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**Kraton Performance Polymers, Inc.  
2009 Year-End Conference Call**

**March 4, 2010**

**CONFIDENTIAL**

### **Forward-Looking Statements**

This presentation may include “forward-looking statements” that reflect our plans, beliefs, expectations and current views with respect to, among other things, future events and financial performance. Forward-looking statements are often characterized by the use of words such as “believes,” “estimates,” “expects,” “projects,” “may,” “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 actual 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. Further information concerning issues that could materially affect financial performance related to forward looking statements can be found in our periodic filings with the Securities and Exchange Commission.

### **GAAP Disclaimer**

This presentation includes the use of both GAAP (generally accepted accounting principles) and non-GAAP financial measures. The non-GAAP financial measures are EBITDA and Adjusted EBITDA. The most directly comparable GAAP financial measure is net income/loss. A reconciliation of the non-GAAP financial measures used in this presentation to the most directly comparable GAAP measure is included herein. We consider EBITDA and Adjusted EBITDA important supplemental measures of our performance and believe they are frequently used by investors and other interested parties in the evaluation of companies in our industry. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results under GAAP in the United States.

## 2009 Highlights

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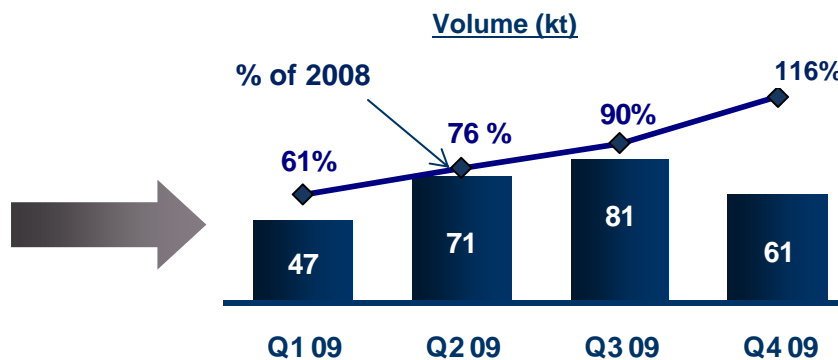
- Volumes recovering – growth in Q4 2009
- Expanded margins year-on-year
- Established sales and production records for IR Latex
- IPO of Kraton Performance Polymers, Inc. (NYSE:KRA); raising \$138 million in net proceeds
- Reduced debt by \$190 million
- Upsized and extended revolving credit facility to 2013
- Completed SAP/ERP global migration
- Opened new Innovation Center in Houston
- Reorganized commercial team centering around innovation-led market development priorities
- Achieved cost reductions of \$17 million; \$7 million above our target
- Shut down Pernis, The Netherlands IR plant saving \$12 million beginning in 2010

**Weathered economic downturn creating significant operating leverage!**

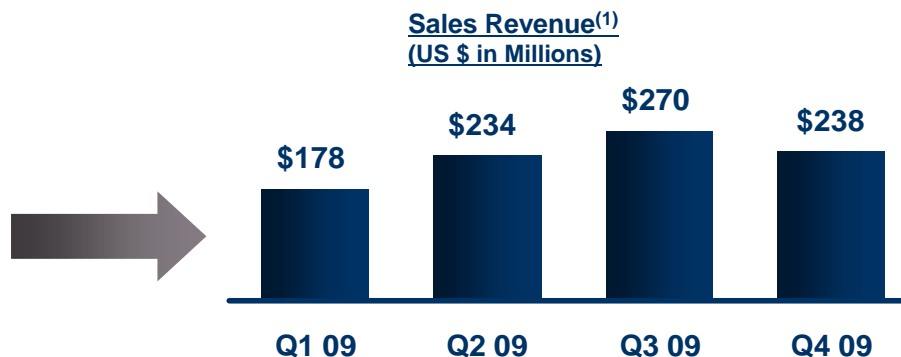
# 2009 Financial Highlights



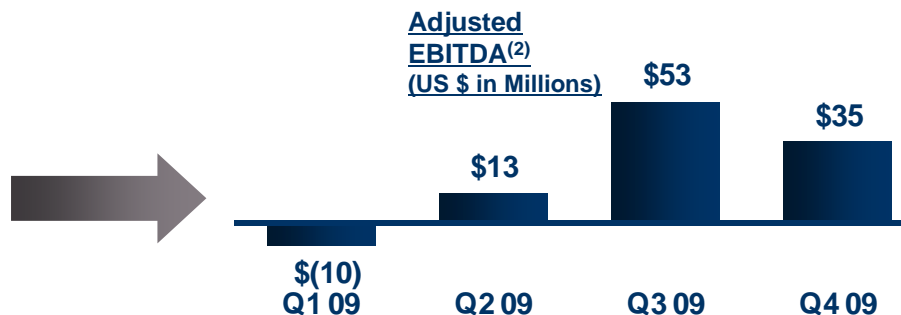
- Q3 momentum continued into Q4
- Q4 volume of 61kt up 16% versus Q4 2008
- 2009 volume of 260 kilotons versus 313 kilotons in 2008



- Adhesives, Sealants & Coatings, Advanced Materials and Emerging Businesses each posted revenue growth in Q4 2009 versus Q4 2008



- Q4 2009 adjusted EBITDA was up 21% compared to \$29 million in Q4 2008
- Adjusted EBITDA margin percentage yields 170 basis point improvement versus Q4 2008



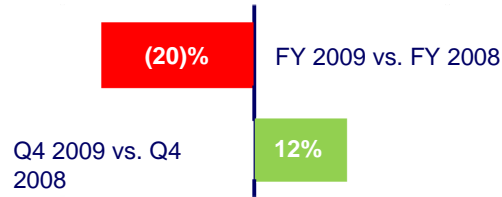
(1) Excludes by-product revenue

(2) Adjusted EBITDA is GAAP EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt

## Change in Sales Revenue

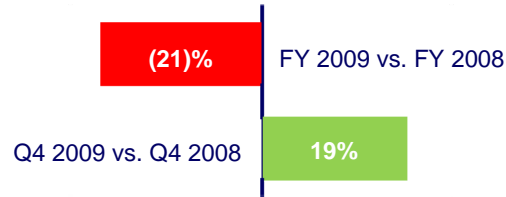
## Highlights

### Adhesives, Sealants and Coatings



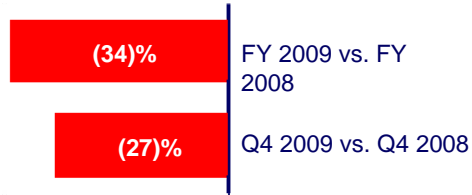
- Demand improvement later in year in non-woven adhesive applications, and in commercial and specialty tapes
- Traditional fourth quarter destocking did not materialize

### Advanced Materials



- Steady volume recovery in second half of year
- Demand from consumer electronics and personal care customers especially encouraging
- Renewed customer enthusiasm for innovation products also picking up in fourth quarter
- PVC replacement trend favorable

### Paving and Roofing



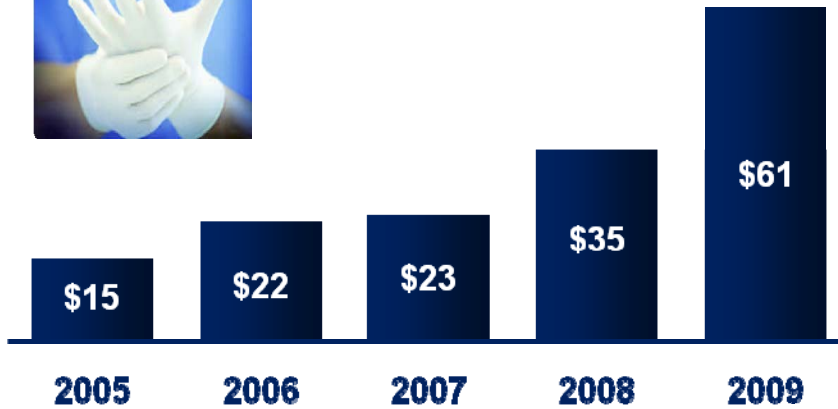
- Paving customers tentative due to uncertainty around funding of government stimulus program
- Orders in early 2010 provide for some optimism but much uncertainty remains regarding demand
- Budget “stimulus” vs. Budget “replenishment” a constant tension

# Innovation-led Top Line Growth



## Case Study: IR Latex Revenue Growth

(US\$ in millions)

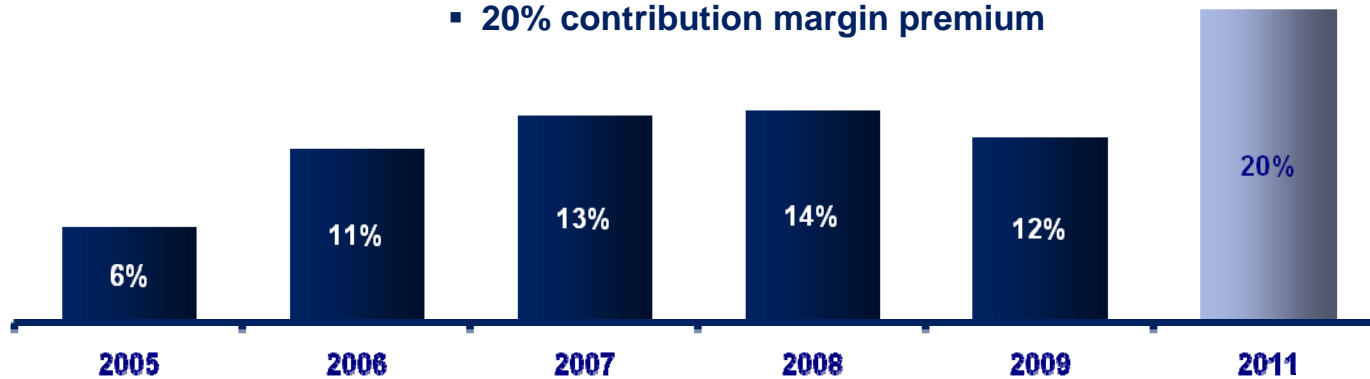


## Key Attributes

- Tremendous growth
  - Rapidly capture share from \$2.2 billion natural rubber latex industry
- Margins well in excess of rest of business
- Kraton maintains 86% market share
- Challenging process technology to replicate for competitors and new entrants
- IPO proceeds will help fund IR Latex capacity expansion

### 20/20 Vision by 2011

- 20% of revenue from innovation
- 20% contribution margin premium



## Productivity Enhancements

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- Executed \$53 million capital plan flawlessly
  - Global ERP project completed with seamless conversion from a customer perspective
  - Completed Phase I of the Belpre control and system upgrade project
  
- Exceeded \$10 million cost out target by \$7 million
  
- Completed Pernis IR shut-down
  - Will yield \$12 million in savings in 2010
  - Cash cost to achieve of \$10 million accrued in Q3 2009, of which \$8 million will be spent in Q1 2010

# 2009 Financial Overview



US \$ in Millions

	Fourth Quarter		Full Year	
	2009	2008	2009	2008
Sales Volume (kt)	61	53	260	313
Total Operating Revenues	\$ 250,708	\$ 231,636	\$ 968,004	\$ 1,226,033
Cost of Goods Sold	189,840	182,665	792,472	971,283
<b>Gross Profit</b>	<b>\$ 60,868</b>	<b>\$ 48,971</b>	<b>\$ 175,532</b>	<b>\$ 254,750</b>
<b>Operating expenses</b>				
Research and development	\$ 6,098	\$ 5,920	\$ 21,212	\$ 27,049
Selling, general and administrative	22,919	27,853	79,504	101,431
Depreciation and amortization of identifiable intangibles	25,168	12,282	66,751	53,162
Gain on Extinguishment of Debt	-	-	23,831	-
Equity in Earnings of Unconsolidated Joint Venture	98	123	403	437
Interest Expense, net	9,179	8,999	33,956	36,695
<b>Income (Loss) Before Income Taxes</b>	<b>(2,398)</b>	<b>(5,960)</b>	<b>(1,657)</b>	<b>36,850</b>
Income Tax Expense	(882)	1,035	(1,367)	8,431
<b>Net Income (Loss)</b>	<b>\$ (1,516)</b>	<b>\$ (6,995)</b>	<b>\$ (290)</b>	<b>\$ 28,419</b>
Earnings (Loss) per common share - Diluted	\$ (0.07)	\$ (0.36)	\$ (0.01)	\$ 1.46
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 35,043</b>	<b>\$ 28,551</b>	<b>\$ 91,359</b>	<b>\$ 152,048</b>

<sup>(1)</sup> Adjusted EBITDA is GAAP EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt

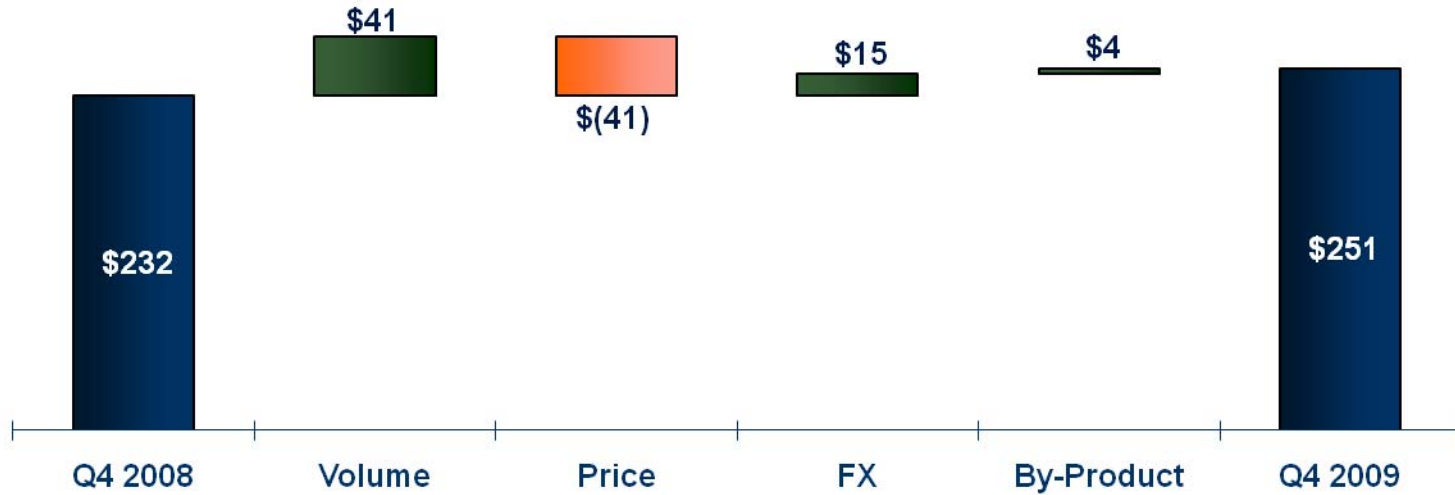


# Operating Revenue Walk



US \$ in millions

## Q4 2008 vs. Q4 2009



## FY 2008 vs. 2009

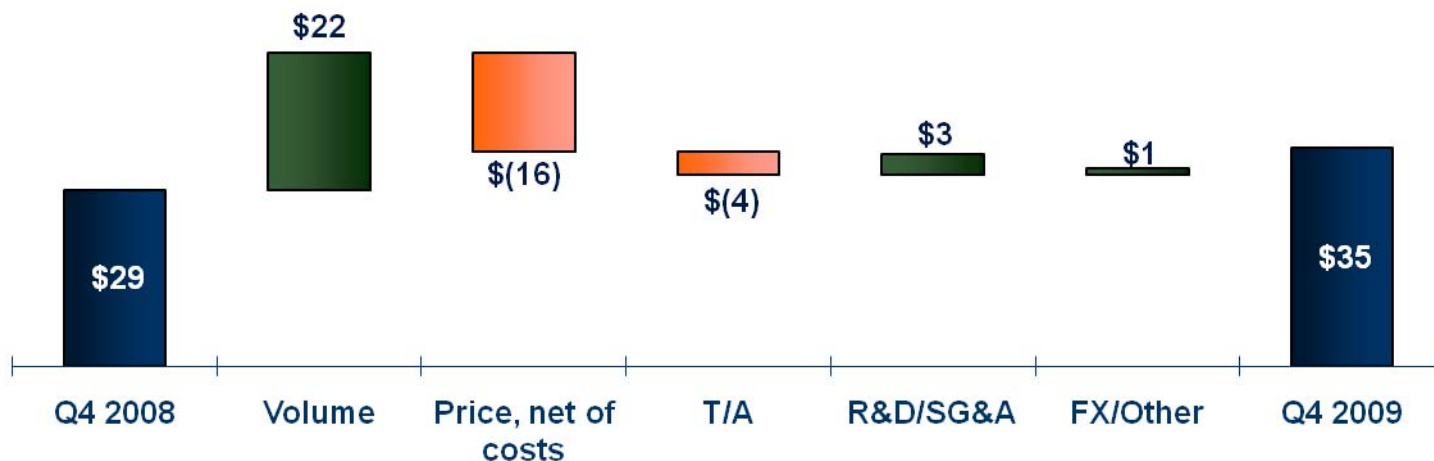


# Adjusted EBITDA<sup>(1)</sup> Walk

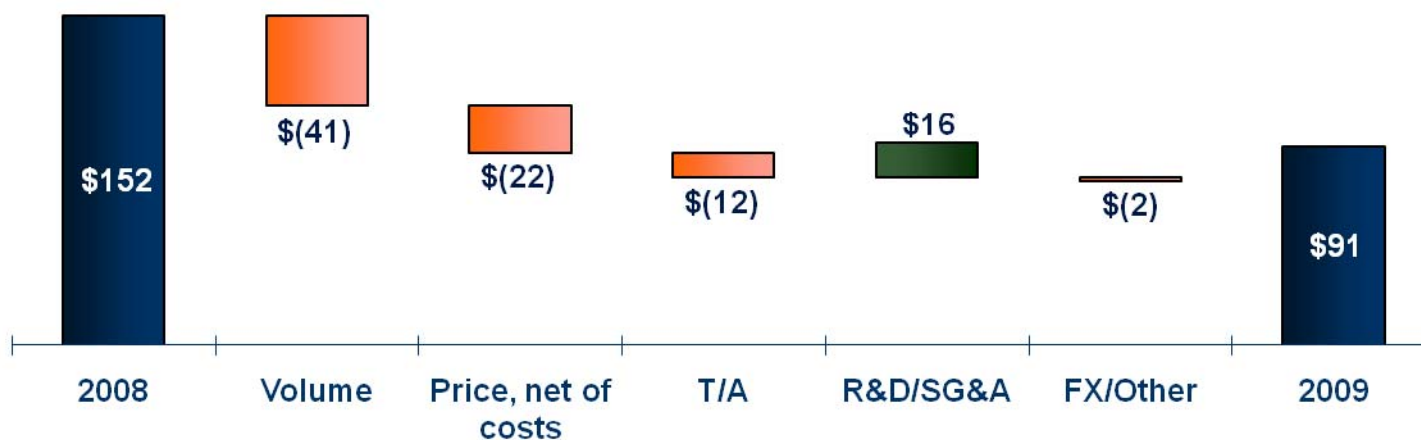


US \$ in millions

## Q4 2008 vs. Q4 2009



## Full Year 2008 vs. 2009



<sup>(1)</sup> Adjusted EBITDA is GAAP EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt

## Indebtedness and Liquidity



US \$ in Millions

	<b><u>Gross Debt</u></b>	<b><u>Cash</u></b>	<b><u>Net Debt</u></b>
December 31, 2008	\$ 575	\$ 101	\$ 474
Bond buyback program	(37)	(13)	(24)
Proceeds from IPO <sup>(1)</sup>	(100)	27	(127)
Debt services, net	(53)	(46)	(7)
December 31, 2009	<b>\$ 385</b>	<b>\$ 69</b>	<b>\$ 316</b>

- Working capital produced \$30 million cash flow
- Total liquidity <sup>(2)</sup> increased from \$127 million to \$149 million
- Revolver amended to increased availability from \$75.5 million to \$80.0 million and extended maturity to May 2013

(1) Proceeds from IPO excludes underwriters' over-allotment option exercised in January 2010 yielding additional cash proceeds of \$11 million

(2) Total liquidity is cash on hand plus undrawn revolver availability

Capital spending	\$50 to \$55 million
Cash interest	\$20 to \$22 million
Cash pension contributions	\$4 to \$5 million
Cash restructuring	\$10 million
Book tax rate	20% to 25%
Cash tax rate	15% to 20%

## Earnings Growth

- Return business to full year sustainable growth
- Leverage “smart” pricing to maintain target margins
- Continue focus on developing economies
- Capture stimulus spending opportunities

## Innovation-led Top-line Growth

- Vision 20/20
- Vitality index at or above 14%
- Demonstrate clear traction on step-out innovation projects

## Capital Investment

- Flawlessly execute \$55 million investment plan
- PIR conversion to Belpre
- Paulinia IRL to 2,200 tons
- DCS Phase II Belpre
- Plan for semi works to increase innovation productivity

## Critical Capabilities

- Leverage enhanced market development capabilities
- Implement new sales and marketing incentive plan
- Utilize SAP full functionality
- Investor Relations



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## Appendix

March 4, 2010

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# Reconciliation of Net Income/(Loss) to EBITDA and Adjusted EBITDA



	<u>3 months Ended</u> <u>12/31/2009</u>	<u>3 months Ended</u> <u>12/31/2008</u>	<u>12 months Ended</u> <u>12/31/2009</u>	<u>12 months Ended</u> <u>12/31/2008</u>
<b>Net Income (Loss)</b>	\$ (1,516)	\$ (6,995)	\$ (290)	\$ 28,419
Plus				
Interest Expense, net	9,179	8,999	33,956	36,695
Income tax expense	(882)	1,035	(1,367)	8,431
Depreciation and amortization expenses	<u>25,168</u>	<u>12,282</u>	<u>66,751</u>	<u>53,162</u>
<b>EBITDA <sup>(1)</sup></b>	<u>\$ 31,949</u>	<u>\$ 15,321</u>	<u>\$ 99,050</u>	<u>\$ 126,707</u>
<b>EBITDA <sup>(1)</sup></b>	\$ 31,949	\$ 15,321	\$ 99,050	\$ 126,707
Add(deduct):				
Sponsor fees and expenses	500	500	2,000	2,000
Restructuring and related charges	2,144	4,189	9,677	13,671
Other non-cash expenses	450	8,541	4,463	9,670
Gain on extinguishment of debt	-	-	(23,831)	-
<b>Adjusted EBITDA <sup>(2)</sup></b>	<u>\$ 35,043</u>	<u>\$ 28,551</u>	<u>\$ 91,359</u>	<u>\$ 152,048</u>
<b>Restructuring and related detail:</b>				
Cost of goods sold	440	355	6,747	355
Research and development	-	129	-	2,430
Selling, general and administrative	1,704	3,705	2,930	10,886
<b>Total restructuring and related charges</b>	<u>\$ 2,144</u>	<u>\$ 4,189</u>	<u>\$ 9,677</u>	<u>\$ 13,671</u>

(1) The EBITDA measure is used by management to evaluate operating performance. Management believes that EBITDA is useful to investors because it is frequently used by investors and other interested parties in the evaluation of companies in our industry. 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 or to cash flows from operating activities as a measure of liquidity. Since not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly titled measures of other companies. Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements.

(2) Adjusted EBITDA is EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt.



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