Kraton Performance Polymer's Acquisition of Arizona Chemical

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Acquisition of Arizona Chemical

- ☑ Industry leading supplier of specialty chemicals and high-value products derived primarily from non-hydrocarbon, renewable resources
- ☑ Extremely complementary to Kraton's existing business with greater than 50% of Arizona's sales into common end markets
- ☑ Similar business philosophy with focus on product differentiation and portfolio shift
- ☑ Attractive margin profile with Adjusted EBITDA margins above 20%
- ☑ Strong free cash flow profile

Significant value creation with synergies of $65 million

Transaction highlights

Purchase price and transaction value	▪ $1.37 billion in cash funded with committed debt facilities ▪ 7.4x June 2015 TTM Adjusted EBITDA, 5.5x with synergies
Financial impact	▪ Expected EPS accretion of $1.40[a] in first full year ▪ Pre-tax synergies of $65 million expected to be realized by 2018 ▪ Expected closing leverage of 4.6x June 2015 TTM Adjusted EBITDA
Closing conditions / Timing	▪ Regulatory and other customary approvals and conditions ▪ Closing anticipated late 2015 or early 2016

a) Based on preliminary purchase price allocation

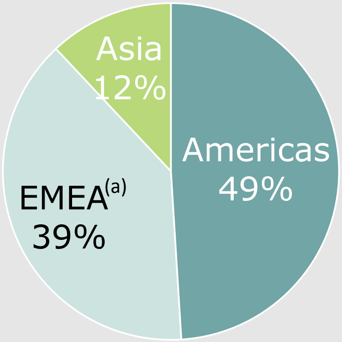
A global leader in specialty chemicals…

Renewable Resources. Endless Possibilities.™

Revenue	$863 million
Adjusted EBITDA	$184 million
Adj. EBITDA margin	21%

TTM June 30, 2015

Revenue by Geography



TTM June 30, 2015

a) EMEA is Europe, Middle East and Africa

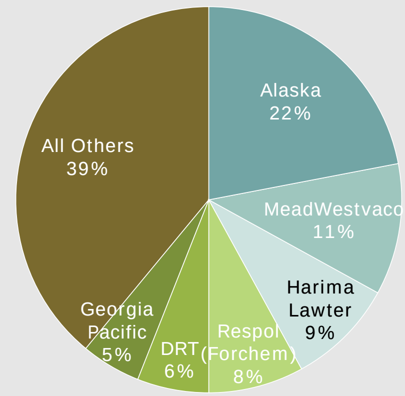
- Headquartered in Jacksonville, FL and Almere, Netherlands
- Leading converter of Crude Tall Oil ("CTO") to value added specialty chemicals
  - CTO is a renewable resource and a by-product of the kraft papermaking process
- 9 manufacturing plants in Europe and North America, 3 science & technology centers
- Operates in 4 business units
  - Adhesives
  - Roads and Construction
  - Tires
  - Chemical Intermediates which include
    - Fuel Additives / Lubricants
    - Oilfield Chemicals
    - Coatings
- Track record of 20%+ Adjusted EBITDA margins

…with a strong competitive position

- #1 processor of pine chemicals in the world
- #1 global producer of Rosins, Tall Oil Fatty Acids ("TOFA") and derivatives
- Broad product portfolio
  - #1 global supplier of pine-based tackifiers
  - #1 global supplier of pine-based pavement markers
  - Leading global supplier of high performance tread enhancement resins
- Strong relationships with key raw material suppliers

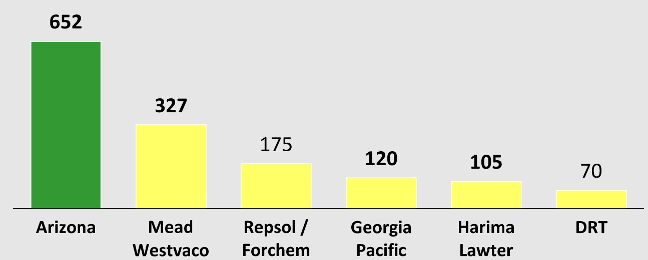
Global share of pine based chemicals

% of 2014 Revenues



Global footprint

CTO processing capacity (kilotons)



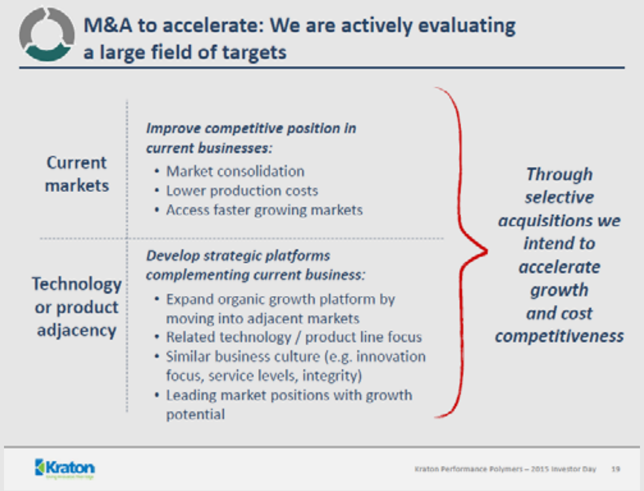
Geographic scope						
Americas	✓	✓		✓	✓	✓ (a)
Europe	✓		✓		✓	✓
Asia	✓				✓	✓ (a)

a) Limited presence in market

The acquisition of Arizona is consistent with Kraton's strategic objectives

Kraton's M&A focus: Technology or product adjacency

"Develop strategic platforms complementing current business"

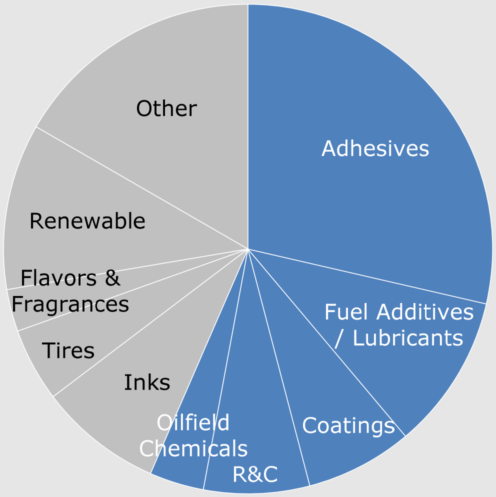


- Expands organic growth platform by moving into adjacent markets
- Adds related technology / product lines
- Similar business culture
- Leading market positions with growth potential

Arizona's business is highly complementary to Kraton's

Revenue by Submarket

% of 2014 Revenues



More than 50% of sales to common markets and customers

Adhesives

- Common customers, markets and applications
- **Kraton:** Diapers, tapes and labels
- **Arizona:** Rigid packaging, tapes and labels

Roads & Construction

- Common customers, markets and applications
- **Kraton:** Asphalt modification, road marking
- **Arizona:** Road marking and asphalt modification

Fuel Additives / Lubricants

- Common customers and adjacent markets and applications
- **Kraton**: Viscosity modifiers for oils and lubricants
- **Arizona:** Lubricants and corrosion inhibitors for fuels and oils

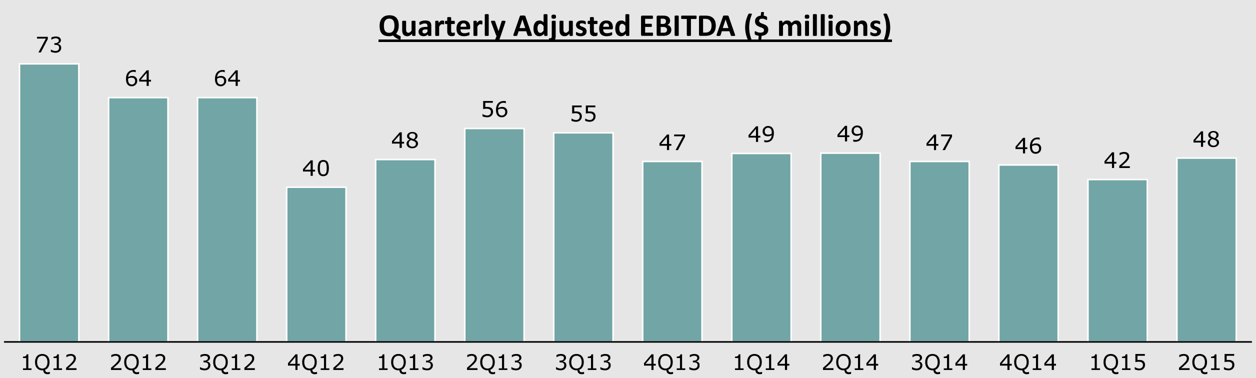
Oilfield Chemicals

- Common customers and adjacent markets and applications
- **Kraton:** Viscosity modifiers in oil based fluids
- **Arizona:** Corrosion inhibitors, emulsifiers, and thickening agents

Arizona historical financial summary

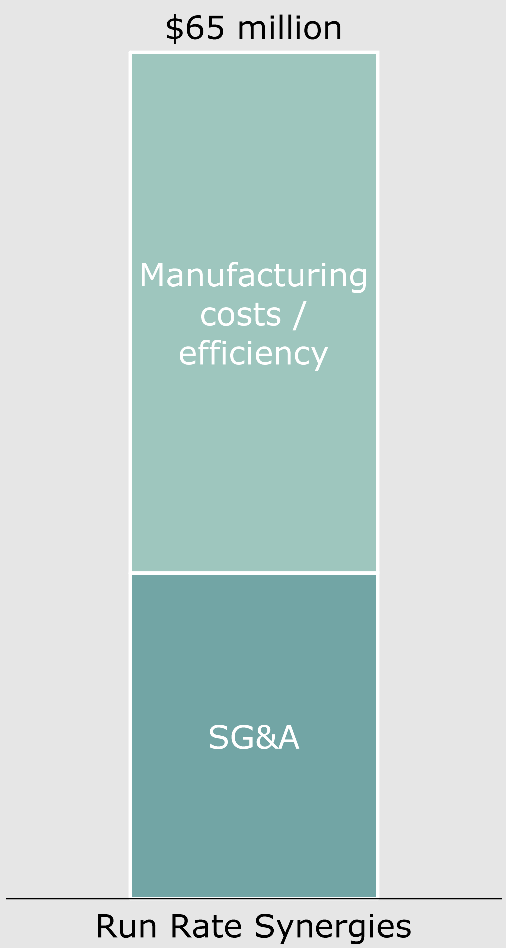
$ millions	2012	2013	2014	TTM 06/30/15
Volume (kT)	657	676	620	612
Revenues	1,042	992	938	863
Adjusted EBITDA	241	205	192	184
% margin	*23%*	*21%*	*20%*	*21%*
Capex	34	47	35	38
Adjusted EBITDA less Capex	207	158	157	146

- Consistent 20%+ Adjusted EBITDA margins
- Strong cash flow generation
- Stable quarterly Adjusted EBITDA performance



Quarterly EBITDA may not total annual EBITDA due to rounding

Well defined cost and operational improvement opportunities



- Leverage expertise within Arizona and Kraton to:
  - Reduce energy consumption
  - Lower maintenance spending
  - Improve productivity and yields
- Optimize supply chain network to lower overall logistics costs
- Corporate and G&A overhead
- Improvements expected to be realized by end 2018
  - $20-25 million by year 1; $50-60 million by year 2
- $50 million estimated cost to achieve

Capital structure

- Expected closing leverage of 4.6x June 2015 TTM Adjusted EBITDA reducing to 3.0x by end 2017
- Post-closing, total Kraton pro-forma indebtedness of $1.78 billion
  - $1.35 billion covenant-lite term loan
  - $425 million senior unsecured notes
- $250 million ABL facility provides for liquidity needs (expected to be undrawn at closing)
- NOL's provide tax shield in the first two years post-combination
- Kraton pro-forma expected to generate more than $450 million of free cash flow over first three years

Pro forma Kraton: TTM June 2015 Financial Summary

$ millions	Kraton	Arizona	PF Kraton	Change
Revenues	1,112	863	1,976	+1.8x
Adjusted EBITDA	146	184	395[(a)]	+2.7x
% Margin	*13.1%*	*21.3%*	*20.0%*	*+690 bps*
CapEx	67[(b)]	38	105[(b)]	
% of Sales	*6.0%*	*4.4%*	*5.3%*	
Adjusted EBITDA – CapEx	79	146	290[(a)]	+3.7x
% Margin	*7.1%*	*16.9%*	*14.6%*	*+750 bps*
FCF Conversion[(c)]	54.0%	79.2%	73.3%	

Source: Kraton management, company information.

a) Includes run-rate synergies of $65 million.

b) Excludes KFPC CapEx.

c) Defined as (EBITDA – CapEx) / EBITDA.

Arizona is a compelling and transformative acquisition

- Complementary with Kraton's business in multiple end use markets
- Attractive margin and cash flow profile
- Increases Kraton's scope and scale, with significant combined free cash flow available for debt reduction or return to stockholders
- Anticipated synergies of $65 million provide opportunity for value creation
- Expected to be accretive to EPS by $1.40 in the first full year of operation

Appendix

Arizona's broad product portfolio serves growth markets

$ millions	ADHESIVES	ROADS & CONSTRUCTION	TIRES	CHEMICAL INTERMEDIATES
Revenue[(a)] **% Total**	265 31%	55 6%	42 5%	501 58%
Key Products	▪ Rosin esters & dispersions ▪ Terpenes & derivatives	▪ Rosin esters ▪ TOFA & derivatives	▪ AMS resins ▪ Terpenes & derivatives ▪ Rosins & derivatives	▪ TOFA &derivatives ▪ Terpenes & derivatives

Submarkets	▪ Rigid packaging
	▪ Tapes
	▪ Labels
	▪ Assembly
		▪ Pavement marking
		▪ Paving
		▪ Roofing
			▪ High performance tires
			  ▪ Winter tires
			  ▪ All-Season tires
				▪ Coatings
				▪ Fuel additives / Lubricants / Fluids
				▪ Oilfield chemicals
				▪ Mining
				▪ Inks
				▪ Flavors & fragrances

Applications	▪ EVA based hot melts for rigid packaging
	▪ Rosin ester dispersions for PSA's
	▪ Tackifier for tapes and labels
		▪ Pavement marking binders
		▪ Additives for Reclaimed Asphalt Pavement (RAP)
		▪ Asphalt emulsifiers
			▪ Enhances wet grip properties
			▪ Improved fuel economy
			▪ Emulsifiers and adhesion promoters
				▪ Key performance additive
				  ▪ Emulsifiers
				  ▪ Surface treatment
				  ▪ Lubricity

Market Growth ('15-'20)	3%	2%	8% (high performance tires)	1%-5% (depending on submarket)

a) TTM June 30, 2015

Kraton – Historical Financial Summary

$ millions	2012	2013	2014	TTM 6/30/15
Volume (kT)	313	314	306	303
Sales	1,423	1,292	1,230	1,112
Adjusted EBITDA	144	141	147	146
% margin	10.1%	10.9%	12.0%	13.1%
Capex	70	77	70	67
Adjusted EBITDA less Capex	74	64	77	79

Note: Capex in 2013, 2014 and for the TTM period ended June 30, 2015 excludes capex of KFPC joint venture.

Kraton - Reconciliation of Consolidated Net Income (Loss) to EBITDA and Adjusted EBITDA

($ in Millions)	Twelve months ended 12/31/2012	Twelve months ended 12/31/2013	Twelve months ended 12/31/2014	Trailing twelve months ended 6/30/2015
Consolidated net income (loss)	(16.2)	(1.0)	1.2	(17.2)
Add:				
Interest expense, net	29.3	30.5	24.6	23.9
Income tax expense (benefit)	19.3	(3.9)	5.1	3.9
Depreciation and amortization expenses	64.6	63.2	66.2	63.9
EBITDA	97.0	88.8	97.2	74.4
Add (deduct):				
Settlement gain [a]	(6.8)	-	-	-
Property tax dispute [b]	6.2	-	-	-
Retirement plan charges [c]	1.1	-	0.4	0.4
Restructuring and other charges [d]	1.4	0.8	3.0	3.3
Transaction and acquisition related costs [e]	-	9.2	9.6	(2.6)
Impairment of long-lived assets [f]	5.4	-	4.7	4.7
Impairment of spare parts inventory [g]	-	-	0.4	0.4
Production downtime [h]	2.5	3.5	10.3	(2.9)
KFPC startup costs [i]	-	-	1.9	2.2
Non-cash compensation expense [j]	6.6	7.9	10.5	8.9
Spread between FIFO and ECRC	30.5	30.7	9.3	56.8
Adjusted EBITDA	$ 143.8	$ 140.9	$ 147.2	$ 145.5

Note: Table may not foot due to rounding.

a) Receipt from LyondellBasell in settlement of disputed charges, which is recorded in cost of goods sold.

b) Charge associated with resolution of a property tax dispute in France, of which $5.6 million is recorded in cost of goods sold and $0.6 million is recorded in selling, general and administrative expenses.

c) In 2014, charges associated with the termination of the defined benefit restoration pension plan, which are primarily recorded in selling, general and administrative expenses. In 2012, 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.

d) Restructuring and other charges which are primarily recorded in selling, general and administrative expenses in 2014 and 2013 and primarily in cost of goods sold in 2012.

e) Primarily professional fees related to the terminated Combination Agreement with LCY, which are recorded in selling, general and administrative expenses.

f) In 2014, $2.4 million related to engineering and design assets for projects we determined were no longer economically viable; $1.4 million related to information technology and office assets associated with fourth quarter restructuring activities; and $0.9 million related to other long-lived assets. In 2012, $3.4 million related to the Asia HSBC facility and $2.0 million related to other long-lived assets.

g) Impairment of spare parts inventory associated with the coal-burning boilers which started decommissioning in 2015 which is recorded in cost of goods sold.

h) For the trailing twelve months ended June 30, 2015, the reduction in costs is due to additional insurance recoveries related to the first quarter 2014 Belpre production downtime, which are primarily recorded in cost of goods sold. In 2014, weather-related production downtime at our Belpre, Ohio, facility and an operating disruption from a small fire at our Berre, France, facility, of which $9.9 million is recorded in cost of goods sold and $0.4 million is recorded in selling general and administrative expenses. In 2013, 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. In 2012, storm related charges at our Belpre, Ohio, facility, which are recorded in cost of goods sold.

i) Startup costs related to the joint venture company, KFPC, which are recorded in selling, general and administrative expenses.

j) We had historically recorded these costs in selling, general and administrative expenses; however, beginning in the second quarter of 2013, a portion of these costs were recorded in cost of goods sold and research and development expenses. In the trailing twelve months ended June 30, 2015, $7.6 million, $0.7 million, and $0.6 million, and in 2014, $9.0 million, $0.9 million, and $0.6 million and in 2013, $7.1 million, $0.5 million and $0.3 million is recorded in selling, general and administrative, research and development expenses and cost of goods sold, respectively.

Arizona - Reconciliation of Consolidated Net Income (Loss) to EBITDA and Adjusted EBITDA

($ in Millions)	Twelve months ended 12/31/2012	Twelve months ended 12/31/2013	Twelve months ended 12/31/2014	Trailing twelve months ended 6/30/2015
Consolidated net income (loss)	92.8	35.3	98.4	93.0
Add:				
Interest expense, net	48.5	36.6	54.3	55.2
Income tax expense (benefit)	49.7	17.1	50.0	52.4
Depreciation and amortization expenses	42.0	34.8	33.7	33.6
EBITDA	232.9	123.9	236.2	234.1
Add (deduct):				
Retirement plan charges [a]	-	-	1.0	1.0
Restructuring and other charges [b]	1.2	2.1	4.1	6.4
Transaction and acquisition related costs [c]	0.8	0.1	0.8	1.4
Non-cash compensation expense [d]	16.1	5.8	2.0	1.2
Other share-based compensation expense [e]	-	0.3	10.6	-
(Gain) / loss on sale of assets [f]	(10.0)	(9.1)	(0.4)	0.5
Debt refinancing costs [g]	3.5	1.3	4.3	0.7
Management fees [h]	2.2	2.2	2.1	2.2
Litigation expense [i]	-	70.1	(70.1)	(70.1)
CTO spill related costs [j]	(4.9)	-	1.2	1.2
UK manufacturing plant closure [k]	-	-	-	4.8
Unrealized foreign currency losses / (gains)	(1.3)	8.2	(0.2)	0.7
Adjusted EBITDA	$ 240.6	$ 204.9	$ 191.7	$ 184.1

Note: Table may not foot due to rounding.

a) Charges associated with the termination of an employee defined benefit pension plan including curtailment costs and cash costs related to the termination of the plan.

b) Restructuring and other charges primarily related to severance expenses for employees in eliminated positions which were not replaced. The trailing twelve months ended June 30, 2015 also includes costs associated with the closure of the UK manufacturing facility including severance costs, pension entitlements and other exit costs.

c) Professional fees and other costs associated with the evaluation of acquisition transactions. For the trailing twelve months ended June 30, 2015, primarily professional fees and other related costs associated with the sale of the company.

d) Represents expense recognized for non-cash share-based compensation.

e) Represents other share-based compensation expense in the form of common profit interests granted to certain employees. These interests are recognized as compensation expense at fair market value when probable of monetization.

f) In 2013 and 2014, the net gains relate to the sale of Arizona's personal care business consisting of intellectual property, customer relationships and inventories, for $12.0 million in cash on May 23, 2013 of which $11.4 million was received in May 2013 and $0.6 million was received in June 2014. The gain of $9.1 million in 2013 is net of restructuring expenses and the gain of $0.4 million in 2014 is net of an expense for a claim from a distributor. In 2012, this amount represents a net gain on the sale of Arizona's 10% investment in Arboris and the related land for $15 million in cash and $5 million receivable over the following two year period.

g) Professional fees and other costs incurred related to the refinancing of Arizona's indebtedness.

h) Management fees and out of pocket expenses paid to Arizona's owners in accordance with the management agreement.

i) In 2013, this represents litigation expenses and damages associated with a claim filed by a former customer for an alleged breach of warranty and breach of contract regarding delivery of resin products during the period 2005 through 2009. In 2014, the credit represents an accrued insurance recovery for the related litigation expenses and damages.

j) In December 2011, a leak was discovered in CTO tanks owned by Arizona Chemical in Söderhamn, Sweden. The net reduction in costs in 2012 represents insurance recoveries related to environmental remediation costs and the amount in 2014 represents additional storage costs incurred as a result of the loss of the CTO tanks.

k) Represents the expected operational expense savings related to the closure of Arizona's UK manufacturing facility in advance of realizing the actual benefit.

Kraton + Arizona - Pro-Forma Combined Calculation of Net Leverage at Transaction Close

($ in Millions)	Kraton TTM 6/30/2015	Arizona TTM 6/30/2015	Pro-Forma Combined TTM 6/30/2015
Adjusted EBITDA	145.5	184.1	329.6
Turnaround costs (capped at $7.5 million) [(a)]	7.5	-	7.5
Kraton run-rate cost reset initiatives [(b)]	17.5	-	17.5
Run-rate selling, administrative, and research cost synergies [(c)]	-	26.5	26.5
Financing Adjusted EBITDA	170.5	210.6	381.1
Balance sheet debt estimated at transaction close			1,775.0
Kraton capital lease liability at transaction close			1.6
KFPC joint venture debt at June 30, 2015 (50% of total)			21.5
Kraton cash at June 30, 2015 (excluding KFPC cash)			(47.3)
Kraton cash used at closing			6.0
Net debt			1,756.8
Net leverage			4.61

Note: Table may not foot due to rounding.

a) Adjustment to normalize turnaround costs subject to a cap of $7.5 million.
b) Adjustment to attain the run-rate cost savings for implemented actions.
c) Represents the expected run-rate SAR synergies to be realized associated with the acquisition of Arizona Chemical.