



Kraton Polymers LLC Second Quarter Earnings Call

August 12, 2009

Forward Looking Statements

This presentation may include “forward-looking statements” which are statements other than statements of historical fact and are often characterized by the use of words such as “believes,” “expects,” “estimates,” “projects,” “may,” “will,” “intends,” “plans” or “anticipates,” or by discussions of strategy, plans or intentions. All forward-looking statements in this presentation are made based on management's current expectations and estimates, which involve risks, uncertainties and other factors that could cause results to differ materially from those expressed in forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

GAAP Disclaimer

This presentation includes non-GAAP financial measures, including EBITDA and LTM Bank EBITDA. Investors should consider these measures, which we believe investors consider useful in assessing our performance and compliance with our financial covenants, together with the GAAP measures from our financial statements. A reconciliation of the non-GAAP financial measures used in this presentation to the most directly comparable GAAP measures can be found in our press release dated August 11, 2009.

2009 Second Quarter Highlights



Business Performance

- ▶ Adjusted Gross Profit reflects significant improvement in base margins
- ▶ Adjusted EBITDA for the second quarter and first six months exceeded 2008 results
- ▶ Volume trends beginning to show signs of recovery
- ▶ LTM Bank EBITDA of \$137 million provides \$27 million of leverage cushion

Cost-Out / Efficiency Gains

- ▶ Expect to achieve \$17-\$19 million of cost savings as compared to our \$10 million target for 2008
- ▶ Adjusted EBITDA per ton approximately 2x 2008
- ▶ Global ERP and process control upgrades on plan

Innovation

- ▶ Commercializing a number of new innovations to accelerate growth
- ▶ Announced the grand opening of our state-of-the-art Kraton Innovation Center

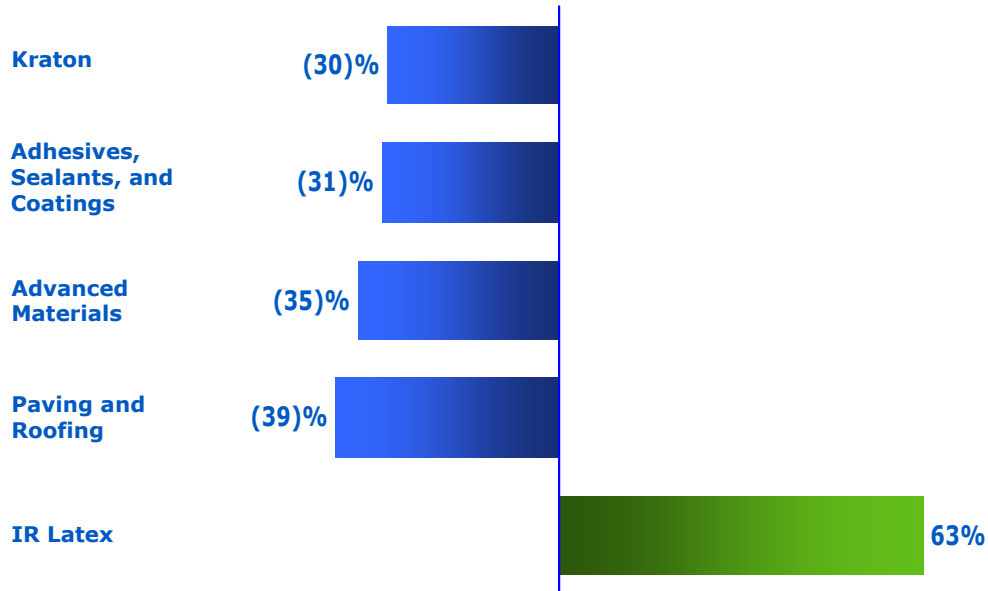
Headwinds

- ▶ Monomer prices beginning to increase
- ▶ Volume showing signs of recovery, but market conditions are still volatile

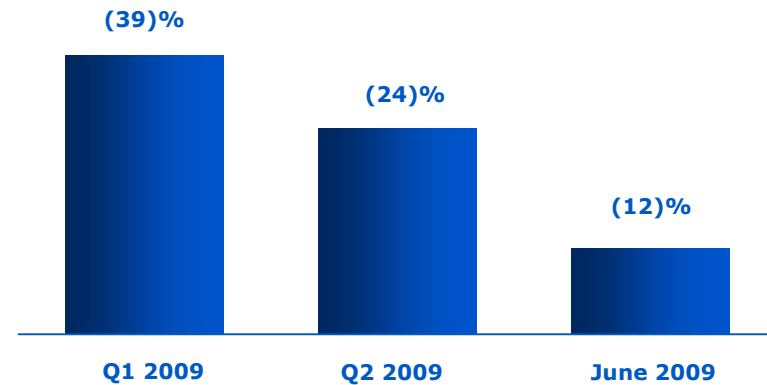
Revenue and Innovation Growth



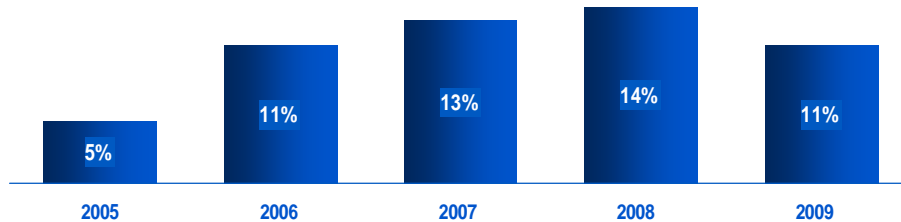
**YTD 2009 vs. YTD 2008
Revenue Change By End-Use**



2009 Volume vs. Prior Period



Innovation Revenue ⁽¹⁾ as a % of Total Revenue



- ▶ Effect of the slowdown and customers' hesitancy to commit to new projects led to a shortfall in innovation product sales
- ▶ We remain extremely optimistic in regards to our innovation pipeline, with our impressive list of recently announced innovative products





⁽¹⁾ Innovation revenue defined as revenue from products introduced within the last 5 years.

Second Quarter and Year to Date 2009 Financial Performance

Summary Financial Information

(US \$ in millions)



	Second Quarter		YTD June 30	
	2009	2008	2009	2008
Sales Volume (kT)	71	94	119	171
Total Revenues	\$ 244	\$ 345	\$ 429	\$ 612
EBITDA ⁽¹⁾	\$ 17	\$ 35	\$ 22	\$ 51
Adjusted EBITDA ⁽²⁾	\$ 25	\$ 23	\$ 67	\$ 34
LTM Bank EBITDA ⁽³⁾			\$ 137	\$ 116
Total Debt			\$ 489	\$ 527
Leverage			3.57	4.55
Interest Coverage			4.07	2.87

(1) EBITDA is used by management to evaluate operating performance. EBITDA is not a recognized term under GAAP and does not purport to be an alternative to net income (loss) as an indicator of operating performance.

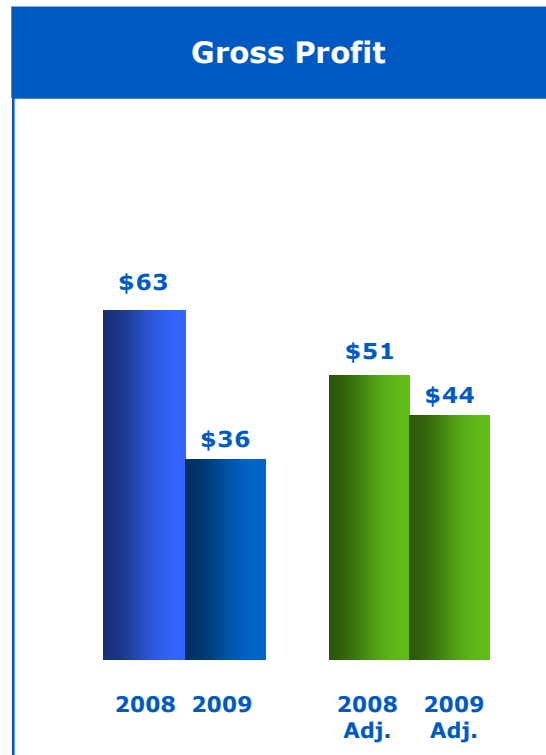
(2) Adjusted EBITDA is defined as EBITDA excluding FIFO vs. replacement cost spread

(3) LTM Bank EBITDA is defined as EBITDA adjusted for items pursuant to the senior secured credit facility.

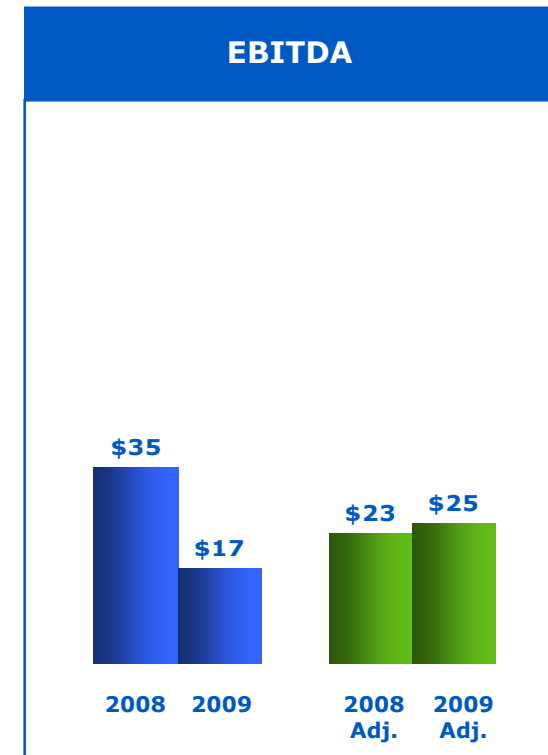
Second Quarter 2009 Financial Summary (US \$ in millions)



- ▶ Decline in volume equates to \$78 million in revenue
- ▶ Foreign exchange rate movements comprises the balance



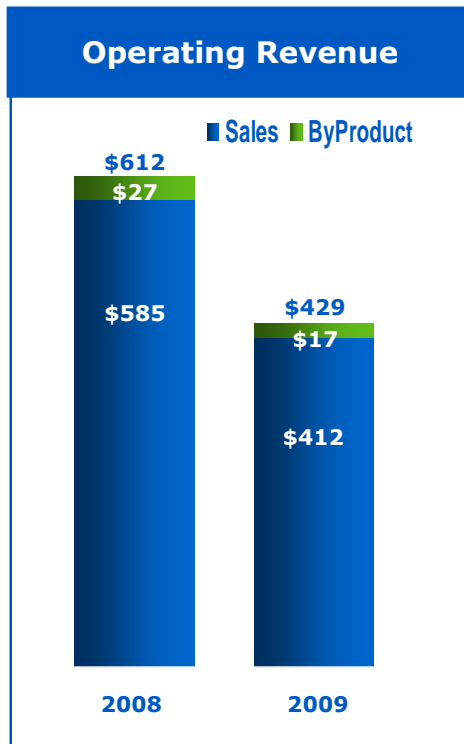
- ▶ Substantially all of the decline due to lower volume
- ▶ Quarter-on-quarter FIFO vs. replacement spread of \$20 million



- ▶ \$4 million lower R&D and SG&A costs
- ▶ \$4 million gain on extinguishment of debt

Year to Date 2009 Financial Summary

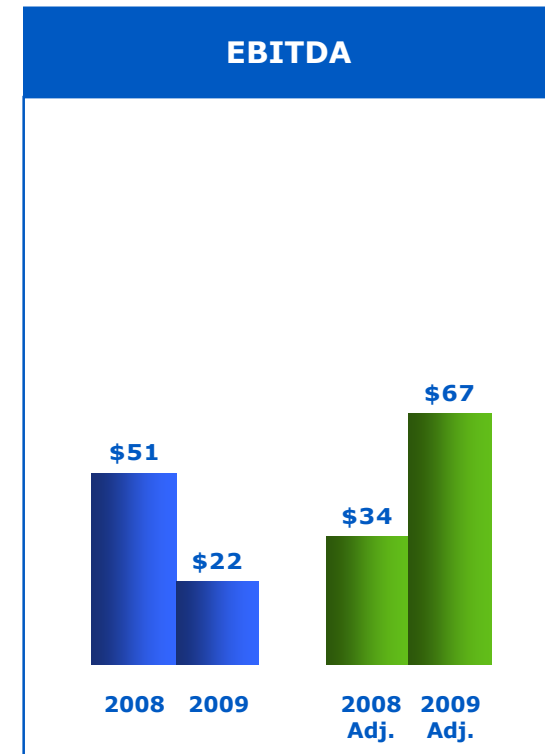
(US \$ in millions)



- ▶ Decline in volume equates to \$171 million in revenue
- ▶ Partially offset by \$29 million favorable price and mix
- ▶ Foreign exchange reduced operating revenue by \$31 million



- ▶ Decline largely due to lower volume
- ▶ Year-on-year FIFO vs. replacement spread of \$61 million



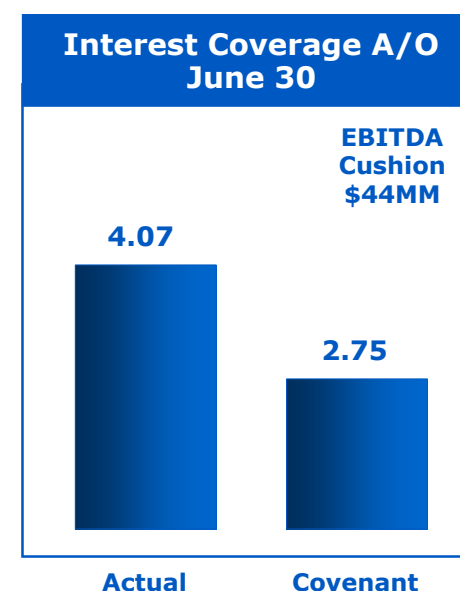
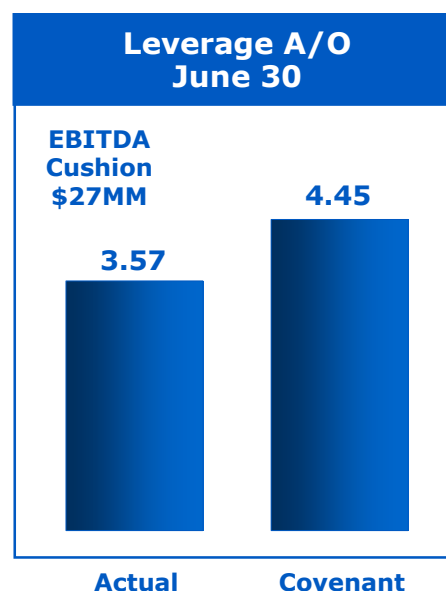
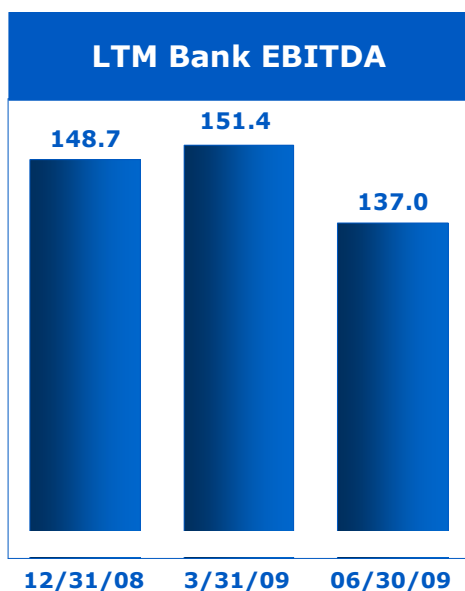
- ▶ \$14 million lower R&D and SG&A costs
- ▶ \$24 million gain on extinguishment of debt

Capitalization Table and Covenants

(US \$ in millions)



	Revolver	Term	Sr. Notes	Insurance Bond	Total Debt	Cash	Net Debt
Rate	L+225	L+200	8.125%				
Maturity	May 2011	May 2013	January 2014				
December 31, 2008	\$ 50.0	\$ 325.1	\$ 200.0	\$ -	\$ 575.1	\$ 101.4	\$ 473.7
Increase (Decrease)	(47.0)	(0.9)	(30.0)	3.9	(74.0)	(88.6)	14.6
March 31, 2009	3.0	324.2	170.0	3.9	501.1	12.8	488.3
Increase (Decrease)	(3.0)	(0.8)	(7.0)	(0.9)	(11.7)	4.9	(16.6)
June 30, 2009	\$ -	\$ 323.4	\$ 163.0	\$ 3.0	\$ 489.4	\$ 17.7	\$ 471.7



Recent Developments



Price Right

- ▶ Improving base margins on a replacement cost basis
- ▶ Adjusted EBITDA above 2008, despite challenging economic conditions

Innovation-Led Top-line Growth

- ▶ Announced new formulations designed to support VOC requirements with contact adhesives
- ▶ Announced the first high polymer content binder designed to enhance durability and safety of porous asphalt roads
- ▶ Announced G1645 block copolymers
- ▶ Announced Kraton Nexar™ polymer product family

Capital Structure and Cash

- ▶ Retired \$7 million face value of our 8.125% Notes bringing our total debt reduction to \$86 million since year-end 2008

Productivity

- ▶ On track to achieve \$17-\$19 million in cost reduction as compared to the \$10 million goal
- ▶ Adjusted EBITDA per ton approximately 2x 2008
- ▶ Global ERP and process control upgrades on plan

