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Kraton Performance Polymers, Inc.  
First Quarter 2011 Earnings Conference Call

May 5, 2011

# Forward-Looking Statement Disclaimer

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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. These risks and uncertainties are more fully described in “Part I. Item 1A. Risk Factors” contained in our Annual Report on 10-K, as filed with the Securities and Exchange Commission and as subsequently updated in our Quarterly Reports on Form 10-Q, and include risks related to: conditions in the global economy and capital markets; our reliance on LyondellBasell Industries for the provision of significant operating and other services; the failure of our raw materials suppliers to perform their obligations under long-term supply agreements, or our inability to replace or renew these agreements when they expire; limitations in the availability of raw materials we need to produce our products in the amounts or at the prices necessary for us to effectively and profitably operate our business; competition in our end-use markets, by other producers of SBCs and by producers of products that can be substituted for our products; our ability to produce and commercialize technological innovations; our ability to protect our intellectual property, on which our business is substantially dependent; infringement of our products on the intellectual property rights of others; seasonality in our Paving and Roofing business; financial and operating constraints related to our substantial level of indebtedness; the inherently hazardous nature of chemical manufacturing; product liability claims and other lawsuits arising from environmental damage or personal injuries associated with chemical manufacturing; political and economic risks in the various countries in which we operate; health, safety and environmental laws, including laws that govern our employees’ exposure to chemicals deemed harmful to humans; regulation of our customers, which could affect the demand for our products or result in increased compliance costs; customs, international trade, export control, antitrust, zoning and occupancy and labor and employment laws that could require us to modify our current business practices and incur increased costs; fluctuations in currency exchange rates; our relationship with our employees; loss of key personnel or our inability to attract and retain new qualified personnel; the fact that we do not enter into long-term contracts with our customers; a decrease in the fair value of our pension assets, which could require us to materially increase future funding of the pension plan; future sales of our shares could adversely affect the market price of our common stock; and Delaware law and some provisions of our organizational documents make a takeover of our company more difficult. 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

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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

- Q1 sales volume of 81 kT, up 12% year-on-year
- Q1 revenue of \$345 million, up 26% year-on-year
- Q1 GAAP net income of \$22 million or \$0.68 per share
- Restructuring, refinancing and other charges of \$10 million or \$0.30 per share
- Q1 Adjusted EBITDA of \$56 million

## Innovation-led Top-line Growth

- Q1 TTM vitality index of 14%
- Q1'11 innovation revenue increase of \$17 million over Q1'10

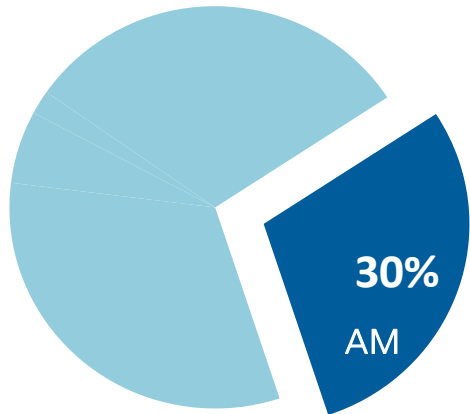
## Capital Investment

- 2011 capital expenditures of \$80-\$85 million
  - Paulinia IRL expansion complete
  - Belpre IR conversion will be complete Q2 2011
  - Belpre DCS upgrade ongoing
- Continuing review of options for Asian HSBC plant
  - Anticipate site selection decision in the second half of 2011

# Advanced Materials End Use Review

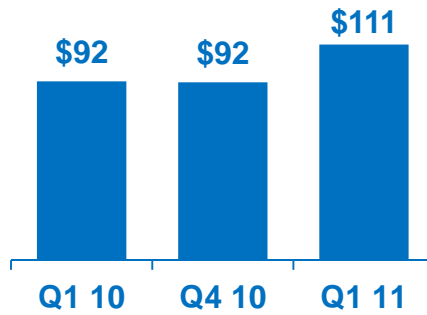


## TTM Revenue Profile

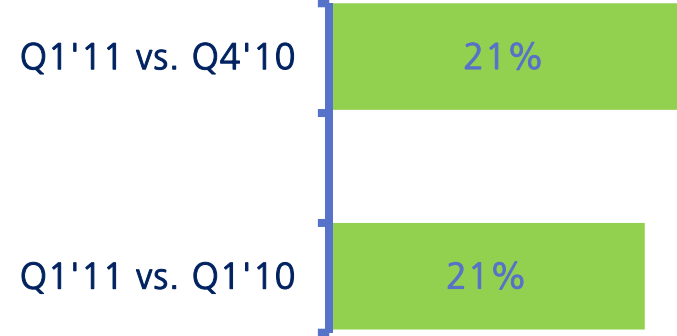


## End Use Revenue

US \$ in millions



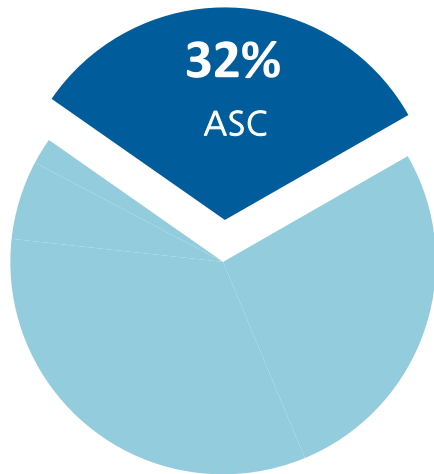
## Change in Sales Revenue



# Adhesives, Sealants and Coatings End Use Review

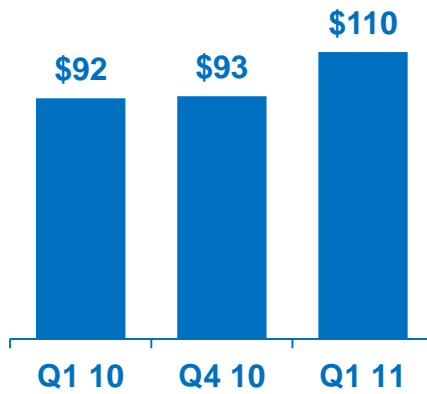


## TTM Revenue Profile

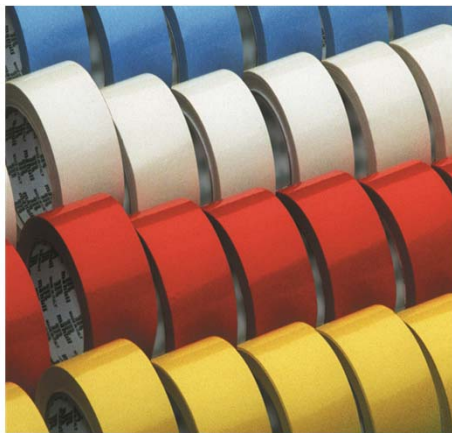
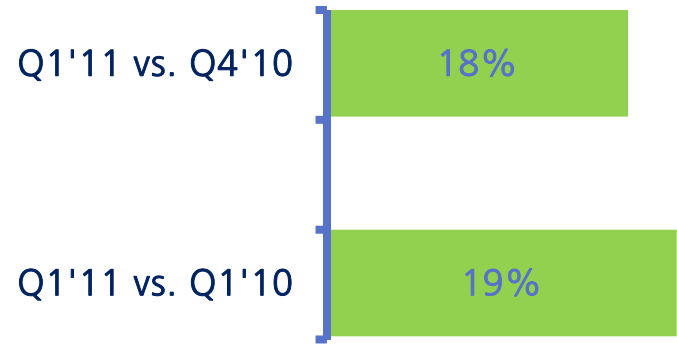


## End Use Revenue

US \$ in millions



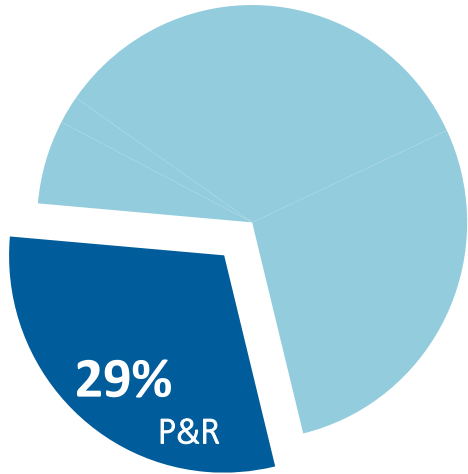
## Change in Sales Revenue



# Paving and Roofing End-Use Review

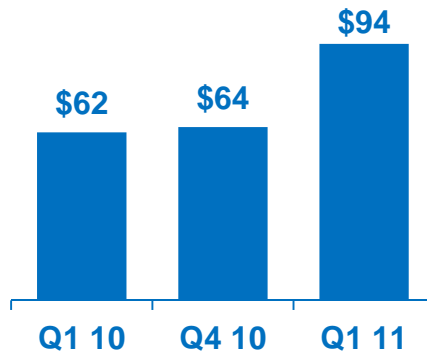


## TTM Revenue Profile

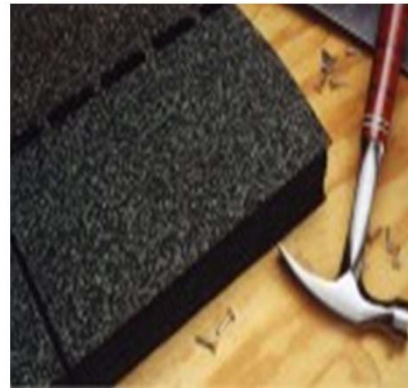
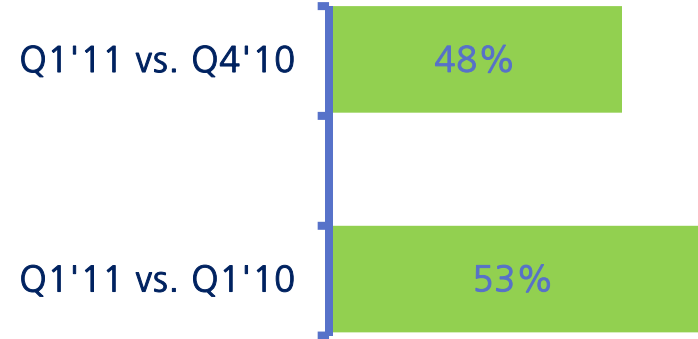


## End Use Revenue

US \$ in millions



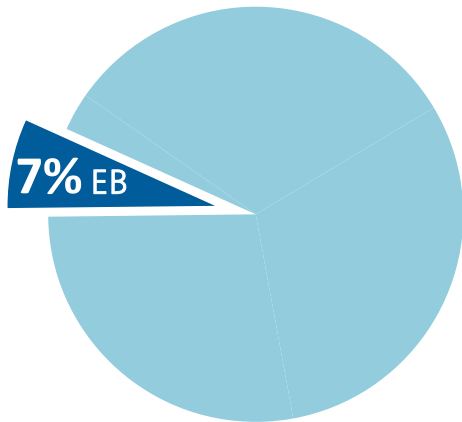
## Change in Sales Revenue



# Emerging Businesses End Use Review

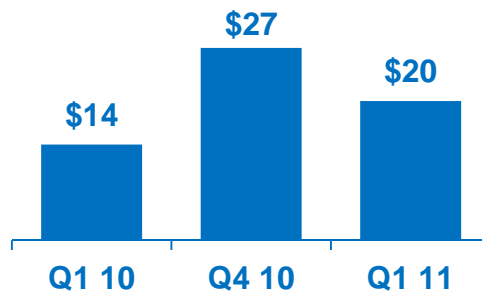


## TTM Revenue Profile



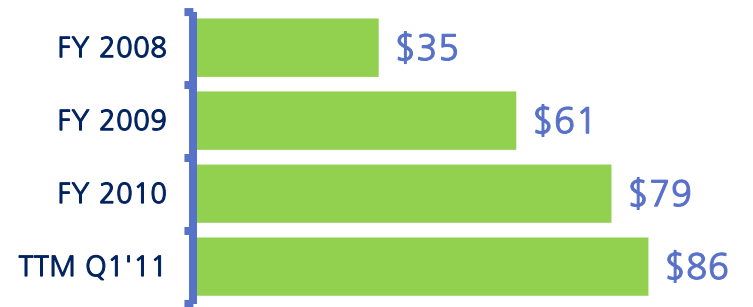
## End Use Revenue

US \$ in millions



## Sales Revenue

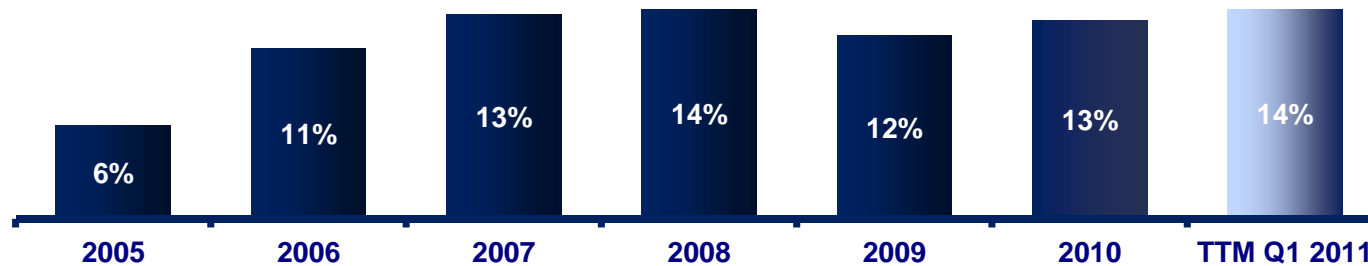
US \$ in millions





## Vitality Index

Goal - 20% of revenue from innovation

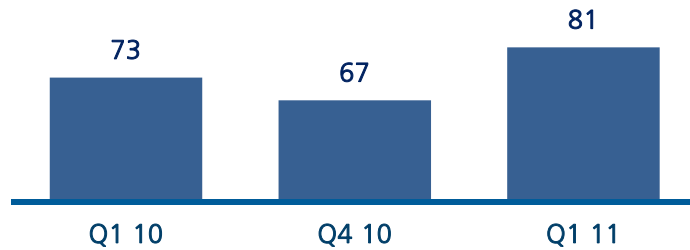


- Q1 TTM vitality index 14%
- Strong year-on-year revenue growth in key innovations
  - Elastomeric roof coatings up 100%
  - Key Paving & Roofing innovations up 92%
  - IV films up 75%
  - Reactive SBS for printing plates up 37%
- Robust pipeline of new innovation projects

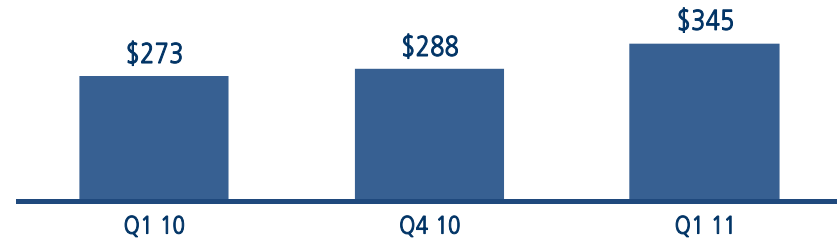
# Selected Financial Trends – Q1 2011



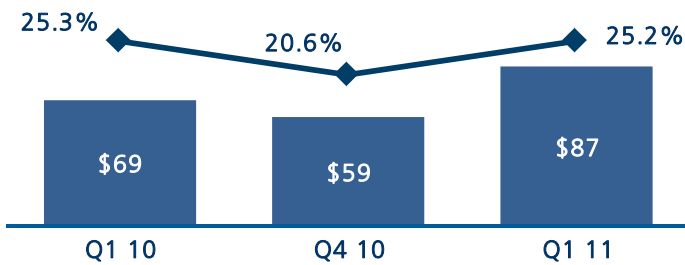
Volume (kT)



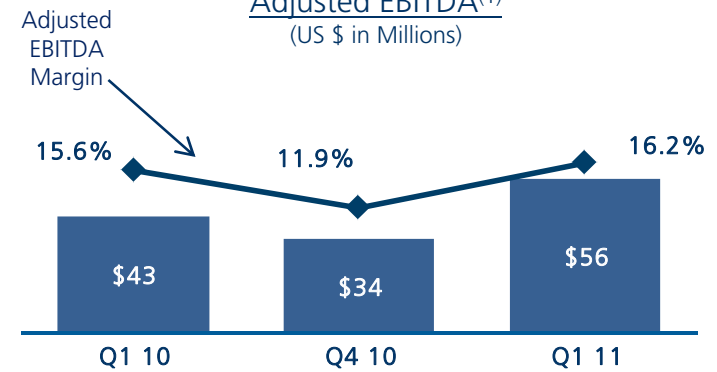
Revenue  
(US \$ in Millions)



Gross Profit and Gross Margin  
(US \$ in Millions)



Adjusted EBITDA<sup>(1)</sup>  
(US \$ in Millions)



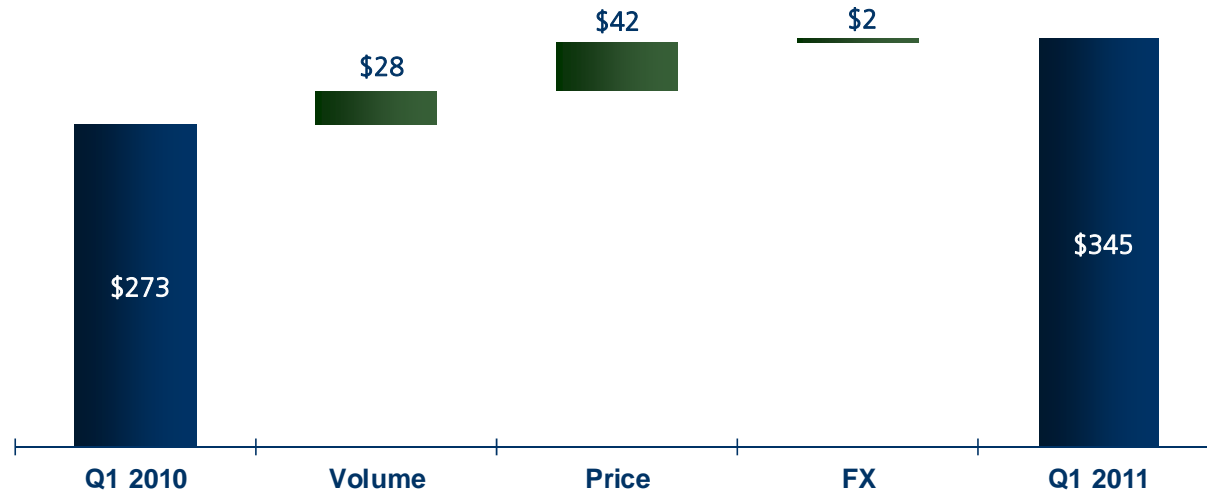
(1) Adjusted EBITDA is GAAP EBITDA excluding restructuring and related charges, non-cash compensation expenses, and loss on the extinguishment of debt.

# Q1 2011 Sales Revenue Walk

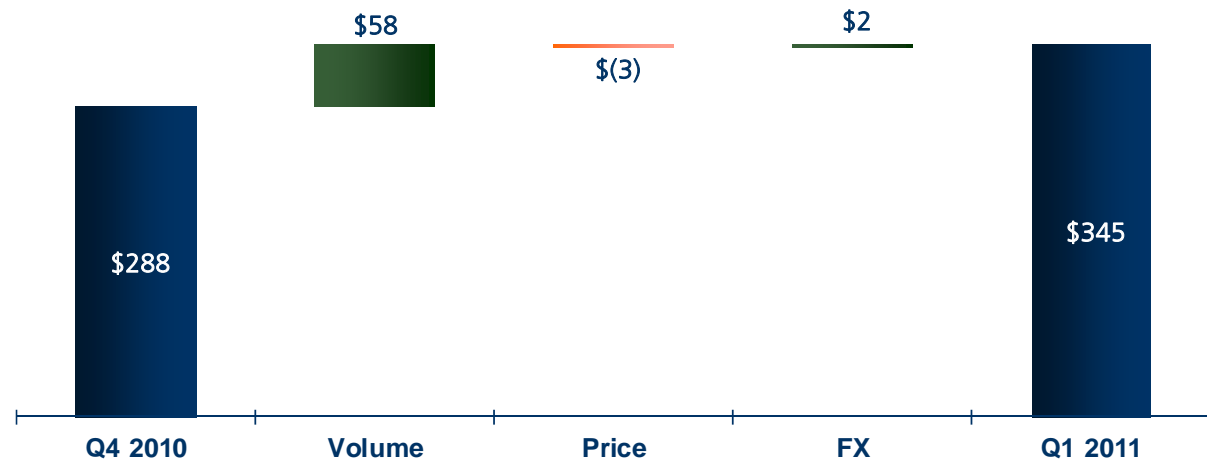


US \$ in millions

## Q1 2011 vs. Q1 2010



## Q1 2011 vs. Q4 2010

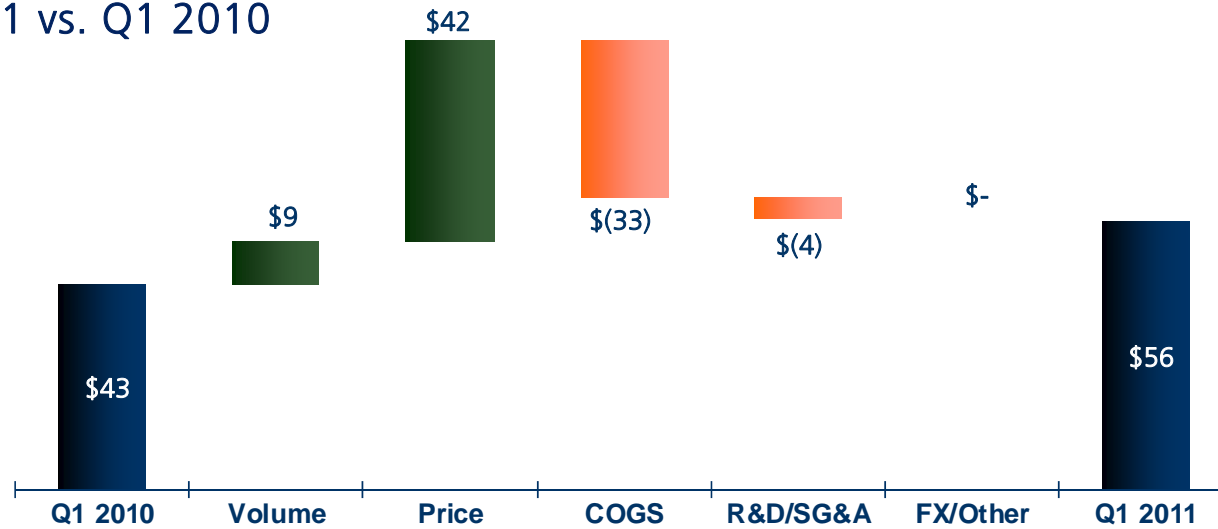


# Q1 2011 Adjusted EBITDA<sup>(1)</sup> Walk

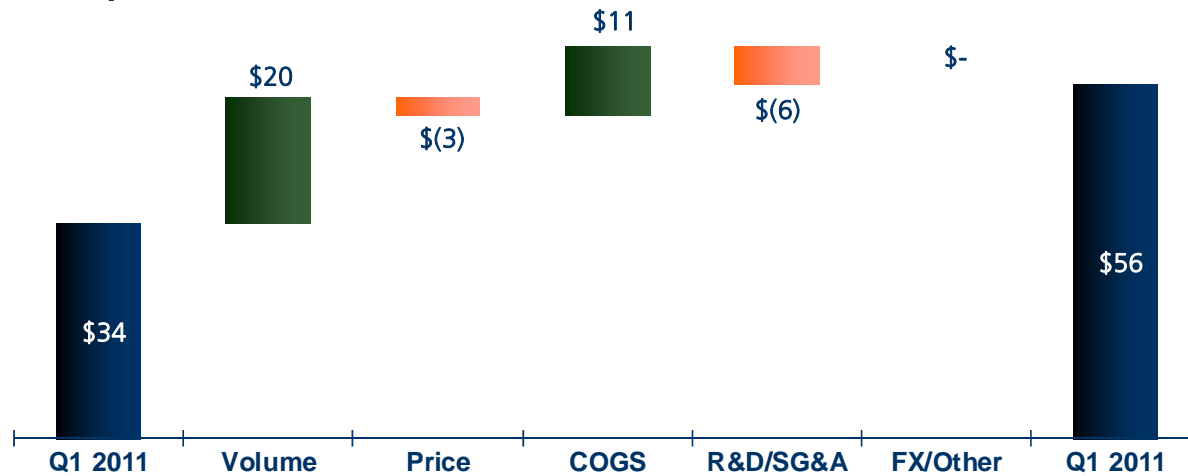


US \$ in millions

## Q1 2011 vs. Q1 2010



## Q1 2011 vs. Q4 2010



(1) Adjusted EBITDA is GAAP EBITDA excluding restructuring and related charges, non-cash compensation expenses, and loss on the extinguishment of debt.

# Q1 2011 Financial Overview



US \$ in Thousands except per share data

	Three months Ended <u>3/31/2011</u>	Three months Ended <u>12/31/2010</u>	Three months Ended <u>3/31/2010</u>
Sales Volume (kt)	81	67	73
Total Operating Revenues	\$ 344,828	\$ 288,165	\$ 272,732
Cost of Goods Sold	<u>257,977</u>	<u>228,793</u>	<u>203,605</u>
<b>Gross Profit</b>	86,851	59,372	69,127
<b>Operating expenses</b>			
Research and Development	6,602	5,947	5,984
Selling, General and Administrative	27,171	23,652	22,062
Depreciation and Amortization of Identifiable Intangibles	14,626	13,178	11,046
Loss on Extinguishment of Debt	2,985	-	-
Equity in Earnings of Unconsolidated Joint Venture	141	170	74
Interest Expense, net	<u>11,181</u>	<u>5,506</u>	<u>6,064</u>
<b>Income Before Income Taxes</b>	24,427	11,259	24,045
Income Tax Expense	<u>2,550</u>	<u>960</u>	<u>4,250</u>
<b>Net Income</b>	<u>\$ 21,877</u>	<u>\$ 10,299</u>	<u>\$ 19,795</u>
Earnings per Common Share - Diluted	\$ 0.68	\$ 0.32	\$ 0.64
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$ 56,018	\$ 34,312	\$ 42,622

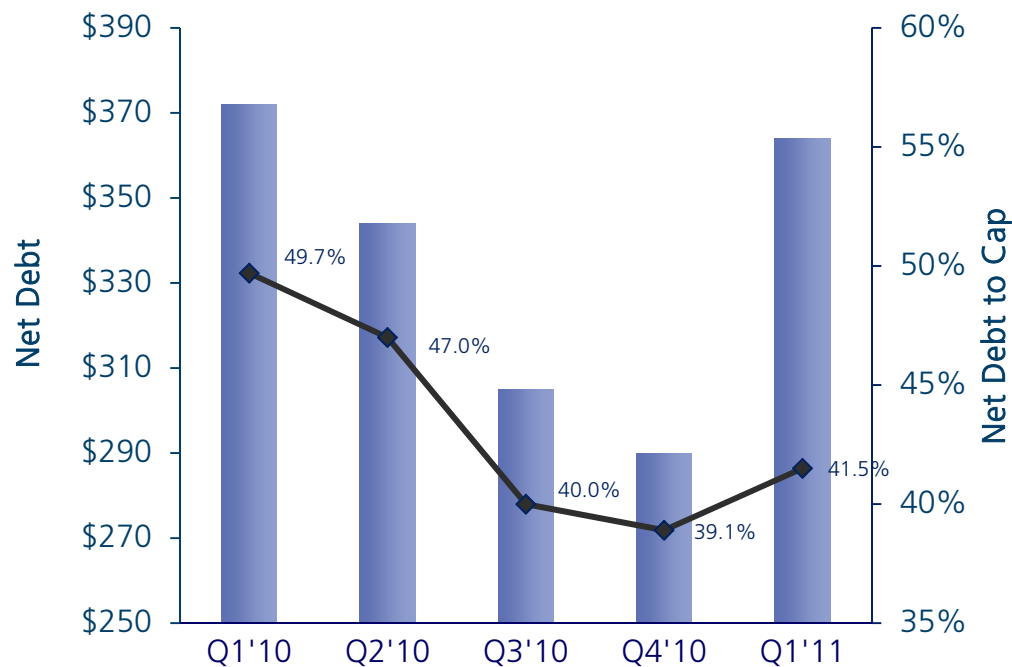
(1) Adjusted EBITDA is GAAP EBITDA excluding restructuring and related charges, non-cash compensation expenses, and loss on the extinguishment of debt.

# Balance Sheet

US \$ in millions



Net Debt <sup>(1)</sup> and Net Debt to Capitalization



- Cash at quarter end of \$36 million.
- Net Debt-to-Capitalization ratio of 41.5% at quarter end.
- Net Debt to TTM Adjusted EBITDA was 1.70x at 3/31/11.

(1) Net debt is equal to Long-term debt, less Cash and Cash equivalents.

## Selected 2011 Estimates



Working capital (excluding cash) as a % of revenue	25% to 27%
Capital spending	\$80 to \$85 million
Interest expense <sup>(1)</sup>	~\$31 million
Research & development	~\$27 million
SG&A	~ \$100 million
Depreciation and amortization	~\$61 million
Book tax rate	~9%

(1) Includes accelerated write-off of deferred financing costs associated with the debt refinancing of \$5 million.



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## Appendix

May 5, 2011



# Reconciliation of Net Income to EBITDA and Adjusted EBITDA



US \$ in Thousands

	Three months Ended 3/31/2011	Three months Ended 12/31/2010	Three months Ended 3/31/2010
<b>Net Income</b>	\$ 21,877	\$ 10,299	\$ 19,795
Add(deduct):			
Interest expense, net	11,181	5,506	6,064
Income tax expense	2,550	960	4,250
Depreciation and amortization expenses	14,626	13,178	11,046
<b>EBITDA <sup>(1)</sup></b>	<u>\$ 50,234</u>	<u>\$ 29,943</u>	<u>\$ 41,155</u>
<b>EBITDA <sup>(1)</sup></b>	\$ 50,234	\$ 29,943	\$ 41,155
Add:			
Restructuring and related charges	1,505	3,733	135
Other non-cash expenses	1,294	636	1,332
Gain on extinguishment of debt	2,985	-	-
<b>Adjusted EBITDA <sup>(2)</sup></b>	<u>\$ 56,018</u>	<u>\$ 34,312</u>	<u>\$ 42,622</u>
<b>Restructuring and related detail:</b>			
Selling, general and administrative	1,505	3,733	135
<b>Total restructuring and related charges</b>	<u>\$ 1,505</u>	<u>\$ 3,733</u>	<u>\$ 135</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 GAAP EBITDA excluding restructuring and related charges, non-cash compensation expenses, and loss on the extinguishment of debt.



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