



Kraton Polymers LLC Fourth Quarter Earnings Call

March 27, 2009

Forward Looking Statements

This presentation may include “forward-looking statements” which are statements other than statements of historical fact 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. 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 results to differ materially from those expressed in forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. We assume no obligation to update such information.

GAAP Disclaimer

This presentation includes non-GAAP financial measures, including EBITDA and LTM Bank EBITDA. Investors should consider these measures, which we believe investors consider useful in assessing our performance and compliance with our financial covenants, together with the GAAP measures from our financial statements. A reconciliation of the non-GAAP financial measures used in this presentation to the most directly comparable GAAP measures can be found in our press release dated March 26, 2009.

2008 Highlights



Business Performance

- ▶ Q4 2008 EBITDA up \$20 million versus Q4 2007
- ▶ \$50 million improvement in LTM Bank EBITDA from YE 2007
- ▶ Solidly within compliance of financial covenants
- ▶ IR Latex achieved new milestones in both production and sales; this business relatively resilient to global economic slowdown

Cost-Out / Efficiency Gains

- ▶ System upgrade and control optimization approved for Belpre site which will improve competitiveness and operating efficiency upon completion
- ▶ Pernis SIS shutdown delivered expected results
- ▶ New RTS facility progressing as planned

Innovation

- ▶ Sales from innovation was 13.5% of total revenue
- ▶ Announced Sulfonated block copolymers
- ▶ Completed pre-registration within Europe to comply with regulation requirements of REACH

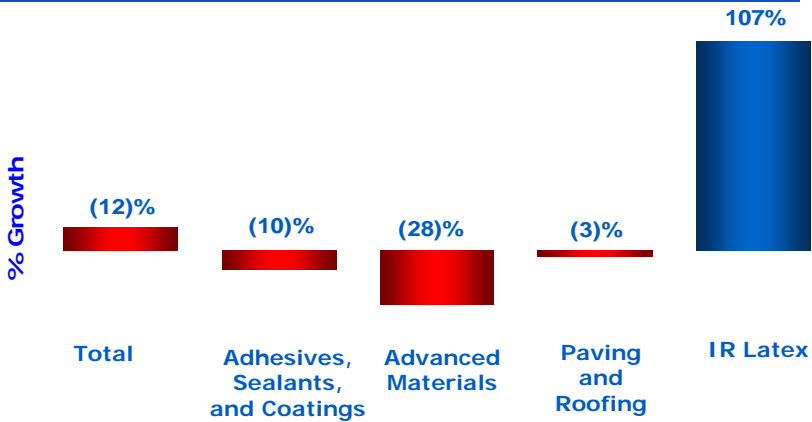
Headwinds

- ▶ Monomer and energy costs declined in the fourth quarter from unprecedented highs, but year-on-year still above 2007

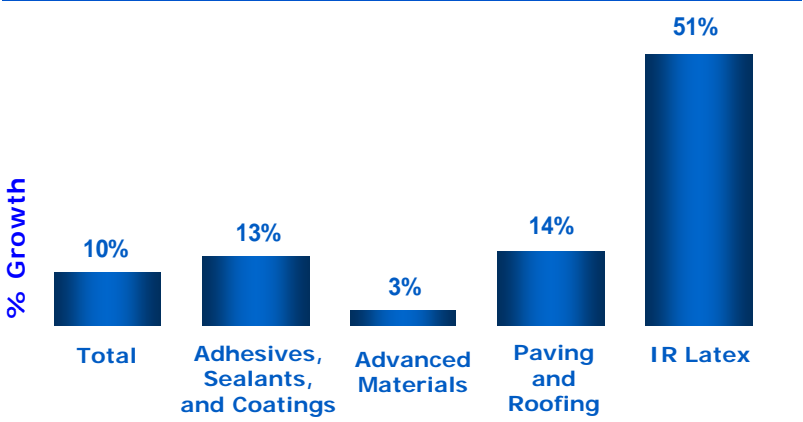
Revenue and Innovation Growth



Q4 2008 vs. Q4 2007 Revenue⁽¹⁾ Change By End-Use

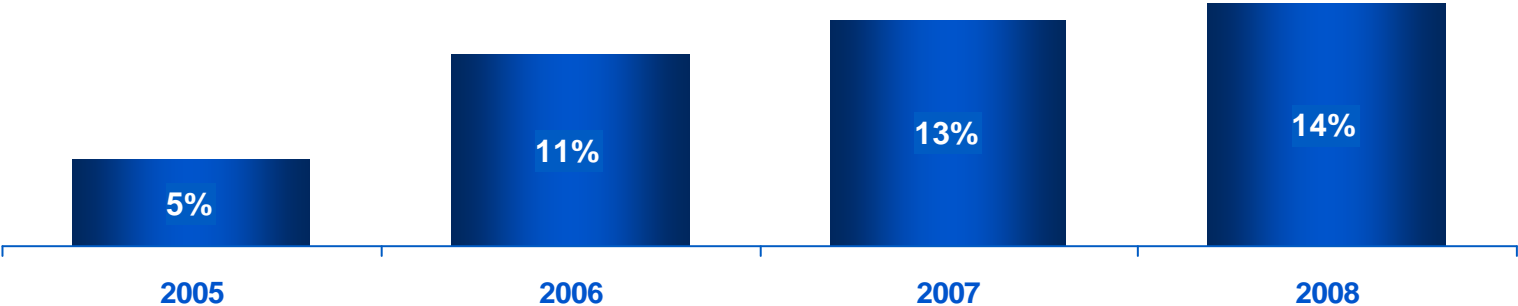


FY 2008 vs. FY 2007 Revenue⁽¹⁾ Change By End-Use



⁽¹⁾ Excludes footwear and noncore high styrenics, which aggregate approximately 2% of revenue

Innovation Revenue⁽²⁾ as a % of Total Revenue



⁽²⁾ Innovation revenue defined as revenue from products introduced within the last 5 years

2008 Financial Performance

Summary Financial Information

(\$MM)

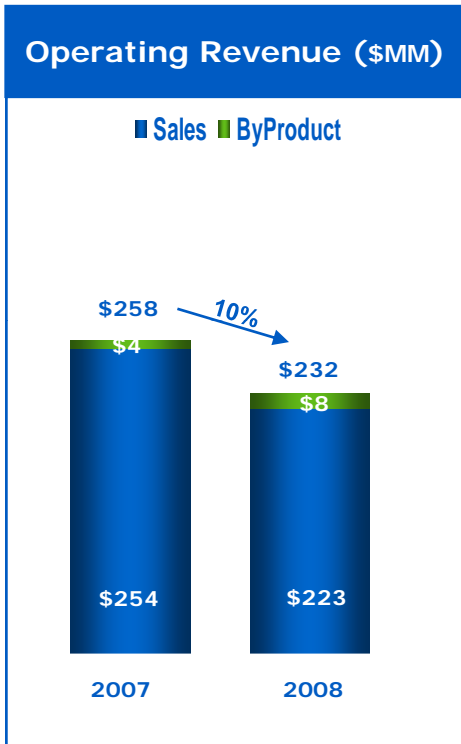


	Fourth Quarter		YTD December 31	
	2008	2007	2008	2007
Sales Volume (kT)	53	82	313	358
Total Operating Revenues	\$ 232	\$ 258	\$ 1,226	\$ 1,090
EBITDA ⁽¹⁾	\$ 15	\$ (5)	\$ 127	\$ 58
LTM Bank EBITDA ⁽²⁾			\$ 149	\$ 99
Total Debt			\$ 575	\$ 539
Leverage			3.87	5.45
Interest Coverage			4.15	2.45

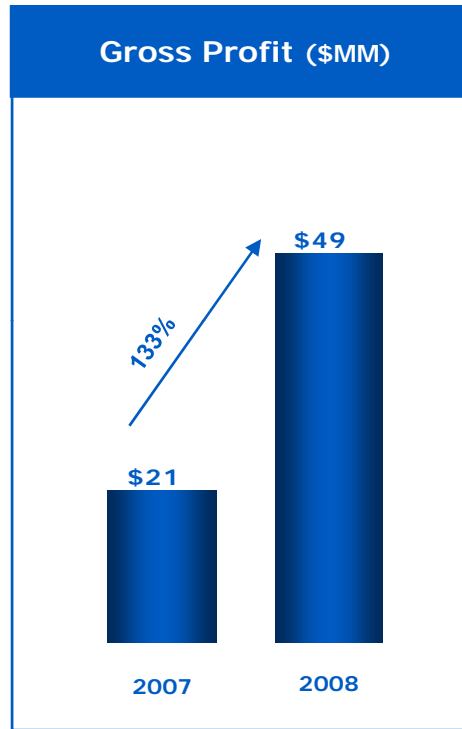
(1) EBITDA is used by management to evaluate operating performance. EBITDA is not a recognized term under GAAP and does not purport to be an alternative to net income (loss) as an indicator of operating performance.

(2) LTM Bank EBITDA is defined as EBITDA adjusted for items pursuant to the senior secured credit facility.

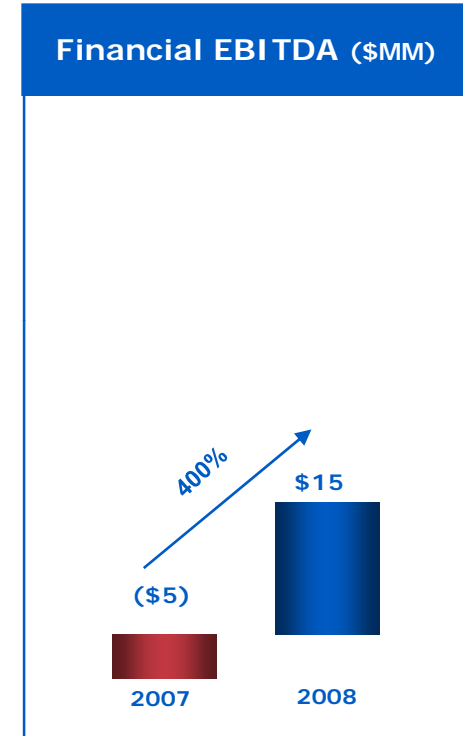
Fourth Quarter 2008 Financial Summary



- ▶ Price and mix up \$69 million
- ▶ Volume decline of 30kt

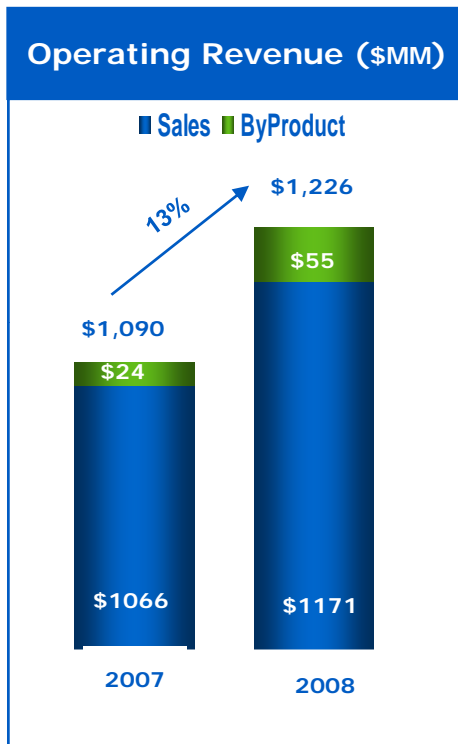


- ▶ Price and mix more than offset increase in feedstocks and other costs
- ▶ 2008 includes \$8 million lower-of-cost-or-market adjustment

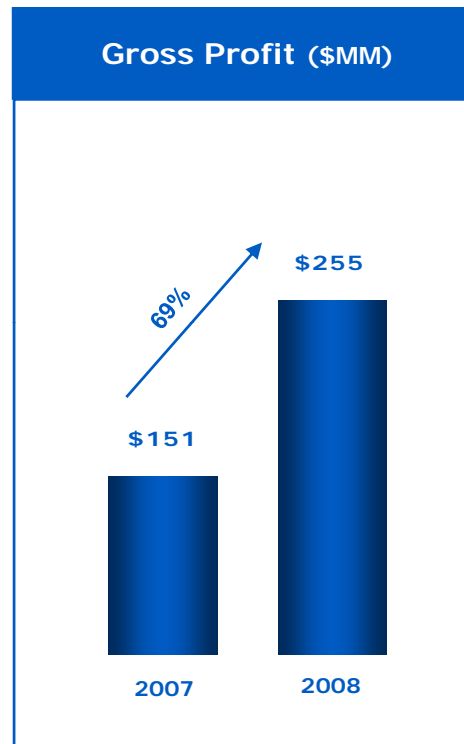


- ▶ \$20 million improvement
- ▶ 2008 includes \$8 million lower-of-cost-or-market adjustment

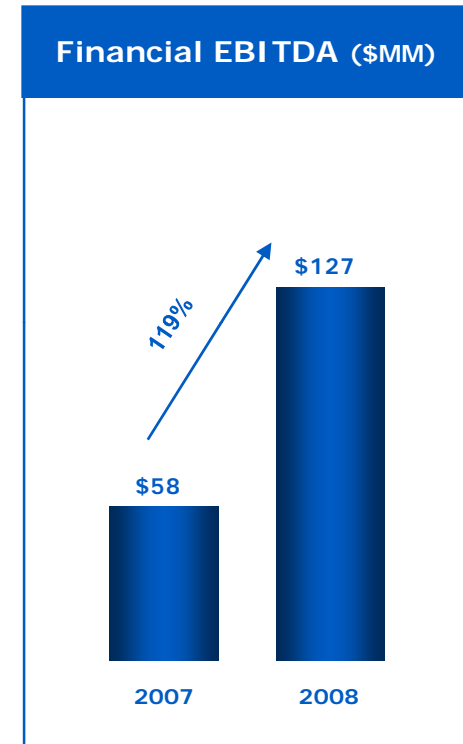
2008 Financial Summary



- ▶ Each end-use posted year-on-year revenue growth
- ▶ Price & mix up \$173 million
- ▶ Volume decline of 44.5kt



- ▶ Price and mix more than offset increase in feedstocks and other costs
- ▶ Margin up nearly 700 basis points

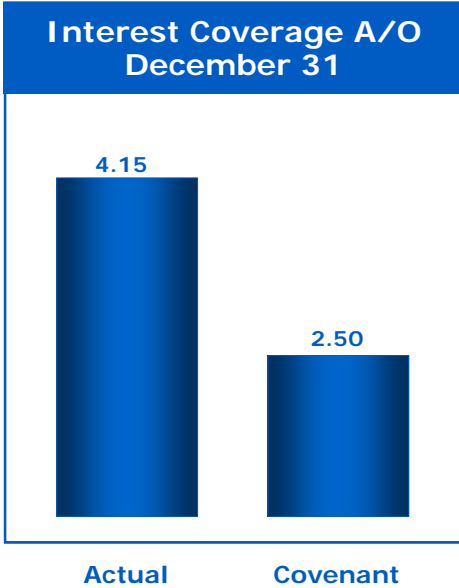
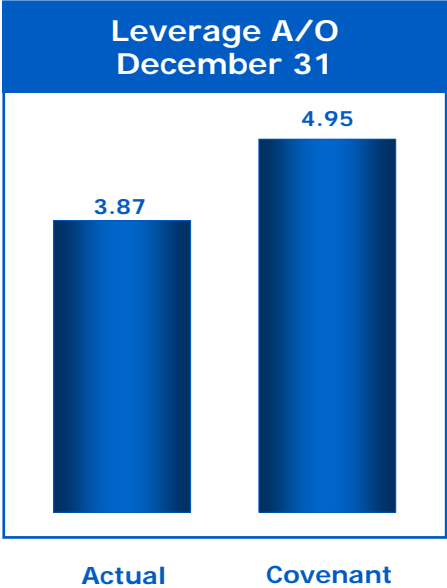


- ▶ \$69 million improvement
- ▶ \$16 million increase in certain items:
 - ▷ Increase in restructuring and other charges of \$8 million
 - ▷ Lower-of-cost-or-market adjustment of \$8 million

Capitalization Table and Covenants



	Revolver	Term	Sr. Notes	Insurance Bond	Total Debt	Cash	Net Debt
Rate	L + 225	L + 200	8.125%				
Maturity	May 2011	May 2013	January 2014				
December 31, 2007	\$---	\$338.5	\$200.0	\$0.5	\$539.0	\$48.3	\$490.7
Increase (Decrease)	50.0	(3.4)	---	(0.5)	46.1	63.1	(17.0)
Voluntary repayments	---	(10.0)	---	---	(10.0)	(10.0)	---
Total changes	50.0	(13.4)	---	(0.5)	36.1	53.1	(17.0)
December 31, 2008	\$50.0	\$325.1	\$200.0	\$---	\$575.1	\$101.4	\$473.7



⁽¹⁾ Prior to December 31, 2008 LTM Bank EBITDA includes \$9.6mm Equity Cure

2009 Roadmap Plan Priorities

Make It Happen



Price Right

- ▶ **Balance the value created for our customers**
 - ▶ Preserve margin through cost outs, efficiency gains and innovation

Innovation-Led Top-line Growth

- ▶ **Deliver 16% Sales From Innovation**
 - ▶ Strengthen our industry leadership through innovative products and market

Capital Structure and Cash

- ▶ **Diligently manage cash and deliver the business**
 - ▶ Working capital management and tight credit monitoring
 - ▶ Maintain optionality with respect to capital investments; plan capex is \$45 million, reduced from more than \$70 million pipeline

Productivity

- ▶ **Improve overall returns**
 - ▶ Capture benefit of cost out initiatives
 - ▶ Relentless pursuit of efficiency gains

Recent Developments



Price Right

- ▶ Excluding year-on-year changes in FIFO adjustments, Q1 2009 EBITDA anticipated to be in line with Q1 2008

Innovation-Led Top-line Growth

- ▶ Awarded North American Technology Leadership Award from Frost & Sullivan
- ▶ Announced Sulfonated block copolymers
- ▶ Announced Kraton A1535 block copolymers
- ▶ RTS facility relocations in Houston and Japan moving forward in accordance with plans

Capital Structure and Cash

- ▶ \$30 million bond repurchase completed in March

Productivity

- ▶ On target to exceed \$10 million cost reduction target
 - ▶ Reductions in plant fixed costs, global staff reduction, freeze on salaries and adds to staff, and "salary at risk" program
- ▶ Global ERP upgrade to improve productivity and drive near-term cost savings

