

KRATON PERFORMANCE POLYMERS, INC.
THIRD QUARTER 2013 EARNINGS CONFERENCE CALL

October 31, 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 raw material price environment; butadiene prices; expectations regarding future spreads between FIFO and ECRC, and statements regarding selected 2013 P&L estimates.

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 in our latest Annual Report on Form 10-K, 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, risks related to: conditions in the global economy and capital markets; declines in raw material costs; 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 investment in the joint venture with FPCC; and other risks, factors and uncertainties described in this presentation 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.

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, Gross Profit at ECRC and Adjusted Net Income (or earnings per share). A table included in this presentation reconciles each of these non-GAAP financial measures with the most directly comparable GAAP financial measure. For additional information on the impact of the spread between the FIFO basis of accounting and ECRC, see Management's Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

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. 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. Finally, we prepare Adjusted Net Income by adjusting net income 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 Net Income should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Third Quarter 2013 Financial Summary



(\$ millions, except volume and per share data)	<u>Q3'13</u>	<u>Q3'12</u>	<u>Change</u>
Sales volume (kT)	83.5	79.3	4.2
Sales revenue	\$ 327.1	\$ 342.6	\$ (15.5)
Net loss attributable to Kraton	\$ (5.6)	\$ (15.5)	\$ 9.9
Loss per diluted share ⁽¹⁾	\$ (0.17)	\$ (0.48)	\$ 0.31
Adjusted loss per diluted share ⁽¹⁾	\$ (0.03)	\$ (0.38)	\$ 0.35
Adjusted EBITDA at ECRC ⁽¹⁾	\$ 44.8	\$ 50.8	\$ (6.1)
Net cash provided by operating activities	\$ 62.5	\$ 33.5	\$ 29.1

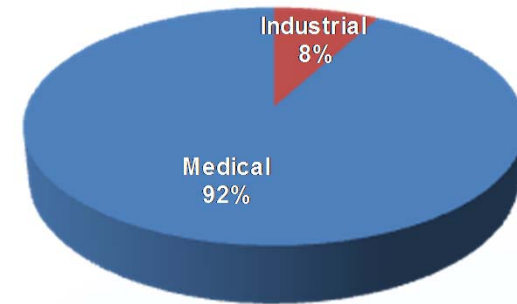
(1) The spread between the FIFO basis of accounting and the estimated current replacement cost basis ("ECRC") decreased earnings per diluted share and adjusted earnings per diluted share by \$0.63 in the third quarter 2013 and decreased earnings per diluted share and adjusted earnings per diluted share by \$1.13 in the third quarter 2012. See reconciliation of net income and earnings per diluted share under GAAP to EBITDA, Adjusted EBITDA, Adjusted EBITDA at ECRC, adjusted net income and adjusted earnings per diluted share in the attached appendix.

Note: May not foot due to rounding.

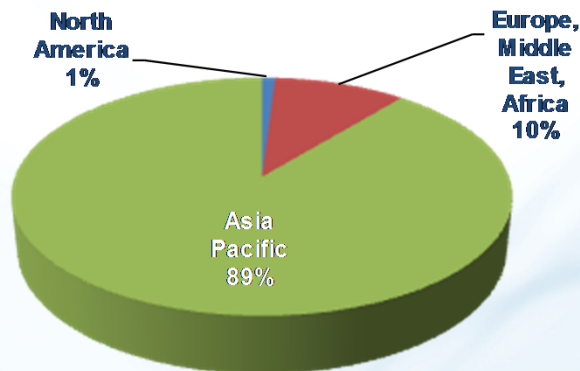
(\$ Millions)	Q3'12	Q2'13	Q3'13
Revenue	\$24.2	\$29.2	\$28.2

- Sales volume increased 29%
- Currency movements adversely impacted revenue by \$1.0 million
- Continued expansion of customer base and end use applications during the quarter

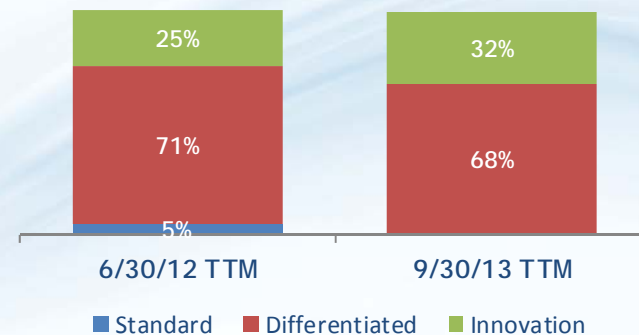
TTM Revenue by End Use Application



TTM Revenue by Geography



Portfolio Composition



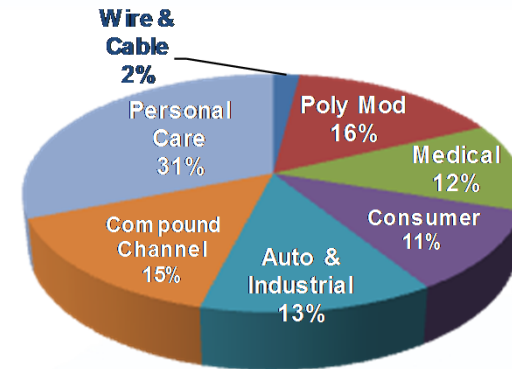
Advanced Materials



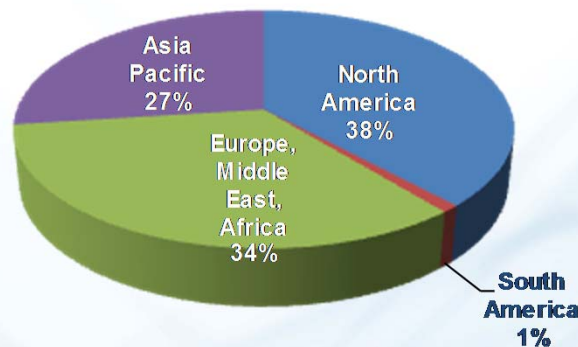
(\$ Millions)	Q3'12	Q2'13	Q3'13
Revenue	\$93.7	\$91.1	\$81.2

- Sales volume decreased 7%, reflecting soft consumer demand
- Average selling prices decreased, associated with lower average raw material costs
- Innovation sales volume was up 27%

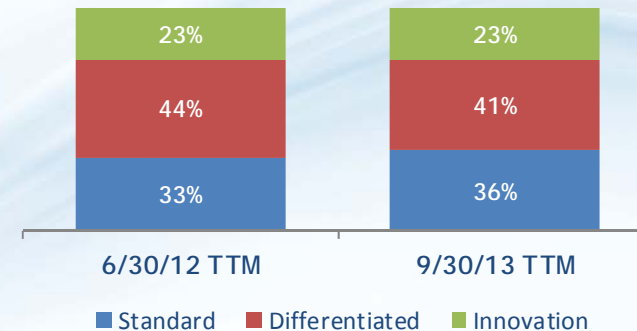
TTM Revenue by End Use Application



TTM Revenue by Geography



Portfolio Composition



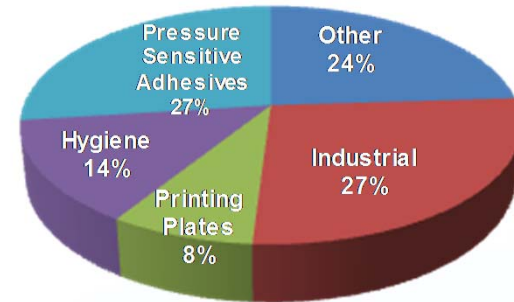
Adhesives, Sealants & Coatings



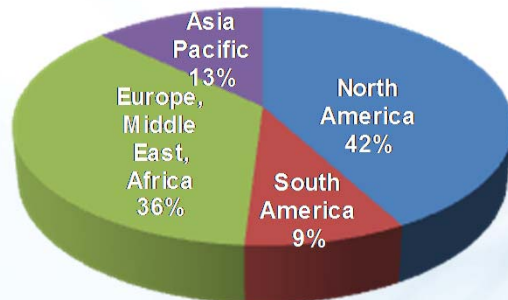
(\$ Millions)	Q3'12	Q2'13	Q3'13
Revenue	\$116.5	\$126.0	\$117.6

- Sales volume increased 7%, primarily due to timing of lubricant additive sales
- Currency movements adversely impacted revenue by \$0.7 million
- Average selling price declined, associated with lower average raw material costs

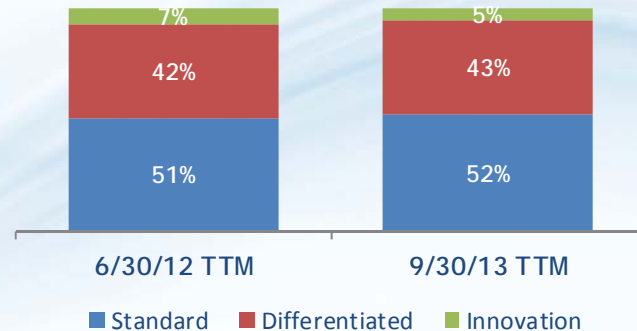
TTM Revenue by End Use Application



TTM Revenue by Geography



Portfolio Composition



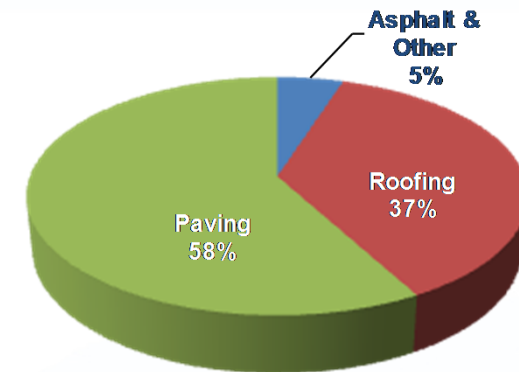
Paving & Roofing



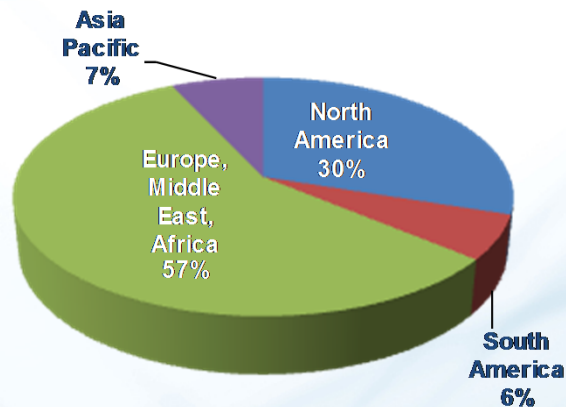
(\$ Millions)	Q3'12	Q2'13	Q3'13
Revenue	\$108.1	\$87.8	\$99.7

- Sales volume increased 9%
- Currency movements favorably impacted revenue by \$2.1 million
- Average selling price declined, associated with lower average raw material costs
- Sales volume of innovation grades up 22%

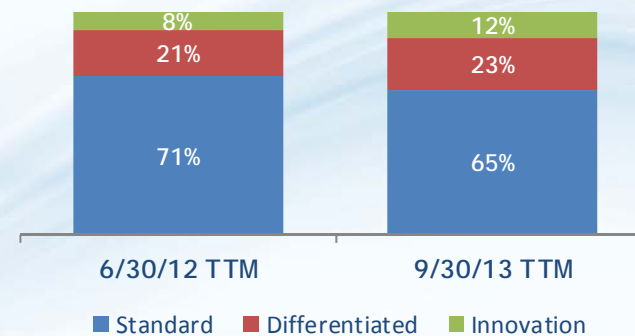
TTM Revenue by End Use Application



TTM Revenue by Geography



Portfolio Composition⁽¹⁾



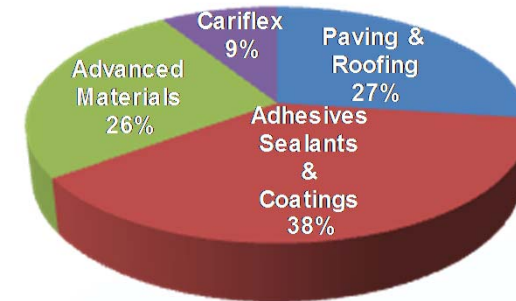
Kraton Portfolio Overview



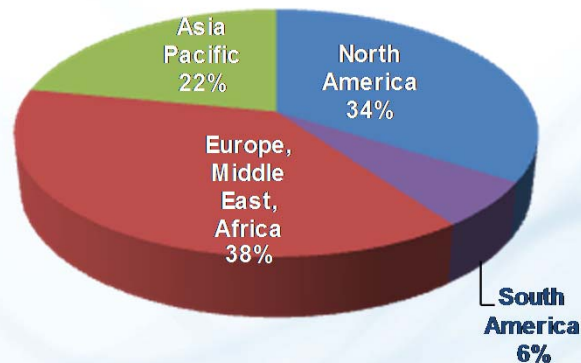
(\$ Millions)	Q3'12	Q2'13	Q3'13
Revenue	\$342.6	\$334.5	\$327.1

- Sales volume increased 5%
- Average sales price decreased, largely due to lower sales prices associated with reduction in monomer costs
- Sales volume of innovation grades up 9%

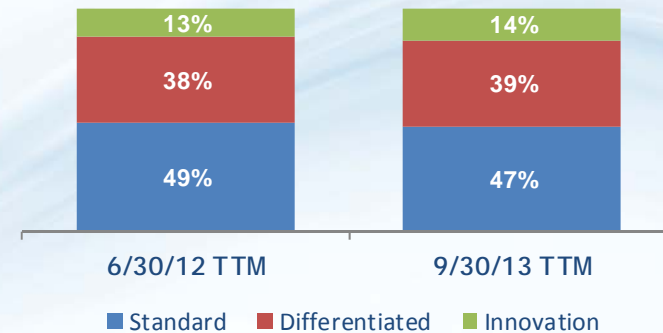
TTM Revenue by End Use



TTM Revenue by Geography



Portfolio Composition



Sales Volume and Sales Revenue



Q3 2013 Sales Volume and Revenue



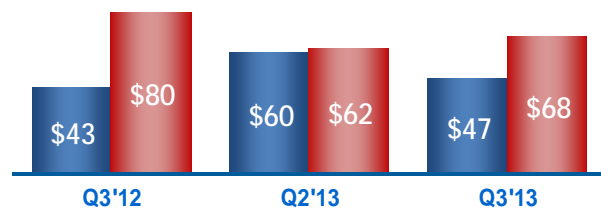
YTD Sales Volume and Revenue



Third Quarter and Year-to-Date Gross Profit



Q3 2013 Gross Profit and Gross Profit at ECRC ⁽³⁾

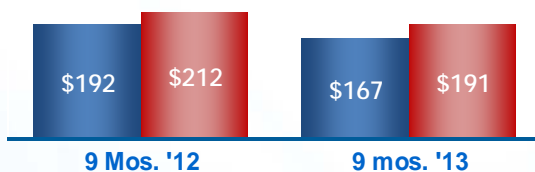


■ As Reported ■ ECRC

Margin	12.5%	17.9%	14.5%
Margin at ECRC	23.5%	18.6%	20.8%

	Q3 2012	Q2 2013	Q3 2013
Gross profit @ FIFO	\$ 42.8	\$ 59.9	\$ 47.5
FIFO to ECRC	37.6	2.3	20.7
Gross profit @ECRC ⁽³⁾	\$ 80.4	\$ 62.2	\$ 68.1

YTD Gross Profit and Gross Profit at ECRC ⁽³⁾



■ As Reported ■ ECRC

Margin	17.0%	16.7%
Margin at ECRC	18.8%	19.0%

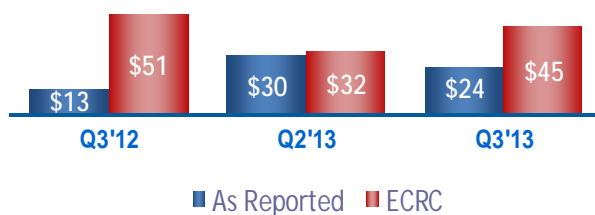
	9 Mos. 2012	9 Mos. 2013
Gross profit @ FIFO	\$ 191.7	\$ 167.2
FIFO to ECRC	20.3	23.5
Gross profit @ECRC ⁽³⁾	\$ 212.0	\$ 190.7

Third Quarter Adjusted EBITDA at ECRC ⁽¹⁾



\$ in millions

Q3 2013 Adjusted EBITDA and Adjusted EBITDA at ECRC⁽¹⁾



Margin	3.9%	8.9%	7.4%
Margin at ECRC	14.8%	9.6%	13.7%

	Q3 2012	Q2 2013	Q3 2013
EBITDA ⁽¹⁾	\$ 6.6	\$ 26.5	\$ 17.7
Non-cash Compensation	1.5	2.0	1.8
Other items, net ⁽¹⁾	5.1	1.1	1.0
MACT production downtime	0	0	3.5
FIFO to ECRC	37.6	2.3	20.7
Adj. EBITDA at ECRC ⁽¹⁾	\$ 50.8	\$ 32.0	\$ 44.8

Adjusted EBITDA at ECRC ⁽¹⁾ Bridge
Q3 2012 to Q3 2013



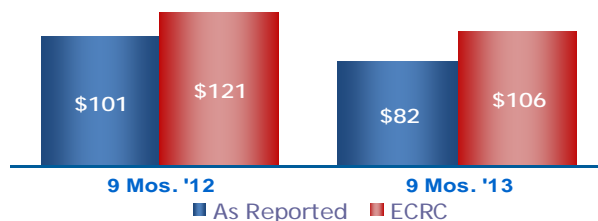
(1) Refer to attached appendix for reconciliation of net income (loss) attributable to Kraton to EBITDA, Adjusted EBITDA and Adjusted EBITDA at ECRC.

Year-to-Date Adjusted EBITDA at ECRC ⁽¹⁾



\$ in millions

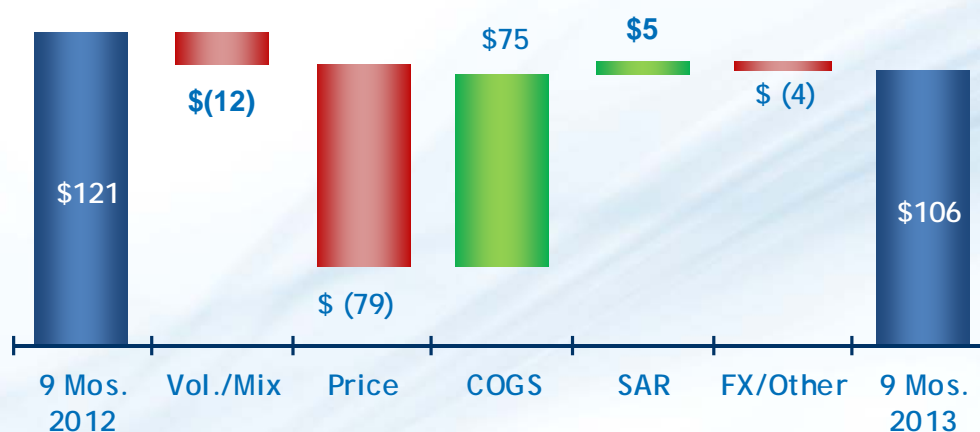
YTD Adjusted EBITDA and Adjusted EBITDA at ECRC⁽¹⁾



Margin	9.0%	8.2%
Margin at ECRC	10.8%	10.6%

	9 Mos. '12	9 Mos. '13
EBITDA ⁽¹⁾	\$ 87.6	\$ 70.3
Non-cash Compensation	5.2	6.4
Other items, net ⁽¹⁾	8.4	2.3
MACT production downtime	0	3.5
FIFO to ECRC	20.3	23.5
Adjusted EBITDA at ECRC ⁽¹⁾	\$ 121.5	\$ 105.9

Adjusted EBITDA at ECRC ⁽¹⁾ Bridge
9 Mos. 2012 to 9 Mos. 2013



(1) Refer to attached appendix for reconciliation of net income (loss) attributable to Kraton to EBITDA, Adjusted EBITDA and Adjusted EBITDA at ECRC.

Earnings Per Diluted Share and Adjusted Earnings per Diluted Share⁽¹⁾

\$ in thousands except per share data

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012		Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	After Tax	Per Diluted Share	After Tax	Per Diluted Share	After Tax	Per Diluted Share	After Tax	Per Diluted Share
Net income (loss) attributable to Kraton and earnings (loss) per diluted share	\$ (5,598)	\$ (0.17)	\$ (15,499)	\$ (0.48)	\$ (5,517)	\$ (0.17)	\$ 13,261	\$ 0.41
Adjustments to net income (loss) attributable to Kraton and impact per diluted share ⁽¹⁾	\$ 4,561	\$ 0.14	\$ 3,313	\$ 0.10	\$ 11,541	\$ 0.36	\$ 5,306	\$ 0.16
Adjusted net income (loss) attributable to Kraton and adjusted earnings (loss) per diluted share	<u>\$ (1,037)</u>	<u>\$ (0.03)</u>	<u>\$ (12,186)</u>	<u>\$ (0.38)</u>	<u>\$ 6,024</u>	<u>\$ 0.19</u>	<u>\$ 18,567</u>	<u>\$ 0.57</u>

Included in net income (loss) attributable to Kraton and adjusted net income (loss) attributable to Kraton were the following:

Negative impact of spread between FIFO and ECRC	\$ (20,650)	\$ (0.63)	\$ (36,654)	\$ (1.13)	\$ (23,467)	\$ (0.72)	\$ (19,334)	\$ (0.60)
Negative effect associated with change in deferred tax asset valuation allowance	\$ (3,488)	\$ (0.11)	\$ (9,747)	\$ (0.30)	\$ (8,046)	\$ (0.25)	\$ (9,485)	\$ (0.29)

(1) Refer to attached appendix for reconciliation of net income (loss) and earnings (loss) per diluted share attributable to Kraton to adjusted net income (loss) and adjusted earnings (loss) per diluted share.

Cash Flow and Balance Sheet



\$ in millions

	Three Months Ended		Nine Months Ended	
	9/30/13	9/30/12	9/30/13	9/30/12
EBITDA ⁽¹⁾	\$ 17.7	\$ 6.6	\$ 70.3	\$ 87.6
Interest	(12.0)	(13.5)	(27.1)	(25.7)
Taxes	(1.9)	(1.8)	(7.4)	(12.7)
Working capital	58.7	42.1	22.3	53.0
Operating cash flow	62.5	33.5	58.1	102.2
Investing activities	(24.6)	(20.8)	(63.5)	(42.6)
Free cash flow	37.9	12.7	(5.4)	59.6
JV funding from FPCC	15.0	-	30.2	-
Financing	-	(41.7)	(102.3)	53.3
Currency	3.0	3.4	(1.0)	0.8
Change in cash	55.9	(25.7)	(78.5)	113.7
Beginning cash	88.7	228.0	223.2	88.6
Ending cash	\$ 144.6	\$ 202.3	\$ 144.6	\$ 202.3

Note: May not foot due to rounding

- ABL availability at September 30, 2013 of \$187 million and total liquidity of \$283 million
- Net debt⁽²⁾ of \$255 million at 9/30/13
 - Total debt reduced \$97 million since 12/31/12
- Net debt to net capitalization⁽²⁾ was 34.2% at 9/30/13
- Net Debt⁽²⁾ to TTM Adjusted EBITDA was 2.7x at 9/30/13

(1) See reconciliation of net income attributable to Kraton to EBITDA in the attached appendix

(2) See reconciliation of Net Debt and Net Debt to Net Capitalization in the attached appendix. Excludes cash in our joint venture, Kraton Formosa Polymers Corporation, which is not available to the company

Selected 2013 Estimates⁽¹⁾



Interest expense	~ \$31 million ⁽²⁾
Research & development	~ \$34 million
SG&A	~ \$102 million
Depreciation and amortization	~ \$62 million
Capex	\$80-\$85 million
Cash investment in FPCC JV	~ \$41 million
Q4'13 tax provision	~ \$3 million
Q4'13 negative spread between FIFO and ECRC	~ \$8 million

(1) Management's estimates. These estimates are forward-looking statements and speak only as of October 31, 2013. Management assumes no obligation to update these estimates in light of new information or future events.

(2) Includes \$5.7 million associated with the Q1'13 debt refinancing.

APPENDIX

October 31, 2013



Reconciliation of Net Income (Loss) and Earnings (Loss) Per Diluted Share to Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Diluted Share



\$ in thousands except per share data

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012		Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	After Tax	Per Diluted Share	After Tax	Per Diluted Share	After Tax	Per Diluted Share	After Tax	Per Diluted Share
Net income (loss) attributable to Kraton and earnings (loss) per diluted share	\$ (5,598)	\$ (0.17)	\$ (15,499)	\$ (0.48)	\$ (5,517)	\$ (0.17)	\$ 13,261	\$ 0.41
Restructuring and other charges ^(a)	\$ 1,013	\$ 0.03	\$ -	\$ -	\$ 2,273	\$ 0.07	\$ 776	\$ 0.02
Storm related charges ^(b)	\$ -	\$ -	\$ (219)	\$ (0.01)	\$ -	\$ -	\$ 1,612	\$ 0.05
Write-off of debt issuance cost ^(c)	\$ 42	\$ -	\$ -	\$ -	\$ 5,065	\$ 0.16	\$ -	\$ -
Impairment of long-lived assets ^(d)	\$ -	\$ -	\$ 3,532	\$ 0.11	\$ -	\$ -	\$ 3,532	\$ 0.11
Production downtime related to MACT legislation ^(e)	\$ 3,506	\$ 0.11	\$ -	\$ -	\$ 3,506	\$ 0.11	\$ -	\$ -
Settlement gain ^(f)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,909)	\$ (0.21)
Property tax dispute ^(g)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,211	\$ 0.19
Debt offering ^(h)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84	\$ -
Settlement of interest rate swap ⁽ⁱ⁾	\$ -	\$ -	\$ -	\$ -	\$ 697	\$ 0.02	\$ -	\$ -
Adjusted net income (loss) and adjusted earnings (loss) per diluted share	<u>\$ (1,037)</u>	<u>\$ (0.03)</u>	<u>\$ (12,186)</u>	<u>\$ (0.38)</u>	<u>\$ 6,024</u>	<u>\$ 0.19</u>	<u>\$ 18,567</u>	<u>\$ 0.57</u>

- a) Includes other professional fees and severance expenses, which are primarily recorded in selling, general and administrative expenses in 2013 and primarily in cost of goods sold in 2012.
- b) Reflects the storm related charge at our Belpre, Ohio facility, which is recorded in cost of goods sold.
- c) Reflects interest expense related to the write-off of unamortized debt issuance costs in connection with the refinancing of our credit facility.
- d) 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.
- e) Reflects the non-recurring portion of the \$6.1 million of aggregate turnaround costs in 2013. The adjustment relates to the production downtime at our Belpre, Ohio facility, in preparation for the installation of natural gas boilers to replace the coal-burning boilers required by the MACT legislation, which is recorded in cost of goods sold.
- f) Reflects the benefit of the LBI settlement, which is recorded in cost of goods sold.
- g) 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.
- h) Includes costs related to the public offering of our senior notes, which are recorded in selling, general and administrative expenses.
- i) Reflects interest expense related to the termination and settlement of an interest rate swap agreement in connection with the refinancing of our credit facility.

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



\$ in Thousands

	Three months ended 9/30/2013	Three months ended 6/30/2013	Three months ended 9/30/2012
Net income (loss) attributable to Kraton	\$ (5,598)	\$ 3,829	\$ (15,499)
Net income (loss) attributable to noncontrolling interest	(254)	148	-
Consolidated net income (loss)	(5,852)	3,977	(15,499)
Add:			
Interest expense, net	5,741	5,909	7,634
Income tax expense (benefit)	2,021	905	(1,640)
Depreciation and amortization expenses	15,814	15,741	16,109
EBITDA	\$ 17,724	\$ 26,532	\$ 6,604
EBITDA	\$ 17,724	\$ 26,532	\$ 6,604
<i>Add (deduct):</i>			
Storm related charges ^(a)	-	-	(336)
Restructuring and other charges ^(b)	1,041	1,124	-
Non-cash compensation expense	1,833	2,007	1,508
Impairment of long-lived assets ^(c)	-	-	5,434
Production downtime related to MACT legislation ^(d)	3,506	-	-
Adjusted EBITDA	\$ 24,104	\$ 29,663	\$ 13,210
<i>Add:</i>			
Spread between FIFO and ECRC	\$ 20,650	\$ 2,304	\$ 37,636
Adjusted EBITDA at ECRC ^(e)	\$ 44,754	\$ 31,967	\$ 50,846

- a) Reflects the storm related charge at our Belpre, Ohio facility, which is recorded in cost of goods sold.
- b) Includes other professional fees and severance expenses, which are primarily recorded in selling, general and administrative expenses.
- c) 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.
- d) Reflects the non-recurring portion of the \$6.1 million of aggregate turnaround costs in 2013. The adjustment relates to the production downtime at our Belpre, Ohio facility, in preparation for the installation of natural gas boilers to replace the coal-burning boilers required by the MACT legislation, which is recorded in cost of goods sold.
- e) 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) Attributable to Kraton to EBITDA, Adjusted EBITDA and Adjusted EBITDA at ECRC



\$ in Thousands

	Nine months ended 9/30/2013	Nine months ended 9/30/2012
Net income (loss) attributable to Kraton	\$ (5,517)	\$ 13,261
Net loss attributable to noncontrolling interest	(182)	-
Consolidated net income (loss)	(5,699)	13,261
Add:		
Interest expense, net	24,948	22,106
Income tax expense	4,372	4,361
Depreciation and amortization expenses	46,653	47,843
EBITDA	\$ 70,274	\$ 87,571
EBITDA	\$ 70,274	\$ 87,571
<i>Add (deduct):</i>		
Settlement gain ^(a)	-	(6,819)
Property tax dispute ^(b)	-	6,211
Storm related charges ^(c)	-	2,481
Restructuring and other charges ^(d)	2,302	1,062
Non-cash compensation expense	6,362	5,245
Impairment of long-lived assets ^(e)	-	5,434
Production downtime related to MACT legislation ^(f)	3,506	-
Adjusted EBITDA	\$ 82,444	\$ 101,185
<i>Add:</i>		
Spread between FIFO and ECRC	23,461	20,297
Adjusted EBITDA at ECRC^(g)	\$ 105,905	\$ 121,482

- a) Reflects the benefit of the LBI settlement, which is recorded in cost of goods sold.
- b) 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.
- c) Reflects the storm related charge at our Belpre, Ohio facility, which is recorded in cost of goods sold.
- d) Includes other professional fees, severance expenses and fees associated with the public offering of our senior notes, which are primarily recorded in selling, general and administrative expenses in 2013 and primarily in cost of goods sold in 2012.
- e) 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.
- f) Reflects the non-recurring portion of the \$6.1 million of aggregate turnaround costs in 2013. The adjustment relates to the production downtime at our Belpre, Ohio facility, in preparation for the installation of natural gas boilers to replace the coal-burning boilers required by the MACT legislation, which is recorded in cost of goods sold.
- g) 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⁽¹⁾



(\$ Millions)	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
Total Debt	\$400	\$396	\$394	\$393	\$492	\$490	\$448	\$448	\$391	\$351	\$351
Less: Cash ⁽²⁾	\$36	\$67	\$46	\$89	\$233	\$228	\$202	\$223	\$105	\$67	\$96
Net Debt	\$364	\$329	\$349	\$304	\$258	\$262	\$246	\$225	\$286	\$284	\$255
Equity ⁽²⁾	\$499	\$556	\$571	\$518	\$546	\$539	\$532	\$492	\$483	\$485	\$490
Add: Net Debt	\$364	\$329	\$349	\$304	\$258	\$262	\$246	\$225	\$286	\$284	\$255
Net Capitalization	\$863	\$885	\$920	\$822	\$805	\$801	\$778	\$717	\$769	\$768	\$745
Net Debt to Net Capitalization	42.2%	37.2%	37.9%	37.0%	32.1%	32.7%	31.6%	31.4%	37.2%	36.9%	34.2%

(1) May not foot due to rounding

(2) Excludes JV cash and non-controlling interest beginning in Q1 2013

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	72.9	86.2	80.9	67.1
Gross Profit @ FIFO	\$48.8	\$62.6	\$94.5	\$49.0	\$8.9	\$35.8	\$70.0	\$60.9	\$69.1	\$89.1	\$82.9	\$59.4
FIFO to ECRC	(\$5.2)	(\$11.9)	(\$22.3)	\$2.3	\$34.3	(\$9.3)	(\$12.8)	(\$13.3)	(\$7.3)	(\$14.7)	\$1.7	\$8.1
Gross Profit @ ECRC ⁽¹⁾	\$43.6	\$50.6	\$72.1	\$51.3	\$43.3	\$45.1	\$57.2	\$47.6	\$61.9	\$74.4	\$84.6	\$67.5
Gross Profit/Ton @ECRC	\$568	\$537	\$805	\$976	\$918	\$632	\$707	\$781	\$849	\$863	\$1,046	\$1,005
Gross Profit/Ton @ FIFO	\$636	\$664	\$1,054	\$932	\$190	\$501	\$865	\$998	\$949	\$1,034	\$1,024	\$885

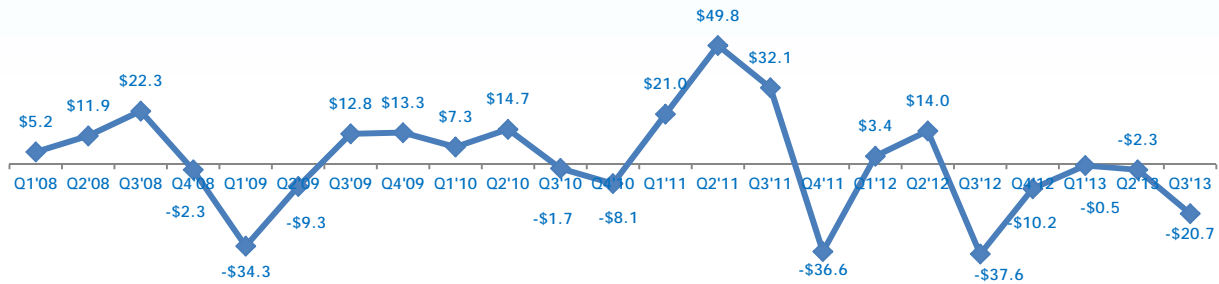
(\$ Millions, except Gross Profit/Ton)	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
Sales Volume (Kilotons)	81.3	82.3	77.6	61.9	89.6	77.2	79.3	67.2	78.2	77.5	83.5
Gross Profit @ FIFO	\$86.9	\$108.4	\$101.5	\$19.5	\$75.5	\$73.5	\$42.8	\$39.7	\$59.9	\$59.9	\$47.5
FIFO to ECRC	(\$21.0)	(\$49.8)	(\$32.1)	\$36.6	(\$3.4)	(\$14.0)	\$37.6	\$10.2	\$0.5	\$2.3	\$20.7
Gross Profit @ ECRC ⁽¹⁾	\$65.8	\$58.6	\$69.4	\$56.1	\$72.1	\$59.5	\$80.4	\$49.9	\$60.4	\$62.2	\$68.1
Gross Profit/Ton @ECRC	\$810	\$712	\$894	\$907	\$805	\$771	\$1,014	\$743	\$772	\$802	\$858
Gross Profit/Ton @ FIFO	\$1,068	\$1,318	\$1,308	\$315	\$842	\$952	\$539	\$590	\$766	\$773	\$610

(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.

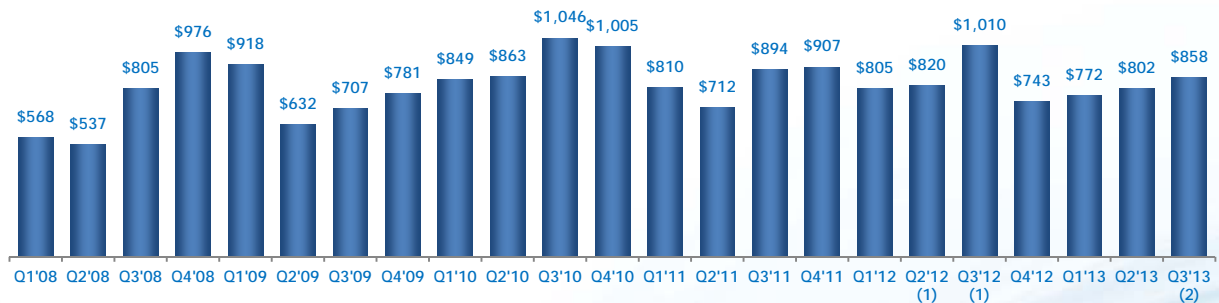
Monomer Volatility



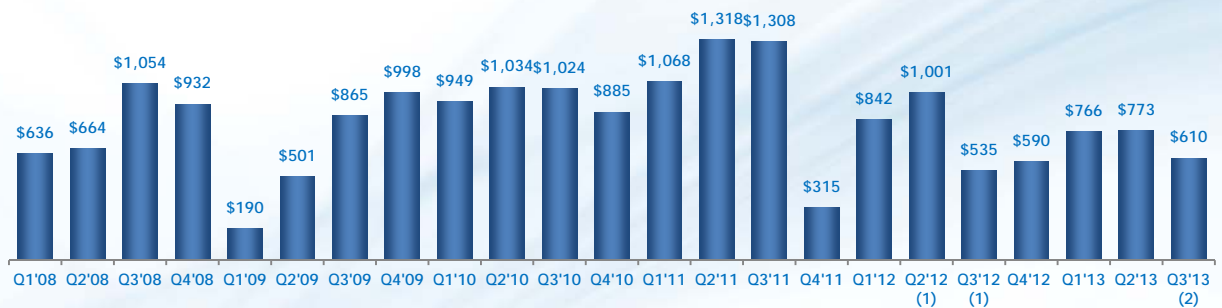
Quarterly Difference Between Inventory Valuation at FIFO and at ECRC (\$ Millions)



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.
- (2) Excludes impact of production downtime related to MACT legislation of steam outage of \$3.5 million in the third quarter 2013.

KRATON PERFORMANCE POLYMERS, INC.
THIRD QUARTER 2013 EARNINGS CONFERENCE CALL

October 31, 2013

