



**Kraton Performance Polymers, Inc.
Second Quarter 2010 Earnings Conference Call**

August 5, 2010

Forward-Looking Statement Disclaimer



This presentation may include “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 “believes,” “estimates,” “expects,” “projects,” “may,” “intends,” “plans” or “anticipates,” or by discussions of strategy, plans or intentions. All forward-looking statements in this presentation are made based on management’s current expectations and estimates, which involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed in forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. These risks and uncertainties are more fully described in “Part I. Item 1A. Risk Factors” contained in our Annual Report on 10-K, as filed with the Securities and Exchange Commission and as subsequently updated in our Quarterly Reports on Form 10-Q, and include risks related to: conditions in the global economy and capital markets; our reliance on LyondellBasell Industries for the provision of significant operating and other services; the failure of our raw materials suppliers to perform their obligations under long-term supply agreements, or our inability to replace or renew these agreements when they expire; limitations in the availability of raw materials we need to produce our products in the amounts or at the prices necessary for us to effectively and profitably operate our business; competition in our end-use markets, by other producers of SBCs and by producers of products that can be substituted for our products; our ability to produce and commercialize technological innovations; our ability to protect our intellectual property, on which our business is substantially dependent; infringement of our products on the intellectual property rights of others; seasonality in our Paving and Roofing business; financial and operating constraints related to our substantial level of indebtedness; product liability claims and other lawsuits arising from environmental damage or personal injuries associated with chemical manufacturing; political and economic risks in the various countries in which we operate; the inherently hazardous nature of chemical manufacturing; health, safety and environmental laws, including laws that govern our employees’ exposure to chemicals deemed harmful to humans; regulation of our customers, which could affect the demand for our products or result in increased compliance costs; international trade, export control, antitrust, zoning and occupancy and labor and employment laws that could require us to modify our current business practices and incur increased costs; our relationship with our employees; loss of key personnel or our inability to attract and retain new qualified personnel; fluctuations in currency exchange rates ; the fact that we do not enter into long-term contracts with our customers; a decrease in the fair value of our pension assets, which could require us to materially increase future funding of the pension plan; and concentration of ownership among our principal stockholder, which may prevent new investors from influencing significant corporate decisions. We assume no obligation to update such information. Further information concerning issues that could materially affect financial performance related to forward looking statements can be found in our periodic filings with the Securities and Exchange Commission.

GAAP Disclaimer



This presentation includes the use of both GAAP (generally accepted accounting principles) and non-GAAP financial measures. The non-GAAP financial measures are EBITDA and Adjusted EBITDA. The most directly comparable GAAP financial measure is net income/loss. A reconciliation of the non-GAAP financial measures used in this presentation to the most directly comparable GAAP measure is included herein. We consider EBITDA and Adjusted EBITDA important supplemental measures of our performance and believe they are frequently used by investors and other interested parties in the evaluation of companies in our industry. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results under GAAP in the United States.

Update on 2010 Business Priorities



Earnings Growth

- Strong year-over-year and sequential volume and revenue growth
- Continued to implement our “price right” strategy in response to volatility in raw material costs and other factors
- Adjusted EBITDA of \$63 million a record level
- LTM Adjusted EBITDA margin on Sales Revenue above 17%

Innovation-led Top-line Growth

- Continued progress toward vitality index goal
- YTD vitality index above plan despite strong volume growth in base business
- Outlook for PVC alternatives for wire & cable and medical applications remains favorable

Capital Investment

- Capital projects for IR and IRL expansion on schedule and within budget
- Phase II system and control upgrades at Belpre remain on target
- In-depth evaluation of alternatives for new HSBC capacity underway

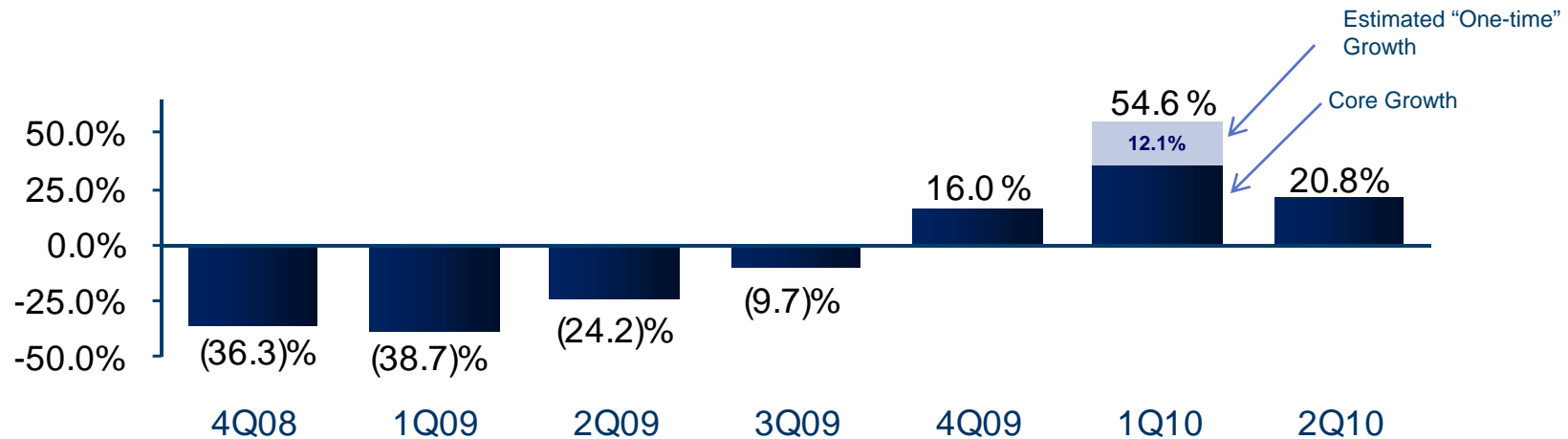
Critical Capabilities

- Successfully filled multiple positions in Q2, including market development and investor relations
- Several key individuals promoted to positions of increased responsibility

Trend of Volume Recovery from 2009 Lows Continues



Year-on-Year Change In Sales Volume:

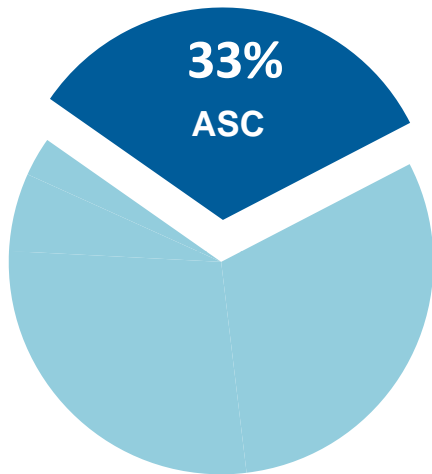


- Sales volume increased from 71.4 kt in Q2 2009 to 86.2 kt in Q2 2010
- Q2 volumes reflect seasonal increase in Paving & Roofing business
- Q2 2010 volume was up 18% vs. Q1 2010; historically Q2 volume is up sequentially in the range of approximately 25%
- Excluding an estimated 6 kt of restocking volume in Q1 2010, Q2 volume was up 29% sequentially

Adhesives, Sealants and Coatings End Use Review

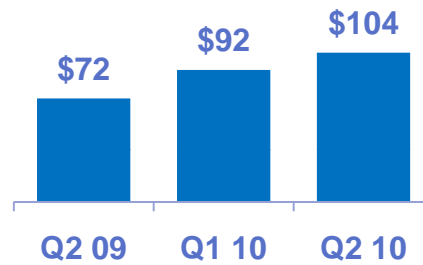


LTM Revenue Profile

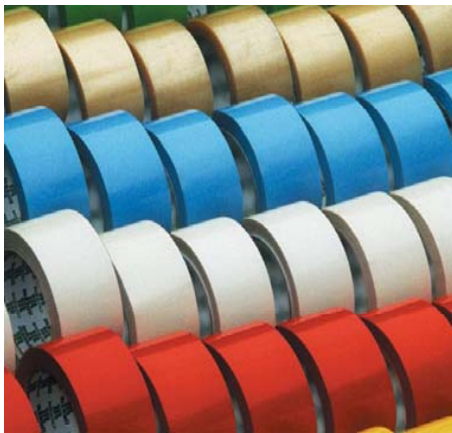
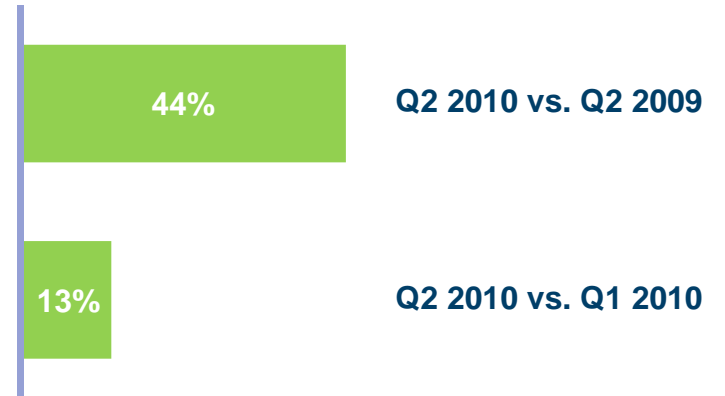


End Use Revenue

US \$ in Millions



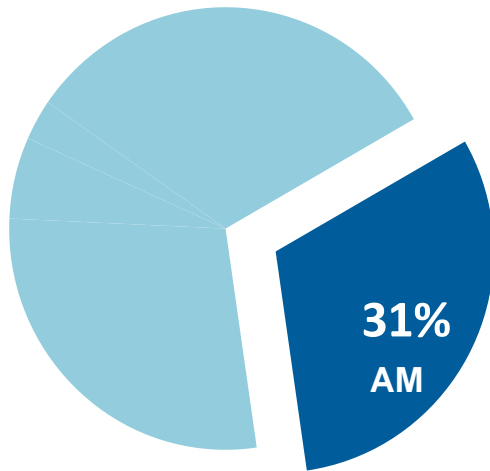
Change in Sales Revenue



Advanced Materials End Use Review



LTM Revenue Profile

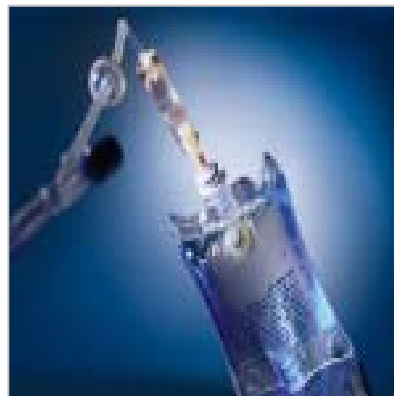
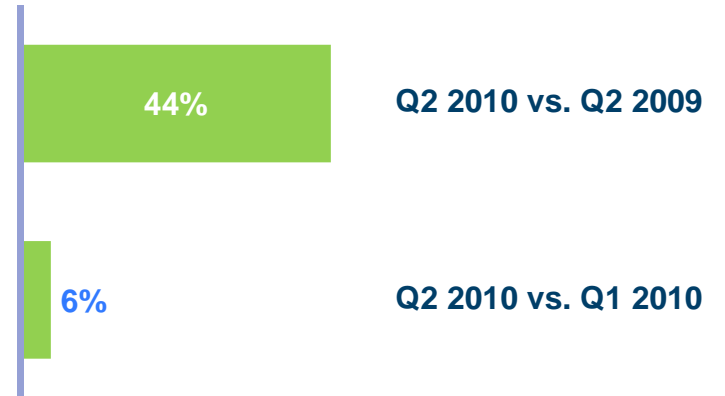


End Use Revenue

US \$ in Millions



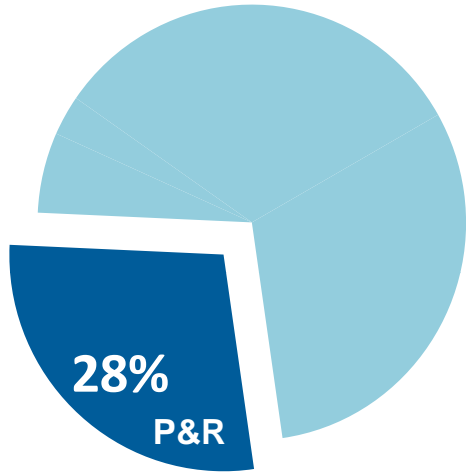
Change in Sales Revenue



Paving and Roofing End-Use Review

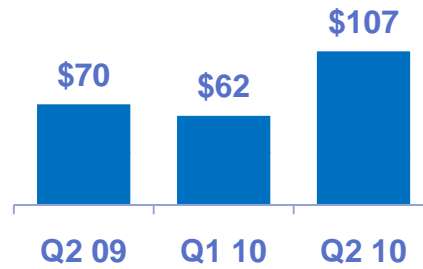


LTM Revenue Profile

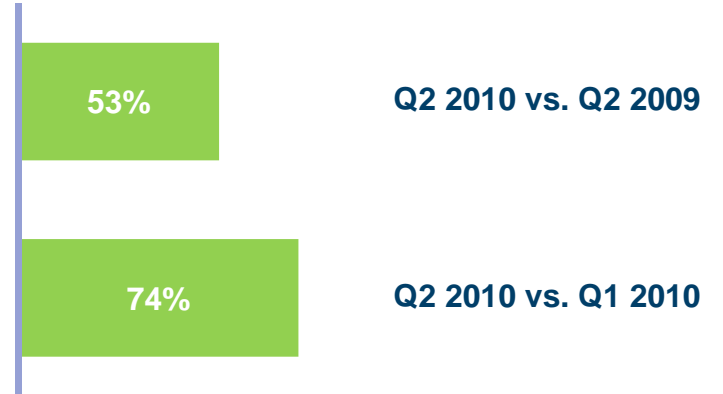


End Use Revenue

US \$ in Millions



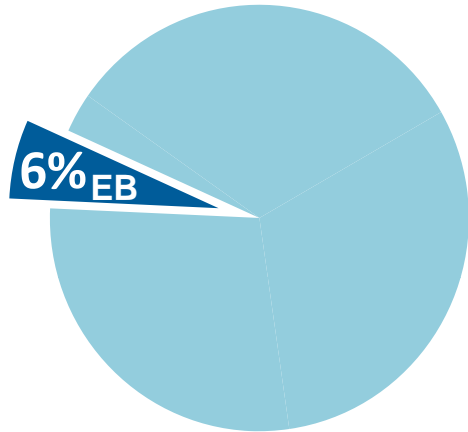
Change in Sales Revenue



Emerging Businesses End Use Review

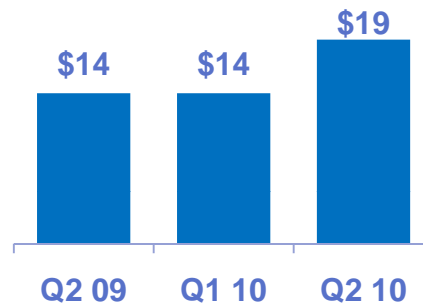


LTM Revenue Profile



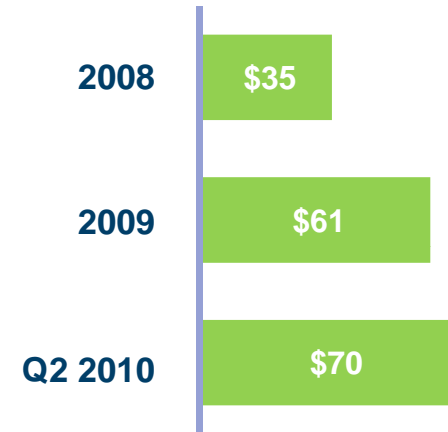
End Use Revenue

US \$ in Millions



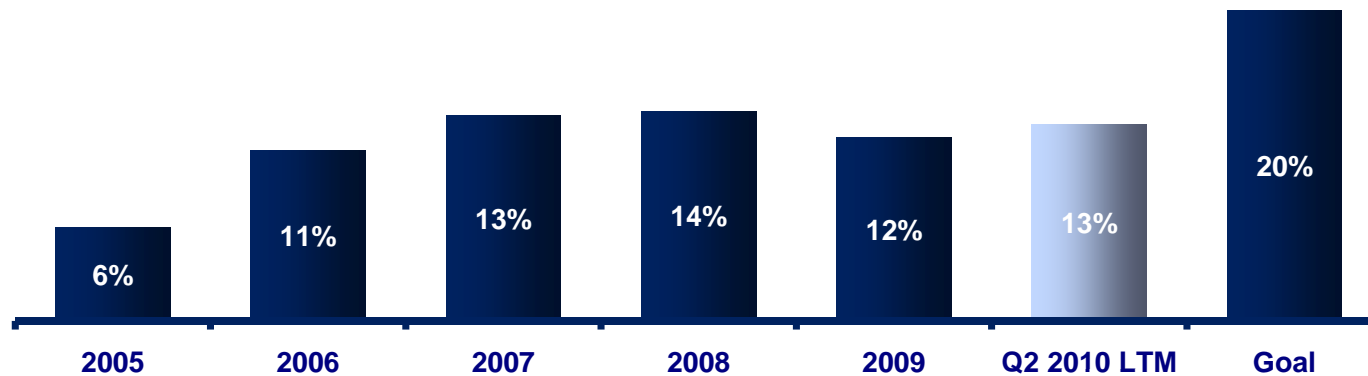
LTM Sales Revenue

US \$ in Millions

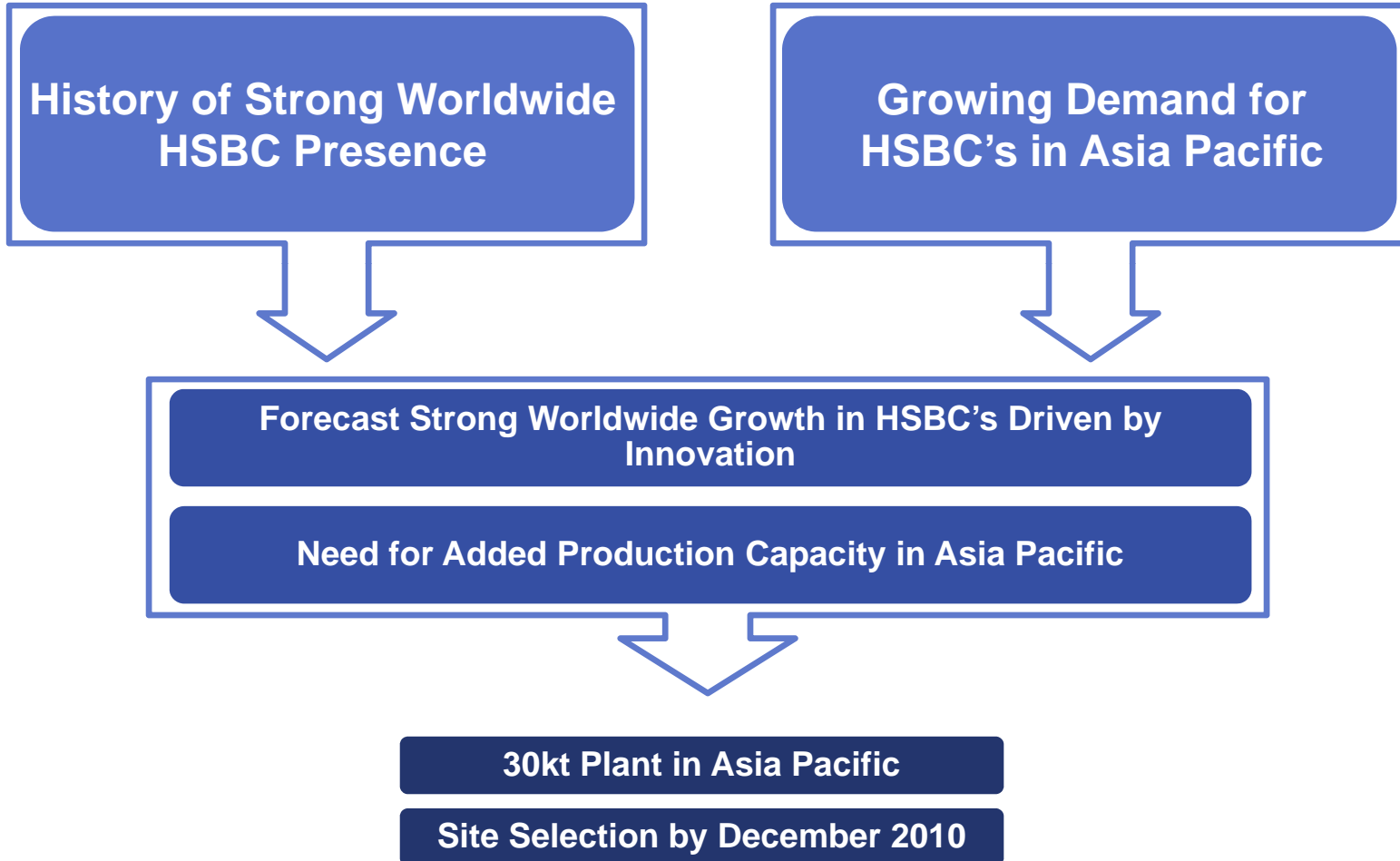


Vitality Index

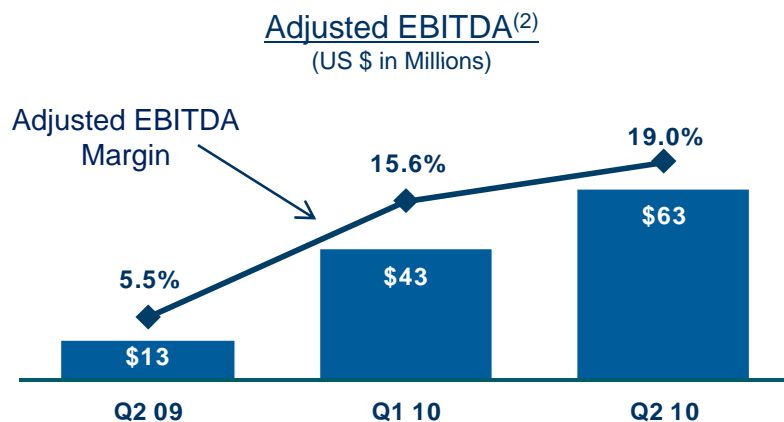
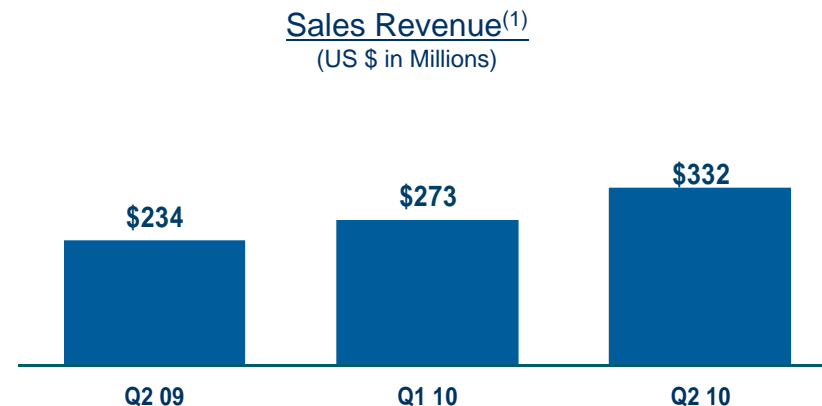
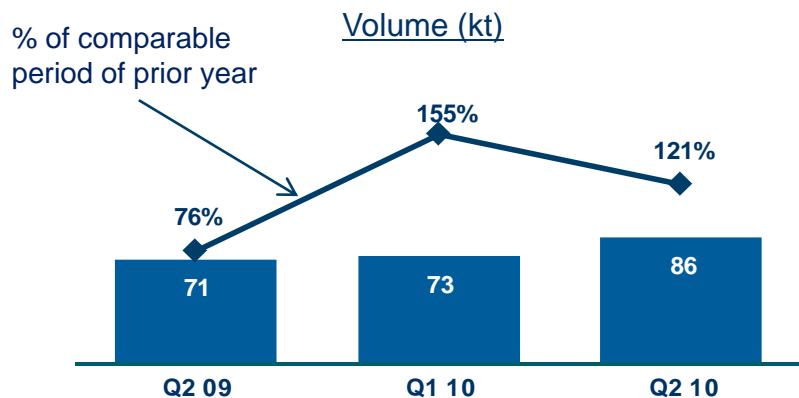
- 20% of revenue from innovation
- 20% contribution margin premium



- YTD vitality index is above expected level despite higher than expected growth in base business
- IR and IRL expansion projects supporting growth in innovation revenue
- Favorable outlook for PVC alternatives in medical and wire & cable applications



Selected Financial Trends



EBITDA to Adjusted EBITDA⁽²⁾ Walk
 (US \$ in Millions)

	Q2 09	Q1 10	Q2 10
EBITDA	\$ 17.1	\$ 41.2	\$ 61.9
Sponsor fees and expenses	0.5	---	---
Restructuring and related charges	0.4	0.1	0.7
Other non-cash expenses	(0.8)	1.3	0.4
Gain on extinguishment of debt	(4.3)	---	---
Adjusted EBITDA ⁽²⁾	<u>\$ 12.9</u>	<u>\$ 42.6</u>	<u>\$ 63.0</u>

(1) Excludes by-product revenue

(2) Adjusted EBITDA is GAAP EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt

Q2 2010 Financial Overview



US \$ in Thousands except per share data

	Three months Ended <u>6/30/2010</u>	Three months Ended <u>3/31/2010</u>	Three months Ended <u>6/30/2009</u>
Sales Volume (kt)	86	73	71
Total Operating Revenues	\$ 332,086	\$ 272,732	\$ 243,821
Cost of Goods Sold	<u>242,973</u>	<u>203,605</u>	<u>208,060</u>
Gross Profit	89,113	69,127	35,761
Operating expenses			
Research and Development	5,572	5,984	5,071
Selling, General and Administrative	21,772	22,062	18,052
Depreciation and Amortization of Identifiable Intangibles	11,969	11,046	12,542
Gain on Extinguishment of Debt	-	-	4,340
Equity in Earnings of Unconsolidated Joint Venture	162	74	102
Interest Expense, net	<u>6,272</u>	<u>6,064</u>	<u>7,825</u>
Income (Loss) Before Income Taxes	43,690	24,045	(3,287)
Income Tax Expense	<u>5,095</u>	<u>4,250</u>	<u>891</u>
Net Income (Loss)	<u>\$ 38,595</u>	<u>\$ 19,795</u>	<u>\$ (4,178)</u>
Earnings (Loss) per Common Share - Diluted	\$ 1.24	\$ 0.64	\$ (0.22)
Adjusted EBITDA⁽¹⁾	\$ 63,025	\$ 42,622	\$ 12,907

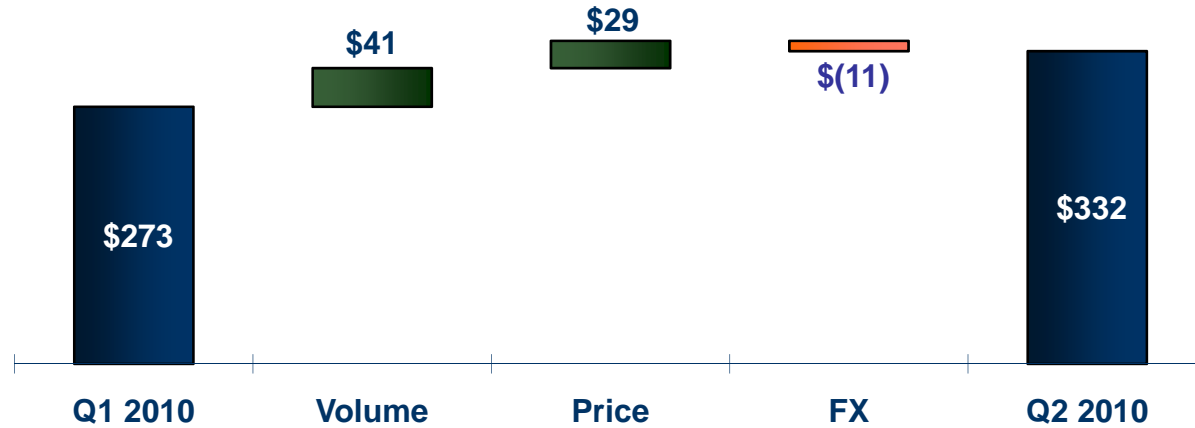
⁽¹⁾ Adjusted EBITDA is GAAP EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt

Q2 2010 Operating Revenue Walk

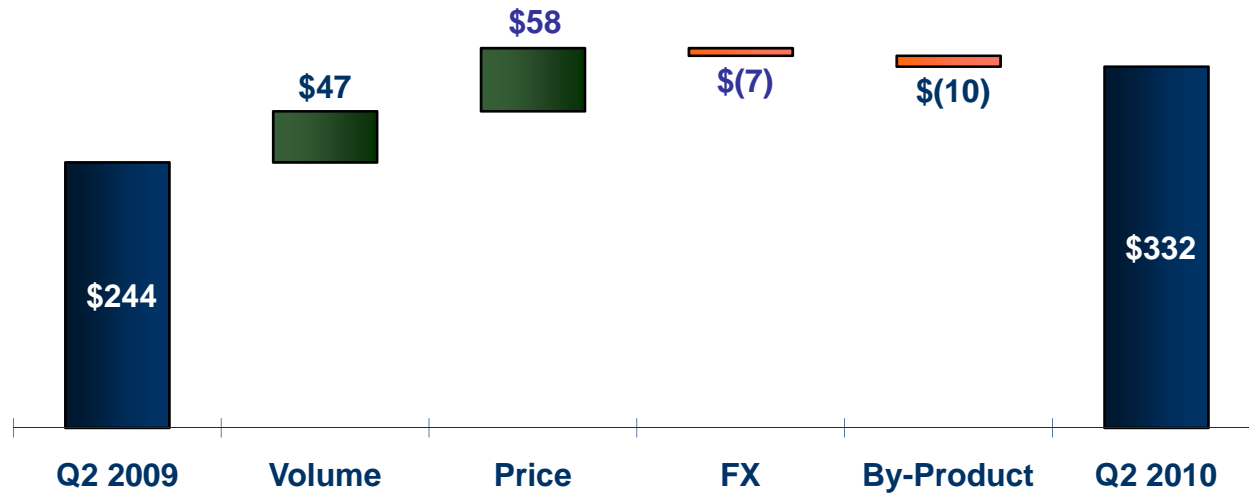


US \$ in millions

Q2 2010 vs. Q1 2010



Q2 2010 vs. Q2 2009



Q2 2010 Adjusted EBITDA⁽¹⁾ Walk



US \$ in millions

Q2 2010 vs. Q1 2010



Q2 2010 vs. Q2 2009



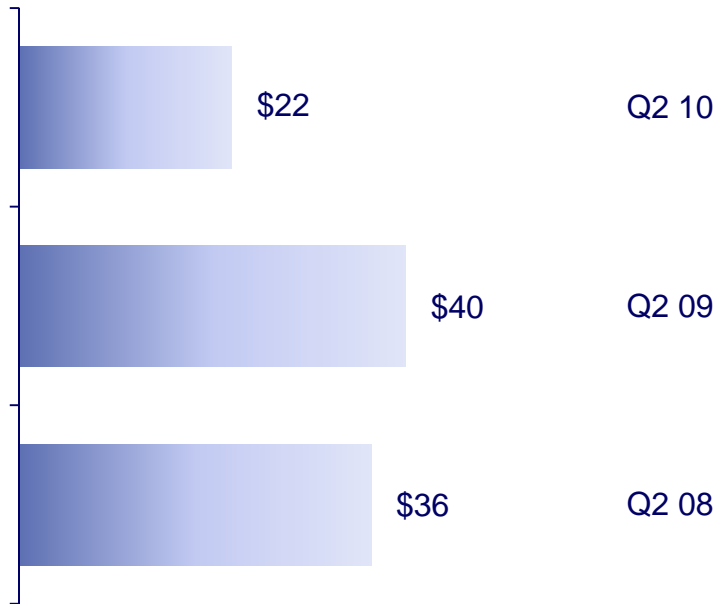
⁽¹⁾ Adjusted EBITDA is GAAP EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt

Cash Flow and Balance Sheet

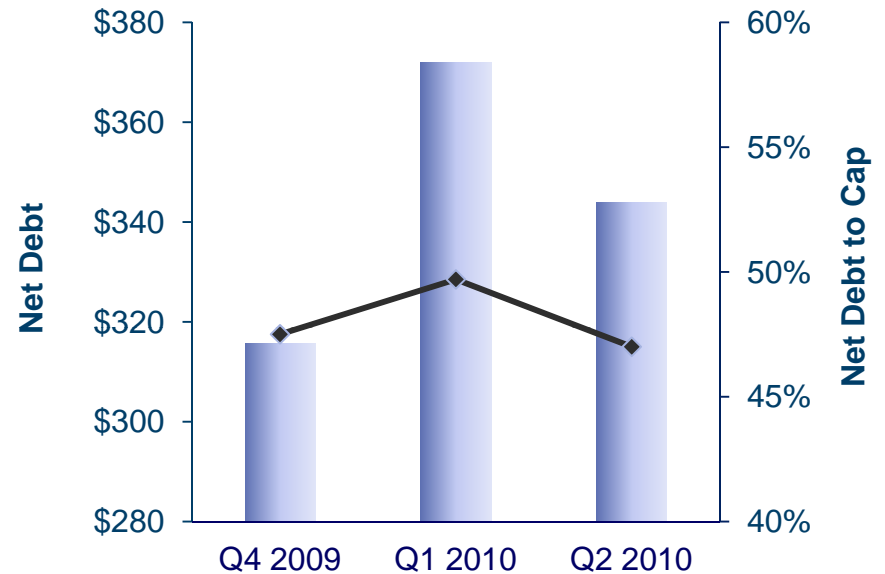


US \$ in millions

Quarterly Net Cash



Net Debt ⁽¹⁾ and Net Debt to Capitalization



- Q2 2010 reflects a release of cash following a seasonal build in Q1.
- Working capital of 30% of LTM revenue, currently expected to return to more normal 23% to 25% by year-end.

- Cash at quarter end of \$39.4 million.
- Net Debt-to-Capitalization ratio of 47.0% at quarter end.
- LTM Adjusted EBITDA to Net Debt was 1.78x at 6/30/10.
- Two notch upgrade by Standard & Poors to B+ in April 2010.

(1) Net debt is equal to Long-term debt, less Cash and Cash equivalents

Selected 2010 Estimates



Working capital (excluding cash) as a % of revenue	23% to 25%
Capital spending	\$50 to \$55 million
Interest expense	\$24 to \$25 million
Cash interest	\$23 to \$24 million
Cash pension contributions	\$4 to \$5 million
Restructuring charges	\$5 to \$6 million
Cash restructuring	\$14 to \$15 million
Depreciation and amortization	\$48 to \$50 million
Book tax rate	13% to 16%
Cash tax rate	10% to 13%



Appendix

August 5, 2010

Reconciliation of Net Income/(Loss) to EBITDA and Adjusted EBITDA



US \$ in Thousands

	Three months Ended 6/30/2010	Three months Ended 3/31/2010	Three months Ended 6/30/2009
Net Income (Loss)	\$ 38,595	\$ 19,795	\$ (4,185)
Add(deduct):			
Interest expense, net	6,272	6,064	7,832
Income tax expense	5,095	4,250	891
Depreciation and amortization expenses	11,969	11,046	12,542
EBITDA ⁽¹⁾	<u>\$ 61,931</u>	<u>\$ 41,155</u>	<u>\$ 17,080</u>
EBITDA ⁽¹⁾	\$ 61,931	\$ 41,155	\$ 17,080
Add(deduct):			
Sponsor fees and expenses	-	-	500
Restructuring and related charges	655	135	413
Other non-cash expenses	439	1,332	(746)
Gain on extinguishment of debt	-	-	(4,340)
Adjusted EBITDA ⁽²⁾	<u>\$ 63,025</u>	<u>\$ 42,622</u>	<u>\$ 12,907</u>
Restructuring and related detail:			
Cost of goods sold	\$ -	\$ -	\$ 122
Selling, general and administrative	655	135	291
Total restructuring and related charges	<u>\$ 655</u>	<u>\$ 135</u>	<u>\$ 413</u>

(1) The EBITDA measure is used by management to evaluate operating performance. Management believes that EBITDA is useful to investors because it is frequently used by investors and other interested parties in the evaluation of companies in our industry. EBITDA is not a recognized term under GAAP and does not purport to be an alternative to net income (loss) as an indicator of operating performance or to cash flows from operating activities as a measure of liquidity. Since not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly titled measures of other companies. Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements.

(2) Adjusted EBITDA is EBITDA excluding sponsor fees, restructuring and related charges, non-cash expenses, and the gain on extinguishment of debt.



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