



GAAP to Non-GAAP Reconciliations

August 1, 2012



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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Income (GAAP) to EBITDA (Non-GAAP) to Adjusted EBITDA (Non-GAAP):				
Net income (GAAP)	\$ 18,404	\$ 18,159	\$ 33,967	\$ 33,290
Interest expense, net	2,296	640	4,669	1,327
Amortization of debt issuance costs	897	437	1,803	847
Provision for income taxes	10,350	11,417	19,104	20,928
Depreciation and amortization	15,327	12,778	30,503	24,569
EBITDA (Non-GAAP)	\$ 47,274	\$ 43,431	\$ 90,046	\$ 80,961
Acquisition start up expenses	1,382	–	2,605	–
Stock-based compensation expense	1,264	763	3,577	2,521
Adjusted EBITDA (Non-GAAP)	\$ 49,920	\$ 44,194	\$ 96,228	\$ 83,482
Net Income (GAAP) to Adjusted Net Income (Non-GAAP):				
Net income (GAAP)	\$ 18,404	\$ 18,159	\$ 33,967	\$ 33,290
Acquisition start up expenses	885	–	1,667	–
Stock-based compensation expense	809	468	2,289	1,548
Adjusted Net Income (Non-GAAP)	\$ 20,098	\$ 18,627	\$ 37,923	\$ 34,838
Basic EPS (GAAP) to Adjusted Basic EPS (Non-GAAP):				
Basic EPS (GAAP)	\$ 0.39	\$ 0.39	\$ 0.73	\$ 0.72
Acquisition start up expenses	0.02	–	0.04	–
Stock-based compensation expense	0.02	0.01	0.05	0.03
Adjusted Basic EPS (Non-GAAP)	\$ 0.43	\$ 0.40	\$ 0.82	\$ 0.75
Diluted EPS (GAAP) to Adjusted Diluted EPS (Non-GAAP):				
Diluted earnings per share (GAAP)	\$ 0.39	\$ 0.38	\$ 0.71	\$ 0.70
Acquisition start up expenses	0.02	–	0.03	–
Stock-based compensation expense	0.01	0.01	0.05	0.03
Adjusted Diluted EPS (Non-GAAP)	\$ 0.42	\$ 0.39	\$ 0.79	\$ 0.73



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Cash Flow From Operations and Adjusted Free Cash Flow
(In thousands)
(unaudited)

	Quarter Ended				
	<u>6/30/2012</u>	<u>3/31/2012</u>	<u>12/31/2011</u>	<u>9/30/2011</u>	<u>6/30/2011</u>
Cash flow from operations (GAAP)	\$ 57,209	\$ 19,791	\$ 32,332	\$ 50,952	\$ 40,638
Less capital expenditures	(16,549)	(10,905)	(16,269)	(13,348)	(8,236)
Adjusted free cash flow (Non-GAAP)	\$ 40,660	\$ 8,886	\$ 16,063	\$ 37,604	\$ 32,402
Average diluted shares outstanding	47,744,589	47,841,371	47,585,093	47,494,425	47,416,400
Adjusted free cash flow per share	\$ 0.85	\$ 0.19	\$ 0.34	\$ 0.79	\$ 0.68



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Net Debt and Debt to Equity Ratio
(In thousands)
(unaudited)

Calculation of Net Debt

	Quarter Ended				
	<u>6/30/2012</u>	<u>3/31/2012</u>	<u>12/31/2011</u>	<u>9/30/2011</u>	<u>6/30/2011</u>
Current portion of LT debt	\$ -	\$ 13,125	\$ 6,094	\$ 18,835	\$ 18,835
Other current borrowings	1,552	2,477	-	623	1,038
Long term debt, net	293,355	329,418	335,635	78,924	84,030
Unamortized debt issuance costs	11,958	12,770	13,584	2,221	2,612
	<u>306,865</u>	<u>357,790</u>	<u>355,313</u>	<u>100,603</u>	<u>106,515</u>
Less cash and restricted cash	<u>(9,683)</u>	<u>(20,066)</u>	<u>(8,062)</u>	<u>(82,342)</u>	<u>(49,822)</u>
Total Net Debt (non GAAP)	<u>\$ 297,182</u>	<u>\$ 337,724</u>	<u>\$ 347,251</u>	<u>\$ 18,261</u>	<u>\$ 56,693</u>
Decrease (increase) during the quarter	<u>\$ 40,542</u>	<u>\$ 9,527</u>	<u>\$ (328,990)</u>	<u>\$ 38,432</u>	<u>\$ 21,938</u>
<u>Debt to Capital ratio calculation</u>					
Net debt	\$ 297,182	\$ 337,724	\$ 347,251	\$ 18,261	\$ 56,693
Capital (Equity plus Long term debt, net)	\$ 878,195	\$ 894,595	\$ 881,913	\$ 552,313	\$ 539,287
Ratio	<u>33.8%</u>	<u>37.8%</u>	<u>39.4%</u>	<u>3.3%</u>	<u>10.5%</u>

