KRATON™

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES

For the Quarter Ended September 30, 2018

USE OF NON-GAAP FINANCIAL MEASURES

Kraton Corporation ("Kraton") reports its financial information in accordance with generally accepted accounting principles in the United States ("GAAP"). Additionally, Kraton from time to time also presents certain financial measures that may be considered "non-GAAP" financial measures, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Diluted Earnings per Share, Consolidated Net Debt Leverage Ratio, Consolidated Net Debt and Net Debt.

Kraton considers these non-GAAP financial measures to be important supplemental measures of its performance and believes they are frequently used by investors, securities analysts, and other interested parties in the evaluation of Kraton's performance including period-to-period comparisons and/or that of other companies in the industry. Further, Kraton's management uses these measures to evaluate operating performance, and Kraton's incentive compensation plan bases incentive compensation payments on Adjusted EBITDA performance and attainment of reduction of Net Debt, 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 Kraton's performance. You should not consider them in isolation, or as a substitute for analysis of Kraton's results under GAAP.

Each fiscal quarter, Kraton 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 first-in, first-out ("FIFO") basis of accounting and estimated current replacement cost ("ECRC"), see Management's Discussion and Analysis of Financial Condition and Results of Operations in Kraton's most recent Annual Report on Form 10-K.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin

For Kraton's consolidated results, EBITDA represents net income (loss) before interest, taxes, depreciation, and amortization. For each reporting segment, EBITDA represents operating income before depreciation and amortization, and earnings of unconsolidated joint ventures. Among other limitations EBITDA does not: reflect the significant interest expense on Kraton's debt or reflect the significant depreciation and amortization expense associated with long-lived assets; and EBITDA should not be used for purposes of assessing compliance or non-compliance with financial covenants under Kraton's debt agreements. The calculation of EBITDA in Kraton's 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 the debt agreements. Other companies in the industry may calculate EBITDA differently than Kraton does, limiting its usefulness as a comparative measure. As an analytical tool, Adjusted EBITDA is subject to all the limitations applicable to EBITDA.

Kraton prepares Adjusted EBITDA by eliminating from EBITDA the impact of a number of items that Kraton does not consider indicative of its on-going performance, including the spread between FIFO and ECRC, but you should be aware that in the future Kraton may incur expenses similar to these adjustments. Kraton's presentation of Adjusted EBITDA should not be construed as an inference that 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 GAAP. Kraton defines Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of revenue (for each reporting segment or on a consolidated basis, if applicable). Because of these and other limitations, EBITDA and Adjusted EBITDA should not be considered as a measure of discretionary cash available to Kraton to invest in the growth of its business.

Adjusted Diluted Earnings Per Share

Kraton prepares Adjusted Diluted Earnings per Share by eliminating from Diluted Earnings (loss) per Share the impact of a number of non-recurring items that Kraton does not consider indicative of on-going performance, including the spread between FIFO and ECRC.

Net Debt and Consolidated Net Debt

Kraton defines Net Debt as total debt (excluding debt of Kraton Formosa Polymers Corporation, our 50/50 joint venture in Taiwan ("KFPC")) less cash and cash equivalents. Kraton defines Consolidated Net Debt as Net Debt plus debt of KFPC less KFPC's cash and cash equivalents. Management uses Net Debt and Consolidated Net Debt to determine outstanding debt obligations that would not readily be satisfied by Kraton's cash and cash equivalents on hand. Management believes that using Net Debt and Consolidated Net Debt is useful to investors in determining leverage since Kraton could choose to use cash and cash equivalents to retire debt. In addition, management believes that presenting Net Debt as excluding KFPC is useful because KFPC has its own capital structure.

Consolidated Net Debt Leverage Ratio

The Consolidated Net Debt leverage ratio is defined as Consolidated Net Debt as of the balance sheet date divided by Adjusted EBITDA for the twelve months then ended. Kraton's use of this term may vary from the use of similarly-titled measures by others in the industry due to the potential inconsistencies in the method of calculation and differences due to items subject to interpretation.

KRATON CORPORATION

RECONCILIATION OF KRATON DEBT TO KRATON NET DEBT AND CONSOLIDATE NET DEBT

	September 30, 2018	December 31, 2017
	(In thousands)	
Kraton debt	$ 1,482,288	$ 1,525,351
Kraton cash	45,790	75,204
Kraton net debt	1,436,498	1,450,147
KFPC[(1)] debt	131,462	158,349
KFPC cash	5,718	13,848
KFPC net debt	125,744	144,501
Consolidated net debt	$ 1,562,242	$ 1,594,648

(1) Kraton Formosa Polymers Corporation (KFPC) joint venture, located in Mailiao, Taiwan, which we own a 50% stake in and consolidate within our financial statements.

KRATON CORPORATION
RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO KRATON AND OPERATING INCOME TO NON-GAAP FINANCIAL MEASURES
(Unaudited)
(In thousands)

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Polymer	Chemical	Total	Polymer	Chemical	Total
Net income (loss) attributable to Kraton			$ 42,349			$ (4,033)
Net income (loss) attributable to noncontrolling interest			928			(818)
Consolidated net income (loss)			43,277			(4,851)
Add (deduct):						
Income tax expense (benefit)			8,334			(2,165)
Interest expense, net			20,143			33,017
Earnings of unconsolidated joint venture			(100)			(125)
Loss on extinguishment of debt			—			15,632
Other expense			740			846
Operating income	$ 44,899	$ 27,495	$ 72,394	$ 18,731	$ 23,623	$ 42,354
Add (deduct):						
Depreciation and amortization	17,554	17,563	35,117	17,342	16,965	34,307
Other income (expense)	(958)	218	(740)	(929)	83	(846)
Loss on extinguishment of debt	—	—	—	(15,632)	—	(15,632)
Earnings of unconsolidated joint venture	100	—	100	125	—	125
EBITDA	61,595	45,276	106,871	19,637	40,671	60,308
Add (deduct):						
Transaction, acquisition related costs, restructuring, and other costs (a)	689	(177)	512	2,240	61	2,301
Loss on extinguishment of debt	—	—	—	15,632	—	15,632
Weather related costs (b)	—	—	—	760	1,320	2,080
KFPC startup costs (c)	—	—	—	2,424	—	2,424
Non-cash compensation expense	2,495	—	2,495	2,219	—	2,219
Spread between FIFO and ECRC	(7,771)	(3,456)	(11,227)	34,451	2,272	36,723
Adjusted EBITDA	$ 57,008	$ 41,643	$ 98,651	$ 77,363	$ 44,324	$ 121,687

(a) Charges related to the evaluation of acquisition transactions, severance expenses, and other restructuring related charges.
(b) Costs related to Hurricane Harvey and Hurricane Irma.
(c) Startup costs related to the joint venture company, KFPC.

	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	Polymer	Chemical	Total	Polymer	Chemical	Total
Net income attributable to Kraton			$ 49,491			$ 27,941
Net income (loss) attributable to noncontrolling interest			1,743			(5,178)
Consolidated net income			51,234			22,763
Add (deduct):						
Income tax expense			8,743			2,907
Interest expense, net			74,835			101,766
Earnings of unconsolidated joint venture			(357)			(370)
Loss on extinguishment of debt			79,921			35,370
Other expense			2,960			2,517
Operating income	$ 137,930	$ 79,406	$ 217,336	$ 98,339	$ 66,614	$ 164,953
Add (deduct):						
Depreciation and amortization	52,914	52,719	105,633	50,439	51,601	102,040
Other income (expense)	(3,600)	640	(2,960)	(2,767)	250	(2,517)
Loss on extinguishment of debt	(79,921)	—	(79,921)	(35,370)	—	(35,370)
Earnings of unconsolidated joint venture	357	—	357	370	—	370
EBITDA	107,680	132,765	240,445	111,011	118,465	229,476
Add (deduct):						
Transaction, acquisition related costs, restructuring, and other costs (a)	2,062	(963)	1,099	11,493	(509)	10,984
Loss on extinguishment of debt	79,921	—	79,921	35,370	—	35,370
Weather related costs (b)	—	—	—	760	1,320	2,080
KFPC startup costs (c)	897	—	897	9,664	—	9,664
Non-cash compensation expense	7,620	—	7,620	7,366	—	7,366
Spread between FIFO and ECRC	(27,711)	(9,371)	(37,082)	(3,431)	(2,771)	(6,202)
Adjusted EBITDA	$ 170,469	$ 122,431	$ 292,900	$ 172,233	$ 116,505	$ 288,738

(a) Charges related to the evaluation of acquisition transactions, severance expenses, and other restructuring related charges.
(b) Costs related to Hurricane Harvey and Hurricane Irma.
(c) Startup costs related to the joint venture company, KFPC.

KRATON CORPORATION
RECONCILIATION OF DILUTED EARNINGS (LOSS) PER SHARE TO ADJUSTED DILUTED EARNINGS PER SHARE

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Diluted Earnings (Loss) Per Share	$ 1.31	$ (0.13)	$ 1.53	$ 0.88
Transaction, acquisition related costs, restructuring, and other costs (a)	0.02	0.05	0.03	0.25
Loss on extinguishment of debt	—	0.32	1.89	0.72
Weather related costs (b)	—	0.04	—	0.04
KFPC startup costs (c)	—	0.04	0.01	0.16
Spread between FIFO and ECRC	(0.31)	1.19	(0.97)	(0.17)
Adjusted Diluted Earnings Per Share (non-GAAP)	$ 1.02	$ 1.51	$ 2.49	$ 1.88

(a) Charges related to the evaluation of acquisition transactions, severance expenses, and other restructuring related charges.
(b) Costs related to Hurricane Harvey and Hurricane Irma.
(c) Startup costs related to the joint venture company, KFPC.

POLYMER RECONCILIATION OF GROSS PROFIT TO ADJUSTED GROSS PROFIT[d]
(Unaudited)
(In thousands)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Gross profit	$ 90,202	$ 67,308	$ 281,407	$ 242,807
Add (deduct):				
Restructuring and other charges (a)	—	1,028	—	6,528
Weather related costs (b)	—	760	—	760
KFPC startup costs (c)	—	2,341	—	7,662
Non-cash compensation expense	149	133	457	442
Spread between FIFO and ECRC	(7,771)	34,451	(27,711)	(3,431)
Adjusted gross profit (non-GAAP)	$ 82,580	$ 106,021	$ 254,153	$ 254,768
Sales volume (kilotons)	84.2	91.9	249.5	258.1
Adjusted gross profit per ton	$ 980	$ 1,154	$ 1,019	$ 987

(a) Severance expenses and other restructuring related charges.
(b) Costs related to Hurricane Harvey and Hurricane Irma.
(c) Startup costs related to the joint venture company, KFPC.
(d) Certain amounts reported in the prior periods have been reclassified to conform to the current reporting presentation.