

**KRATON PERFORMANCE POLYMERS, INC.  
FOURTH QUARTER 2012 EARNINGS CONFERENCE CALL**

**February 28, 2013**



# Forward-Looking Statement Disclaimer



This presentation includes 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 “outlook,” “believes,” “estimates,” “expects,” “projects,” “may,” “intends,” “plans” or “anticipates,” or by discussions of strategy, plans or intentions, including statements regarding the anticipated costs, capital structure of, and prospects for our joint venture with FPCC, projected gross profit impact and FIFO to ECRC spreads and expectations regarding monomer pricing.

All forward-looking statements in this presentation are made based on management's current expectations and estimates, which involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed in forward-looking statements. These risks and uncertainties are more fully described in our latest Annual Report on Form 10-K, as subsequently amended on March 8, 2012, including but not limited to “Part I, Item 1A. Risk Factors” and “Part I, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” therein, and in our other filings with the Securities and Exchange Commission, and include, but are not limited to: conditions in the global economy and capital markets; declines in raw material costs; 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, from other producers of SBCs and from 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; the possibility that our products infringe on the intellectual property rights of others; significant fluctuation in raw material costs may result in volatility in our quarterly results; seasonality in our business, particularly for Paving and Roofing end uses; our substantial indebtedness, which could adversely affect our financial condition and prevent us from fulfilling our obligations under the senior secured credit agreement and the senior notes; financial and operating constraints related to our indebtedness; the inherently hazardous nature of chemical manufacturing; product liability claims and other lawsuits arising from environmental damage, personal injuries or other damage associated with chemical manufacturing; political, economic and local business 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 company or 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 typically 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; anticipated benefits of or performance of our products; beliefs regarding opportunities for new, high-margin applications and other innovations; adequacy of cash flows to fund our working capital requirements; our investment in the joint venture with FPCC; scheduled debt payments, interest payments, capital expenditures, benefit plan contributions, and income tax obligations; our anticipated 2013 capital expenditures, including the amount of expenditures related to the semi-works facility, compliance with the MACT rule, health, safety and environmental and infrastructure and maintenance projects, projects to optimize the production capabilities of our manufacturing assets and to support our innovation platform; our ability to meet conditions required to ensure full access to our senior secured credit facility; expectations regarding availability under our credit facility; our plan to prepay certain outstanding indebtedness under our term loans in 2013; expectations regarding our counterparties’ ability to perform, including with respect to trade receivables; anticipated aggregate and fiscal year 2013 cost estimates for the planned Taiwan manufacturing facility, the portion of such costs we expect to pay, the manner in which we expect to fund such costs, and when we currently expect the facility to become operational; estimates regarding the tax expense of repatriating certain cash and short-term investments related to foreign operations; expectations regarding Nexar™; our ability to realize certain deferred tax assets and our beliefs with respect to tax positions; our plans and expectations regarding our planned Asia expansion project; estimates related to the useful lives of certain assets for tax purposes; our anticipated dividend policy; expectations regarding our pension contributions for fiscal year 2013; estimates or expectations related to monomer costs, ending inventory levels and related estimated charges; the outcome and financial impact of legal proceedings; expectations regarding the spread between FIFO and ECRC in future periods; and projections regarding environmental costs and capital expenditures and related operational savings. Delaware law and some provisions of our organizational documents make a takeover of our company more difficult; our expectation that we will not pay dividends for the foreseeable future; our status as a holding company dependent on dividends from our subsidiaries; other risks, factors and uncertainties described in this press release and our other reports and documents; and other factors of which we are currently unaware or deem immaterial. Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made, and we assume no obligation to update such information in light of new information or future events. Further information concerning issues that could materially affect financial performance related to forward-looking statements can be found in Kraton’s periodic filings with the Securities and Exchange Commission.

# GAAP Disclaimer



This presentation includes the use of both GAAP and non-GAAP financial measures. The non-GAAP financial measures are EBITDA, Adjusted EBITDA, Adjusted EBITDA at ECRC and Gross Profit at ECRC. A table included in this earnings release reconciles each of these non-GAAP financial measures with the most directly comparable GAAP financial measure.

We consider these non-GAAP financial measures important supplemental measures of our performance and believe they are frequently used by investors, securities analysts and other interested parties in the evaluation of our performance and/or that of other companies in our industry, including period-to-period comparisons. Further, management uses these measures to evaluate operating performance, and; our executive compensation plan bases incentive compensation payments on our Adjusted EBITDA and Adjusted EBITDA at ECRC performance, along with other factors. These non-GAAP financial measures have limitations as analytical tools and in some cases can vary substantially from other measures of our performance. You should not consider them in isolation, or as a substitute for analysis of our results under GAAP in the United States. For EBITDA, these limitations include: EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments; EBITDA does not reflect changes in, or cash requirements for, our working capital needs; EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; EBITDA calculations under the terms of our debt agreements may vary from EBITDA presented herein, and our presentation of EBITDA herein is not for purposes of assessing compliance or non-compliance with financial covenants under our debt agreements; and other companies in our industry may calculate EBITDA differently from how we do, limiting its usefulness as a comparative measure. As an analytical tool, Adjusted EBITDA is subject to all the limitations applicable to EBITDA. In addition, we prepare Adjusted EBITDA by adjusting EBITDA to eliminate the impact of a number of items we do not consider indicative of our on-going performance, but you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. As an analytical tool, Adjusted EBITDA at ECRC is subject to all the limitations applicable to EBITDA, as well as the following limitations: due to volatility in raw material prices, Adjusted EBITDA at ECRC may, and often does, vary substantially from EBITDA and other performance measures, including net income calculated in accordance with GAAP; and Adjusted EBITDA at ECRC may, and often will, vary significantly from EBITDA calculations under the terms of our debt agreements and should not be used for assessing compliance or non-compliance with financial covenants under our credit agreement. Because of these and other limitations, EBITDA, Adjusted EBITDA and ECRC Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. Finally, as a measure of our performance, Gross Profit at ECRC is limited because it often varies substantially from gross profit calculated in accordance with GAAP due to volatility in raw material prices.

# Fourth Quarter 2012 Financial Summary



(\$ millions, except volume and per share data)	<u>Q4'12</u>	<u>Q4'11</u>	<u>Change</u>
Sales volume (kT)	67.2	61.9	9%
Sales revenue	\$ 296.4	\$ 304.2	\$ (7.8)
Net loss	\$ (29.5)	\$ (21.0)	\$ (8.4)
Diluted EPS	\$ (0.91)	\$ (0.66)	\$ (0.25)
Adjusted EBITDA <sup>(1)</sup>	\$ 12.1	\$ (7.0)	\$ 19.1
Adjusted EBITDA at ECRC <sup>(1)</sup>	\$ 22.4	\$ 29.7	\$ (7.3)
Net cash provided by operating activities	\$ 44.1	\$ 61.2	\$ (17.1)

(1) See reconciliation of Net Income to EBITDA, Adjusted EBITDA and Adjusted EBITDA at ECRC in the attached appendix.

# 2012 Financial Summary



(\$ millions, except volume and per share data)	<u>2012</u>	<u>2011</u>	<u>Change</u>
Sales volume (kT)	313.4	303.0	3%
Sales revenue	\$ 1,423.1	\$ 1,437.5	\$ (14.4)
Net income (loss)	\$ (16.2)	\$ 90.9	\$ (107.1)
Diluted EPS	\$ (0.50)	\$ 2.81	\$ (3.31)
Adjusted EBITDA <sup>(1)</sup>	\$ 113.3	\$ 194.3	\$ (81.0)
Adjusted EBITDA at ECRC <sup>(1)</sup>	\$ 143.8	\$ 128.0	\$ 15.8
Net cash provided by operating activities	\$ 146.3	\$ 64.8	\$ 81.6

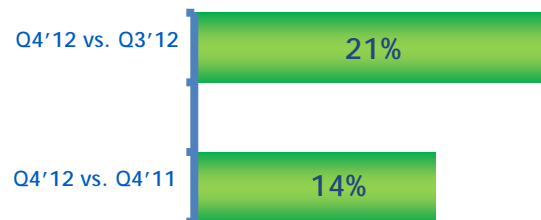
(1) See reconciliation of Net Income to EBITDA, Adjusted EBITDA and Adjusted EBITDA at ECRC in the attached appendix.

## Cariflex™

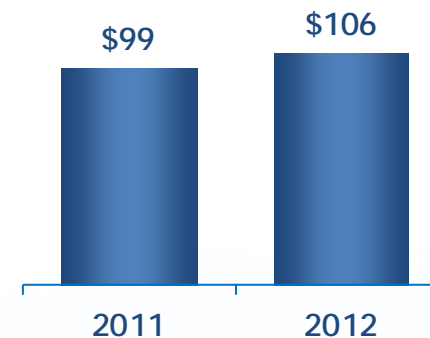
Quarterly Sales Revenue  
(\$ Millions)



Change in Quarterly Sales Revenue



Annual Sales Revenue  
(\$ Millions)



### Q4'12 vs. Q4'11

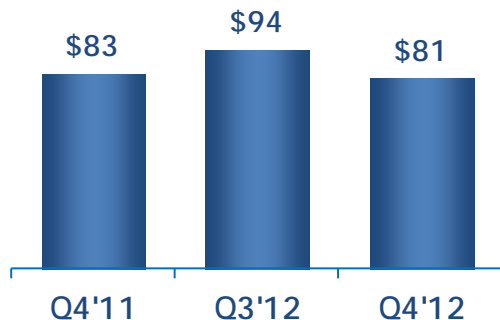
- Negative impact of currency movements reduced revenue by \$1.3 million
- Sales volume increased 13.3%
- Average selling price increased

### 2012 vs. 2011

- Revenue up 6.7% or 13.1% on a currency-adjusted basis
- Sales volume increased 7.6%, mainly in surgical glove applications
- Average selling prices increased

## Advanced Materials

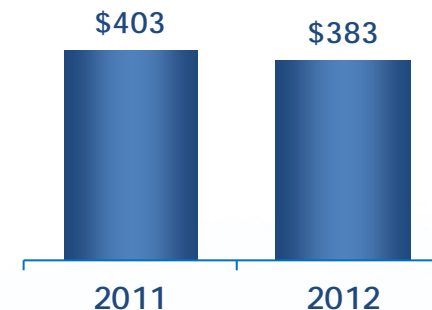
Quarterly Sales Revenue  
(\$ Millions)



Change in Quarterly Sales Revenue



Annual Sales Revenue  
(\$ Millions)



### Q4'12 vs. Q4'11

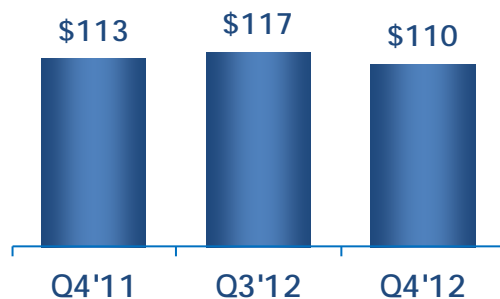
- \$1.5 million of the \$2.1 million revenue decline due to currency
- Sales volume increased 10.3%
- Average selling price declined

### 2012 vs. 2011

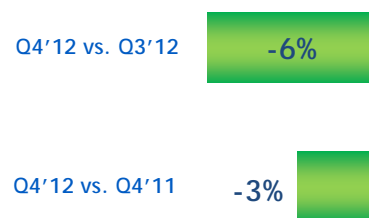
- \$10.3 million (~50%) of the revenue decline due to currency
- 4.6% volume growth in Asia Pacific
- Overall volume decline of 2.8% driven by lower sales of less differentiated products

## Adhesives, Sealants & Coatings

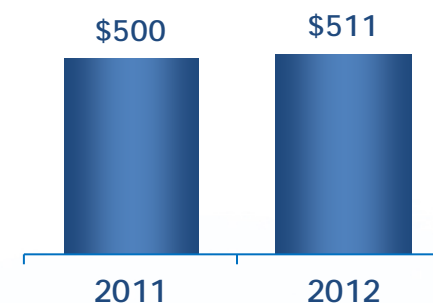
Quarterly Sales Revenue  
(\$ Millions)



Change in Quarterly Sales Revenue



Annual Sales Revenue  
(\$ Millions)



### Q4'12 vs. Q4'11

- Negative impact of currency movements reduced revenue by \$3.5 million
- Sales volume increased 1.9%
- Average selling price declined

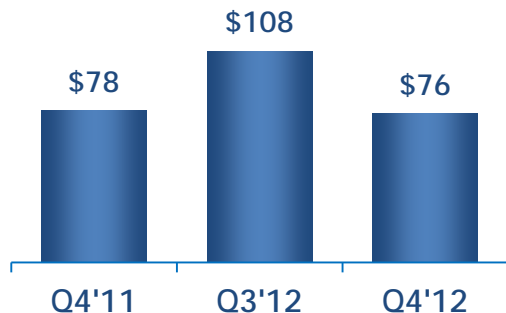
### 2012 vs. 2011

- Revenue up 2.2% or 6.9% on a currency-adjusted basis
- Volume growth in all regions except North America
- Overall volume up 3.7%
- Average selling price increased



## Paving & Roofing

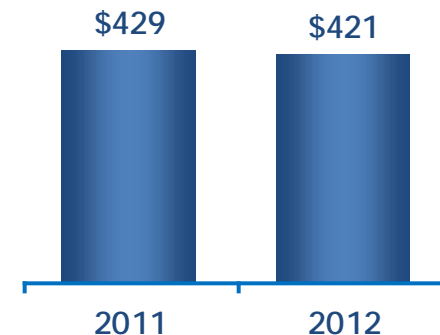
Quarterly Sales Revenue  
(\$ Millions)



Change in Quarterly Sales Revenue



Annual Sales Revenue  
(\$ Millions)



### Q4'12 vs. Q4'11

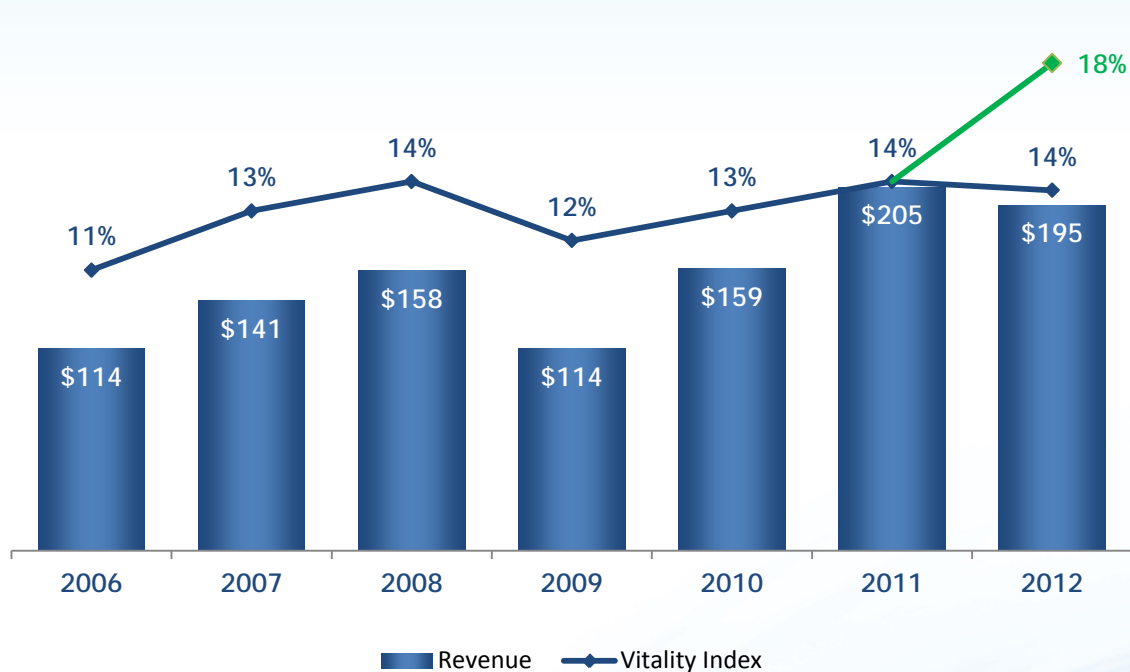
- Negative impact of currency movements reduced revenue by \$3.1 million
- Sales volume increased 14.4%
- Average selling price declined

### 2012 vs. 2011

- Revenue down 1.8% or up 4.4% on a currency-adjusted basis
- Sales volume increased 7.6%
- Global volume improved outside of North America, where roofing volume declined
- Average selling price declined

# Vitality Index

\$ in millions

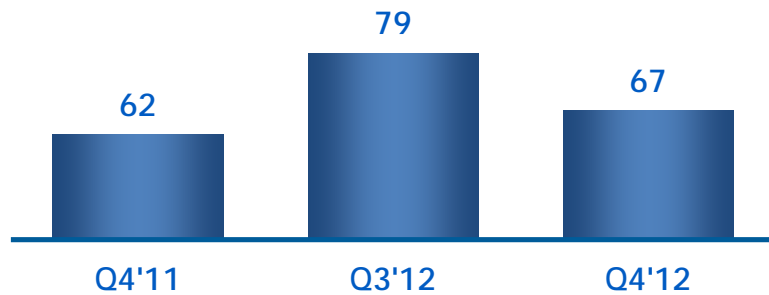


- Select key innovations showing strong y/y revenue growth:
  - Oilfield innovations up 176%
  - Adhesive innovations up 90%
  - PVC alternatives up 48%
  - Reactive SBS for printing plates up 40%
  - Paving applications up 21%
  - Comfort bedding up 14%

# Sales Volume and Sales Revenue



Sales Volume  
(Kilotons)

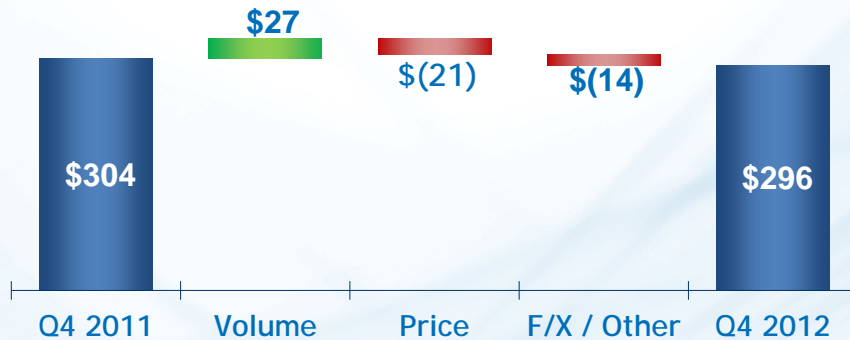


Sales Revenue  
(\$ in Millions)



## Sales Revenue Bridges

Q4 2011 to Q4 2012



Q3 2012 to Q4 2012

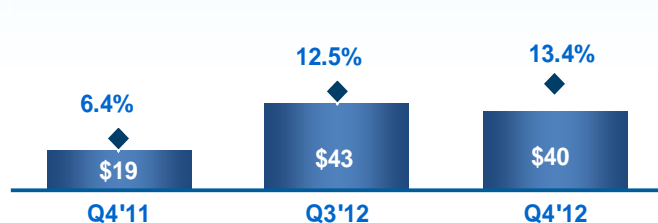


# Gross Profit and Adjusted EBITDA<sup>(1)</sup>

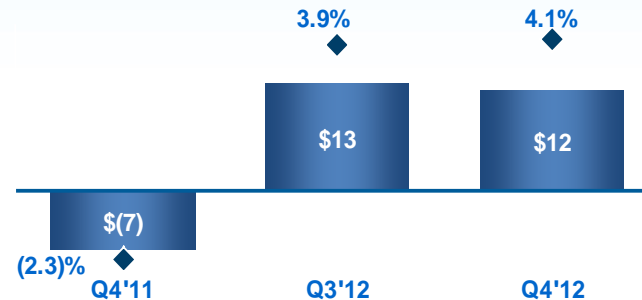


\$ in millions

## Gross Profit and Gross Margin



## Adjusted EBITDA<sup>(1)</sup> and Margin

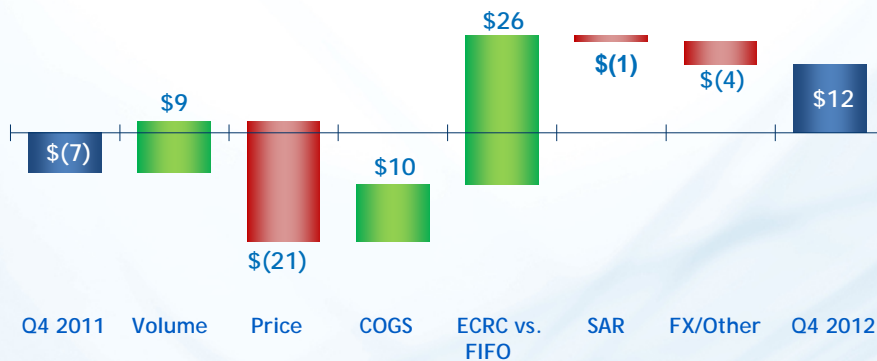


Gross Profit at ECRC <sup>(1)</sup>	\$56	\$80	\$50
Margin at ECRC	18.4%	23.5%	16.8%

Adj. EBITDA at ECRC <sup>(1)</sup>	\$30	\$51	\$22
Margin at ECRC	9.7%	14.8%	7.5%

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

### Q4 2011 to Q4 2012



### Q3 2012 to Q4 2012



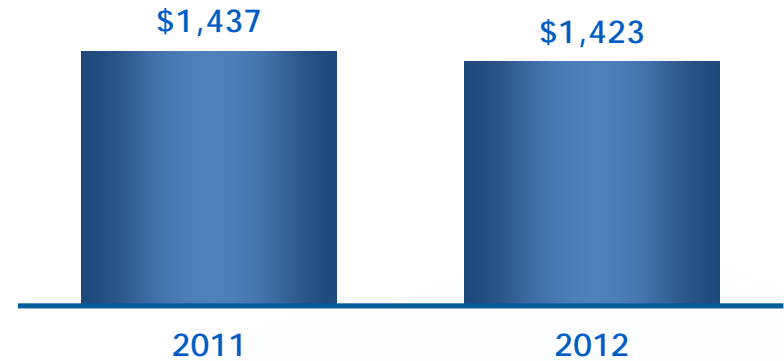
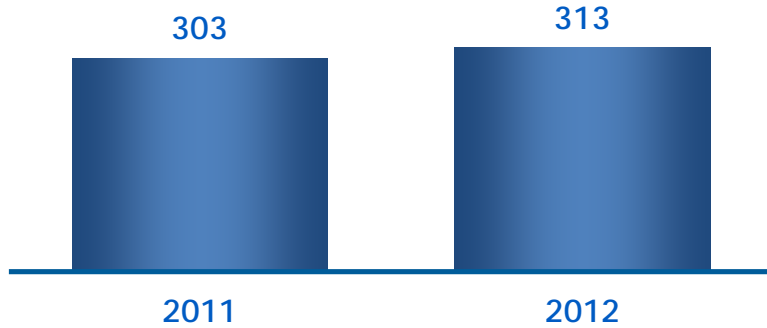
(1) See reconciliation of Net Income to EBITDA, Adjusted EBITDA and Adjusted EBITDA at ECRC and reconciliation of Gross Profit to Gross Profit at ECRC in the attached appendix.

# Sales Volume and Sales Revenue



Sales Volume  
(Kilotons)

Sales Revenue  
(\$ in Millions)



## Sales Revenue Bridge

2011 to 2012

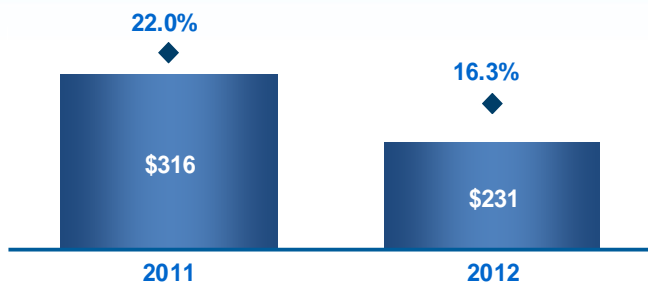


# Gross Profit and Adjusted EBITDA<sup>(1)</sup>



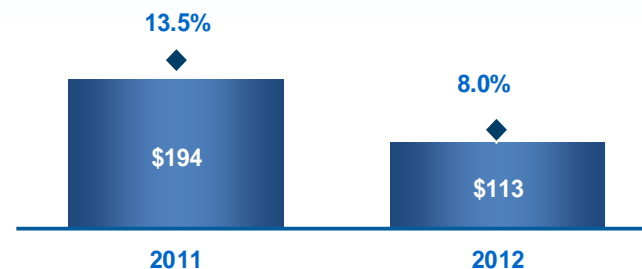
\$ in millions

## Gross Profit and Gross Margin



Gross Profit at ECRC <sup>(1)</sup>	\$250	\$262
Margin at ECRC	17.4%	18.4%

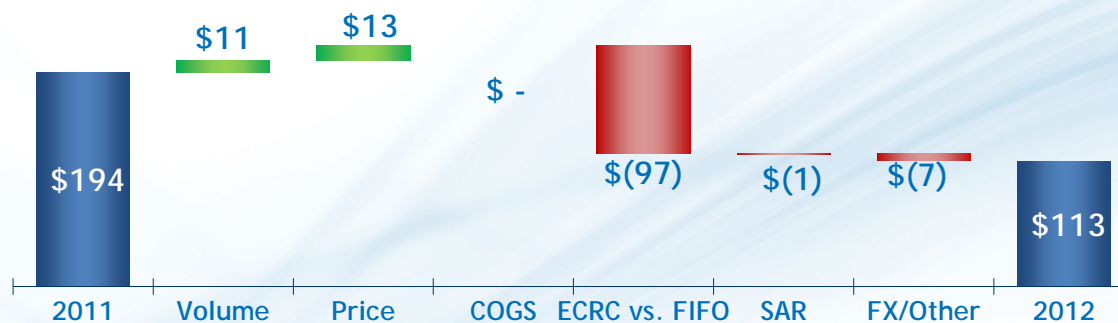
## Adjusted EBITDA<sup>(1)</sup> and Margin



Adj. EBITDA at ECRC <sup>(1)</sup>	\$128	\$144
Margin at ECRC	8.9%	10.1%

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

2011 to 2012



(1) See reconciliation of Net Income to EBITDA, Adjusted EBITDA and Adjusted EBITDA at ECRC and reconciliation of Gross Profit to Gross Profit at ECRC in the attached appendix.

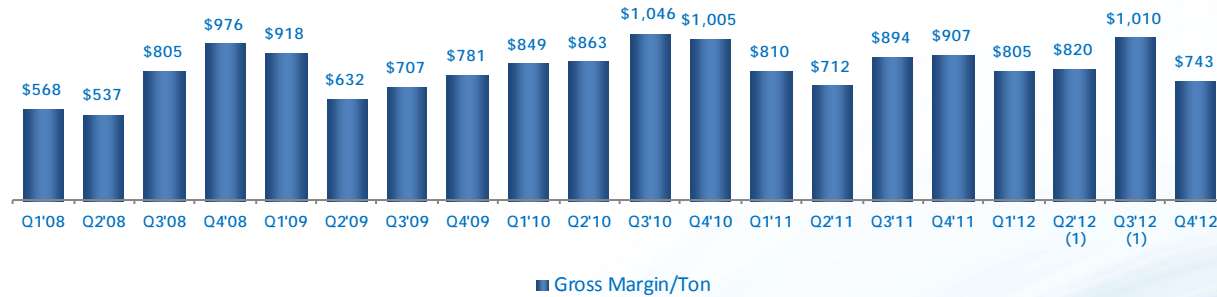
# Monomer Volatility



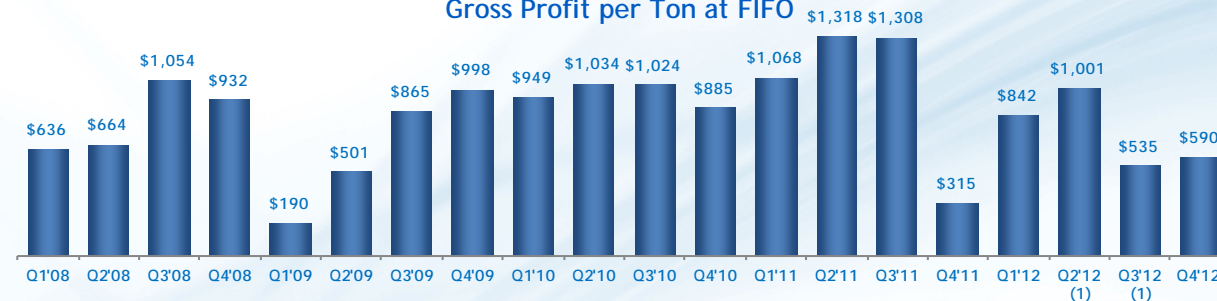
Quarterly Difference Between Inventory Valuation at FIFO and at ECRC (\$ Millions)



Gross Profit per Ton at Estimated Current Replacement Cost



Gross Profit per Ton at FIFO



(1) Excludes impact of Belpre storm-related charge and severance charge aggregating \$3.8 million in the second quarter 2012 and \$(0.3) million in the third quarter of 2012.

# Net Income and EPS Analysis



\$ in thousands except per share data

	Q4 2102		Q4 2011		2102		2011	
	Net Loss	Diluted EPS	Net Loss	Diluted EPS	Net Loss	Diluted EPS	Net Income	Diluted EPS
As reported	\$ (29,452)	\$ (0.91)	\$ (21,022)	\$ (0.66)	\$ (16,191)	\$ (0.50)	\$ 90,925	\$ 2.81
Net Income (loss) includes the following:								
Settlement gain	\$ -	\$ -	\$ -	\$ -	\$ 6,909	\$ 0.22	\$ -	\$ -
Property tax dispute	-	-	-	-	(6,211)	(0.20)	-	-
Storm related charges	-	-	-	-	(2,481)	(0.08)	-	-
Retirement plan settlement	(1,100)	(0.03)	-	-	(1,100)	(0.03)	-	-
Restructuring and related charges	(297)	(0.01)	(35)	-	(1,215)	(0.04)	(1,768)	(0.06)
Impairment of long-lived assets	-	-	-	-	(5,434)	(0.17)	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	(8,057)	(0.25)
Change in deferred tax valuation allowance	(21,224)	(0.66)	(1,645)	(0.05)	(30,709)	(0.95)	17,303	0.54
Impact of selected items	\$ (22,621)	\$ (0.70)	\$ (1,680)	\$ (0.05)	\$ (40,241)	\$ (1.25)	\$ 7,478	\$ 0.23

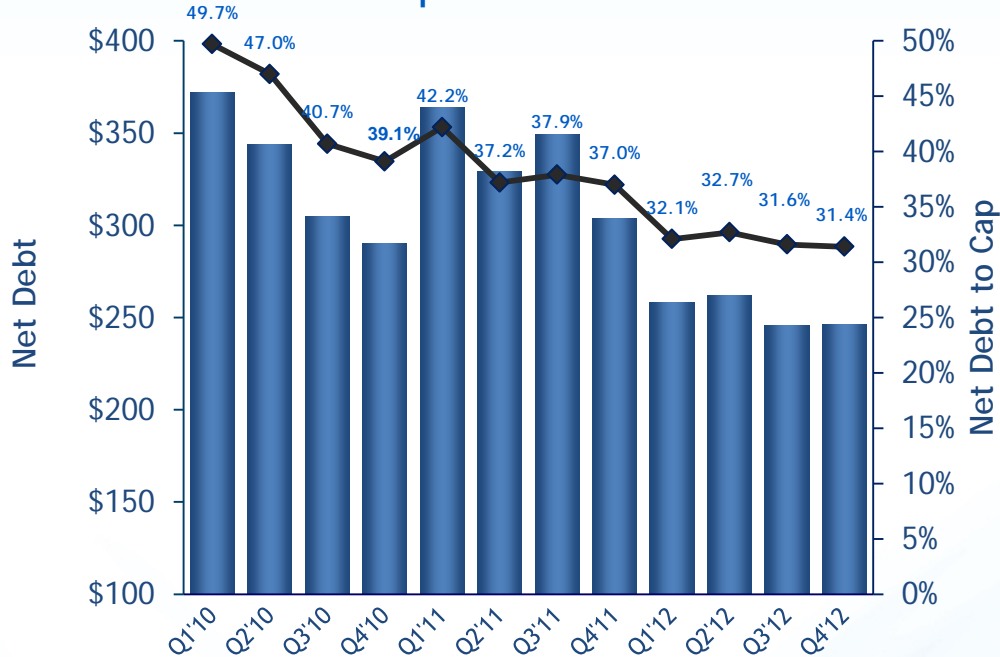


# Balance Sheet



\$ in millions

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



- Cash at December 31, 2012 of \$223 million
- Net Debt to Adjusted EBITDA was 2.0x at 12/31/12

\$ Millions	3 Months Ended		12 Months Ended	
	12/31/12	12/31/11	12/31/12	12/31/11
Net cash provided by operating activities	\$44.1	\$61.2	\$146.3	\$64.8

(1) See reconciliation of Net Debt and Net Debt to Net Capitalization in the attached appendix.

# Selected 2013 P&L Estimates<sup>(1)</sup>



Interest expense	~ \$29 million
Research & development	~ \$35 million
SG&A	~ \$109 million
Depreciation and amortization	~ \$60 million
Book effective tax rate	~ 12%

(1) Management's estimates. These estimates are forward-looking statements and speak only as of February 28, 2013. Management assumes no obligation to update these estimates in light of new information or future events.

# APPENDIX

February 28, 2013



# Reconciliation of Net Loss to EBITDA, Adjusted EBITDA and Adjusted EBITDA at ECRC



\$ in Thousands

	Three months Ended 12/31/2012	Three months Ended 9/30/2012	Three months Ended 12/31/2011
Net loss	\$ (29,452)	\$ (15,499)	\$ (21,022)
Add(deduct):			
Interest expense, net	7,197	7,634	6,500
Income tax expense (benefit)	14,945	(1,640)	(9,545)
Depreciation and amortization expenses	16,711	16,109	15,816
<b>EBITDA</b>	<b>\$ 9,401</b>	<b>\$ 6,604</b>	<b>\$ (8,251)</b>
<b>EBITDA</b>	<b>\$ 9,401</b>	<b>\$ 6,604</b>	<b>\$ (8,251)</b>
Add(deduct):			
Storm related charges <sup>(1)</sup>	0	(336)	0
Restructuring and related charges <sup>(2)</sup>	297	0	35
Non-cash compensation expense	1,326	1,508	1,263
Impairment of long-lived assets <sup>(3)</sup>	0	5,434	0
Retirement plan settlement <sup>(4)</sup>	1,100	0	0
<b>Adjusted EBITDA</b>	<b>\$ 12,124</b>	<b>\$ 13,210</b>	<b>\$ (6,953)</b>
Add:			
Spread between FIFO and ECRC	10,235	37,636	36,611
<b>Adjusted EBITDA at ECRC <sup>(5)</sup></b>	<b>\$ 22,359</b>	<b>\$ 50,846</b>	<b>\$ 29,658</b>

1. Reflects an adjustment to the Q2 2012 storm related charge at our Belpre, Ohio facility which is recorded in cost of goods sold.
2. Includes charges related to severance expenses, and charges associated with evaluating acquisition transactions.
3. Reflects the impairment of long-lived assets, of which \$3.4 million and \$2.0 million were associated with the HSBC facility and other long-term assets, respectively.
4. Reflects the retirement plan settlement charge associated with a disbursement from a benefit plan upon the retirement of an employee which is recorded in selling, general and administrative expenses.
5. Adjusted EBITDA at estimated current replacement cost (ECRC) is Adjusted EBITDA net of the impact of the spread between the FIFO basis of accounting and ECRC. Although we report our financial results using the FIFO basis of accounting, as part of our pricing strategy, we measure our business performance using the estimated current replacement cost of our inventory and cost of goods sold. In addition, volatility in the cost of raw materials affects our results of operations and the period-over-period comparability of our results of operations. Therefore, we provide the spread between FIFO and ECRC, and we present Adjusted EBITDA at ECRC as another supplemental measure of our performance. We believe this additional adjustment provides helpful information to investors, securities analysts and other interested parties in evaluating period-over-period comparisons of our performance.

# Reconciliation of Net Income (Loss) to EBITDA , Adjusted EBITDA and Adjusted EBITDA at ECRC



\$ in Thousands

	Twelve months Ended 12/31/2012	Twelve months Ended 12/31/2011
Net income (loss)	\$ (16,191)	\$ 90,925
Add:		
Interest expense, net	29,303	29,884
Income tax expense	19,306	584
Depreciation and amortization expenses	64,554	62,735
<b>EBITDA</b>	<b>\$ 96,972</b>	<b>\$ 184,128</b>
<b>EBITDA</b>	<b>\$ 96,972</b>	<b>\$ 184,128</b>
Add(deduct):		
Settlement gain <sup>(1)</sup>	(6,819)	0
Property tax dispute <sup>(2)</sup>	6,211	0
Storm related charges <sup>(3)</sup>	2,481	0
Retirement plan settlement <sup>(4)</sup>	1,100	0
Restructuring and related charges <sup>(5)</sup>	1,359	1,755
Non-cash compensation expense	6,571	5,459
Impairment of long-lived assets <sup>(6)</sup>	5,434	
Loss on extinguishment of debt <sup>(7)</sup>	0	2,985
<b>Adjusted EBITDA</b>	<b>\$ 113,309</b>	<b>\$ 194,327</b>
Add (deduct):		
Spread between FIFO and ECRC	30,533	(66,332)
<b>Adjusted EBITDA at ECRC <sup>(8)</sup></b>	<b>\$ 143,842</b>	<b>\$ 127,995</b>

1. Reflects the benefit of the LBI settlement, which is recorded in cost of goods sold.
2. Reflects a charge associated with the resolution of the property tax dispute in France, of which \$5,646 is recorded in cost of goods sold and \$565 is recorded in selling, general and administrative expenses.
3. Reflects the storm related charge at our Belpre, Ohio facility, which is recorded in cost of goods sold.
4. Reflects the retirement plan settlement charge associated with a disbursement from a benefit plan upon the retirement of an employee which is recorded in selling, general and administrative expenses.
5. Includes charges related to severance expenses, fees associated with the public offering of our senior notes, secondary public offering of our common stock, consulting fees, charges associated with the restructuring of our European organization and evaluating acquisition transactions.
6. Reflects the impairment of long-lived assets, of which \$3.4 million and \$2.0 million were associated with the HSBC facility and other long-term assets, respectively.
7. Reflects the loss on extinguishment of debt arising from the 2011 refinancing.
8. Adjusted EBITDA at estimated current replacement cost (ECRC) is Adjusted EBITDA net of the impact of the spread between the FIFO basis of accounting and ECRC. Although we report our financial results using the FIFO basis of accounting, as part of our pricing strategy, we measure our business performance using the estimated current replacement cost of our inventory and cost of goods sold. In addition, volatility in the cost of raw materials affects our results of operations and the period-over-period comparability of our results of operations. Therefore, we provide the spread between FIFO and ECRC, and we present Adjusted EBITDA at ECRC as another supplemental measure of our performance. We believe this additional adjustment provides helpful information to investors, securities analysts and other interested parties in evaluating period-over-period comparisons of our performance.

# Reconciliation of Net Debt and Net Debt to Net Capitalization



(\$ Millions)	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12
Total Debt	\$384	\$384	\$383	\$383	\$400	\$396	\$394	\$393	\$492	\$490	\$448	\$448
Less: Cash	\$12	\$39	\$72	\$93	\$36	\$67	\$46	\$89	\$233	\$228	\$202	\$223
Net Debt	\$372	\$344	\$311	\$290	\$364	\$329	\$349	\$304	\$258	\$262	\$246	\$225
Stockholders Equity	\$377	\$388	\$454	\$452	\$499	\$556	\$571	\$518	\$546	\$539	\$532	\$492
Add: Net Debt	\$372	\$344	\$311	\$290	\$364	\$329	\$349	\$304	\$258	\$262	\$246	\$225
Net Capitalization	\$750	\$732	\$765	\$742	\$863	\$885	\$920	\$822	\$805	\$801	\$778	\$717
Net Debt to Net Capitalization	49.70%	47.00%	40.70%	39.10%	42.20%	37.20%	37.90%	37.00%	32.10%	32.70%	31.60%	31.40%

# Reconciliation of Gross Profit to Gross Profit at Estimated Current Replacement Cost



(\$ Millions, except Gross Profit/Ton)	Q1'08	Q2'08	Q3'08	Q4'08	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10
Sales Volume (Kilotons)	76.8	94.2	89.6	52.6	47.1	71.4	80.9	61.0	72.9	86.2	80.9	67.1
Gross Profit @ FIFO	\$ 48.79	\$ 62.55	\$ 94.45	\$ 48.97	\$ 8.93	\$ 35.76	\$ 69.97	\$ 60.87	\$ 69.13	\$ 89.13	\$ 82.88	\$ 59.37
ECRC to FIFO	\$ 5.18	\$ 11.94	\$ 22.33	\$ (2.31)	\$ (34.32)	\$ (9.30)	\$ 12.77	\$ 13.28	\$ 7.26	\$ 14.69	\$ (1.72)	\$ (8.08)
Gross Profit @ ECRC <sup>(1)</sup>	\$ 43.60	\$ 50.60	\$ 72.12	\$ 51.28	\$ 43.25	\$ 45.06	\$ 57.20	\$ 47.59	\$ 61.87	\$ 74.44	\$ 84.60	\$ 67.45
Gross Profit/Ton @ECRC	\$568.13	\$537.20	\$ 805.03	\$975.70	\$917.58	\$631.54	\$707.38	\$780.55	\$849.01	\$ 863.45	\$1,045.50	\$1,005.10
Gross Profit/Ton @ FIFO	\$635.64	\$663.97	\$1,054.24	\$931.79	\$189.51	\$501.16	\$865.32	\$998.39	\$948.60	\$1,034.09	\$1,024.21	\$ 884.71

(\$ Millions, except Gross Profit/Ton)	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12
Sales Volume (Kilotons)	81.3	82.3	77.6	61.9	89.6	77.2	79.3	67.2
Gross Profit @ FIFO	\$ 86.9	\$ 108.4	\$ 101.5	\$ 19.5	\$ 75.5	\$ 73.5	\$ 42.8	\$ 39.7
ECRC to FIFO	\$ 21.0	\$ 49.8	\$ 32.1	\$ (36.6)	\$ 3.4	\$ 14.0	\$ (37.6)	\$ (10.2)
Gross Profit @ ECRC <sup>(1)</sup>	\$ 65.8	\$ 58.6	\$ 69.4	\$ 56.1	\$ 72.1	\$ 59.5	\$ 80.4	\$ 49.9
Gross Profit/Ton @ECRC	\$ 810	\$ 712	\$ 894	\$ 907	\$ 805	\$ 771	\$ 1,014	\$ 743
Gross Profit/Ton @ FIFO	\$ 1,068	\$ 1,318	\$ 1,308	\$ 315	\$ 842	\$ 952	\$ 539	\$ 590

(1) Gross Profit at ECRC is gross profit net of the impact of the spread between the FIFO basis of accounting and ECRC. Although we report our financial results using the FIFO basis of accounting, as part of our pricing strategy, we measure our business performance using the estimated current replacement cost of our inventory and cost of goods sold. In addition, volatility in the cost of raw materials affects our results of operations and the period-over-period comparability of our results of operations. Therefore, we provide Gross Profit at ECRC as another supplemental measure of our performance. We believe this adjustment provides helpful information to investors, securities analysts and other interested parties in the evaluating period-over-period comparisons of our performance.

**KRATON PERFORMANCE POLYMERS, INC.  
FOURTH QUARTER 2012 EARNINGS CONFERENCE CALL**

**February 28, 2013**

