-GAAP Financial Measures

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

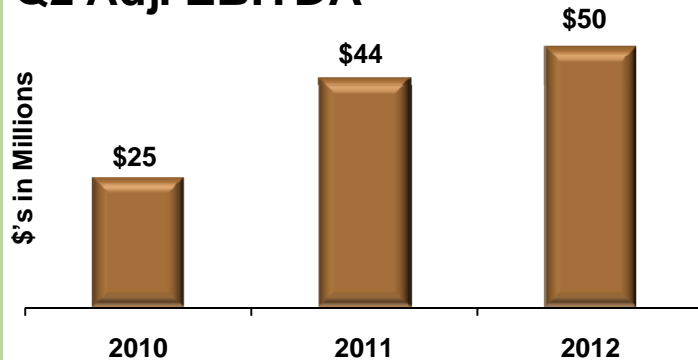
Q2 Net Sales and Adj. EBITDA Hit New All Time Records

Q2 Net Sales



USC provided \$97 million of revenue in Q2 2012

Q2 Adj. EBITDA*

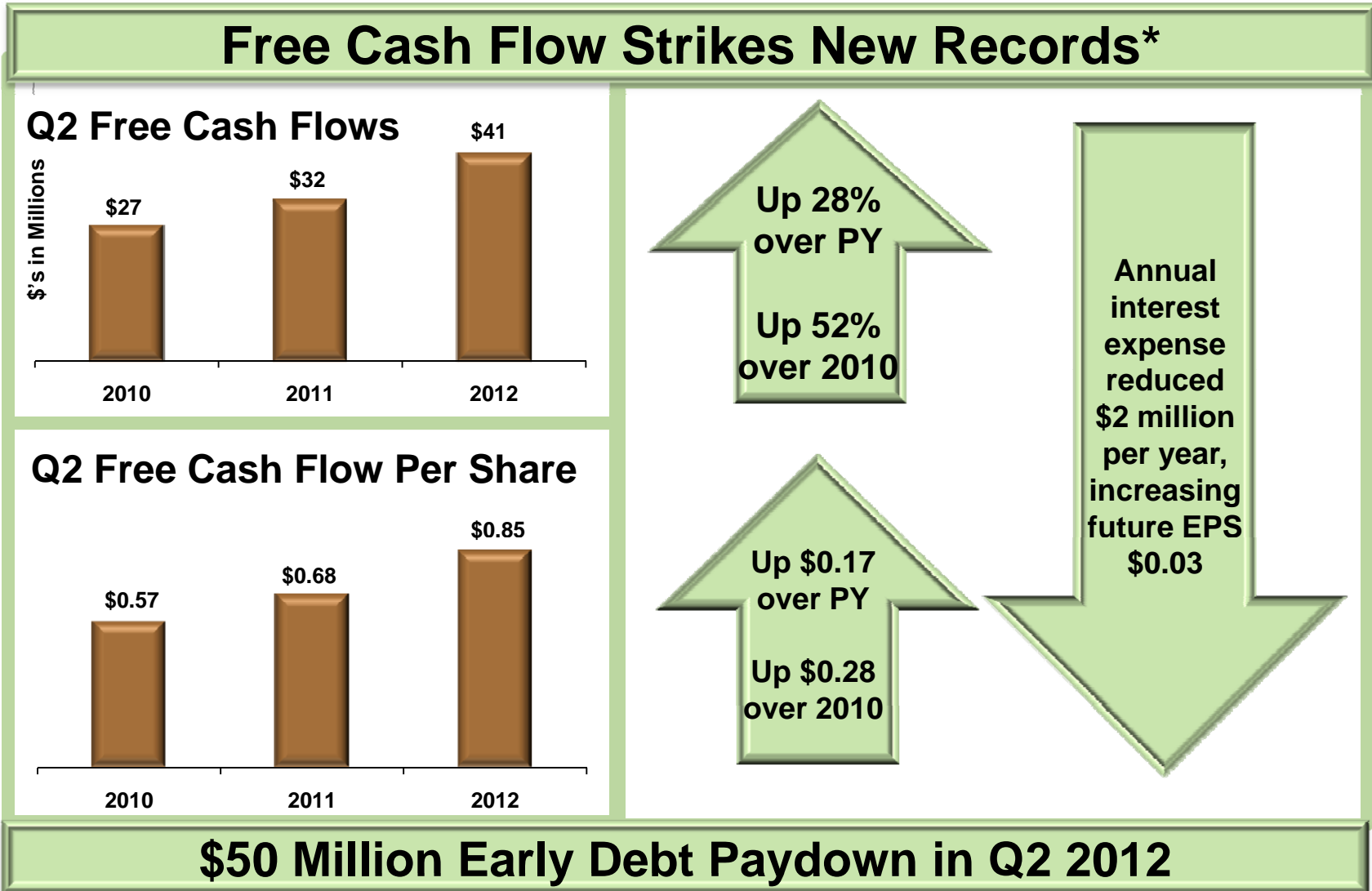


USC provided \$10 million of Adj. EBITDA in Q2 2012

*Adjusted to exclude alternative fuel mixture credits, non-cash stock compensation and acquisition related costs

Integration and Realization of Synergies on Target

KapStone Generates Substantial Cash



*Excluding Alternative Fuel Mixture Tax Credits

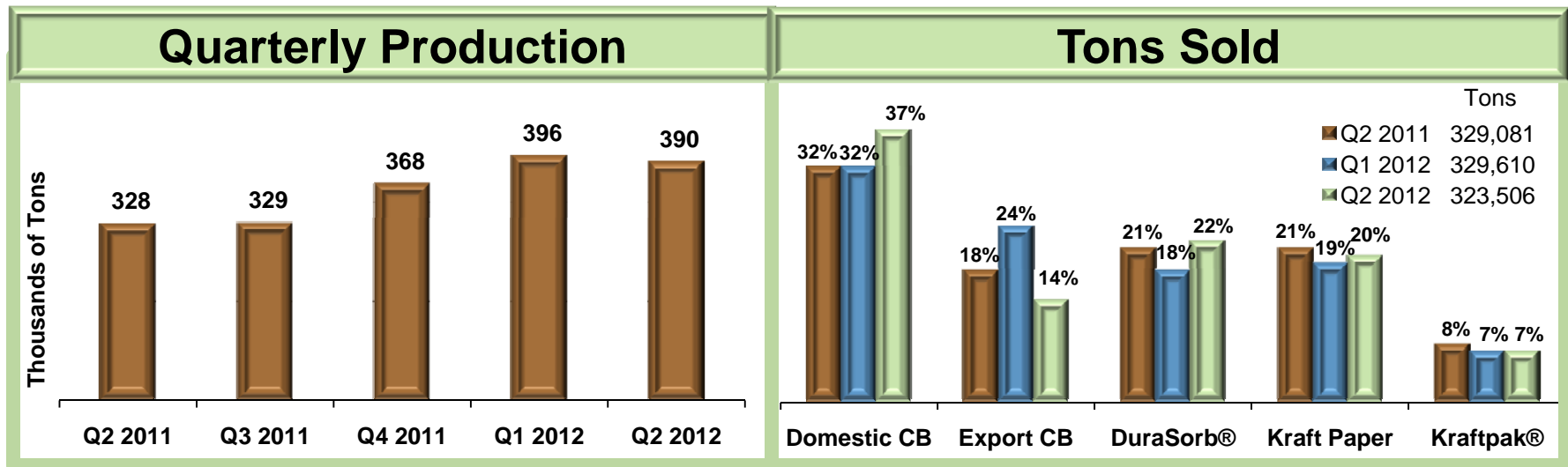
Quarter Comparison

(\$ in Millions, except per share data)

	<u>Q2 2012</u>	<u>Q2 2011</u>	<u>Inc/(Dec)</u>	<u>Q1 2012</u>	<u>Inc/(Dec)</u>
Net Sales	\$ 306	\$ 215	43%	\$ 300	2%
EBITDA	\$ 47	\$ 43	9%	\$ 43	9%
Adj. EBITDA*	\$ 50	\$ 44	14%	\$ 46	9%
Net Income	\$ 18	\$ 18	-%	\$ 16	13%
Adj. Net Income*	\$ 20	\$ 19	5%	\$ 18	11%
Diluted EPS	\$ 0.39	\$ 0.38	3%	\$ 0.33	18%
Adj. Diluted EPS*	\$ 0.42	\$ 0.39	8%	\$ 0.38	11%

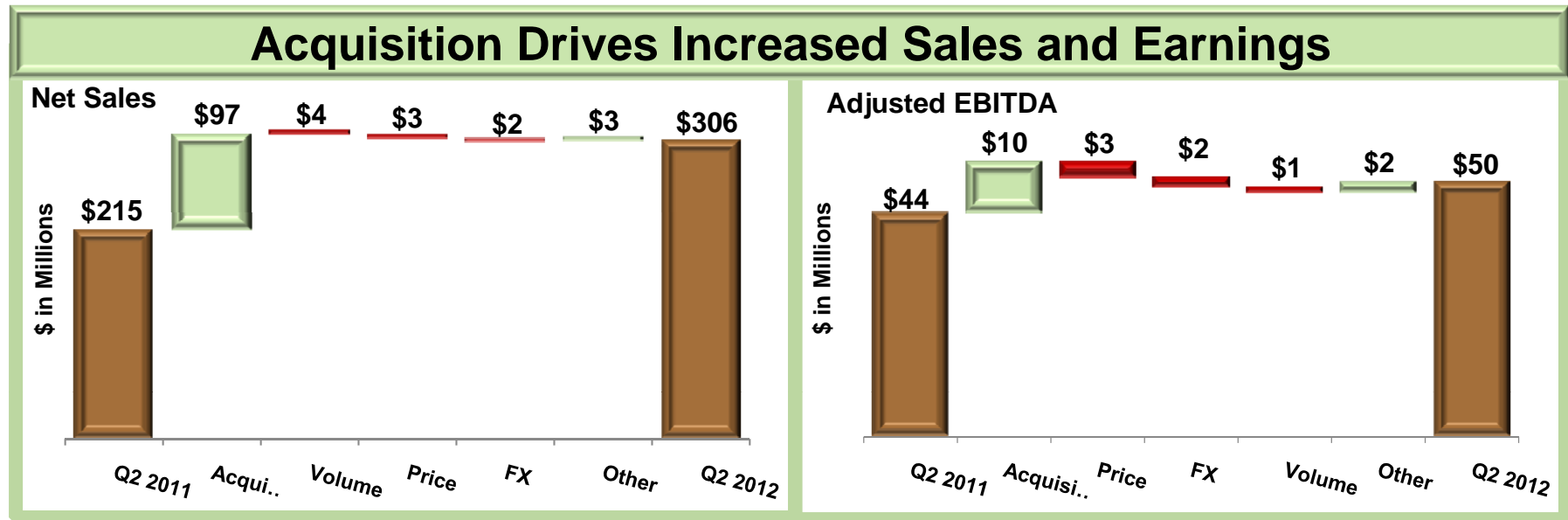
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Tons Produced, Sold and Product Mix



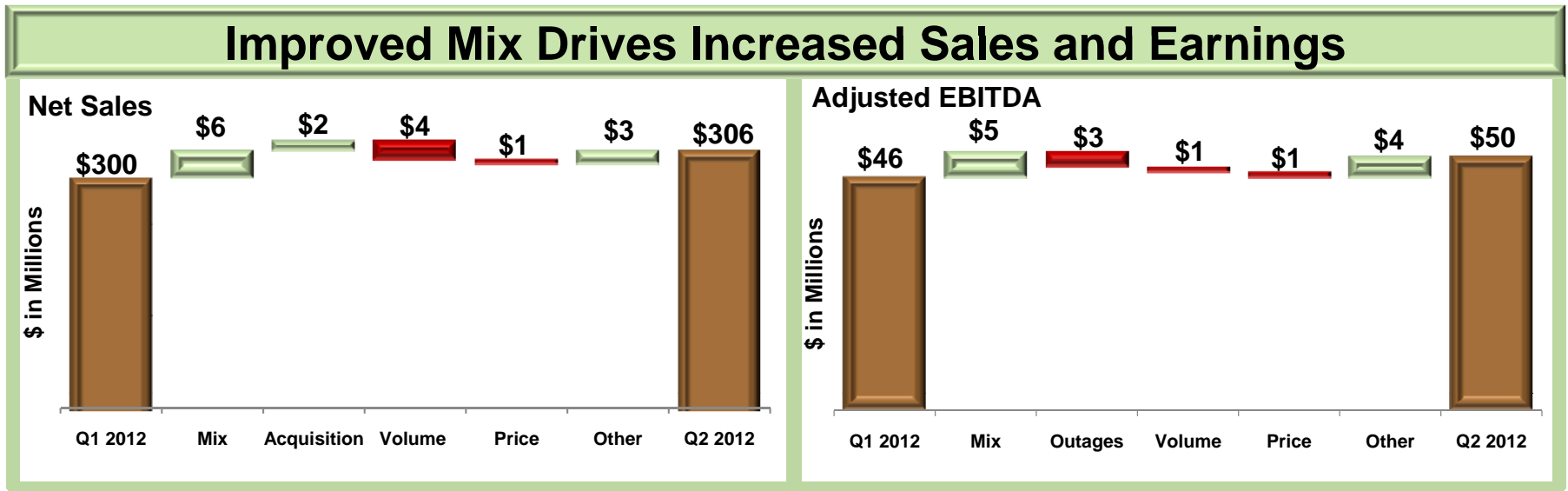
- While operating rates were high at all mills, unplanned downtime at both legacy mills negatively impacted Q2 production
 - Legacy mills' production improved over Q2 2011, but was down 6,000 tons from Q1 2012
 - Production at the acquisition mill was essentially unchanged from Q1 2012
- Legacy 2012 unit sales declined by 5,600 tons from Q2 2011 reflecting higher internal usage
- Unit sales declined by 6,100 tons from Q1 2012 reflecting lower export containerboard volume
- Finished goods inventory at quarter end was down slightly from Q1 2012

Q2 2012 Compared to Q2 2011



- Acquisition added \$97 million in revenues and \$10 million of earnings on sales of 1.6 bsf of corrugated products
- Volume decline in legacy operations due to internal usage
- Average selling prices per ton were down \$10 to \$623 on lower containerboard prices
 - Export containerboard price recovery began in March
 - Kraft paper prices increased by \$20 per ton due to partial realization of 2011 announced increases
- Exchange rates negatively impacted sales and earnings by \$2 million reflecting an 11% weaker euro
- Other includes higher lumber sales and lower operating costs partially offset by inflation

Q2 2012 Compared to Q1 2012



- Improved product mix increased sales by \$6 million and adjusted EBITDA by \$5 million, reflecting higher sales of domestic containerboard and Durasorb
 - Average revenue per ton increased \$15 to \$623 on improved product mix
 - Partially offset by lower kraft paper prices which reduced sales and adjusted EBITDA by \$1 million
- The acquisition added \$2 million of sales
- Q2 legacy unit sales declined on lower production
- Planned maintenance outages at the Charleston mill during Q2 negatively impacted adjusted EBITDA
- Other includes lumber operations and lower operating costs

Balance Sheet

- Net debt at June 30, 2012 was \$297 million, down \$41 million from Q1
- Debt to EBITDA ratio of 1.65 times at June 30, 2012
- Interest rate of 2.24% during Q2 reduced today to 2.0%
 - \$50 million voluntary debt prepayment and strong EBITDA lowered base interest rate base to 1.75% plus LIBOR
 - No principal payments due until June 30, 2014
- Liquidity
 - \$142 million revolver availability
 - Increased accordion provision in current credit facility to \$450 million
- Capex for 2012 expected to be approximately \$64 million with \$20 million in Q3 2012 including \$4 million for the acquisition and IT

Summary of Key Assumptions for Q3 2012

- Market conditions
 - Improved export containerboard prices
 - Improved product mix – higher DuraSorb ®, kraft paper, and Kraftpak ® sales; lower export sales
 - Healthy order backlogs
- Operations
 - Planned maintenance – consistent with Q2 2012; no planned downtime
 - Input costs relatively stable
- Tax rates
 - 36.0% effective tax rate in Q3 2012
 - Cash tax rate for 2012 expected to be about 10%
- FX
 - Negative compared to 2011 – Average rate for Q3 2011 was 1.41
 - Potential \$2-3 million negative impact in Q3 2012 compared to Q3 2011