

## **Kraton Announces Third Quarter 2005 Earnings**

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HOUSTON, TX. – November 11, 2005 – Polymer Holdings LLC (Holdings), parent company of Kraton Polymers LLC (Kraton) announces its financial results for the third quarter 2005. Holdings' Total Revenues for the quarter were \$276.5 million compared to \$211.2 million in the comparable period of 2004, an increase of 31%. This improvement was primarily driven by an increase in average selling prices and an increase in sales volume. Holdings' Net Income for the quarter was \$1.0 million, compared with a loss of \$6.0 million in the comparable period of 2004.

Holdings' Gross Profit for the third quarter increased over \$18.4 million or 57% million to \$50.5 million, as compared to \$32.1 million in the comparable period of 2004. After adjusting for period to period differences in the amortization of the step-up in inventory value related to the acquisition of the company in December 2003, the improvement in gross profit was \$12.0 million. Holdings ended the quarter with \$71.6 million in cash and cash equivalents, an increase of \$25.2 million from December 31, 2004 and \$53.2 million from June 30, 2005.

Kraton, the operating subsidiary of Holdings had Net Income for the quarter of \$3.4 million as compared with a loss of \$6.0 million in the comparable period of 2004. At the end of the third quarter 2005, Last Twelve Months (LTM) Adjusted Bank Covenant EBITDA, a measure used to determine compliance with Kraton's debt covenants, totaled \$116.2 million, an increase of \$6.7 million from the comparable period of 2004. A reconciliation of Kraton's EBITDA and Adjusted Bank Covenant EBITDA to Net Income or Net Loss, as applicable, is attached.

"Kraton had another strong quarter, despite the impact of Hurricanes Katrina and Rita and continuing increases in raw material costs", said George Gregory, Chief Executive Officer and President. "Our efforts to drive profitable growth, while carefully managing costs and inventory levels are paying off. Our enhanced liquidity gives us the confidence to continue to invest in the innovation and growth required to meet the future needs of our customers."

### **Other Business Highlights:**

- Quarterly sales volumes totaled 104 kT.
- Inventory volumes dropped by 22% for the quarter, increasing turns and improving liquidity.
- Kraton announced the plans to construct a 1,500 dry metric ton polyisoprene latex plant, located in Paulinia, Brazil. This investment will double its' global supply capability of Kraton polyisoprene latex. Kraton polyisoprene latex is a unique synthetic alternative to natural rubber latex for dipped goods and various specialty products.
- Kraton also announced plans to add ten kilotons of Kraton D, SBS production capacity at its' Belpre, Ohio plant.

Mr. Gregory added, "Looking forward, while raw material costs and supply of selected raw materials continue to challenge us, we remain optimistic about our ability to manage through these challenges, to continue to grow our business, and to deliver solid financial results."

Kraton has scheduled an investor and analyst conference call for November 14, 2005 to discuss the results of today's earnings announcement. The call will begin at 1:00 p.m. central time, 2:00 p.m. eastern time. You may listen to the analyst conference call by telephone by contacting the conference call operator 5-10 minutes prior to the scheduled start time and asking for the "Earnings Conference Call". US Dial-In #: (800) 369-1733. International Dial-In #: (517) 308-9001. For those unable to listen to the live call, a replay will be available 24 hours a day beginning at approximately 6:00 p.m. CT November 14th through 11:00 p.m. CT on November 28th. To hear a telephonic replay of the call, dial 800-666-0214 or 203-369-3308 for international callers.

### **About Kraton**

Kraton Polymers LLC is a premier, global specialty chemicals company and is the world's largest producer of styrenic block copolymers ("SBCs"), a family of products whose chemistry was pioneered by Kraton over forty years ago. SBCs are highly-engineered synthetic elastomers, which enhance the performance of products by delivering a variety of attributes, including greater flexibility, resilience, strength, durability and processability. Kraton polymers are used in a wide range of applications including road and roofing materials, numerous consumer products (e.g., diapers, tool handles and toothbrushes), tapes, labels, medical

applications, packaging, automotive and footwear products. Kraton has the leading position in nearly all of its core markets and is the only producer of SBCs with global manufacturing capability. Its production facilities are located in the United States, The Netherlands, Germany, France, Brazil, and Japan.

Polymer Holdings LLC is the parent company of Kraton Polymers LLC and has no material assets other than its investment in Kraton Polymers LLC.

Kraton, the Kraton logo and design, and “Giving Innovators their Edge” tagline are trademarks of Kraton Polymers LLC.

## **Forward Looking Statements**

This press release includes “forward-looking statements” as that term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are statements that could be deemed forward-looking statements and are often characterized by the use of words such as “believes,” “expects,” “estimates,” “projects,” “may,” “will,” “intends,” “plans” or “anticipates,” or by discussions of strategy, plans or intentions. In this press release, forward-looking information relates to covenant compliance, pricing trends, cost savings, production rates and other similar matters. All forward-looking statements in this press release are made based on management’s current expectations and estimates, which involve risks, uncertainties and other factors that could cause results to differ materially from those expressed in forward-looking statements. Among these factors are changes in overall economic conditions, the cyclical nature of the chemical industry, changes in demand for our products, changes in inventories at our customers and distributors, technological and product development risks, availability and cost of raw materials, competitors’ actions, pricing and gross margin pressures, loss of key customers, order cancellations or reduced bookings, the timing and cost of planned capital expenditures, changes in manufacturing yields, control of costs and expenses, significant litigation, risks associated with acquisitions and dispositions, risks associated with our substantial leverage and restrictive covenants in our debt agreements, risks associated with our international operations, the threat or occurrence of international armed conflict and terrorist activities both in the United States and internationally, risks and costs associated with increased and new regulation of corporate governance and disclosure standards (including pursuant to Section 404 of the Sarbanes-Oxley Act of 2002), and risks involving environmental or other governmental regulation. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.