



**Kraton Performance Polymers, Inc.
First Quarter 2010 Earnings Conference Call**

May 6, 2010

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.

Earnings Growth

- Solid year-over-year and sequential volume and revenue growth
- Benefited from “one-time” sales volume and FIFO adjustment
- Announced several rounds of price increases in response to rising raw material and energy costs
- Adjusted EBITDA up more than \$50 million compared to Q109

Innovation-led Top-line Growth

- Vitality index improving towards goal
- Strong recovery in some key markets such as automotive, consumer goods and paving & roofing
- Encouraging momentum in PVC-free alternative for medical and wire and cable applications

Capital Investment

- Approved \$27 million isoprene rubber conversion at Belpre
- Committed to a \$10 million isoprene rubber latex debottleneck at Paulinia
- Phase II system and control upgrades at Belpre on target
- Initiated project scoping for new HSBC capacity

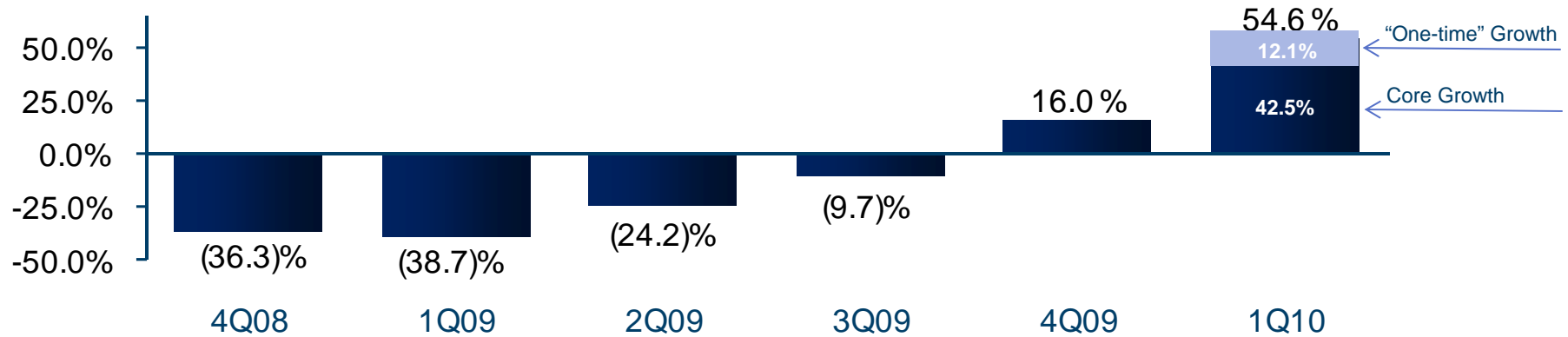
Critical Capabilities

- Filled a majority of open positions in Q1
- Recruiting underway for all remaining critical needs, including investor relations, market development, and engineering capabilities

Volume Trends



Year-on-Year Change In Sales Volume:

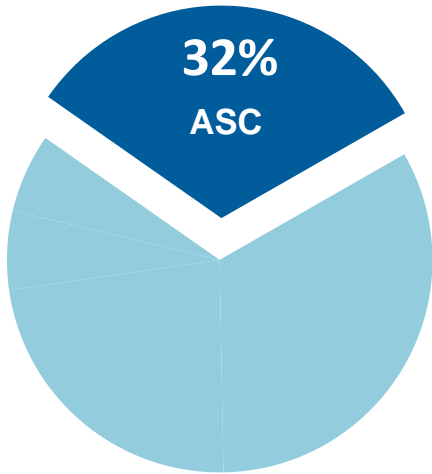


- Late Q3 2009, volume began to return to pre-economic crisis level
- Q4 2009 and Q1 2010 represented a reversal in trends with both quarters posting volume growth
- Q1 2010 up 20% v. Q4 2009; historically Q1 is flat to down versus prior year's Q4
- Sales volume grew from 47 kt in Q1 2009 to 73 kt Q1 2010, and excluding an estimated 6 kt (representing approximately \$18 million of revenue) of sales that the company believes are restocking and other "one-time" sales, volume is up 20 kt or approximately 43% versus Q1 2009

Adhesives, Sealants and Coatings End Use Review



LTM Revenue Profile

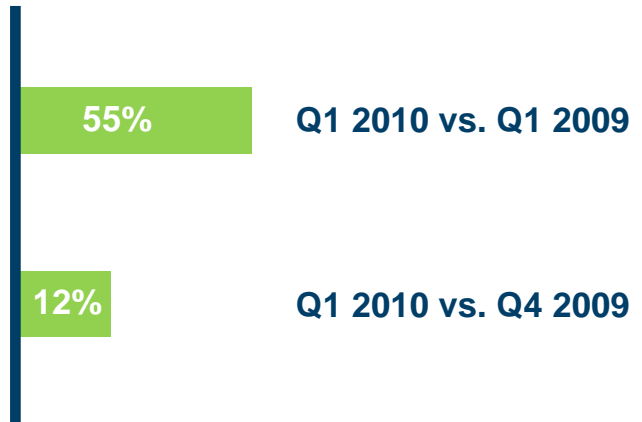


End Use Revenue

US \$ in Millions



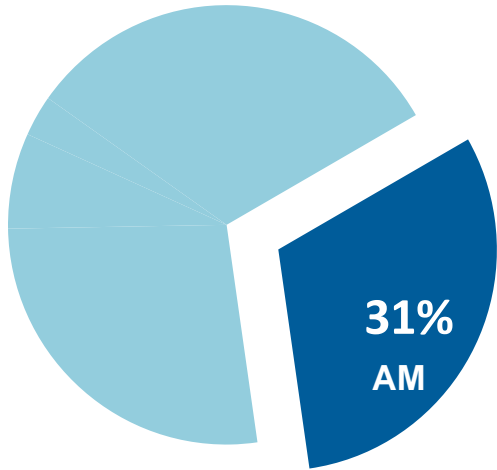
Change in Sales Revenue



Advanced Materials End Use Review



LTM Revenue Profile

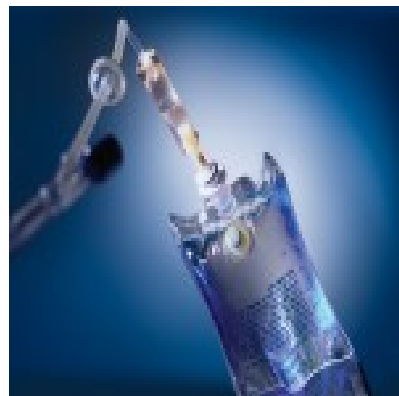
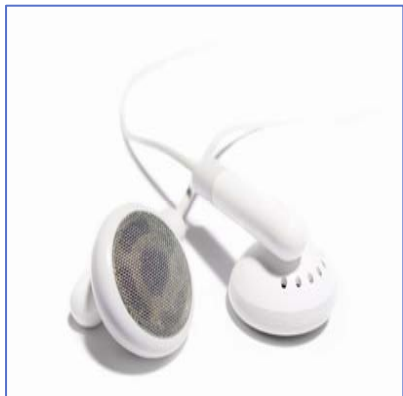


End Use Revenue

US \$ in Millions



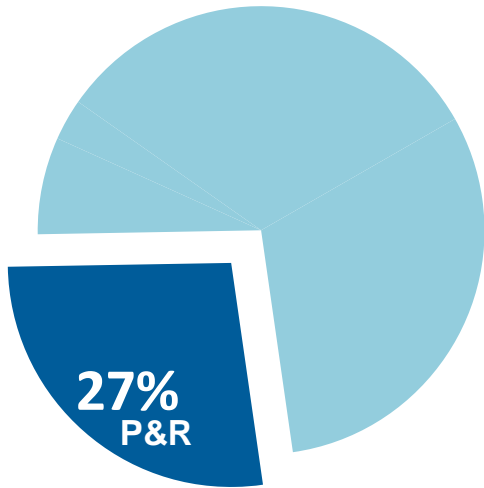
Change in Sales Revenue



Paving and Roofing End-Use Review



LTM Revenue Profile

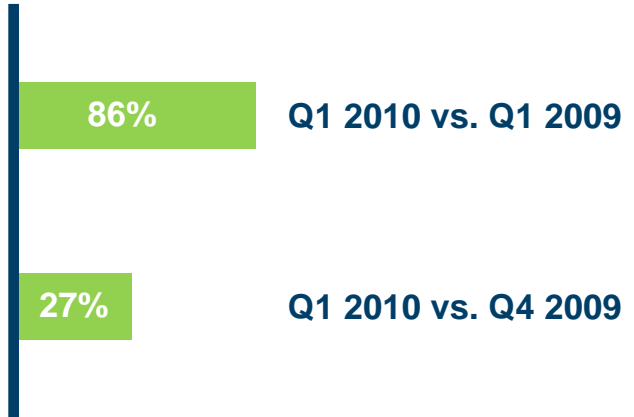


End Use Revenue

US \$ in Millions



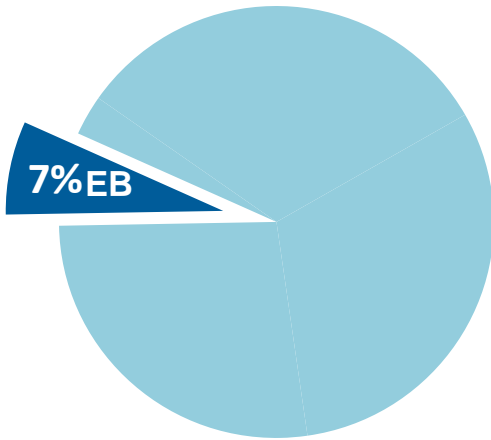
Change in Sales Revenue



Emerging Businesses End Use Review

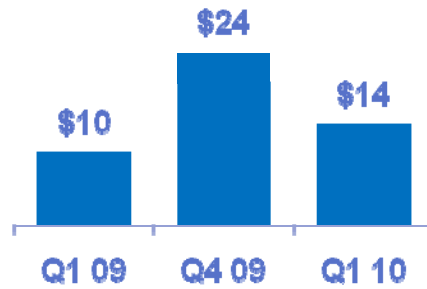


LTM Revenue Profile



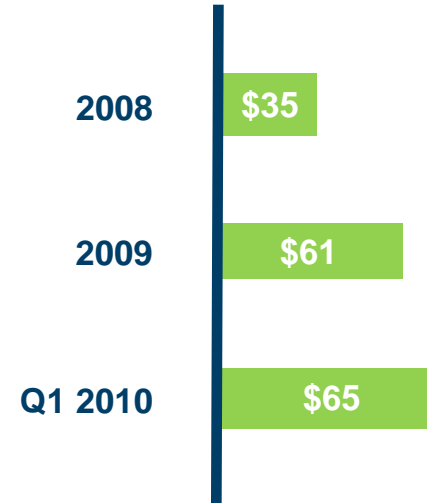
End Use Revenue

US \$ in Millions



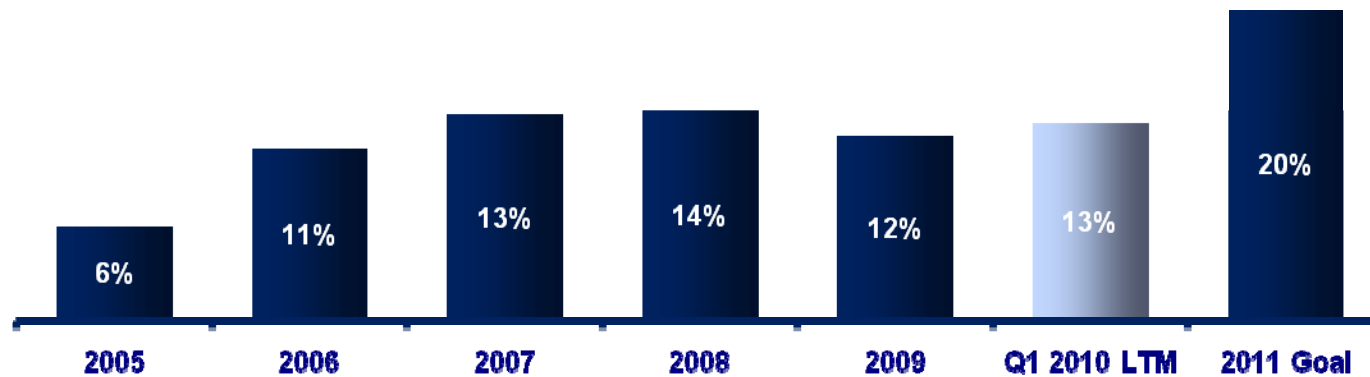
LTM Sales Revenue

US \$ in Millions



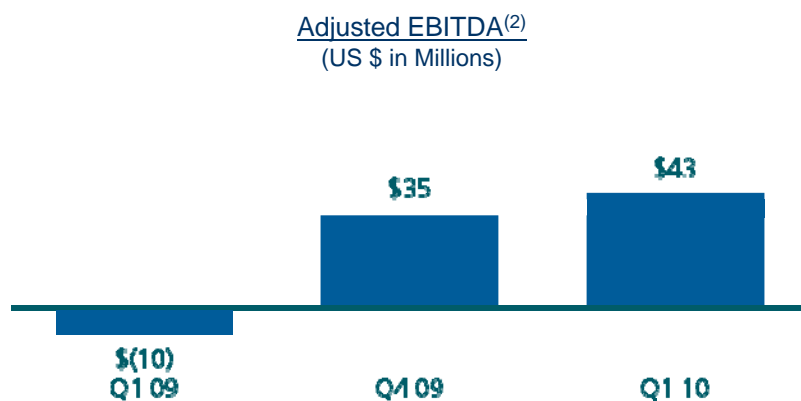
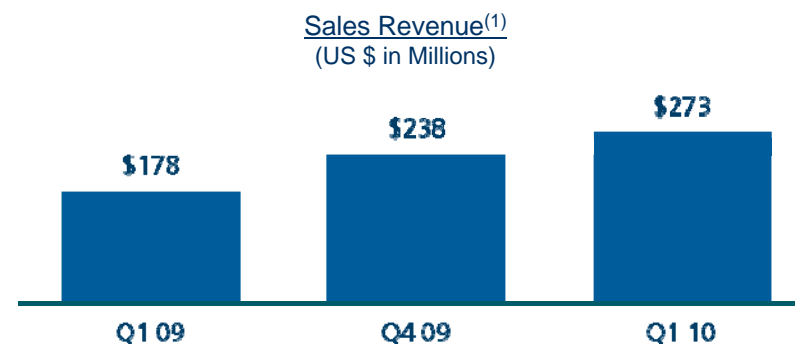
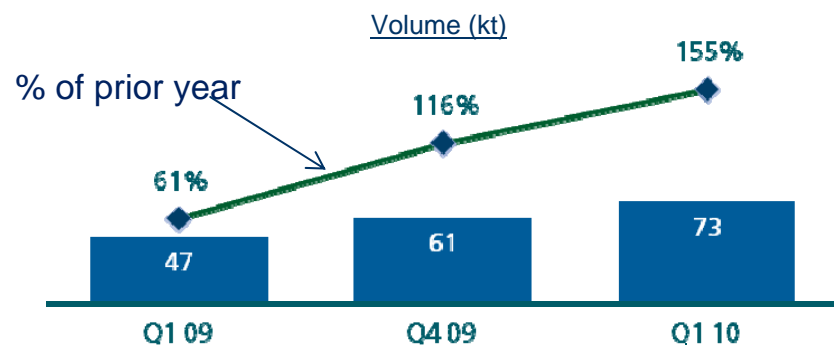
Vitality Index

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



- Vitality index in line with expectations
- Strong recovery of automotive and overmolding applications as well as ASC innovation volumes
- Encouraging momentum in PVC-free alternative for medical and wire and cable applications

Selected Financial Trends



EBITDA to Adjusted EBITDA⁽²⁾ Walk
(US \$ in Millions)

| | <u>Q1 09</u> | <u>Q4 09</u> | <u>Q1 10</u> |
|-----------------------------------|-----------------|----------------|----------------|
| EBITDA | \$ 5.3 | \$ 32.0 | \$ 41.2 |
| Sponsor fees and expenses | 0.5 | 0.5 | --- |
| Restructuring and related charges | 0.7 | 2.1 | 0.1 |
| Other non-cash expenses | 3.3 | 0.5 | 1.3 |
| Gain on extinguishment of debt | <u>(19.5)</u> | <u>---</u> | <u>---</u> |
| Adjusted EBITDA ⁽²⁾ | <u>\$ (9.7)</u> | <u>\$ 35.1</u> | <u>\$ 42.6</u> |

(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

Q1 2010 Financial Overview



US \$ in Thousands except per share data

| | <u>Three months Ended 3/31/2010</u> | <u>Three months Ended 12/31/2009</u> | <u>Three months Ended 3/31/2009</u> |
|---|---|--|---|
| Sales Volume (kt) | 73 | 61 | 47 |
| Total Operating Revenues | \$ 272,732 | \$ 250,708 | \$ 184,957 |
| Cost of Goods Sold | <u>203,605</u> | <u>189,840</u> | <u>176,023</u> |
| Gross Profit | 69,127 | 60,868 | 8,934 |
| Operating expenses | | | |
| Research and Development | 5,984 | 6,098 | 4,969 |
| Selling, General and Administrative | 22,062 | 22,919 | 18,250 |
| Depreciation and Amortization of Identifiable Intangibles | 11,046 | 25,168 | 12,564 |
| Gain on Extinguishment of Debt | - | - | 19,491 |
| Equity in Earnings of Unconsolidated Joint Venture | 74 | 98 | 74 |
| Interest Expense, net | <u>6,064</u> | <u>9,179</u> | <u>8,908</u> |
| Income (Loss) Before Income Taxes | 24,045 | (2,398) | (16,192) |
| Income Tax Expense | <u>4,250</u> | <u>(882)</u> | <u>269</u> |
| Net Income (Loss) | <u>\$ 19,795</u> | <u>\$ (1,516)</u> | <u>\$ (16,461)</u> |
| Earnings (Loss) per Common Share - Diluted | \$ 0.64 | \$ (0.07) | \$ (0.85) |
| Adjusted EBITDA⁽¹⁾ | \$ 42,622 | \$ 35,043 | \$ (9,717) |

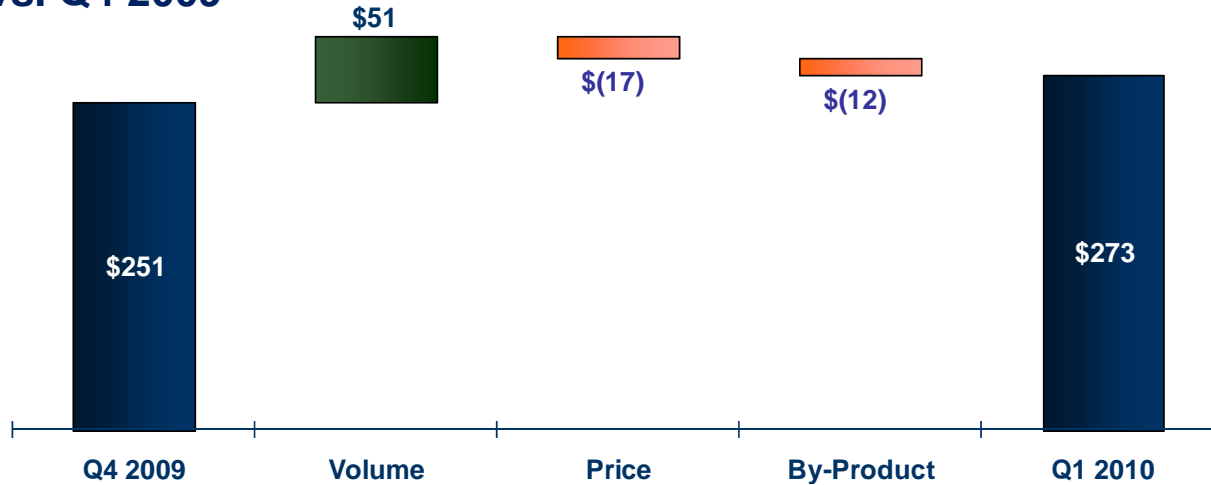
⁽¹⁾ Adjusted EBITDA is GAAP EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt

Q1 2010 Operating Revenue Walk

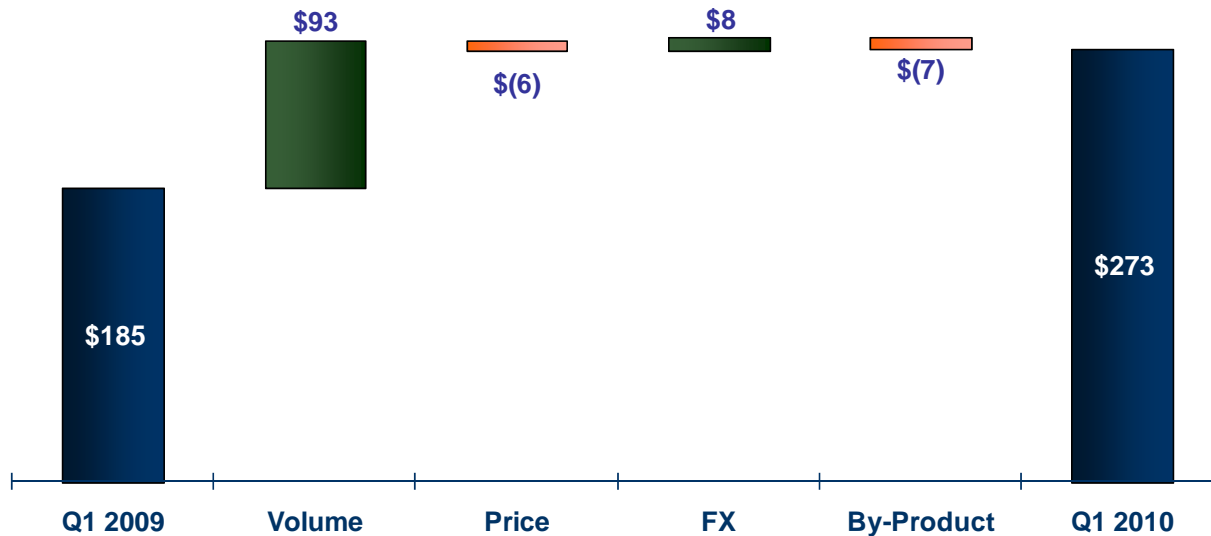


US \$ in millions

Q1 2010 vs. Q4 2009



Q1 2010 vs. Q1 2009



Q1 2010 Adjusted EBITDA⁽¹⁾ Walk

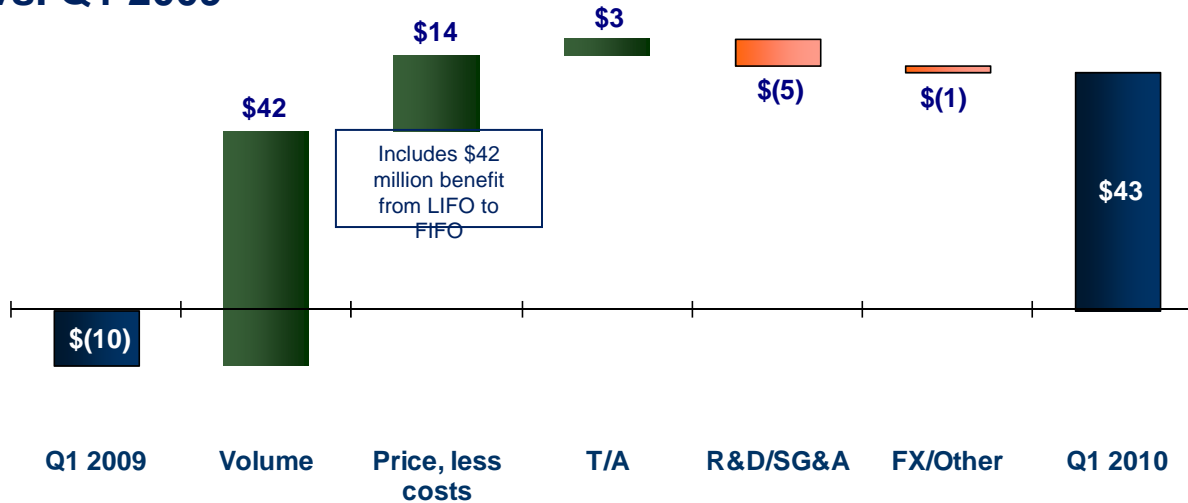


US \$ in millions

Q1 2010 vs. Q4 2009



Q1 2010 vs. Q1 2009

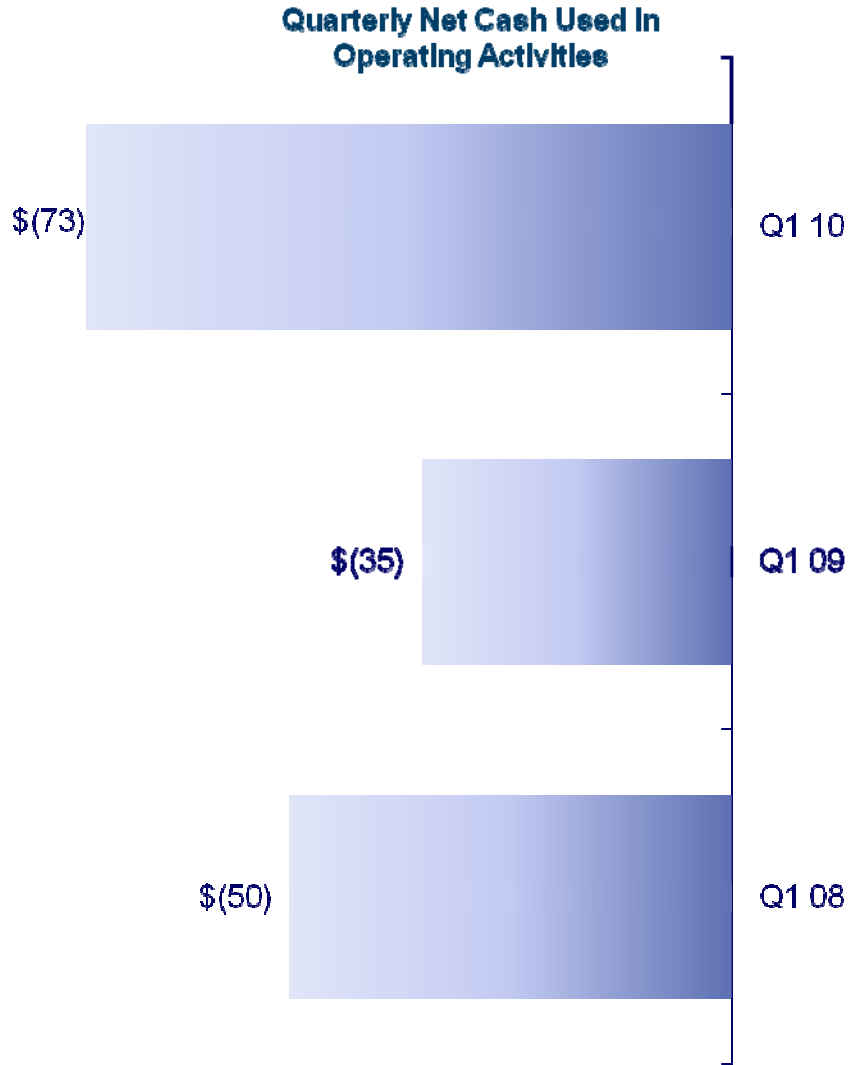


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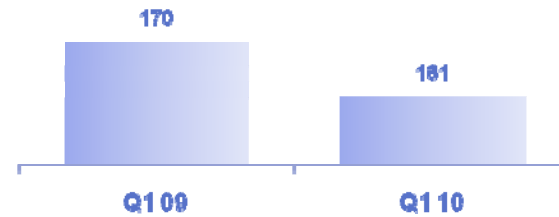
Cash Flow



US \$ in millions



- Q1 2010 reflects an increase in working capital associated with an increase in sales, higher inventory (including effect of higher raw material costs).
- Cash conversion cycle (days) favorable versus Q1 2009.



- Working capital of 32% of LTM revenue currently expected to return to more normal 23% to 25% by year-end.

Selected 2010 Estimates



| | |
|--|----------------------|
| Working capital (excluding cash) as a % of revenue | 23% to 25% |
| Capital spending | \$50 to \$55 million |
| Interest expense | \$24 to \$25 million |
| Cash interest | \$23 to \$24 million |
| Cash pension contributions | \$4 to \$5 million |
| Restructuring charges | \$6 to \$7 million |
| Cash restructuring | \$14 to \$16 million |
| Depreciation and amortization | \$48 to \$50 million |
| Book tax rate | 20% to 25% |
| Cash tax rate | 15% to 20% |



Appendix

May 6, 2010

Q1 2010 Reconciliation of Net Income/(Loss) to EBITDA and Adjusted EBITDA



US \$ in Thousands

| | Three months Ended 3/31/2010 | Three months Ended 12/31/2009 | Three months Ended 3/31/2009 |
|--|---------------------------------|----------------------------------|---------------------------------|
| Net Income (Loss) | \$ 19,795 | \$ (1,516) | \$ (16,461) |
| Add(deduct): | | | |
| Interest expense, net | 6,064 | 9,179 | 8,908 |
| Income tax expense | 4,250 | (882) | 269 |
| Depreciation and amortization expenses | 11,046 | 25,168 | 12,564 |
| EBITDA ⁽¹⁾ | \$ 41,155 | \$ 31,949 | \$ 5,280 |
| EBITDA ⁽¹⁾ | \$ 41,155 | \$ 31,949 | \$ 5,280 |
| Add(deduct): | | | |
| Sponsor fees and expenses | - | 500 | 500 |
| Restructuring and related charges | 135 | 2,144 | 694 |
| Other non-cash expenses | 1,332 | 450 | 3,301 |
| Gain on extinguishment of debt | - | - | (19,491) |
| Adjusted EBITDA ⁽²⁾ | \$ 42,622 | \$ 35,043 | \$ (9,716) |
| Restructuring and related detail: | | | |
| Cost of goods sold | \$ - | \$ 105 | \$ 78 |
| Selling, general and administrative | 135 | 2,039 | 616 |
| Total restructuring and related charges | \$ 135 | \$ 2,144 | \$ 694 |

(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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