Kraton Performance Polymers

First Quarter 2016 Earnings Presentation

April 28, 2016

Disclaimers

Forward Looking Statements

Some of the statements in this presentation contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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”, “on track”, or “anticipates,” or by discussions of strategy, plans or intentions, including all matters described on the slide titled “2016 Modeling Assumptions” including, but not limited to, expectations for revenue, adjusted EBITDA, depreciation and amortization, non-cash compensation expense, interest expense, tax provision, capital expenditures, spread between FIFO and ECRC, net debt, anticipated synergies and cost reset savings.

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, including but not limited to “Part I, Item 1A. Risk Factors” and “Part II, 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: the integration of Arizona Chemical (now, AZ Chem Holdings LP); Kraton's ability to repay its indebtedness; Kraton's reliance on third parties for the provision of significant operating and other services; conditions in the global economy and capital markets; fluctuations in raw material costs; limitations in the availability of raw materials; competition in Kraton's end-use markets; and other factors of which we are currently unaware or deem immaterial. Readers are cautioned not to place undue reliance on our 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.

Pro Forma Financial Information

The unaudited pro forma information presented herein is for information purposes only and is not necessarily indicative of the operating results that would have occurred had the Arizona Chemical Acquisition been consummated at the beginning of the period, nor is it necessarily indicative of future operating results. The unaudited pro forma amounts above have been calculated after applying Kraton's accounting policies and adjusting the Arizona Chemical results to reflect (1) the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible assets had been applied from January 1, 2015; (2) the elimination of historical interest expense for Arizona Chemical as this debt was paid off by the previous owners; (3) the additional interest expense resulting from the debt issued to fund the Arizona Chemical Acquisition; (4) the elimination of transaction-related costs; and (5) an adjustment to tax-effect the aforementioned unaudited pro forma adjustments using an estimated aggregate statutory income tax rate of the jurisdiction to which that above adjustments relate. The unaudited pro forma amounts do not include any potential synergies, cost savings or other expected benefits of the Arizona Chemical Acquisition

Disclaimers

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 Gross Profit and Adjusted Net Income attributable to Kraton (or earnings per share). Tables included in this presentation and our earnings release reconcile 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 estimated current replacement cost ("ECRC"), see Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

We consider these non-GAAP financial measures to be 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 including period-to-period comparisons and/or that of other companies in our industry. Further, management uses these measures to evaluate operating performance, and our incentive compensation plan bases incentive compensation payments on our Adjusted EBITDA 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, which represents net income before interest, taxes, depreciation and amortization, these limitations include: EBITDA does not reflect the significant interest expense on our debt; EBITDA does not reflect the significant depreciation and amortization expense associated with our long-lived assets; and EBITDA included herein should not be used for purposes of assessing compliance or non-compliance with financial covenants under our debt agreements. The calculation of EBITDA in our debt agreements includes adjustments, such as extraordinary, non-recurring or one-time charges, pro forma cost savings, certain non-cash items, turnaround costs, and other items included in the definition of EBITDA in our debt agreements. Other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure. As an analytical tool, Adjusted EBITDA is subject to all the limitations applicable to EBITDA. We prepare Adjusted EBITDA by eliminating from EBITDA the impact of a number of items we do not consider indicative of our on-going performance, including the spread between FIFO and ECRC, 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. In addition, due to volatility in raw material prices, Adjusted EBITDA may, and often does, vary substantially from EBITDA and other performance measures, including net income calculated in accordance with U.S. GAAP; and Adjusted EBITDA 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 debt agreements. Because of these and other limitations, EBITDA and 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, Adjusted Gross Profit is limited because it often will vary substantially from gross profit calculated in accordance with U.S. GAAP due to volatility in raw material prices. Finally, we prepare Adjusted Net Income attributable to Kraton by eliminating from net income the impact of a number of items we do not consider indicative of our on-going performance, including the spread between FIFO and ECRC. Our presentation of non-GAAP financial measures and the adjustments made therein should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items, and in the future we may incur expenses or charges similar to the adjustments made in the presentation of our non-GAAP financial measures.

First Quarter Overview

Strong Q1 with record earnings in our Polymer Segment

- Polymer segment achieved record Q1 Adjusted EBITDA(1) of $52.2 million
- Arizona Chemical acquisition closed, accretive to Q1 Adjusted EBITDA(1) by $40.9 million

Cost reduction and synergy capture on track

- Cost reduction programs are on track to deliver $25-$28 million in 2016 and $70 million by 2018
  - *$3.7 million incremental achieved in Q1*
- Arizona integration synergies are anticipated to drive savings of $21-$27 million in 2016, with a plan to hit $65 million by 2018
  - *$2.9 million achieved in Q1*

Clear path for continued debt reduction

- Sale of compounding assets reduced debt by $72 million
- Expect $500 million reduction in net debt by 12/31/2018

(1) See non-GAAP reconciliations included in the accompanying financial tables for the reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

Polymer Segment Achieved Record Q1 Adjusted EBITDA

($ millions)	Q1'16	Q1'15	Change
Volume (kT)	75.1	74.4	0.7
Revenues:			
Cariflex	$38.0	$34.8	$3.2
Specialty Polymers	85.0	91.7	(6.6)
Performance Products	119.9	134.8	(14.8)
Other	0.1	0.1	0.0
Total	**$243.0**	**$261.4**	**$(18.4)**
Adjusted EBITDA [(1)]	$52.2	$49.2	$3.0
Margin	*21.5%*	*18.8%*	*270 bps*

Note: May not foot due to rounding

- Q1 2016 Adjusted EBITDA a record Q1 and second highest quarterly Adjusted EBITDA in company history
- **Cariflex** - volume up 11.8% on higher sales into surgical glove applications
- **Specialty Polymers -** volume up 1.2% due to increase in automotive and medical applications net of lower sales into lubricant additive and personal care applications
- **Performance Products -** volume flat, with higher sales into paving & personal care applications offset by lower volume into adhesive and roofing applications
- 59% of the portfolio comprised of differentiated grades as of the TTM period ended March 31, 2016, compared to 57% in the TTM period ended March 31, 2015

(1) See non-GAAP reconciliations included in the accompanying financial tables for the reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

Chemical Segment Generated Margin of 23% in Q1 2016

($ millions)	Q1'16	Q1'15	Change
Volume (kT)	98.2	100.2	(2.0)
Stub adjustment(2)	(3.3)	-	(3.3)
As reported (stub adjusted)	**94.9**	**100.2**	**(5.3)**
Revenues:			
Adhesives	$66.0	$71.5	$(5.5)
Roads & Construction	10.7	$10.6	0.1
Tires	9.2	9.7	(0.5)
Chemical Intermediates	97.8	112.1	(14.2)
Total	**$183.8**	**$204.0**	**$(20.2)**
Stub adjustment(2)	$6.9	-	$6.9
As reported (stub adjusted)	**$176.9**	**$204.0**	**$(27.1)**
Adjusted EBITDA (1) (2)	$40.9		
Margin	*23.1%*		

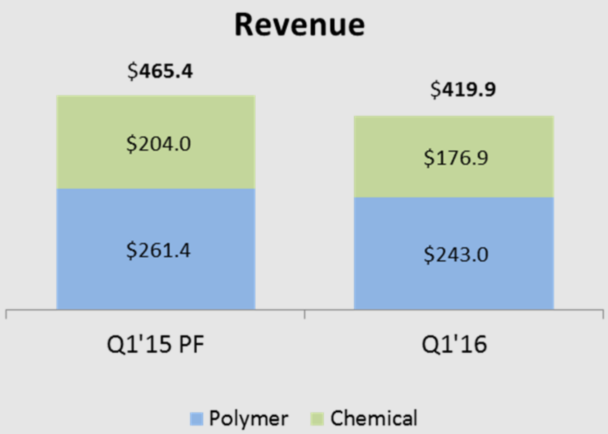
Note: May not foot due to rounding

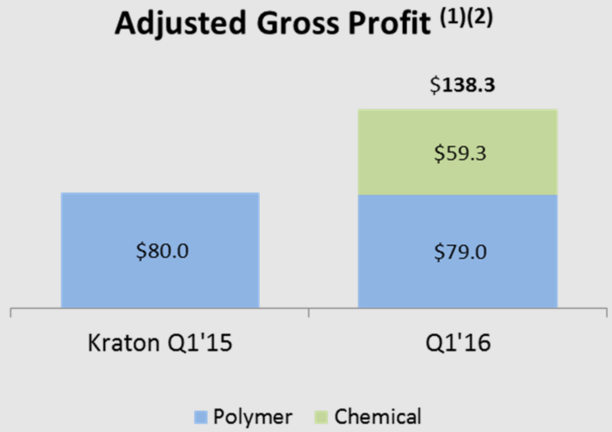
- **Adhesives** - sales volume down 5.1% vs. particularly strong Q1'15 which benefited from competitor outage
- **Roads & Construction –** volume up 3.5% on higher sales in Americas due to weather conditions and the passage of the U.S. highway bill, more than offsetting lower sales in Europe
- **Tires -** volume up 1.5% with new qualifications across North America, Europe and Asia compensating for lower sales in South America
- **Chemical Intermediates -** sales volume down 1.2%. Lower pricing on competitive materials, product mix and unfavorable exchange rates led to lower average selling prices which were largely offset by lower cost of goods sold

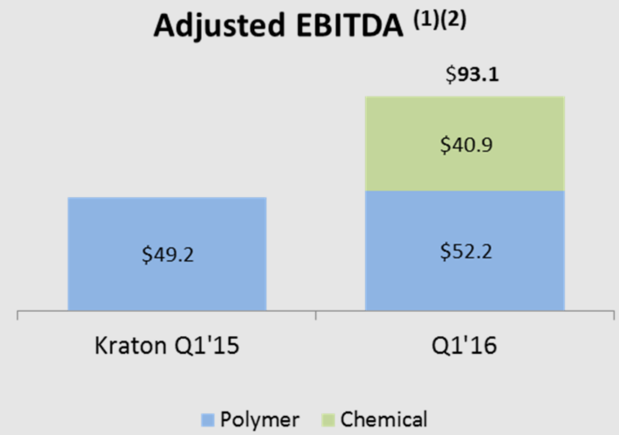
(1) See non-GAAP reconciliations included in the accompanying financial tables for the reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.
(2) Chemical segment results for the the period January 6, 2016 (the date of the Acquisition Chemical acquisition) through March 31, 2016.

First Quarter 2016 Operating Results

$ in millions







Polymer Segment

- Despite a challenging comparison given the Q1 2015 raw material environment, Polymer adjusted gross profit per ton[(1)] of $1,052 is the second highest in company history
- A record first quarter and second highest quarterly Adjusted EBITDA in company history – margin of 21.5%
- Achieved $3.7 million of earnings growth through the cost reduction initiatives – $23.1 million cumulative since inception

Chemical Segment

- Adjusted gross profit per ton[(1)] of $625 in Q1 2016
- Adjusted EBITDA[(2)] margin of 23.1% in Q1'2016
- Adjusted EBITDA includes turnaround costs and currency headwind of $2.1 million and $1.8 million, respectively
- Operational synergies of $1.1 million

Consolidated

- Adjusted EBITDA margin of 22.2%, accretion from Chemicals segment of 70 basis points
- Adjusted EPS[(1)] of $0.80, up 5.3% from Q1 2015
- $2.9 million of synergies and $3.7 million of cost outs achieved in the first quarter 2016

(1) Chemical segment results for the the period January 6, 2016 (the date of the Acquisition Chemical acquisition) through March 31, 2016.
(2) See non-GAAP reconciliations included in the accompanying financial tables for the reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

Reconciliation of Net Income and EPS to Adjusted Net Income and EPS

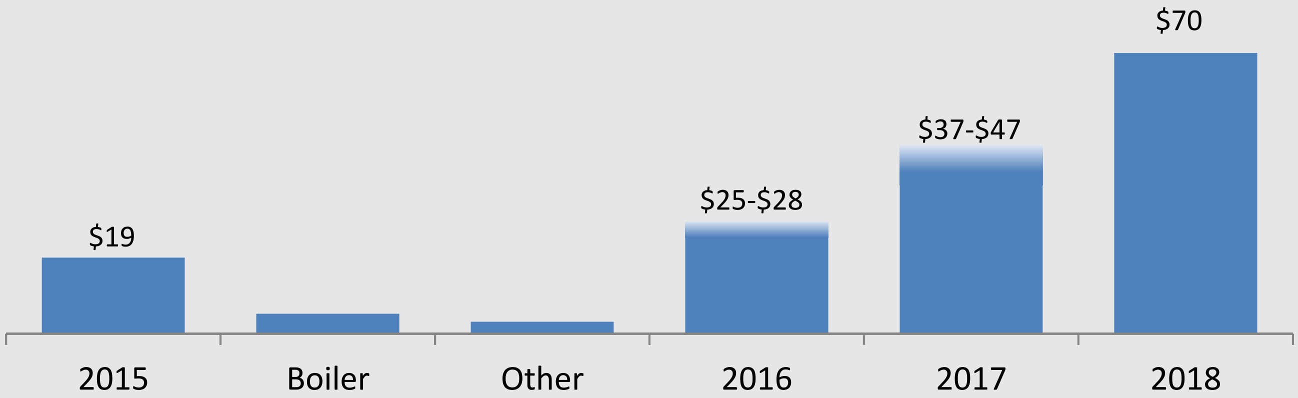
($ in thousands, except per share amounts)

	Three Months Ended March 31, 2016									
	As Reported	Adjustments								Adjusted
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Revenue	$ 419,923	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 419,923
Cost of goods sold	326,105	(180)	—	—	(24,719)	—	—	(19,325)	—	281,881
Gross profit	93,818	180	—	—	24,719	—	—	19,325	—	138,042
Operating expenses:										
Research and development	10,576	—	—	—	—	—	—	—	—	10,576
Selling, general, and administrative	49,862	(4,281)	(7,215)	—	—	—	(840)	—	—	37,526
Depreciation and amortization	30,154		—	—	—	—	—	—	—	30,154
Total operating income	3,226	4,461	7,215	—	24,719	—	840	19,325	—	59,786
Gain on sale of assets	45,251	—	—	—	—	(45,251)	—	—	—	—
Loss on extinguishment of debt	(13,423)	—	—	13,423	—	—	—	—	—	—
Earnings of unconsolidated joint venture	78	—	—	—	—	—	—	—	—	78
Interest expense, net	(33,838)	—	—	—	—	—	—	—	—	(33,838)
Income (loss) before income taxes	1,294	4,461	7,215	13,423	24,719	(45,251)	840	19,325	—	26,026
Income tax benefit (expense)	86,251	(550)	(1,229)	(4,795)	(5,086)	16,164	(142)	(5,295)	(86,631)	(1,313)
Consolidated net income (loss)	87,545	3,911	5,986	8,628	19,633	(29,087)	698	14,030	(86,631)	24,713
Net loss attributable to noncontrolling interest	542	—	—	—	—	—	(349)	—		193
Net income (loss) attributable to Kraton	$ 88,087	$ 3,911	$ 5,986	$ 8,628	$ 19,633	$ (29,087)	$ 349	$ 14,030	$ (86,631)	$ 24,906
Earnings (loss) per common share:										
Basic	$ 2.87	$ 0.13	$ 0.20	$ 0.28	$ 0.64	$ (0.95)	$ 0.01	$ 0.46	$ (2.82)	$ 0.82
Diluted	$ 2.84	$ 0.13	$ 0.20	$ 0.28	$ 0.63	$ (0.94)	$ 0.01	$ 0.45	$ (2.80)	$ 0.80
Weighted average common shares outstanding:										
Basic	30,026	30,026	30,026	30,026	30,026	30,026	30,026	30,026	30,026	30,026
Diluted	30,289	30,289	30,289	30,289	30,289	30,289	30,289	30,289	30,289	30,289

a) Restructuring and other charges.
b) Transaction and acquisition related costs.
c) Loss on extinguishment of debt.
d) Effect of purchase price accounting on inventory valuation.
e) Gain on sale of assets.
f) KFPC startup costs.
g) Spread between FIFO and ECRC.
h) Valuation allowance.

Cost Reduction Initiatives Are Progressing According To Plan

$ in millions



Total cost to achieve estimated at $90-$95 million

Manufacturing Optimization

- HSBC facility in Mailiao nearing mechanical completion in Q2’16 with anticipated startup late 2016
- Berre expansion design expected to be complete Q3’16 with anticipated mechanical completion by Q4’17

Asset Productivity

- Belpre boilers operational and we expect to exceed the $10 million annual cost savings target
- Multiple other manufacturing projects

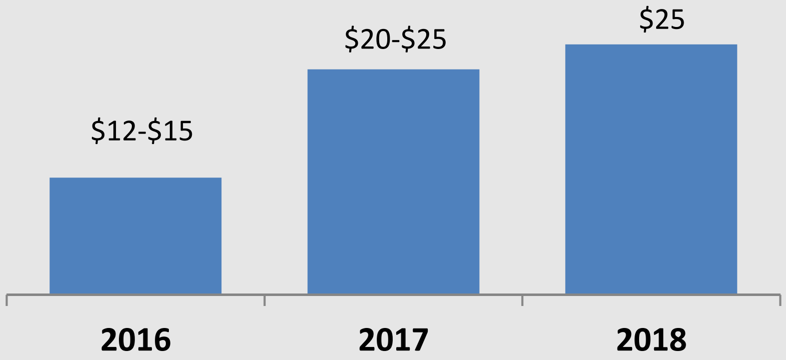
Complexity Reduction

- Cariflex “direct connect” design underway with expected mechanical completion by Q4’17
- Approximately 50 SKU’s eliminated to date
- Other inventory reduction initiatives underway

We Are On Track to Deliver Integration Synergies

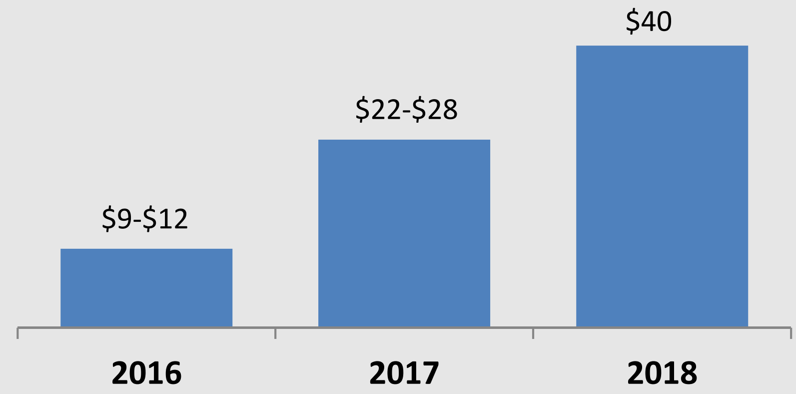
$ in millions

Expected G&A Synergies



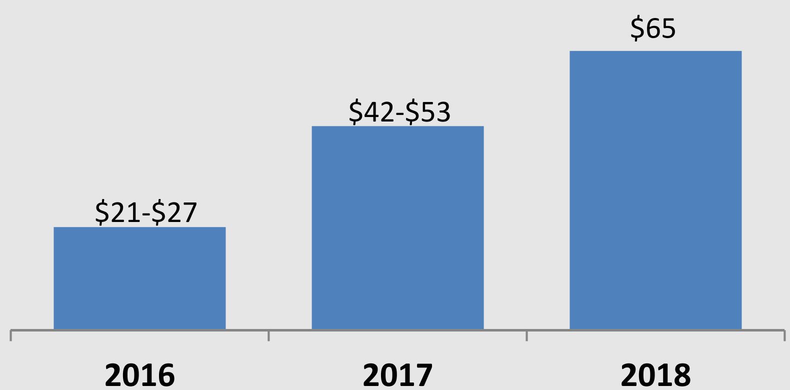
- Banked $1.8 million in Q1’16
- Tracking towards more than $12 million in 2016
  - Duplicate C-Suite
  - Back office consolidation underway
  - Office space consolidation underway
  - Lower indirect overhead costs

Expected Operational Synergies



- Banked $1.1 million in Q1’16
- Tracking towards $9 - $12 million in 2016
  - New gas boiler startup (Panama City)
  - New tank/logistics improvements (Finland)
  - Yield improvements

Expected Total Synergies



Total cost to achieve estimated at $50- $55 million

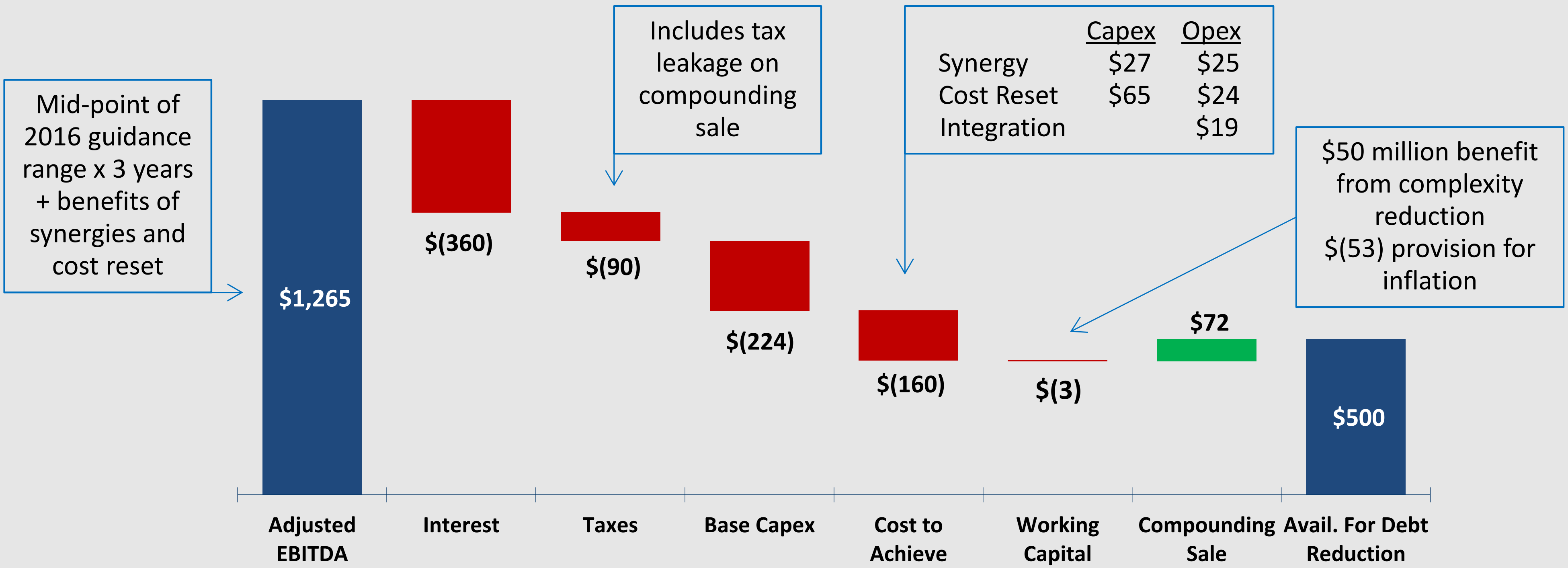
Proceeds From Compounding Sale Applied to Debt Reduction

($ millions)	ABL	Term Loan	Notes	Capital Lease	6.75% Notes	KRA Cash	KRA Net Debt	JV Debt	JV Cash	Consol. Net Debt
At December 31, 2015	$ -	$ -	$ -	$ 1.6	$350.0	$ 60.7	$ 290.9	$ 76.9	$ 9.3	$ 358.5
Acquisition of Arizona	37.1	1,350.0	440.0	-	(350.0)	36.7	1,440.4	-	-	1,440.4
Pro forma for Arizona	37.1	1,350.0	440.0	1.6	-	97.4	1,731.3	76.9	9.3	1,798.9
Sale – Compounding Assets	-	-	-	-		72.0	(72.0)	-	-	(72.0)
Borrowings / (repayments)	12.9	(72.0)	-	-		(59.1)	-	14.2	14.2	-
Other changes in cash (net)	-	-	-	-		(42.4)	42.4	-	(13.0)	55.4
At March 31, 2016	**$ 50.0**	**$ 1,278.0**	**$440.0**	**$ 1.6**		**$ 67.9**	**$ 1,701.7**	**$ 91.1**	**$ 10.5**	**$ 1,782.3**

- First quarter 2016 includes the following cash outlays:
  - $18 million - transaction and integration costs
  - $15 million - payment of variable compensation earned in 2015
  - $ 3 million - cost to achieve synergies
- Capex of $18.9 million in Q1 2016 (excluding capex associated with the KFPC JV)

Free Cash Flow - Illustration

We expect that we will reduce Kraton's net debt by $500 million by December 31, 2018



- In addition to steady earnings, there are four key levers to delivering cash:
  - Deliver cost reductions
  - Deliver integration synergies
  - Reduced capital spending requirements
  - Ability to shield taxes by utilizing net operating loss carryforwards

2016 Modeling Assumptions[1]

($ in millions)	
Revenue	$1,800
Adjusted EBITDA[2]	$370 - $390
Non-cash compensation expense	$11
Depreciation & amortization	$125 - $130
Interest expense *Includes estimated amortization of DFC and accretion of OID totaling approximately $14.0 million*	$135 - $140
Effective tax rate excluding release of valuation allowance in Q1 2016	20% – 25%
Capex *Excludes KFPC capex of approximately $70 million* *Excludes capitalized interest of $5 million*	$100 - $110
Estimated second quarter 2016 negative spread between FIFO and ECRC	$15
Estimated net debt at December 31, 2016 *Excludes estimated KFPC net debt of approximately $145 million*	$1,600
Anticipated synergies from Arizona Chemical Acquisition in 2016	$21 - $27
Cost reset initiative savings in 2016	$25 - $28

Note: Non-cash compensation expense is excluded in determining Adjusted EBITDA and included in determining Adjusted EPS.

(1) Management's estimates. These estimates are forward-looking statements and speak only as of April 28, 2016. Management assumes no obligation to update these estimates in light of new information or future events.

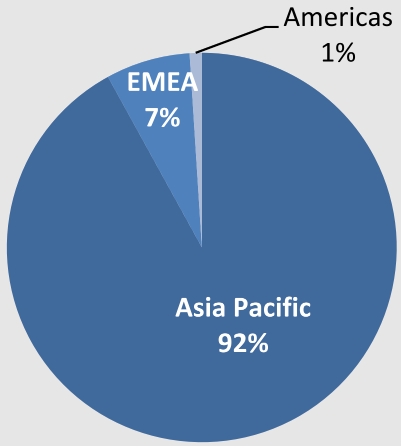
(2) We have not reconciled Adjusted EBITDA guidance to net income (loss) because we do not provide guidance for net income (loss) or for items that we do not consider indicative of our on-going performance, including the gain on sale of assets and the spread between FIFO and ECRC, as certain of these items are out of our control and/or cannot be reasonably predicted. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

Appendix

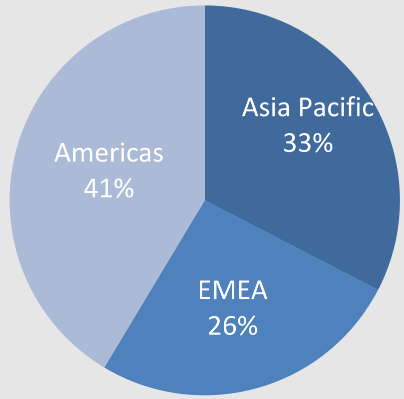
Polymers – Revenue by Geography and Product Group
TTM March 31, 2016

Revenue by Geography

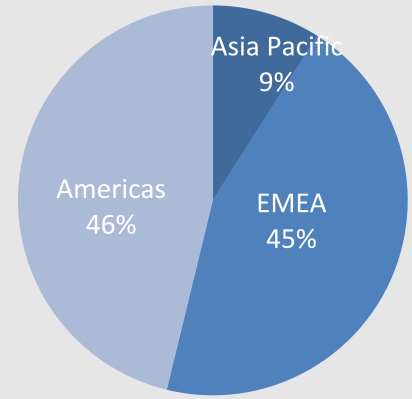
CARIFLEX



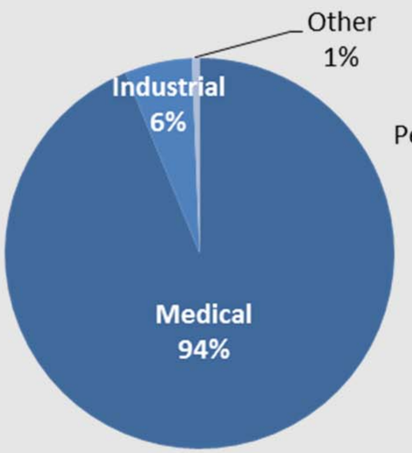
SPECIALTY POLYMERS

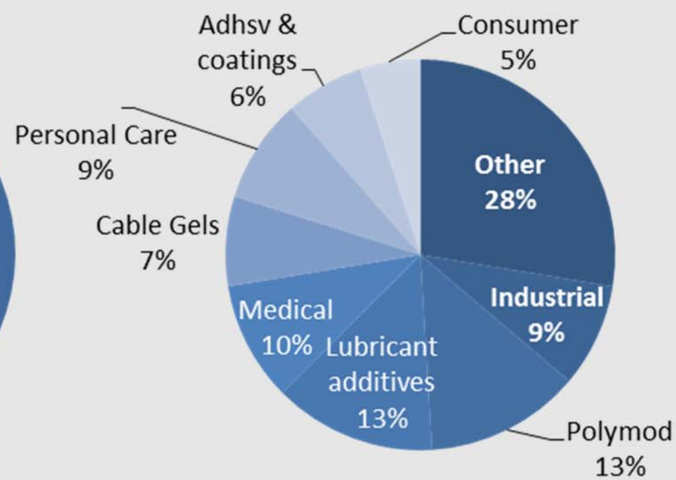


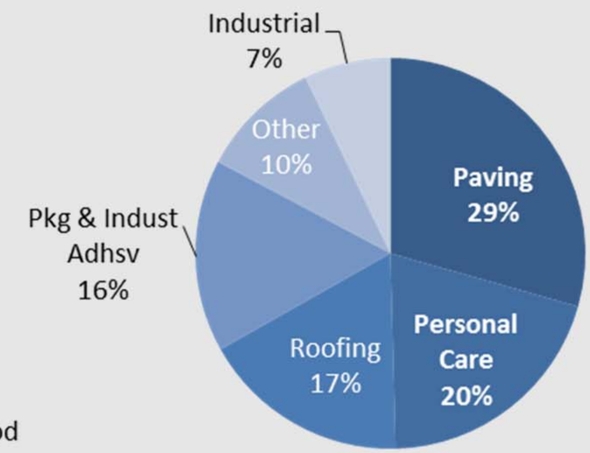
PERFORMANCE PRODUCTS



Revenue by Product Group



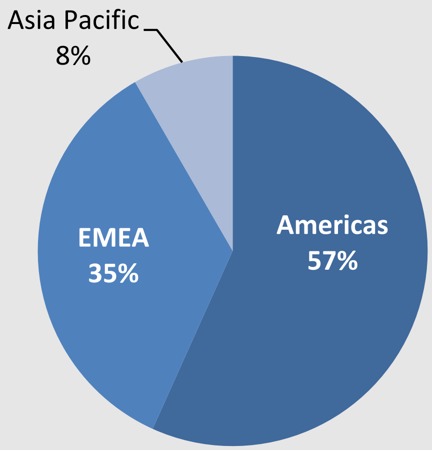




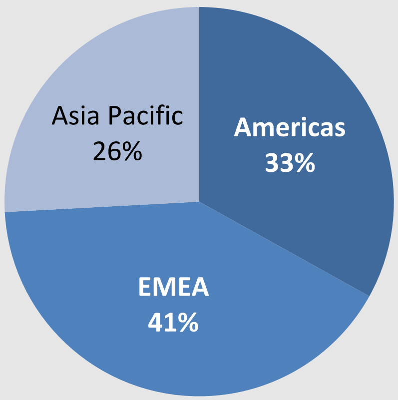
Note: May not foot due to rounding

Chemicals – Revenue by Geography
TTM March 31, 2016

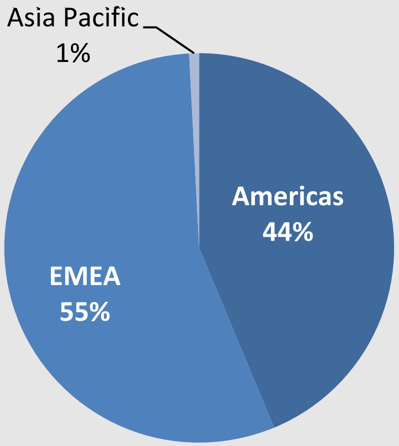
ADHESIVES



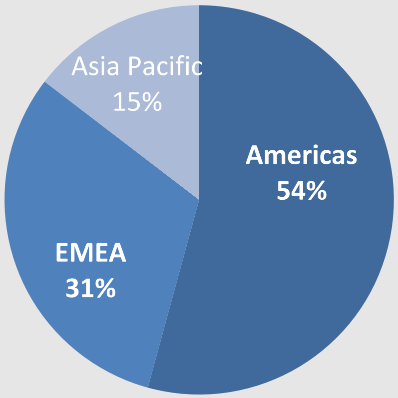
TIRES



ROADS & CONSTRUCTION



CHEMICAL INTERMEDIATES



Reconciliation of Gross Profit to Adjusted Gross Profit

($ in thousands)	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015
	Polymer	Chemical	Total	Polymer
Gross profit	$ 65,525	$ 28,293	$ 93,818	$ 46,561
Add (deduct):				
Restructuring and other charges (a)	31	149	180	28
Effect of purchase price accounting on inventory valuation (b)	—	24,719	24,719	—
Production downtime	—	—	—	(157
Non-cash compensation expense	185	—	185	157
Spread between FIFO and ECRC	13,228	6,097	19,325	33,408
Adjusted gross profit	$ 78,969	$ 59,258	$ 138,227	$ 79,997
Sales volume (Kilotons)	75.1	94.9	170.0	74.4
Adjusted gross profit per ton	$1,052	$625	$813	$1,075

Columns may not foot due to rounding.

Reconciliation of Net Loss and EPS to Adjusted Net Income and EPS

($ in thousands, except per share amounts)

	Three Months Ended March 31, 2015						
	As Reported	Restructuring	Transaction and Acquisition	Production Downtime	KFPC Startup Costs	FIFO TO ECRC Adjustment	Adjusted
Revenue	$ 261,429	$ —	$ —	$ —	$ —	$ —	$ 261,429
Cost of goods sold	214,868	(28)	—	156	—	(33,408)	181,588
Gross profit	46,561	28	—	(156)	—	33,408	79,841
Operating expenses:							
Research and development	7,947	—	—	—	—	—	7,947
Selling, general, and administrative	26,949	(791)	(328)	(48)	(452)	—	25,330
Depreciation and amortization	15,296		—	—	—	—	15,296
Total operating income	(3,631)	819	328	(108)	452	33,408	31,268
Gain on sale of assets	—	—	—	—	—	—	—
Loss on extinguishment of debt	—	—	—	—	—	—	—
Earnings of unconsolidated joint venture	76	—	—	—	—	—	76
Interest expense, net	(6,120)	—	—	—	—	—	(6,120)
Income (loss) before income taxes	(9,675)	819	328	(108)	452	33,408	25,224
Income tax benefit (expense)	(66)	(26)	(7)	2	(76)	(984)	(1,157)
Consolidated net income (loss)	(9,741)	793	321	(106)	376	32,424	24,067
Net loss attributable to noncontrolling interest	285	—	—	—	(188)	—	97
Net income (loss) attributable to Kraton	$ (9,456)	$ 793	$ 321	$ (106)	$ 188	$ 32,424	$ 24,164
Earnings (loss) per common share:							
Basic	(0.30)	0.03	0.01	—	0.01	1.03	0.78
Diluted	(0.30)	0.02	0.01	—	0.01	1.02	0.76
Weighted average common shares outstanding:							
Basic	31,067	31,067	31,067	31,067	31,067	31,067	31,067
Diluted	31,067	31,371	31,371	31,371	31,371	31,371	31,371

Reconciliation of Operating Income (Loss) to EBITDA and Adjusted EBITDA

($ thousands)	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015
	Polymers	Chemicals	Total	Polymers
Operating income (loss)	13,946	(10,720)	3,226	(3,631)
Add (deduct):				
Depreciation and amortization	14,592	15,562	30,154	15,296
Gain on sale of assets	45,251	—	45,251	—
Loss on extinguishment of debt	(13,423)	—	(13,423)	—
Earnings of unconsolidated joint venture	78		78	76
EBITDA	60,444	4,842	65,286	11,741
Add (deduct):				
Restructuring and other charges (a)	165	4,296	4,461	819
Transaction and acquisition related costs (b)	6,312	903	7,215	328
Gain on sale of assets	(45,251)	—	(45,251)	—
Loss on extinguishment of debt	13,423	—	13,423	—
Effect of purchase price accounting on inventory valuation		24,719	24,719	—
Production downtime (c)	—	—	—	(108)
KFPC startup costs (d)	840	—	840	452
Non-cash compensation expense (e)	3,083	—	3,083	2,609
Spread between FIFO and ECRC	13,228	6,097	19,325	33,408
Adjusted EBITDA	$ 52,244	$ 40,857	$ 93,101	$ 49,249

a) Severance expenses, professional fees, and other restructuring related charges which are primarily recorded in selling, general, and administrative expenses.
b) Charges related to the evaluation of acquisition transactions which are recorded in selling, general, and administrative expenses.
c) In 2015, the reduction in costs is due to additional insurance recovery related to the Belpre, Ohio, production downtime, which is primarily recorded in cost of goods sold.
d) Startup costs related to the joint venture company, KFPC, which are recorded in selling, general, and administrative expenses.
e) For the three months ended March 31, 2016 and 2015, respectively, $2.7 million and $2.2 million is recorded in selling, general and administrative expenses, $0.2 million and $0.2 million is recorded in research and development expenses, and $0.2 million and $0.2 million is recorded in cost of goods sold.