Kraton Performance Polymers, Inc.

Second Quarter 2016 Earnings Presentation

July 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” “on trend”, 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.

Second Quarter 2016 Highlights

Strong volume growth in Polymers and stable performance in Chemicals

- Polymers sales volume up 17.9%, with growth in all three businesses
- Chemicals sales volume in line with Q2'15 and up 14.7% sequentially

Solid Q2 and YTD(2) Adjusted EBITDA(1) for Polymer and Chemical Segments

- Polymer segment Q2'16 operating income was \$17.3 million, with Adjusted EBITDA(1) of \$39.2 million; H1'16 operating income was \$31.2 million, with Adjusted EBITDA of \$91.4 million
- Chemical segment Q2'16 operating income was \$29.5 million, with Adjusted EBITDA(1) of \$53.5 million; H1'16 operating income(2) was \$18.8 million, with Adjusted EBITDA(1) of \$94.4 million

Cost reduction and synergy capture programs remain on track

- Expect \$25-\$28 million of cost reductions in 2016 and \$70 million by 2018
  - *\$3.1 million in Q2'16; \$6.8 million in H1'16*
- Integration synergies of \$21-\$27 million expected in 2016
  - *\$6.9 million in Q2'16; \$9.8 million in H1'16*
- Mailiao HSBC expansion capital cost expected at \$185 million, below original \$200+ million estimate

On trend for 2016 debt reduction target

- Kraton net debt reduced by \$48 million since March 31, 2016; expect Kraton net debt of approximately \$1.6 billion by year end

(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 period January 6, 2016 (the date of the Acquisition Chemical acquisition) through June 30, 2016.

Polymer Segment – Second Quarter and YTD Financial Review

($ millions)	Q2'16	Q2'15	Change	H1'16	H1'15	Change
Volume (kT)	89.8	76.2	13.6	164.9	150.6	14.3
Revenues:						
Cariflex™	$ 43.2	$ 33.2	$ 10.0	$ 81.2	$ 68.0	$ 13.2
Specialty Polymers	$ 82.1	$ 84.6	$ (2.5)	$ 167.1	$ 176.3	$ (9.2)
Performance Products	$ 144.8	$ 138.1	$ 6.7	$ 264.7	$ 272.9	$ (8.2)
Other	$ 0.1	$ 0.0	$ 0.1	$ 0.1	$ 0.2	$ (0.0)
Total	$ 270.1	$ 255.9	$ 14.2	$ 513.2	$ 517.3	$ (4.2)
Operating income	$ 17.3	$ 0.6	$ 16.7	$ 31.2	$ (3.0)	$ 34.2
Adjusted EBITDA(1)	$ 39.2	$ 25.1	$ 14.1	$ 91.4	$ 74.4	$ 17.1
Margin	*14.5%*	*9.8%*	*469 bps*	*17.8%*	*14.4%*	*344 bps*

Note: May not foot due to rounding

- **Cariflex** – volume up 30.2% in Q2’16 and 20.8% for H1’16 on higher sales into surgical glove applications. Growth in surgical glove applications led by North America, driven by ongoing shift to powder-free surgical gloves

- **Specialty Polymers -** volume up 10.5% in Q2’16 on higher sales into industrial, lubricant additive and personal care applications, partially offset by lower sales into protective film and medical applications. H1’16 volume up 5.7%, on higher sales into industrial and personal care applications, partially offset by lower sales into protective film, adhesive & coating and lubricant additive applications

- **Performance Products –** Q2’16 volume up 19.2% and H1’16 volume up 9.8% on higher sales into paving, roofing and personal care applications, partially offset by lower sales into packaging and industrial adhesive applications. The increase in paving volume reflects strong fundamentals in North American paving markets and recovery vs. Q2’15, in which sales were impacted by production constraints

- 59% of the portfolio comprised of differentiated grades as of the TTM period ended June 30, 2016, compared to 57% in the TTM period ended June 30, 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 – Second Quarter and YTD[2] Financial Review

($ millions)	Q2'16	Q2'15[3]	Change	H1'16[2]	H1'15[3]	Change
Volume (kT)	108.9	110.5	(1.6)	203.7	210.6	(6.9)
Revenues:						
Adhesives	$ 63.2	$ 67.9	$ (4.7)	$ 126.1	$ 139.5	$ (13.4)
Roads & Construction	$ 16.4	$ 15.1	$ 1.3	$ 27.1	$ 25.7	$ 1.4
Tires	$ 10.9	$ 11.3	$ (0.4)	$ 19.9	$ 21.0	$ (1.1)
Chemical Intermediates	$ 94.1	$ 115.2	$ (21.1)	$ 188.4	$ 227.3	$ (38.9)
Total	**$ 184.5**	**$ 209.5**	**$ (25.0)**	**$ 361.4**	**$ 413.5**	**$ (52.1)**
Operating Income	$ 29.5			$ 18.8		
Adjusted EBITDA[1]	$ 53.5			$ 94.4		
Margin	*29.0%*			*26.1%*		

Note: May not foot due to rounding

- **Adhesives** – Q2’16 volume essentially flat despite increased availability of low cost C5 hydrocarbon-based tackifier resins. H1’16 volume down 5.5% compared to H1’15, in part due to lower Q1’16 sales vs. Q1’15, in which sales volume benefitted from a competitor outage
- **Roads & Construction** – volume up 14.2% in Q2’16 and 9.4% for H1’16, driven by strong paving activity in North America
- **Tires** – volume essentially flat in Q2’16 and H1’16, as sales growth in Asia, offset by lower volumes into the Americas
- **Chemical Intermediates** – Q2’16 volume down 3.0% vs. Q2’15 with increased sales into coating, mining, lubricant, paper and oilfield applications offset by lower sales into other applications including packaging and flavors & fragrances. H1’16 sales volume down 3.6% vs. H1’15

(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 period January 6, 2016 (the date of the Acquisition Chemical acquisition) through June 30, 2016.
(3) The 2015 amounts have been derived from the Arizona Chemical historical operating results and are being included for comparative purposes only.

Second Quarter 2016 Operating Results

$ in millions

($ millions)	Q2'16 Polymer	Q2'15 Polymer	Q2'16 Chemical	Q2'16 Consolidated	Q2'15 Consolidated
Revenue	$ 270.1	$ 255.9	$ 184.5	$ 454.6	$ 255.9
Gross profit	$ 67.2	$ 47.4	$ 64.7	$ 131.9	$ 47.4
Operating income	$ 17.3	$ 0.6	$ 29.5	$ 46.8	$ 0.6
Net income (loss) attributable to Kraton	-	-	-	$ 7.4	$ (5.6)
Adjusted gross profit(1)	$ 65.0	$ 53.2	$ 70.3	$ 135.3	$ 53.2
Adjusted EBITDA(1)	$ 39.2	$ 25.1	$ 53.5	$ 92.7	$ 25.1
Adjusted EBITDA margin(1)	14.5%	9.8%	29.0%	20.4%	9.8%

Polymer segment:

- Adjusted gross profit(1) of $723 per ton up from $698 per ton in Q2’15
  - Sequential decline from $1,052 per ton Q1’16 primarily reflects lower unit margins, including the impact of less favorable sales mix, and the timing associated with changes in inventory levels
- Adjusted EBITDA(1) growth of 56.2% primarily reflects the 17.9% increase in sales volume and lower costs

Chemical segment:

- Adjusted gross profit (1) of $646 per ton up from $625 per ton in Q1’16
- Adjusted EBITDA(1) up compared to Q1’16 due to volume growth of 14.7% and lower costs
- Adjusted EBITDA(1) margin of $29.0% up 590 basis points compared to 23.1% in Q1‘16

Consolidated:

- Currency of $1.3 million negative on Q2‘16 Adjusted EBITDA(1)
- $10.0 million of year-over-year benefit associated with integration synergies and cost reduction initiatives

(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.

Year-to-Date 2016 Operating Results[1]

$ in millions

($ millions)	H1'16 Polymer	H1'15 Polymer	H1'16 Chemical[1]	H1'16 Consolidated	H1'15 Consolidated
Revenue[1]	$ 513.2	$ 517.3	$ 361.4	$ 874.6	$ 517.3
Gross profit[1]	$ 132.8	$ 94.0	$ 92.9	$ 225.7	$ 94.0
Operating income[1]	$ 31.2	$ (3.0)	$ 18.8	$ 50.0	$ (3.0)
Net income (loss) attributable to Kraton	-	-	-	$ 95.5	$ (15.0)
Adjusted gross profit[1][2]	$ 143.9	$ 133.2	$ 129.6	$ 273.5	$ 133.2
Adjusted EBITDA[1][2]	$ 91.4	$ 74.4	$ 94.4	$ 185.8	$ 74.4
Adjusted EBITDA margin[1][2]	17.8%	14.4%	26.1%	21.2%	14.4%

Polymer segment:

- Adjusted gross profit[2] of $873 per ton comparable to $884 per ton in H1'15
- Adjusted EBITDA[2] growth of 22.9% results from 9.5% increase in volume, lower costs, partially offset by lower average unit margins, which includes the impact of less favorable sales mix

Chemical segment:

- Q2'16 adjusted gross profit[2] of $646 per ton up from $625 per ton in Q1'16, resulting in H1'16 adjusted gross profit[2] of $636 per ton

Consolidated

- Currency $4.3 million negative on H1'16 Adjusted EBITDA[2]
- $16.6 million benefit associated with integration synergies and cost reduction initiatives vs. H1'15

(1) Chemical segment results for the the period January 6, 2016 (the date of the Acquisition Chemical acquisition) through June 30, 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 EPS to Adjusted EPS

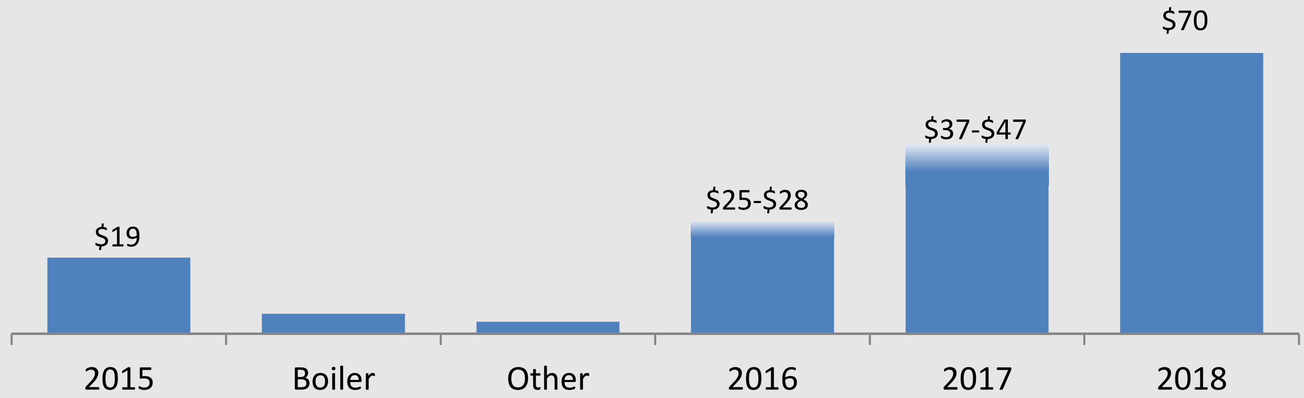
($ in thousands, except per share amounts)

	Three months Ended June 30, 2016	Three months Ended June 30, 2015	Six months Ended June 30, 2016	Six months Ended June 30, 2015
	(In thousands)		(In thousands)	
Earnings (Loss) per Diluted Share	$ 0.24	$ (0.18)	$ 3.07	$ (0.48)
Transaction, acquisition related costs, restructuring and other costs (a)	0.20	0.02	0.52	0.06
Disposition and exit of business activities	0.11	-	(0.82)	-
Loss on extinguishment of debt	-	-	0.28	-
Production downtime (b)	-	-	-	(0.01)
Effect of purchase price accounting on inventory valuation (c)	-	-	0.63	-
KFPC startup costs (d)	0.01	0.01	0.02	0.01
Valuation Allowance (e)	-	-	(2.78)	-
Spread between FIFO and ECRC	0.07	0.17	0.52	1.20
Adjusted Earnings per Diluted Share (non-GAAP)	$ 0.63	$ 0.02	$ 1.44	$ 0.78

a) Charges related to the evaluation of acquisition transactions, severance expenses, and other restructuring related charges which are primarily recorded in selling, general, and administrative expenses.
b) 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.
c) Higher costs of goods sold for our Chemical segment related to the fair value adjustment in purchase accounting for their inventory.
d) Startup costs related to the joint venture company, KFPC, which are recorded in selling, general and administrative expenses.
e) Reduction of income tax valuation allowance related to the assessment of our ability to utilize net operating losses in future periods.

Cost Reduction Initiatives Remain on Target

$ in millions



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

Manufacturing Optimization

- HSBC facility in Mailiao reached mechanical completion in Q2’16, expect commercial samples in Q4’16
- Berre expansion design expected to be complete Q3’16 with anticipated mechanical completion by Q4’17

Asset Productivity

- Continuing favorability in new boilers due to natural gas pricing and electricity cogeneration
- Improvements in solvent recovery, BD unloading and packaging cost reductions
- Other manufacturing projects

Complexity Reduction

- Cariflex “direct coupling” design underway with expected mechanical completion by Q4’17
- SKU elimination work progressing along with service level optimization activities
- Other inventory reduction initiatives continue

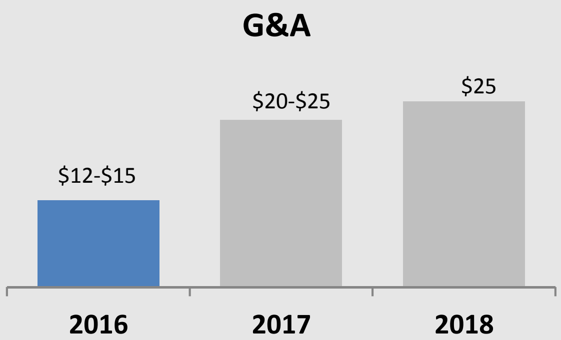
Mailiao Update

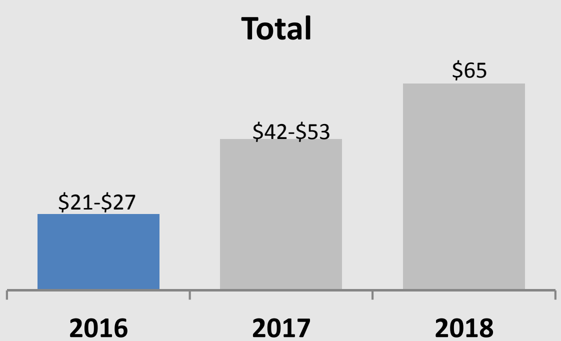
- Kraton Formosa Polymers Corporation (KFPC) – 50/50 joint venture between Kraton and Formosa Petrochemical Corporation established February 2013
- KFPC will own and operate a 30 kiloton hydrogenated styrenic block copolymer facility located in Mailiao, Taiwan
- Construction is mechanically complete, with plant going through commissioning steps
    - Expect to introduce hydrocarbons in Q4'16, with commercial samples by end of Q4'16
- Capital cost now estimated at $185 million, down from original cost estimates of $200 - $215 million

We Remain On Track to Deliver Integration Synergies

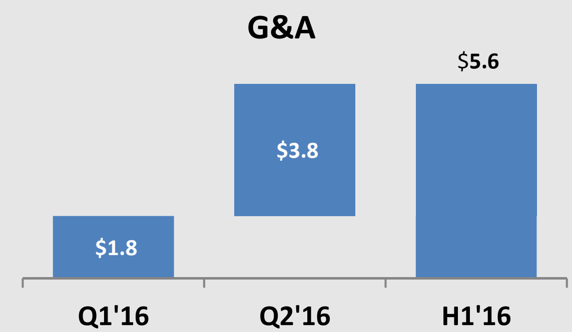
$ in millions

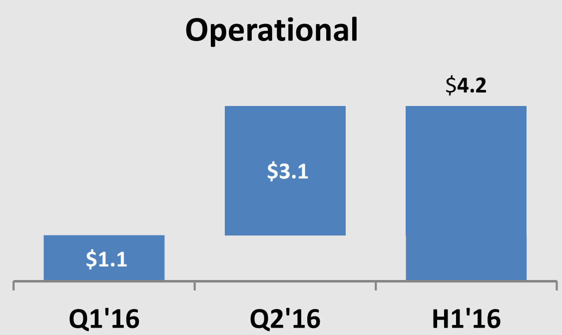
Targeted Synergies

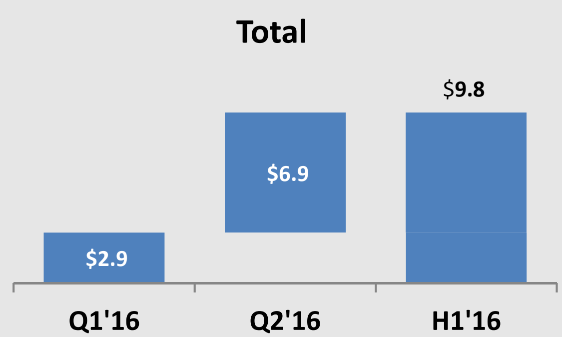




Achieved Synergies







Comments

G&A

Tracking towards more than $12 million in 2016

- C-Suite
- Back office consolidation
- Shanghai office integration complete
- Lower indirect overhead costs - annual insurance premiums

Operational

Tracking towards $9 - $12 million in 2016

- New gas boiler startup (Panama City)
- New tank/logistics improvements (Finland)
- Yield improvements
- Vessel load optimization
- Reduced contractor spend on maintenance
- Reduced offspec in rosin upgrading

Capital Structure

($ millions)	ABL	Term Loan	10.50% 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 of compounding assets	-	(72.0)	-	-	-	-	(72.0)	-	-	(72.0)
Other changes	12.9	-	-	-	-	(29.5)	42.4	14.2	1.2	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**
Adjustments to business acquisition / divestiture	-	-	-	-	-	5.9	(5.9)	-	-	(5.9)
Other changes	(20.0)	-	-	-	-	21.9	(41.9)	11.8	4.3	(34.4)
At June 30, 2016	**$ 30.0**	**$ 1,278.0**	**$ 440.0**	**$ 1.6**	**$ -**	**$ 95.7**	**$ 1,653.8**	**$ 102.9**	**$ 14.8**	**$ 1,741.9**

Note: May not foot due to rounding

- Continued progress in reducing Kraton net debt, with Kraton net debt lowered by $48 million in Q2’16
- Since January 6, Kraton net debt reduced by $77 million
- December 31, 2016 target Kraton net debt remains $1.6 billion

2016 Modeling Assumptions[1]

($ in millions)	
Revenue	$1,800
Adjusted EBITDA[2]	$370 - $380
Non-cash compensation expense	$10
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	10% – 15%
Capex *Excludes KFPC capex of approximately $50 million* *Excludes capitalized interest of $5 million*	$85 - $95
Estimated third quarter 2016 positive spread between FIFO and ECRC	Less than $5
Estimated net debt at December 31, 2016 *Excludes estimated KFPC net debt of approximately $130 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 July 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, but not limited to, transaction and acquisition costs and costs associated with dispositions, business exits, and production downtime, 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.

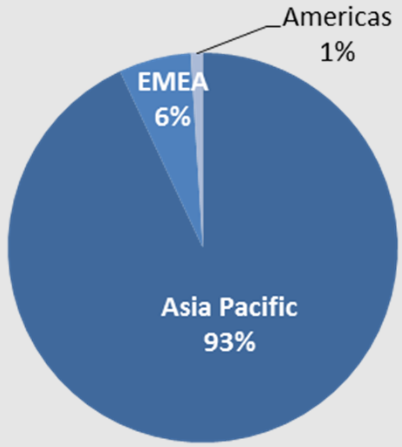
Appendix

Polymers – Revenue by Geography and Product Group
TTM June 30, 2016

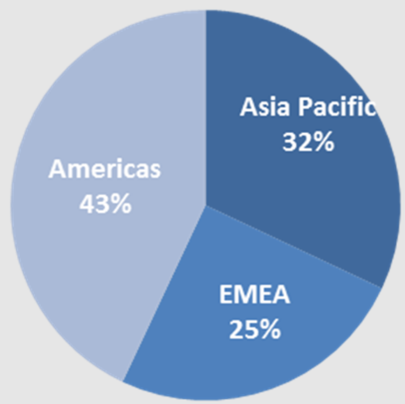
	CARIFLEX	SPECIALTY POLYMERS	PERFORMANCE PRODUCTS

Revenue by Geography

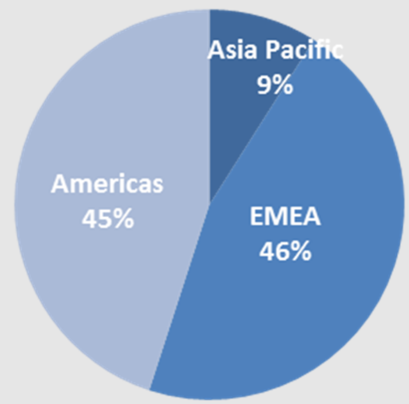
CARIFLEX



SPECIALTY POLYMERS

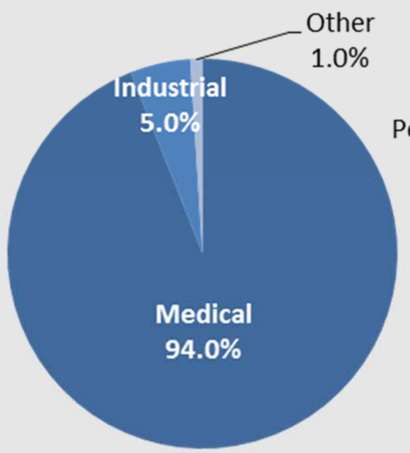


PERFORMANCE PRODUCTS

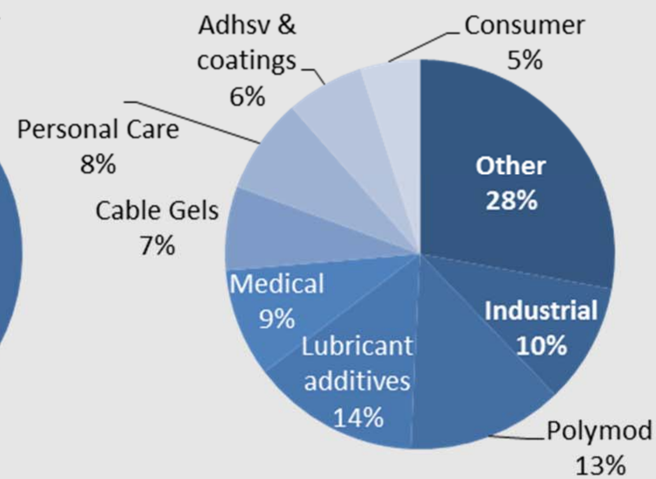


Revenue by Product Group

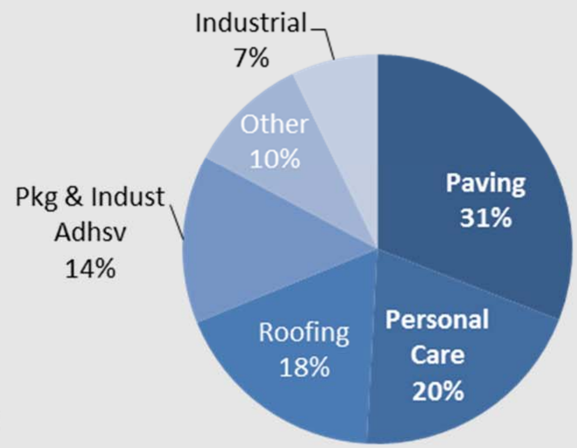
CARIFLEX



SPECIALTY POLYMERS



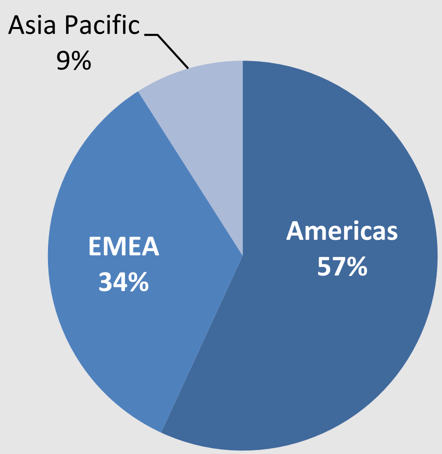
PERFORMANCE PRODUCTS



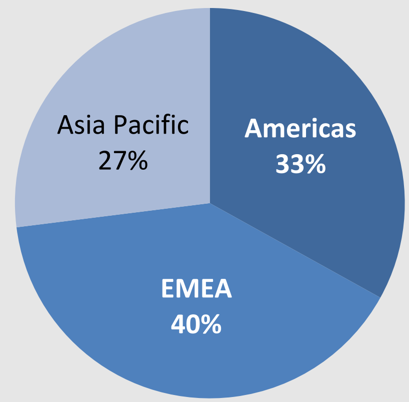
Note: May not foot due to rounding

Chemicals – Revenue by Geography
TTM June 30, 2016

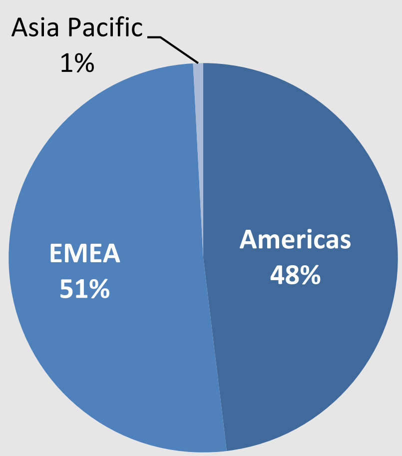
ADHESIVES



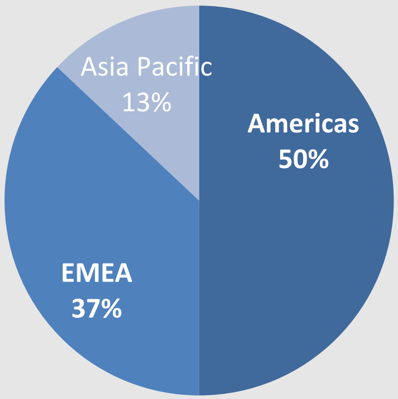
TIRES



ROADS & CONSTRUCTION



CHEMICAL INTERMEDIATES



Reconciliation of Gross Profit to Adjusted Gross Profit – Q2 2016

($ in thousands)	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015
	Polymer	Chemical	Total	Total
Gross profit	$ 67,241	$ 64,656	$ 131,897	$ 47,436
Add (deduct):				
Restructuring and other charges	11	(149)	(138)	53
Production downtime (a)	—	—	—	(171)
Non-cash compensation expense	123	—	123	117
Spread between FIFO and ECRC	(2,420)	5,812	3,392	5,810
Adjusted gross profit	$ 64,955	$ 70,319	$ 135,274	$ 53,245
Sales volume (Kilotons)	89.8	108.9	198.7	76.2
Adjusted gross profit per ton	$723	$646	$681	$698

a) In 2015, the reduction in costs is due to additional insurance recovery related to the Belpre, Ohio, production downtime.

Columns may not foot due to rounding.

Reconciliation of Gross Profit to Adjusted Gross Profit – Q1 2016

($ in thousands)	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015
	Polymer	Chemical	Total	Total
Gross profit	$ 65,525	$ 28,293	$ 93,818	$ 46,561
Add (deduct):				
Restructuring and other charges	31	149	180	28
Effect of purchase price accounting on inventory valuation	—	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 Gross Profit to Adjusted Gross Profit – YTD 2016

($ in thousands)	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015
	Polymer	Chemical	Total	Total
Gross profit	$ 132,766	$ 92,949	$ 225,715	$ 93,997
Add (deduct):				
Restructuring and other charges (a)	42	—	42	81
Effect of purchase price accounting on inventory valuation (b)	—	24,719	24,719	—
Production downtime (c)	—	—	—	(328)
Non-cash compensation expense	308	—	308	274
Spread between FIFO and ECRC	10,808	11,909	22,717	39,218
Adjusted gross profit	$ 143,924	$ 129,577	$ 273,501	$ 133,242
Sales volume (Kilotons)	164.9	203.7	368.7	150.6
Adjusted gross profit per ton	$873	$636	$742	$884

a) Severance expenses and other restructuring related charges.
b) Higher costs of goods sold for our Chemical segment related to the fair value adjustment in purchase accounting for their inventory.
c) In 2015, the reduction in costs is due to additional insurance recovery related to the Belpre, Ohio, production downtime.

Columns may not foot due to rounding.

Reconciliation of Net Income (loss) to Operating Income to Non-GAAP Financial Measures – Q2 2016

($ thousands)	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015
	Polymers	Chemicals	Total	Total
Net income (loss) attributable to Kraton			$ 7,401	$ (5,564)
Net loss attributable to non-controlling interest			(533)	(429)
Consolidated net income (loss)			6,868	(5,993)
Add (deduct):				
Income tax expense			1,029	993
Interest expense, net			33,742	5,704
Earnings of unconsolidated joint venture			(102)	(102)
Disposition and exit of business activities			5,250	—
Operating income	$ 17,262	$ 29,525	46,787	602
Add (deduct):				
Depreciation and amortization	15,630	16,152	31,782	15,411
Disposition and exit of business activities	(5,250)	—	(5,250)	—
Earnings of unconsolidated joint venture	102	—	102	102
EBITDA	27,744	45,677	73,421	16,115
Add (deduct):				
Transaction, acquisition related costs, restructuring and other costs (a)	5,562	2,044	7,606	649
Disposition and exit of business activities	5,250	—	5,250	—
Production downtime (b)	—	—	—	(101)
KFPC startup costs (c)	1,019	—	1,019	698
Non-cash compensation expense (d)	2,048	—	2,048	1,960
Spread between FIFO and ECRC	(2,420)	5,812	3,392	5,810
Adjusted EBITDA	$ 39,203	$ 53,533	$ 92,736	$ 25,131

a) Charges related to the evaluation of acquisition transactions , severance expenses, and other restructuring related charges, which are primarily recorded in selling, general, and administrative expenses.
b) 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.
c) Startup costs related to the joint venture company, KFPC, which are recorded in selling, general, and administrative expenses.
d) For the three months ended June 30, 2016 and 2015, respectively, $1.7 million and $1.7 million is recorded in selling, general and administrative expenses, $0.2 million and $0.2 million is recorded in research and development expenses, and $0.1 million and $0.1 million is recorded in cost of goods sold.

Reconciliation of Net Income (loss) to Operating Income to Non-GAAP Financial Measures – YTD 2016

($ thousands)	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015
	Polymers	Chemicals	Total	Total
Net income (loss) attributable to Kraton			$ 95,488	$ (15,020)
Net loss attributable to non-controlling interest			(1,075)	(714)
Consolidated net income (loss)			94,413	(15,734)
Add (deduct):				
Income tax (benefit) expense			(85,222)	1,059
Interest expense, net			67,580	11,824
Earnings of unconsolidated joint venture			(180)	(178)
Loss on extinguishment of debt			13,423	—
Disposition and exit of business activities			(40,001)	—
Operating income (loss)	$ 31,208	$ 18,805	50,013	(3,029)
Add (deduct):				
Depreciation and amortization	30,222	31,714	61,936	30,707
Disposition and exit of business activities	40,001	—	40,001	—
Loss on extinguishment of debt	(13,423)	—	(13,423)	—
Earnings of unconsolidated joint venture	180	—	180	178
EBITDA	88,188	50,519	138,707	27,856
Add (deduct):				
Transaction, acquisition related costs, restructuring and other costs (a)	12,039	7,243	19,282	1,796
Disposition and exit of business activities	(40,001)	—	(40,001)	—
Loss on extinguishment of debt	13,423	—	13,423	—
Effect of purchase price accounting on inventory valuation	—	24,719	24,719	—
Production downtime (b)	—	—	—	(209)
KFPC startup costs (c)	1,859	—	1,859	1,150
Non-cash compensation expense (d)	5,131	—	5,131	4,569
Spread between FIFO and ECRC	10,808	11,909	22,717	39,218
Adjusted EBITDA	$ 91,447	$ 94,390	$ 185,837	$ 74,380

a) Charges related to the evaluation of acquisition transactions , severance expenses, and other restructuring related charges, which are primarily recorded in selling, general, and administrative expenses.
b) 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.
c) Startup costs related to the joint venture company, KFPC, which are recorded in selling, general, and administrative expenses.
d) For the six months ended June 30, 2016 and 2015, respectively, $4.4 million and $3.9 million is recorded in selling, general and administrative expenses, $0.4 million and $0.4 million is recorded in research and development expenses, and $0.3 million and $0.3 million is recorded in cost of goods sold.