



Kraton Polymers LLC First Quarter Earnings Call

May 14, 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 May 13, 2009.

2009 First Quarter Highlights



Business Performance

- ▶ \$47 million improvement in LTM Bank EBITDA from Q1 2008
- ▶ Within compliance of financial covenants
- ▶ IR Latex achieved new milestones in both production and sales; this business relatively resilient to global economic slowdown

Cost-Out / Efficiency Gains

- ▶ On target to exceed \$10 million cost reduction target
 - ▷ Reductions in plant fixed costs, global staff reduction, freeze on salaries and adds to staff, and "salary at risk" program
- ▶ Global ERP and process control upgrades on plan

Innovation

- ▶ Awarded North American Technology Leadership Award from Frost & Sullivan
- ▶ Ongoing application screening with sulfonated polymers with positive results in clothing area
- ▶ RTS facility relocations in Houston and Japan moving forward in accordance with plans

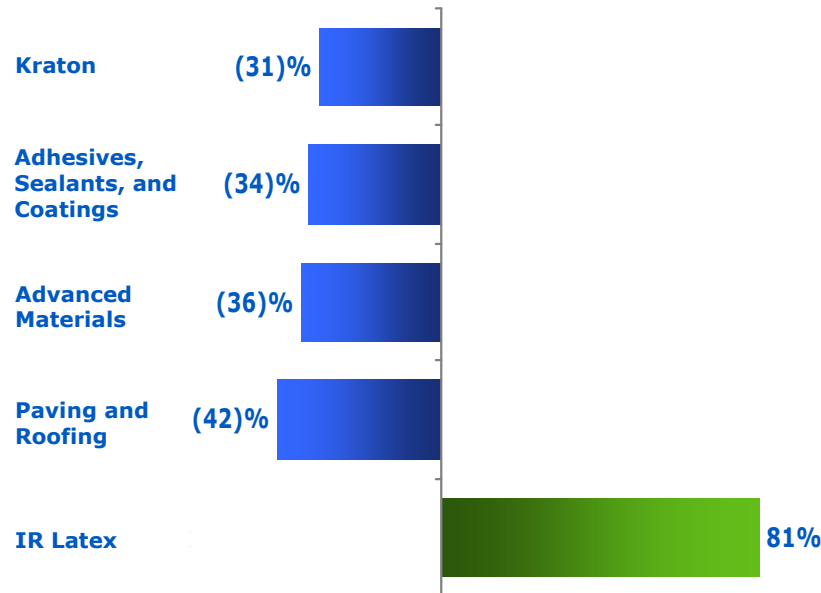
Headwinds

- ▶ Monomer prices continued to decline in the first quarter of 2009 as compared to the fourth quarter of 2008 but are beginning to stabilize

Revenue and Innovation Growth

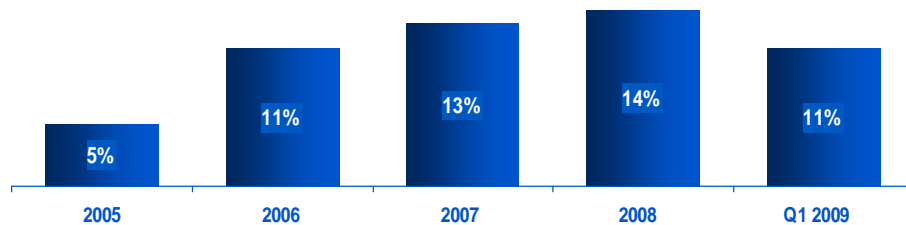


Q1 2009 vs. Q1 2008 Revenue Change By End-Use



- ▶ **Revenue** declined due to volume as a result of the current global economic downturn
- ▶ **Adhesives, Sealants and Coatings** declined due to weakness in the tape segment in both North America and Europe
- ▶ **Advanced Materials** declined due to volume in automotive and consumer applications commensurate with global economic conditions
- ▶ **Paving and Roofing** declined due to lower government spending on road projects and a slow-down in commercial roofing activity in North America
- ▶ **IR Latex** continued expected growth with no visible impact from the global economic downturn

Innovation Revenue ⁽¹⁾ as a % of Total Revenue



- ▶ Innovation product sales in Q1 were below our goal of 16%, due to lower volume in the following applications:
 - ▶ Roofing applications in Europe
 - ▶ Printing plate applications in Japan
 - ▶ Personal Care applications
 - ▶ Medical applications

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

2009 Q1 Financial Performance

Summary Financial Information

(US \$ in millions)



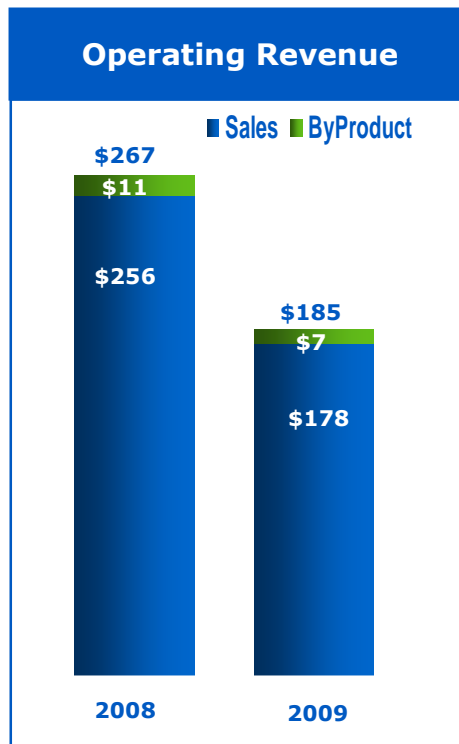
	First Quarter	
	2009	2008
Sales Volume (kT)	47	77
Total Operating Revenues	\$ 185	\$ 267
EBITDA ⁽¹⁾	\$ 5	\$ 15
LTM Bank EBITDA ⁽²⁾	\$ 151	\$ 104
Total Debt	\$ 501	\$ 542
Leverage	3.31	5.20
Interest Coverage	4.38	2.48

(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.

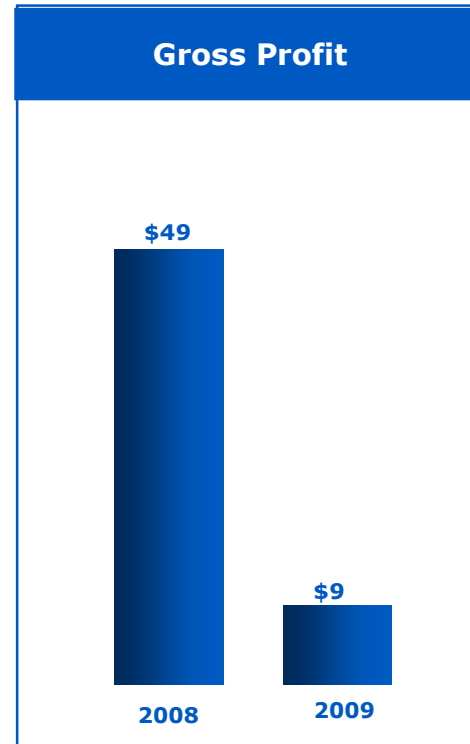
(2) LTM Bank EBITDA is defined as EBITDA adjusted for items pursuant to the senior secured credit facility.

First Quarter 2009 Financial Summary

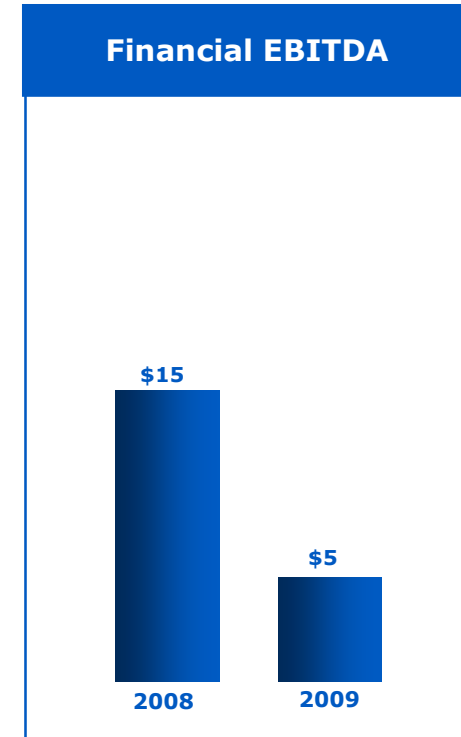
(US \$ in millions)



- ▶ \$29 million increase in global sales prices and changes in mix
- ▶ \$94 million decline associated with 30kT decline in volume

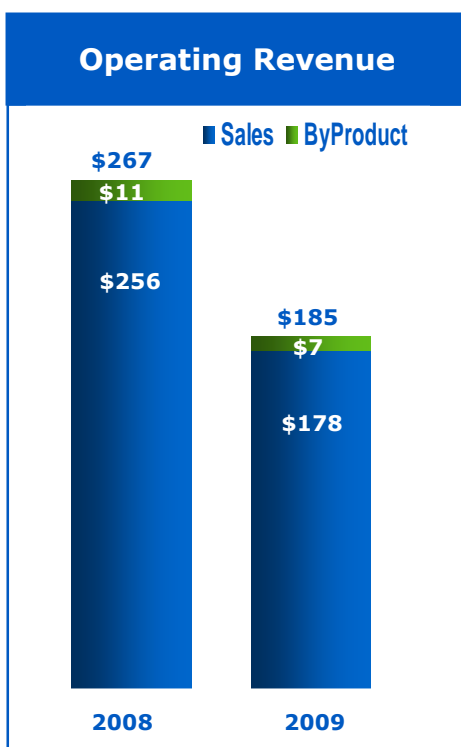


- ▶ \$40 million decline from higher monomer and other production costs, including the impact of FIFO versus replacement cost

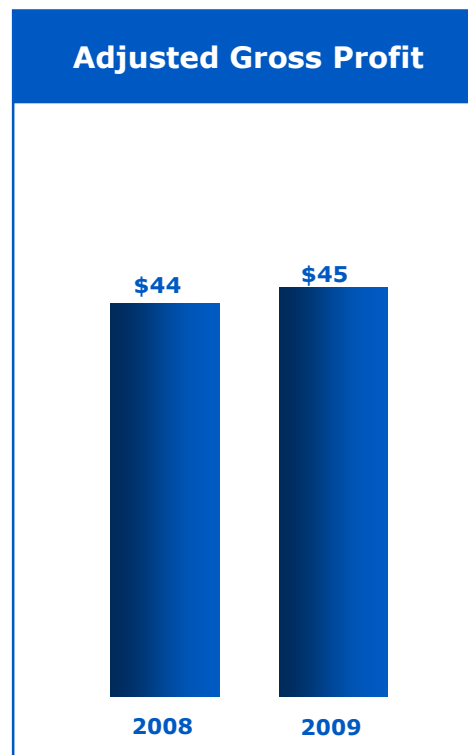


- ▶ Lower R&D and SG&A costs
- ▶ Includes gain on extinguishment of debt

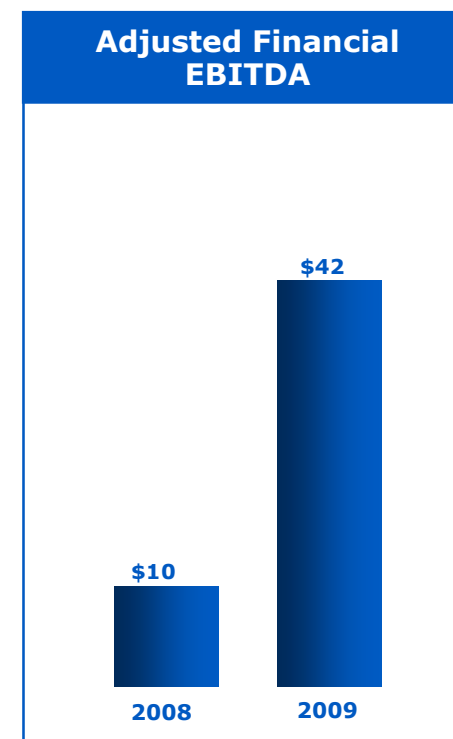
First Quarter 2009 Summary – Excluding FIFO vs. Replacement Cost Spread (US \$ in millions)



- ▶ \$29 million increase in global sales prices and changes in mix
- ▶ \$94 million decline associated with 30kT decline in volume



- ▶ Adjusted for the FIFO vs. replacement cost spread
- ▶ Improved pricing offsets lower volume



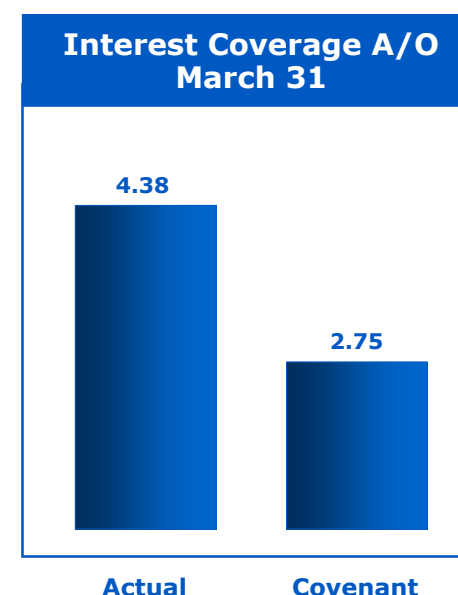
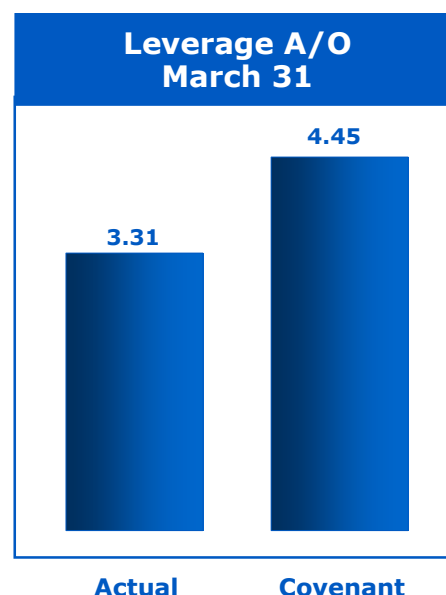
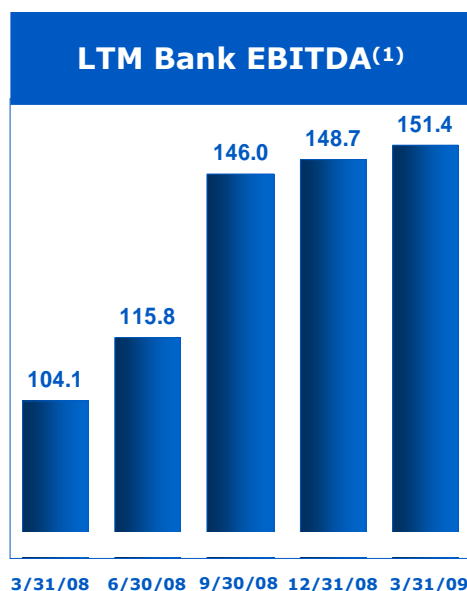
- ▶ \$32 million increase in adjusted EBITDA
- ▶ Tight spending controls
- ▶ Includes gain on extinguishment of debt

Capitalization Table and Covenants

(US \$ in millions)



	<u>Revolver</u>	<u>Term</u>	<u>Sr. Notes</u>	<u>Insurance Bond</u>	<u>Total Debt</u>	<u>Cash</u>	<u>Net Debt</u>
Rate	L+225	L+200	8.125%				
Maturity	May 2011	May 2013	January 2014				
December 31, 2008	\$50.0	\$325.1	\$200.0	\$0.0	\$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



(1) Prior to December 31, 2008 LTM Bank EBITDA includes \$9.6mm Equity Cure

Recent Developments



Price Right

- ▶ Excluding year-on-year changes in FIFO cost vs. replacement cost spread, we achieved significant improvement in base margins

Innovation-Led Top-line Growth

- ▶ Announced new formulations designed to support VOC requirements
- ▶ Announced the first high polymer content binder designed to enhance durability and safety of porous asphalt roads
- ▶ Announced G1643 block copolymers
- ▶ Announced Kraton A1535 block copolymers

Capital Structure and Cash

- ▶ \$30 million bond repurchase completed in March
- ▶ \$7 million further reduction in April

Productivity

- ▶ On target to exceed \$10 million cost reduction target
 - ▶ Reductions in plant fixed costs, global staff reduction, freeze on salaries and adds to staff, and "salary at risk" program
- ▶ Global ERP and process control upgrades on plan

