Kraton Corporation

Second Quarter 2018 Earnings Presentation

July 26, 2018

Disclaimers

Forward Looking Statements

Some of the statements and information 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 identified by 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 “2018 Modeling Assumptions” and our expectations for targeted debt reduction..

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: 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.

Disclaimers

GAAP Disclaimer

This presentation includes the use of non-GAAP financial measures, as defined below. Tables included in this presentation 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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

We consider these non-GAAP financial measures to be important supplemental measures in the evaluation of our absolute and relative performance. However, we caution that these non-GAAP financial measures have limitations as analytical tools and may 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.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin: For our 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, disposition and exit of business activities and earnings of unconsolidated joint ventures. Among other limitations, EBITDA does not: reflect the significant interest expense on our debt or 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 since it calculation differs in such 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 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. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of revenue (for each reporting segment or on a consolidated bases, as applicable).

Adjusted Gross Profit and Adjusted Gross Profit Per Ton: We define Adjusted Gross Profit Per Ton as Adjusted Gross Profit divided by total sales volume (for each reporting segment or on a consolidated basis, as applicable). We define Adjusted Gross Profit as gross profit excluding certain charges and expenses. Adjusted Gross Profit is limited because it often varies substantially from gross profit calculated in accordance with U.S. GAAP due to volatility in raw material prices.

Adjusted Diluted Earnings Per Share: Adjusted Diluted Earnings Per Share is Diluted Earnings (Loss) Per Share excluding the impact of a number of non-recurring items we do not consider indicative of our on-going performance.

Net Debt and Consolidated Net Debt: Net debt for Kraton is total debt (excluding debt of KFPC due to its own capital structure) less cash and cash equivalents. Consolidated net debt is Kraton net debt plus debt of Kraton Formosa Polymers (KFPC) joint venture less KFPC’s cash and cash equivalents. Management believes that net debt is useful to investors in determining our leverage since we could choose to use cash and cash equivalents to satisfy our debt obligations.

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. Our use of this term may vary from the use of slimilarly-titled measures by others in our industry

Second Quarter 2018 Highlights

- Solid quarterly performance from both segments with consolidated Adjusted EBITDA(1) of $105.6 million, up $4.1 million or 4.1% compared to Q2'17

- Polymer segment Adjusted EBITDA(1) of $68.7 million up 9.4% compared to Q2'17 with associated margin of 20.3%
  - Higher sales of differentiated products with Cariflex and Specialty Polymers volume up 6.9% and 7.8%, respectively
  - Margin expansion despite higher raw material costs…"Price Right"

- Chemical segment Adjusted EBITDA(1) of $36.9 million includes $4.8 million of planned maintenance
  - Core margin expansion driven by improved pricing for TOFA, TOFA derivatives and sales of other high-value derivative products

- Refinanced 10.5% Senior Notes, expected to reduce annual interest expense by $24 million

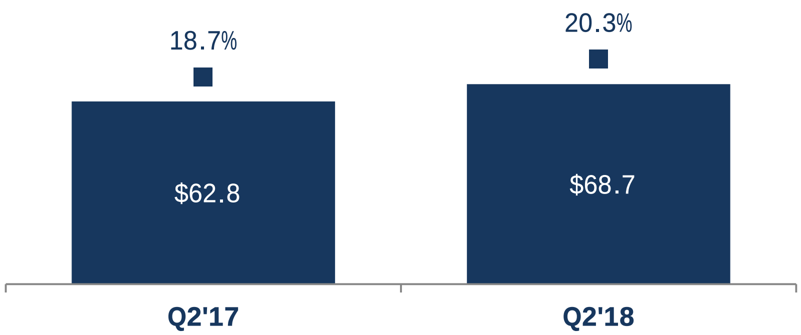
(1) See non-GAAP reconciliations included in the accompanying financial tables for the reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.
(2) Defined as Adjusted EBITDA as a percentage of revenue.

Polymer Segment - Second Quarter 2018 Results

($ In millions, except volume)

	Q2' 17	Q2' 18	YTD'17	YTD'18
Volume (kT)	89.6	87.7	166.2	165.3
Revenue	$335.1	$338.2	$606.1	$627.2
Operating income	$37.1	$60.2	$79.6	$93.0

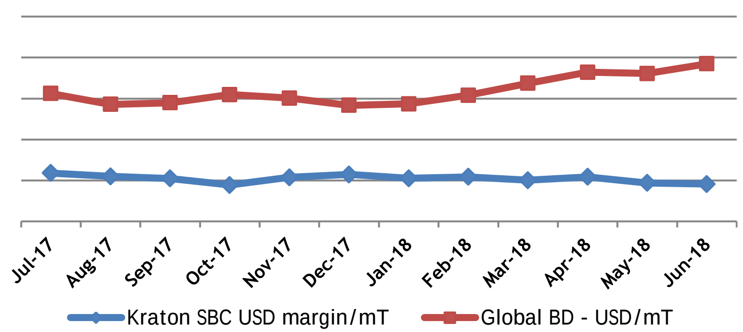
Adjusted EBITDA[1] and Adjusted EBITDA Margin[2]



Segment Highlights

- Adjusted EBITDA[1] up 9.4% with associated margin of 20.3% reflecting overall margin expansion despite higher average raw material costs
- Higher sales of differentiated products with Cariflex and Specialty Polymer sales volume up 6.9% and 7.8% respectively
- Performance Products sales volume lower vs. strong Q2'17 but with increased unit margins
- Q2'18 Adjusted Gross Profit[1] per ton of $1,117 vs. $1,012 per ton in Q2'17
- YTD'18 Adjusted EBITDA[1] of $113.5 million up $18.6 million or 19.6% vs.YTD'17

Global Butadiene Price[3] and Kraton SBC Margin



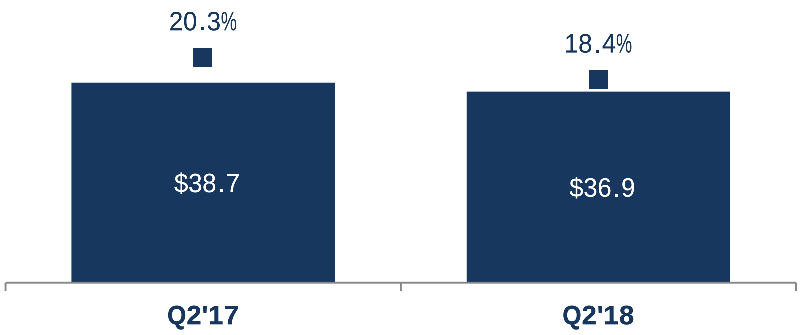
(1) See non-GAAP reconciliations included in the accompanying financial tables for the reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.
(2) Defined as Adjusted EBITDA as a percentage of revenue.
(3) Source: IHS Markit and Kraton Corporation

Chemical Segment - Second Quarter 2018 Results

($ In millions, except volume)

	Q2' 17	Q2' 18	YTD'17	YTD'18
Volume (kT)	101.6	110.8	219.7	226.8
Revenue	$190.2	$200.2	$377.3	$413.6
Operating income	$25.4	$22.6	$43.0	$51.9

Adjusted EBITDA[1] and Adjusted EBITDA Margin[2]



Segment Highlights

- Improved core margins reflecting improved pricing and strong demand for TOFA, TOFA derivatives and other upgraded products
- Sales volume up 9.1% vs. Q2'17 with Performance Chemicals volume up 16.8%, partially offset by a modest decline in Adhesives
- Adjusted EBITDA[1] negatively impacted by Q2'18 planned maintenance costs of $4.8 million
- YTD'18 Adjusted EBITDA[1] up $8.6 million or 11.9% despite impact of Q2'18 planned maintenance and higher average raw material costs

(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) Defined as Adjusted EBITDA as a percentage of revenue.

Consolidated Results – Second Quarter 2018

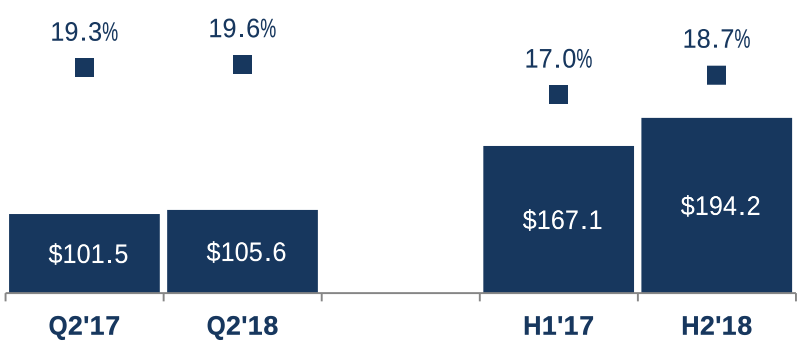
($ In millions, except volume)

	Q2' 17	Q2' 18	YTD'17	YTD'18
Volume (kT)	191.2	198.5	386.0	392.0
Revenue	$525.2	$538.4	$983.4	$1,040.7
Operating income	$62.5	$82.8	$122.6	$144.9

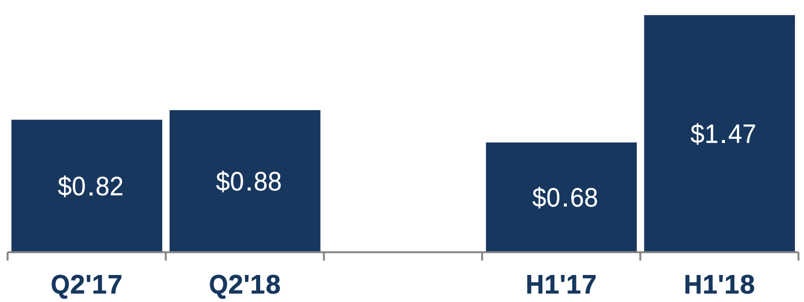
Highlights

- Q2'18 Adjusted EBITDA[(1)] up 4.1% with associated margin of 19.6% reflecting improved pricing and margin improvement in both segments
- YTD'18 Adjusted EBITDA[(1)] up $27.2 million or 16.3% despite higher Q2'18 planned maintenance costs
- Adjusted Diluted EPS increased 7.3% in Q2'18 and 116.2% YTD'18 compared to YTD'17 reflecting improvements in consolidated profitability

Adjusted EBITDA[(1)] and Adjusted EBITDA Margin[(2)]



Adjusted Diluted EPS[(1)]



(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) Defined as Adjusted EBITDA as a percentage of revenue.

Refinancing of 10.5% Senior Notes

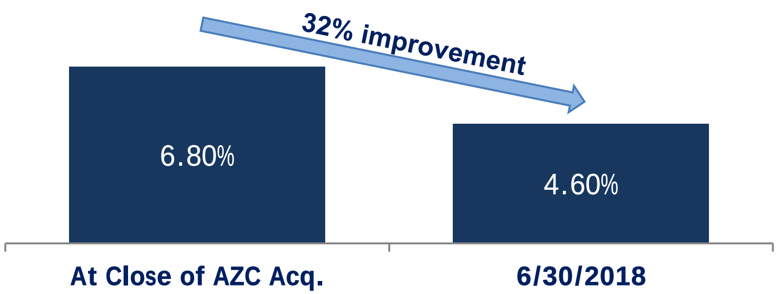
$ millions

- During the second quarter 2018 we refinanced our 10.5% Senior Notes, through
  - Issuing €290 million of 5.25% Senior Notes due 2026
  - Increasing borrowings under existing low-cost facilities

- The refinancing extends the maturity profile and provides for an expected reduction in annualized cash interest costs of approximately $24 million

- Since the close of the Arizona Chemical acquisition, debt reduction and refinancing activities have reduced annual cash interest[2] **from $130 million to $78 million**

Weighted Average Cost of Total Debt[1]



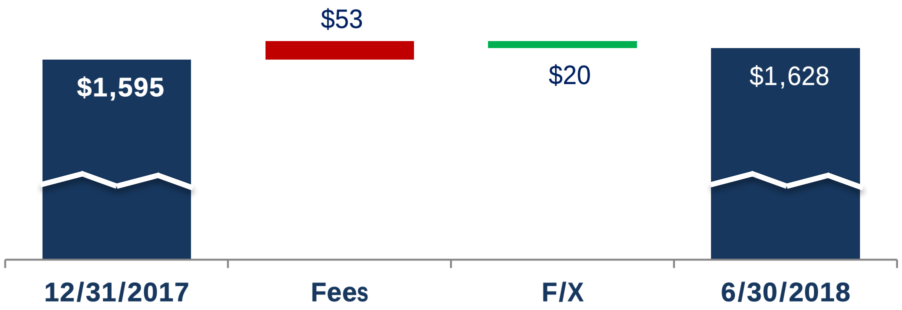
(1) See non-GAAP reconciliations included in the accompanying financial tables for the reconciliation of each non-GAAP measure to its most directly comparable GAAP measure

(2) Represents the principal balances outstanding at close of the Arizona Chemical acquisition and at June 30, 2018, respectively, times the prevailing interest rates

Net Debt

(In millions)	June 30, 2018		December 31, 2017	
Kraton debt	$	1,547.7	$	1,525.4
Kraton cash		46.6		75.2
Kraton net debt		1,501.0		1,450.1
KFPC loans		136.0		158.3
KFPC cash		8.7		13.8
KFPC net debt		127.3		144.5
Consolidated net debt	$	1,628.3	$	1,594.6

Change in Consolidated Net Debt



Appendix

2018 Modeling Assumptions[1]

($ in millions)	
Non-cash compensation expense	$10
Depreciation & amortization	$140
Interest expense *Cash interest of approximately $96 million*	$96
Effective tax rate - Adjusted *Effective tax rate - GAAP - 15%-20%*	20% - 25%
Capex (includes capitalized interest)	$110
Reduction in consolidated net debt[2] [3]	$75 to $100

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 26, 2018. Management assumes no obligation to update or confirm these estimates in light of new information or future events.

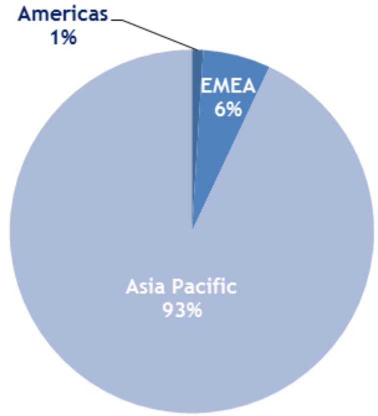
(2) We have not reconciled net debt guidance to debt due to high variability and difficulty in making accurate forecasts and projections that are impacted by future decisions and actions. The actual amount of such reconciling items will have a significant impact if they were included in our net debt. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

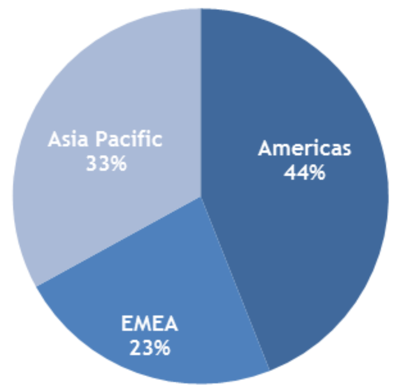
(3) Includes the impact of approximately $53 million of costs associated with the 5.25% Senior Notes financing during the second quarter of 2018.

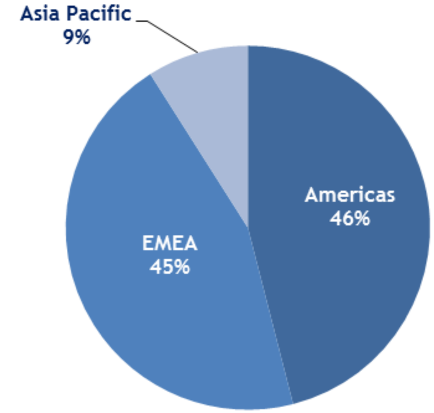
Polymer Segment - Revenue by Geography and Product Group (TTM June 30, 2018)

	CARIFLEX	SPECIALTY POLYMERS	PERFORMANCE PRODUCTS

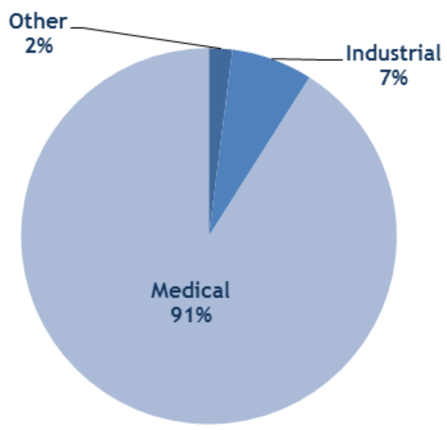
Revenue by Geography

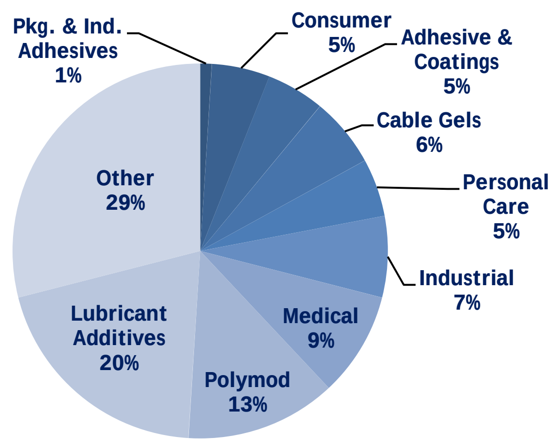


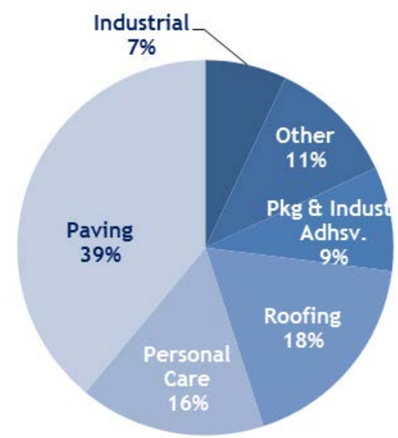




Revenue by Product Group

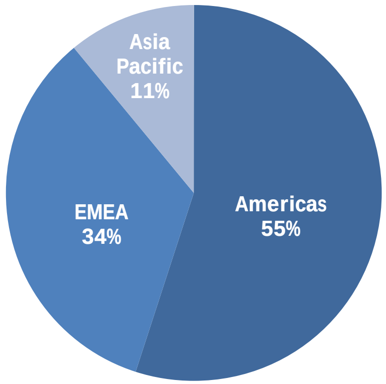




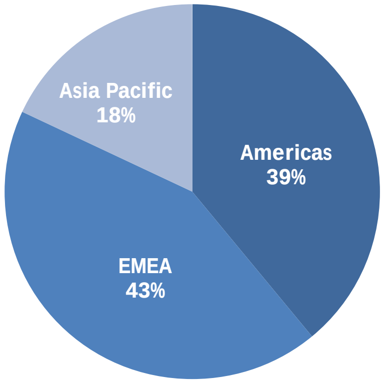


Chemical Segment - Revenue by Geography and Product Group (TTM June 30, 2018)

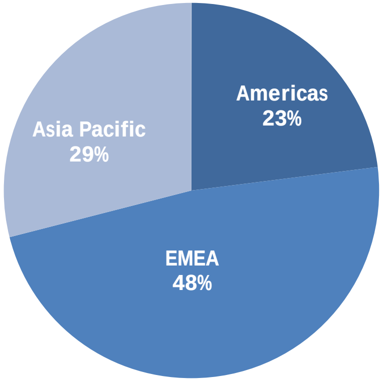
ADHESIVES



PERFORMANCE CHEMICALS



TIRES



Polymer Reconciliation of Gross Profit to Adjusted Gross Profit

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(In thousands)			
Gross profit	$ 109,676	$ 85,903	$ 191,205	$ 175,499
Add (deduct):				
Restructuring and other charges (a)	—	2,554	—	5,500
KFPC startup costs (b)	—	3,464	—	5,321
Non-cash compensation expense	133	131	308	309
Spread between FIFO and ECRC	(11,824)	(1,389)	(19,940)	(37,882)
Adjusted gross profit (non-GAAP)	$ 97,985	$ 90,664	$ 171,573	$ 148,747
Sales volume (kilotons)	87.7	89.6	165.3	166.2
Adjusted gross profit per ton	$ 1,117	$ 1,012	$ 1,038	$ 895

a) Severance expenses and other restructuring related charges.
b) Startup costs related to the joint venture company, KFPC.

Reconciliation of Net Income to Operating Income to Non-GAAP Financial Measures

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	Polymer	Chemical	Total	Polymer	Chemical	Total
	(In thousands)					
Net income (loss) attributable to Kraton			$ (14,930)			$ 25,561
Net income (loss) attributable to noncontrolling interest			826			(2,136)
Consolidated net income (loss)			(14,104)			23,425
Add (deduct):						
Income tax benefit (expense)			(1,842)			3,854
Interest expense, net			25,416			34,444
Earnings of unconsolidated joint venture			(120)			(118)
Loss on extinguishment of debt			72,330			—
Other expense			1,107			863
Operating income	$ 60,231	$ 22,556	82,787	$ 37,078	$ 25,390	62,468
Add (deduct):						
Depreciation and amortization	17,598	17,542	35,140	16,773	17,817	34,590
Other income (expense)	(1,318)	211	(1,107)	(936)	73	(863)
Loss on extinguishment of debt	(72,330)	—	(72,330)	—	—	—
Earnings of unconsolidated joint venture	120	—	120	118	—	118
EBITDA	4,301	40,309	44,610	53,033	43,280	96,313
Add (deduct):						
Transaction, acquisition related costs, restructuring, and other costs (a)	768	473	1,241	4,579	(790)	3,789
Loss on extinguishment of debt	72,330	—	72,330	—	—	—
KFPC startup costs (b)	897	—	897	4,419	—	4,419
Non-cash compensation expense	2,223	—	2,223	2,173	—	2,173
Spread between FIFO and ECRC	(11,824)	(3,853)	(15,677)	(1,389)	(3,825)	(5,214)
Adjusted EBITDA	$ 68,695	$ 36,929	$ 105,624	$ 62,815	$ 38,665	$ 101,480

a) Charges related to the evaluation of acquisition transactions, severance expenses, and other restructuring related charges.
b) Startup costs related to the joint venture company.

Reconciliation of Net Income to Operating Income to Non-GAAP Financial Measures

	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	Polymer	Chemical	Total	Polymer	Chemical[f]	Total
	(In thousands)					
Net income attributable to Kraton			$ 7,142			$ 31,974
Net (income) loss attributable to noncontrolling interest			815			(4,360)
Consolidated net income			7,957			27,614
Add (deduct):						
Income tax expense			409			5,072
Interest expense, net			54,692			68,749
Earnings of unconsolidated joint venture			(257)			(245)
Loss on extinguishment of debt			79,921			19,738
Other expense			2,220			1,671
Operating income	$ 93,031	$ 51,911	144,942	$ 79,608	$ 42,991	122,599
Add (deduct):						
Depreciation and amortization	35,360	35,156	70,516	33,097	34,636	67,733
Other income (expense)	(2,642)	422	(2,220)	(1,838)	167	(1,671)
Loss on extinguishment of debt	(79,921)	—	(79,921)	(19,738)	—	(19,738)
Earnings of unconsolidated joint venture	257	—	257	245	—	245
EBITDA	46,085	87,489	133,574	91,374	77,794	169,168
Add (deduct):						
Transaction, acquisition related costs, restructuring, and other costs (a)	1,373	(786)	587	9,253	(570)	8,683
Loss on extinguishment of debt	79,921	—	79,921	19,738	—	19,738
KFPC startup costs (b)	897	—	897	7,240	—	7,240
Non-cash compensation expense	5,125	—	5,125	5,147	—	5,147
Spread between FIFO and ECRC	(19,940)	(5,915)	(25,855)	(37,882)	(5,043)	(42,925)
Adjusted EBITDA	$ 113,461	$ 80,788	$ 194,249	$ 98,870	$ 72,181	$ 167,051

a) Charges related to the evaluation of acquisition transactions, severance expenses, and other restructuring related charges.
b) Startup costs related to the joint venture company.

Reconciliation of Net Income to Operating Income to Non-GAAP Financial Measures

	Twelve Months Ended June 30, 2018		
	Polymer	Chemical	Total
		(In thousands)	
Net income attributable to Kraton			$ 72,717
Net loss attributable to noncontrolling interest			272
Consolidated net income			72,989
Add (deduct):			
Income tax expense			(62,547)
Interest expense, net			118,402
Earnings of unconsolidated joint venture			(498)
Loss on extinguishment of debt			95,572
Other expense			(3,910)
Operating income	$ 134,573	$ 93,315	227,828
Add (deduct):			
Depreciation and amortization	70,261	69,684	139,945
Other income (expense)	(4,492)	582	(2,220)
Loss on extinguishment of debt	(95,572)	—	(95,572)
Earnings of unconsolidated joint venture	498	—	498
EBITDA	105,208	163,581	268,789
Add (deduct):			
Transaction, acquisition related costs, restructuring, and other costs (a)	5,120	(381)	4,739
Loss on extinguishment of debt	95,572	—	95,572
Weather related costs (b)	4,145	1,320	5,465
KFPC startup costs (c)	8,275	—	8,275
Non-cash compensation expense	7,605	—	7,605
Spread between FIFO and ECRC	15,681	(4,729)	10,952
Adjusted EBITDA	$ 241,606	$ 159,791	$ 401,397

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.

Reconciliation of Diluted EPS to Adjusted Diluted EPS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2018
	Unaudited			
Diluted earnings (loss) per share	$ (0.47)	$ 0.81	$ 0.22	$ 1.01
Transaction, acquisition related costs, restructuring, and other costs (a)	0.03	0.09	0.01	0.20
Loss on extinguishment of debt	1.71	-	1.89	0.41
KFPC startup costs (b)	0.01	0.07	0.01	0.12
Spread between FIFO and ECRC	(0.40)	(0.15)	(0.66)	(1.06)
Adjusted Diluted earnings per share (non-GAAP)	$ 0.88	$ 0.82	$ 1.47	$ 0.68

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