



Second Quarter 2013 GAAP to Non-GAAP Reconciliations

July 31, 2013



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

	Quarter Ended June 30,		Fav / (Unfav) Variance %	Six Months Ended June 30,		Fav / (Unfav) Variance %
	2013	2012		2013	2012	
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):						
Net income (GAAP)	\$ 20,991	\$ 18,404	14.1%	\$ 39,450	\$ 33,967	16.1%
Interest expense, net	1,909	2,296	16.9%	3,784	4,669	19.0%
Amortization of debt issuance costs	727	897	19.0%	1,453	1,803	19.4%
Provision for income taxes	11,052	10,350	-6.8%	20,478	19,104	-7.2%
Depreciation and amortization	17,253	15,327	-12.6%	34,477	30,503	-13.0%
EBITDA (Non-GAAP)	\$ 51,932	\$ 47,274	9.9%	\$ 99,642	\$ 90,046	10.7%
Acquisition, start up and other expenses	2,673	1,382	-93.4%	3,284	2,605	-26.1%
Stock-based compensation expense	954	1,264	24.5%	3,299	3,577	7.8%
Adjusted EBITDA (Non-GAAP)	\$ 55,559	\$ 49,920	11.3%	\$ 106,225	\$ 96,228	10.4%
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):						
Net income (GAAP)	\$ 20,991	\$ 18,404		\$ 39,450	\$ 33,967	
Acquisition, start up and other expenses	1,751	885		2,151	1,667	
Stock-based compensation expense	625	809		2,161	2,289	
Adjusted Net Income (Non-GAAP)	\$ 23,367	\$ 20,098		\$ 43,762	\$ 37,923	
Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):						
Basic EPS (GAAP)	\$ 0.44	\$ 0.39		\$ 0.83	\$ 0.73	
Acquisition, start up and other expenses	0.04	0.02		0.04	0.04	
Stock-based compensation expense	0.01	0.02		0.05	0.05	
Adjusted Basic EPS (Non-GAAP)	\$ 0.49	\$ 0.43		\$ 0.92	\$ 0.82	
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):						
Diluted earnings per share (GAAP)	\$ 0.44	\$ 0.39		\$ 0.82	\$ 0.71	
Acquisition, start up and other expenses	0.03	0.02		0.04	0.03	
Stock-based compensation expense	0.01	0.01		0.05	0.05	
Adjusted Diluted EPS (Non-GAAP)	\$ 0.48	\$ 0.42		\$ 0.91	\$ 0.79	

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

Calculation of Net Debt

	Quarter Ended				
	<u>6/30/2013</u>	<u>3/31/2013</u>	<u>12/31/2012</u>	<u>9/30/2012</u>	<u>6/30/2012</u>
Current portion of long-term debt	\$ 5,313	\$ -	\$ -	\$ -	\$ -
Short-term borrowings	13,700	52,200	63,500	-	-
Other borrowings	1,703	2,719	-	622	1,552
Long term debt, net	290,323	294,973	294,310	294,171	293,355
Unamortized debt issuance costs	<u>9,677</u>	<u>10,340</u>	<u>11,003</u>	<u>11,142</u>	<u>11,958</u>
	320,716	360,232	368,813	305,935	306,865
Less cash and cash equivalents	<u>(8,404)</u>	<u>(7,618)</u>	<u>(16,488)</u>	<u>(36,304)</u>	<u>(9,683)</u>
Total Net Debt (non GAAP)	<u>\$ 312,312</u>	<u>\$ 352,614</u>	<u>\$ 352,325</u>	<u>\$ 269,631</u>	<u>\$ 297,182</u>
Decrease (increase) during the quarter	<u>\$ 40,302</u>	<u>\$ (289)</u>	<u>\$ (82,694)</u>	<u>\$ 27,551</u>	<u>\$ 40,542</u>
<u>Net Debt to Capital ratio calculation</u>					
Net debt	\$ 312,312	\$ 352,614	\$ 352,325	\$ 269,631	\$ 297,182
Capital (Equity plus Long term debt, net)	\$ 853,148	\$ 834,668	\$ 812,258	\$ 899,301	\$ 878,195
Ratio	<u>36.6%</u>	<u>42.2%</u>	<u>43.4%</u>	<u>30.0%</u>	<u>33.8%</u>

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

	Quarter Ended				
	<u>6/30/2013</u>	<u>3/31/2013</u>	<u>12/30/2012</u>	<u>9/30/2012</u>	<u>6/30/2012</u>
Cash flow from operations (GAAP)	\$ 55,035	\$ 15,637	\$ 40,377	\$ 40,452	\$ 57,209
Less capital expenditures	<u>(15,881)</u>	<u>(16,832)</u>	<u>(25,838)</u>	<u>(13,945)</u>	<u>(16,549)</u>
Adjusted free cash flow (Non-GAAP)	<u>\$ 39,154</u>	<u>\$ (1,195)</u>	<u>\$ 14,539</u>	<u>\$ 26,507</u>	<u>\$ 40,660</u>
Average diluted shares outstanding	48,217,835	48,226,209	47,404,980	47,914,816	47,744,589
Adjusted free cash flow per share	<u>\$ 0.81</u>	<u>\$ (0.02)</u>	<u>\$ 0.31</u>	<u>\$ 0.55</u>	<u>\$ 0.85</u>