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Specialty Chemicals

Fourth Quarter & Fiscal Year 2008 Earnings Conference Call

March 12, 2009

Forward-Looking Statements

Certain statements in this presentation are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, the management of Hexion Specialty Chemicals, Inc. (which may be referred to as “Hexion,” “we,” “us,” “our” or the “Company”) may from time to time make oral forward-looking statements. Forward looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “plan,” “estimate,” “will” or “intend” or similar expressions. Forward-looking statements reflect our current views about future events and are based on currently available financial, economic and competitive data and on our current business plans. Actual results could vary materially depending on risks and uncertainties that may affect our markets, services, prices and other factors as discussed in our 2008 Annual Report on Form 10-K, and our other filings, with the Securities and Exchange Commission (SEC). Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: economic factors such as the current credit crises and economic downturn and their related impact on liquidity and an interruption in the supply of or increased pricing of raw materials due to natural disasters; competitive factors such as pricing actions by our competitors that could affect our operating margins; and regulatory factors such as changes in governmental regulations involving our products that lead to environmental and legal matters as described in our 2008 Annual Report on Form 10-K, and our other filings, with the SEC.

This presentation contains non-GAAP financial information. Reconciliation to GAAP is included at the end of the presentation.

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Overview of Fourth Quarter & FY08 Results

Craig O. Morrison

Chairman, President & Chief Executive Officer

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Fourth Quarter 2008 Results

- Fourth quarter 2008 trends reflected dramatically weakening market conditions and inventory destocking by customers in most of Hexion's core markets, resulting in a significant decline in volumes
- Fourth quarter volumes dramatically declined as the quarter progressed
- Hexion Specialty Chemicals Fourth Quarter 2008 results impacted by global recession:
  - Revenues of $1.18 billion, a 20% decrease over the prior year
  - Operating loss of $876 million compared to operating income of $21 million in prior year
  - Q408 results reflected $800 million in terminated merger and settlement costs
  - Segment EBITDA (1) of $46 million compared to $125 million in prior year quarter
- The Company has announced aggressive actions to address the EBITDA decline and enhance liquidity
  - Hexion is pursuing ~$100 million in incremental cost reduction programs, an increase versus the previously-announced target of $60 million
  - The Company is taking additional actions to further improve cash flow, including: reducing discretionary spending; decreasing targeted FY09 capital spending to $111 million; and lowering inventory levels
- Year-end 2008 pro forma adjusted EBITDA of $596 million and an interest coverage ratio of 2.41 (1)
- On December 14, 2008, Hexion Specialty Chemicals, Inc. entered into a settlement agreement with Huntsman Corporation (NYSE: HUN) ("Huntsman") and other parties
  - Affiliate of Apollo agreed to make a $200 million investment in Hexion

Hexion is Responding Aggressively to the Unprecedented Downturn in Market Conditions

(1) Segment EBITDA and Adjusted EBITDA are non-GAAP financial measures. The closest GAAP financial measure is Net Income (Loss). A table that reconciles these two measures is at the end of this presentation. Management believes that Adjusted EBITDA is meaningful to investors because the Company is required to have an Adjusted EBITDA to Fixed Charges ratio of greater than 2.0 to 1.0 to incur additional indebtedness under its indenture for the Second Priority Senior Secured Notes. As of December 31, 2008, the Company was able to satisfy this covenant and incur additional indebtedness under its indentures. December 31, 2008 Adjusted EBITDA includes $119 million of in-process Hexion synergies and productivity savings.

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Fourth Quarter and Fiscal Year 2008 Summary Financial Performance

($ in millions)	Quarter Ended December 31 2008	2007	Δ		Year Ended 2008	2007	Δ	
Revenue	$ 1,178	$1,480	(20)%		$ 6,093	$5,810	5%	
Operating (loss) income	(876)	21	nm	Q408 operating loss reflects lower volumes, $800 million in terminated merger and settlement costs and $23 million from extended shutdowns (1)	(893)	302	nm	FY08 operating loss reflects $1,027 million in terminated merger and settlement costs (1)
Net loss	(921)	(63)	nm		(1,190)	(65)	nm	
Segment EBITDA (2)	46	125	(63)%		461	611	(25)%	

Lower Volumes Offset Falling Raw Material Trends in Q408

(1) Further information about the terminated transaction can be found in the Company's Annual Report on Form 10-K.
(2) Segment EBITDA excludes in-process synergies and the pro forma effect of acquisitions.

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Persistent Raw Material Volatility Continues with Q408 Decline

Raw Material Index decreased 17% in Q408 versus Q407 average levels

Summary

- **Volume declines masked benefit of falling raw materials in Q408**
- **Average raw material prices increased for FY08 vs. FY07 reflecting dramatic increases through October 2008:**
  - **Phenol increased 2%**
  - **Methanol increased 14%**
  - **Urea increased 53%**
- **Year over year, Hexion raw material costs increased ~$225 million in FY08 vs. FY07**

Source: CMAI data.

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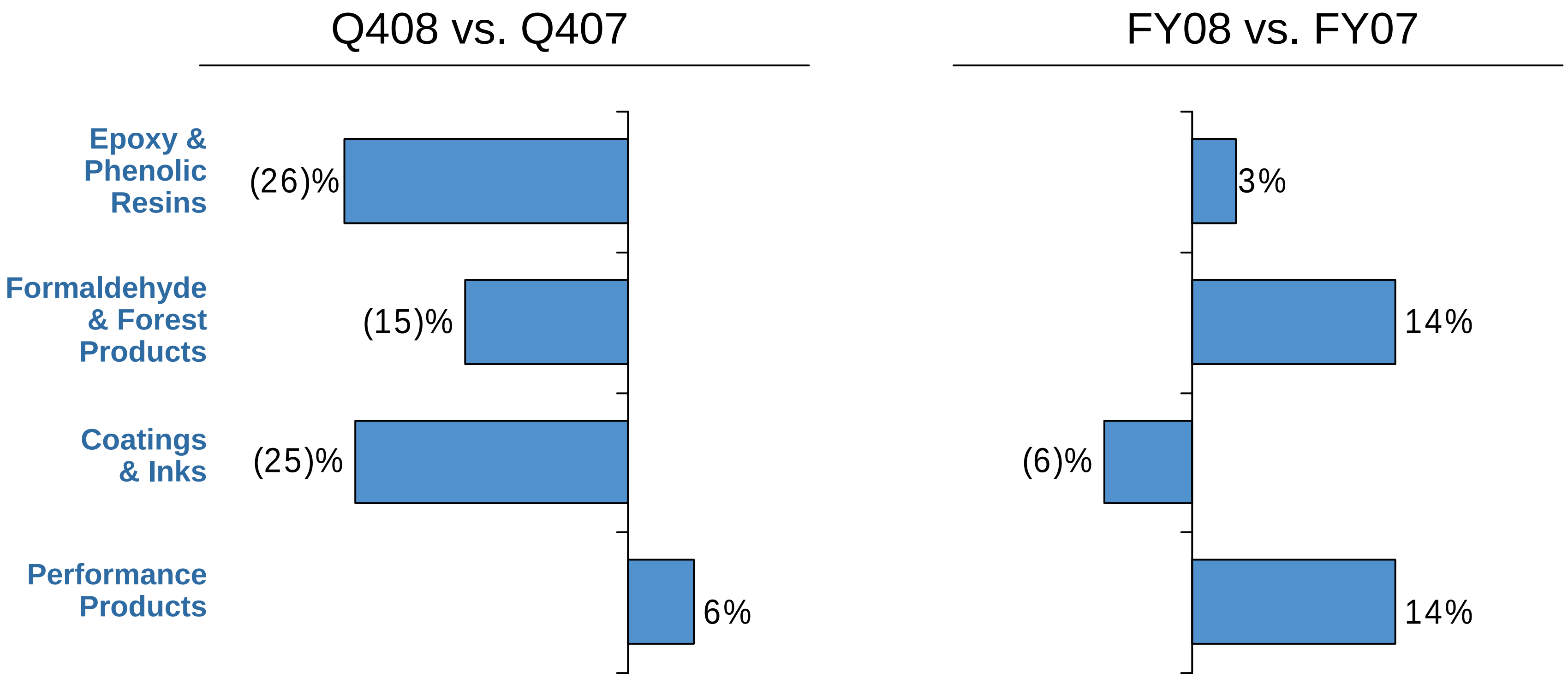
Quarterly Results Reflect the Global Recession; Full-Year 2008 Revenue Up 5 Percent

Net Sales



Summary

- Fourth Quarter 2008 revenue drop reflects unprecedented end market decline, lower raw material costs and weak volumes
- Full-year top-line growth supported by pricing actions related to the pass-through of raw material increases and acquisition gains of $158 million
- Performance Products continues to grow despite a negative economic environment

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Segment EBITDA Results

$ in millions

	Quarter Ended December 31		Year Ended	
	2008	2007	2008	2007
Epoxy and Phenolic Resins	$ (2)	$ 65	$ 192	$ 334
Formaldehyde and Forest Product Resins	41	42	194	177
Coatings and Inks	(4)	12	35	81
Performance Products	23	19	90	73

Summary

- EPRD quarterly results reflect dramatic declines in end markets and inventory destocking
- Forest Products' results illustrate the ongoing slowdown in N. American housing starts and extended seasonal shutdowns by customers, partially offset by Eastern European wood market
- Hexion is taking aggressive cost actions to address market challenges in Coatings and Inks segment
- Performance Products driven by strong oilfield products growth and traction from recent new product introductions

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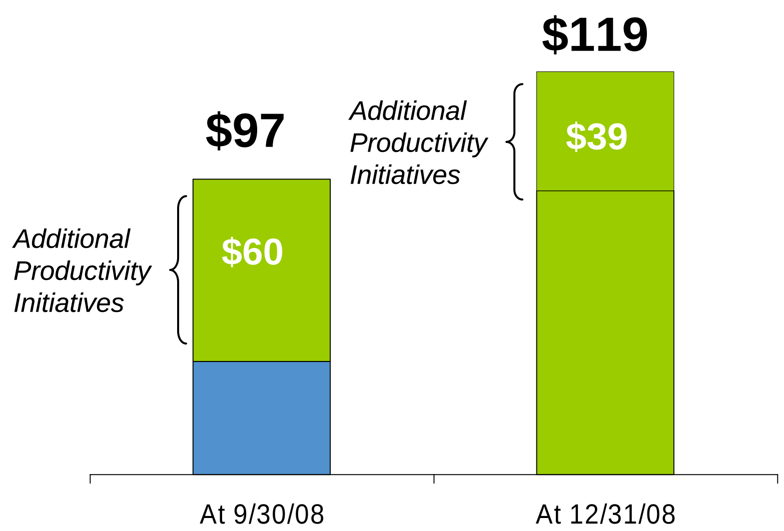
(1) Segment EBITDA excludes in-process synergies and the pro forma effect of acquisitions.

Expanded Productivity Program Aimed at Aligning Cost Structure with Recessionary Market Conditions

Synergy and Productivity Program

($ millions)

- Pursuing ~ $100 million in additional productivity savings from an expanded restructuring program
  - Actions include a 15% reduction in staffing
  - Most of the actions to obtain these savings will be completed within the next 12-18 months
  - Hexion expects working capital reductions will fund one-time costs of $44 million
- Hexion achieved $17 million in targeted synergies and productivity savings in Q408
- The Company had $119 million in unrealized synergy and productivity savings as of Dec. 31, 2008
- Further actions under consideration



Additional Actions Under Consideration

- ***site actions***
- ***utility & wastewater initiatives***
- ***contract services negotiations***
- ***SG&A actions***

Hexion Estimates ~ $50 Million In Potential Productivity Initiatives That Are Currently Under Review And Not Reflected In LTM Adjusted EBITDA At 12/31/08

Ongoing Focus On Streamlining Manufacturing Footprint

- **2007 Site Actions:**
  - Lynwood, California [1] (Coatings)
  - Clayton, U.K. (Coatings)
  - Hamburg, Germany (Coatings)
  - Molndal, Sweden (Coatings)
  - Vancouver, British Columbia (Forest Products)
  - High Point, North Carolina (Forest Products)

- **2008 Site Actions**
  - LaVal, Quebec (Forest Products)
  - Virginia, Minnesota (Forest Products)
  - Hernani, Spain (Phenolic Resins)
  - Santo Varao, Portugal (Inks)
  - Sant' Albano, Italy [1] (Coatings)
  - SG&A Reductions (Inks, FFP, Corp.)

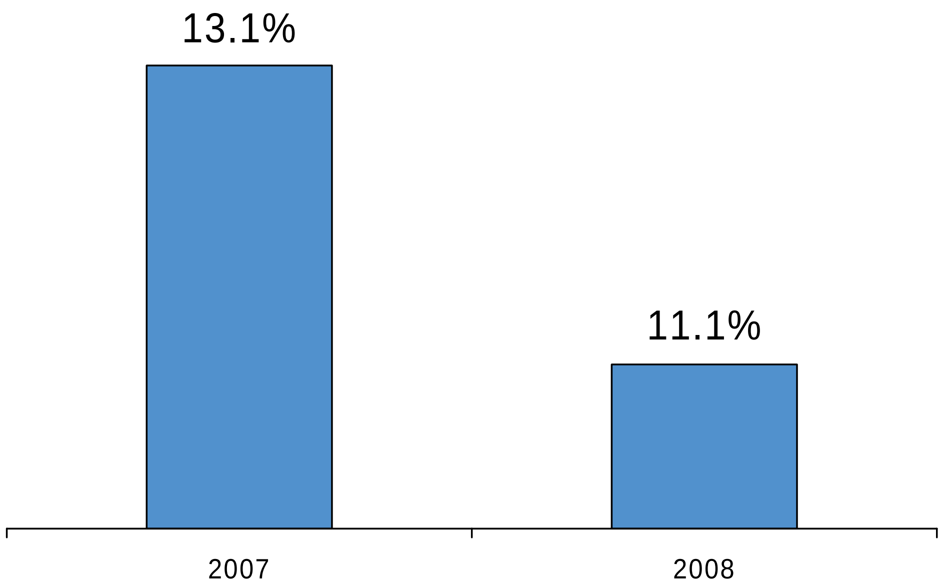
- **2009 Site Actions**
  - Pleasant Prairie, Wisc. (Inks)
  - SG&A Reductions (Corp.)

2008 Site Actions:
Annualized savings of ~ $16 million

(1) Sites remain operational; actions included stopping production of solvent-based coatings at our Lynwood California facility, as well as ceasing production of two amino resin departments at Sant' Albano, Italy.

Hexion Reduced Working Capital by $80 million as of December 31, 2008

Working Capital as a Percentage of LTM Sales



Focus on Working Capital Continues in 2009

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Update Related to the Huntsman Litigation Settlement Agreement

- As previously announced, on December 14, 2008, the Company entered into a settlement agreement and release with Huntsman Corporation (NYSE: HUN) ("Huntsman") and certain other parties with respect to litigation relating to the Huntsman merger agreement. Under the settlement agreement:
  - Hexion paid Huntsman a $325 million termination fee, as required by the merger agreement
  - Hexion paid Huntsman $225 million, reserving all rights with respect to reallocation of the payment to certain other affiliates of Apollo
  - Certain affiliates of Apollo paid Huntsman $200 million, reserving all rights with respect to reallocation of the payment to certain other affiliates of Apollo
  - Certain affiliates of Apollo purchased $250 million of Huntsman's 7% convertible senior notes *(See filed termination agreement.)*
- Also, affiliates of Apollo committed to a $200 million investment in Hexion
- The termination fee was borrowed by Hexion LLC. The $325 million termination fee loan is a six-year loan to Hexion LLC with a payment in kind (PIK) provision that enables Hexion LLC, at its option, to accrue the interest at intervals during the term loan in lieu of paying cash interest payments
  - Since the borrowing was made by Hexion's parent, the Company's cash flow and debt covenant calculations are not impacted

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Q109 Outlook and 2009 Actions

- The Company expects a recession throughout 2009 and possibly beyond
- The Company is leveraging the cash management expertise that it has acquired through 14 years of private equity ownership
- Hexion is focused on achieving its unrealized synergy and productivity initiatives, as well as liquidity-enhancing actions
- Cash preservation actions, include:
  - Reduction of safety stock to reduce inventories
  - Various productivity initiatives, such as utility and processing actions
  - Lowering FY09 capital expenditure target by 17 percent compared to FY08 spend
  - Weekly senior management reviews of global demand as certain plants remain idled until demand improves
  - Monthly working capital reviews led by senior management
  - Acceleration of collection of accounts receivable through factoring
- Q109 volumes remain weak reflecting the general industrial environment
- Hexion expects first quarter volumes and operating margins to be in line with the fourth quarter 2008 results
- Strategically leveraging Apollo’s $200 million equity commitment
- Despite economic headwinds, the Company is making selective investments in high-growth markets
  - Two international Forest Product manufacturing facilities coming online in 2H09

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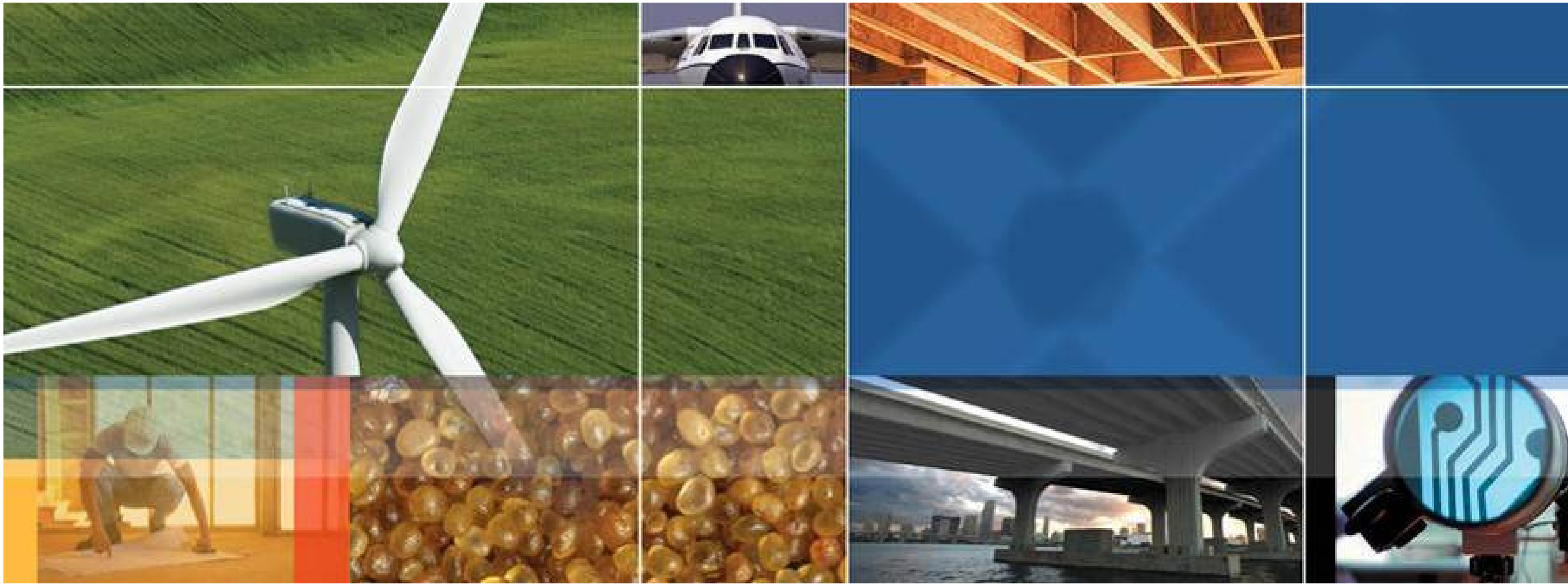

Financial Review

William H. Carter

Executive Vice President & Chief Financial Officer

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Epoxy and Phenolic Resins (EPRD)
Fourth Quarter 2008 Segment Highlights

Quarter Ended December 31

($ in millions)	2008	2007	Δ
Revenue	$ 446	$ 602	(26)%
Segment EBITDA	$ (2)	$ 65	nm

Q408 Sales Comparison YOY

Volume	Price/Mix	Currency Translation	Acquisitions/ Divestitures	Total
(27)%	6%	(5)%	--	(26)%

Summary

- Several large epoxy sites were idled in December due to volume declines
  - Hexion recorded $23 million in increased operating losses from extended shutdowns, primarily within EPRD
- EBITDA declines reflected:
  - Ongoing competitive pressures within intermediates and base epoxies
  - Slowing European markets and auto demand plummeting in December
  - Supplier force majeure in Q408
- Continued strength in wind energy markets supported specialty epoxy sales
  - Hexion announced plans for a new blending site in Germany slated to come online in Q309

Formaldehyde and Forest Products (FFP) Resins Fourth Quarter 2008 Segment Highlights

Quarter Ended December 31

($ in millions)	2008	2007	Δ
Revenue	$ 405	$ 478	(15)%
Segment EBITDA	$ 41	$ 42	(2)%

Q408 Sales Comparison YOY

Volume	Price/Mix	Currency Translation	Acquisitions/ Divestitures	Total
(23)%	14%	(10)%	4%	(15)%

<u>Summary</u>

- Q408 volumes continue to reflect challenging North American housing market
- Strategic Eastern European acquisition bolstered both quarterly and full-year earnings
- World-scale formaldehyde and resins manufacturing complex is under construction in southern Brazil to serve the rapidly growing engineered wood products market
- Russian joint venture expansion remains on track for first-half 2009 production

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Coatings and Inks (C&I)
Fourth Quarter 2008 Segment Highlights

Quarter Ended December 31

($ in millions)	2008	2007	Δ
Revenue	$ 238	$ 316	(25)%
Segment EBITDA	$ (4)	$ 12	nm

Q408 Sales Comparison YOY

Volume	Price/Mix	Currency Translation	Acquisitions/ Divestitures	Total
(24)%	3%	(4)%	--	(25)%

Summary

- Dramatic declines in demand and competitive pricing pressures hampered results within both Coatings and Inks businesses
- Hexion continues to take actions to improve its cost structure within this segment
  - Announced closure of a North American Inks site in December 2008
- Hexion's expanded productivity program strategically focuses on certain portions of C&I business

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Performance Products (PPD)
Fourth Quarter 2008 Segment Highlights

Quarter Ended December 31

($ in millions)	2008	2007	Δ
Revenue	$ 89	$ 84	6%
Segment EBITDA	$ 23	$ 19	21%

Q408 Sales Comparison YOY

Volume	Price/Mix	Currency Translation	Acquisitions/ Divestitures	Total
6%	2%	(2)%	--	6%

Summary

- Strong demand for oilfield products, partially offset by soft foundry business, drove positive overall results
- Hexion recently announced several Oilfield site expansions:
  - Completed construction of a new facility in Oklahoma City, OK, in Q408 and site became operational in January ‘09
  - Distribution site expansion in Wyoming expected to come online in late Spring ‘09
  - Finalizing site commission work in Cleburne, Texas

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Huntsman Litigation: Accounting Standards Require Profit & Loss Recognition

	Cash Impact	P&L Impact	Other
Termination Fee: $325 million	No	Yes	■ Paid by Hexion, as required by the merger agreement ■ $325 million capital contribution from Hexion LLC
Settlement of Claims: $225 million	No	Yes	■ Paid by Hexion, reserving all rights with respect to reallocation of the payment to certain other affiliates of Apollo ■ $225 million advance shown as long term liability on balance sheet ■ Will be settled by any insurance proceeds received with the difference recorded as a capital contribution
Settlement of Claims: $200 million	No	Yes	■ Paid by certain affiliates of Apollo, reserving all rights with respect to reallocation of the payment to certain other affiliates of Apollo ■ $200 million recorded as a credit to capital (1)

(1) Recorded in accordance with SEC SAB Topic 5T; the $200 million Apollo settlement was recorded by Hexion as an expense and a credit to paid-in capital

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Balance Sheet Update & Financial Summary

- Productivity initiatives, along with expected decreases in raw material costs in first half of 2009, should further boost efforts to improve working capital
  - Working capital at December 31, 2008 was $679 million, a decrease of $80 million from December 31, 2007.
- FY08 capital expenditures totaled $134 million, which included $13 million invested in a new plant currently under construction in Brazil, versus the original FY08 guidance of $150 million
- Aggressively managing capital expenditures
  - Adjusting 2009 capital expenditure target downward to ~ $110 million
  - FY09 maintenance and environmental capital expenditures are estimated to be approximately 60 percent of 2009 target
- Liquidity: cash plus borrowing availability of $418 million at December 31, 2008, which includes the $200 million Apollo commitment to Hexion
- No significant debt maturities until 2013

Net Debt: $3.7 billion (12/31/08)

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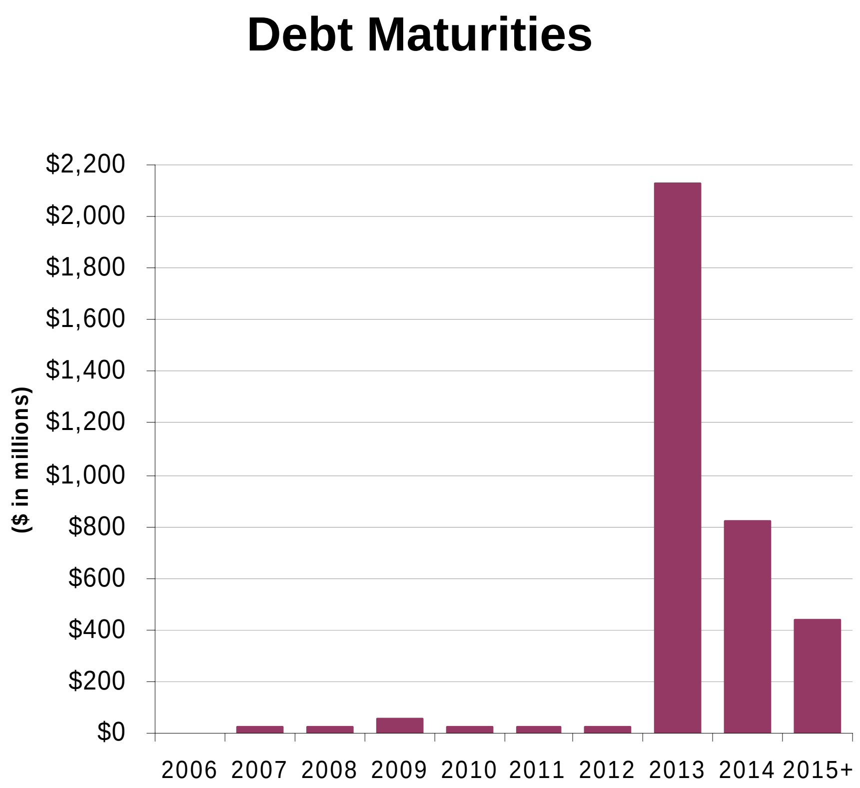
Hexion Benefits from Long-Dated Maturities and Liquidity Commitment

- Hexion has limited short term debt service requirements and no immediate refinancing risks
- $325 million termination debt facility has no impact on Hexion's covenant calculations or the Company's short and medium term cash flows
  - Debt was borrowed by Hexion's parent on an unsecured basis and contributed to Hexion to pay the termination fee
  - Debt has a PIK provision for the payment of interest. This eliminates any debt service requirements until maturity in 2014.
  - Operating Company does not guarantee the debt
  - There are no maintenance covenants
  - There is no impact on Hexion's current covenants since the debt is with the parent company
- Apollo's continued support provides additional liquidity and flexibility
  - Certain affiliates of Apollo have committed to purchase $200 million of preferred units and warrants of Hexion LLC prior to 12/31/11
  - Hexion has right to request investment earlier, as necessary
  - Combination of any liquidity facilities and investment commitment will at no time exceed $200 million
  - $100 million term loan proceeds received on March 2, 2009



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Summary

Craig O. Morrison

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Summary: Hexion Fourth Quarter & FY08 Results

- Hexion's fourth quarter 2008 results reflected recessionary end market conditions and significant inventory destocking by customers
- Full-year sales gain of 5% driven by product, customer and geographic diversity, as well as raw material contractual pass-through capabilities
- While global market conditions continued to soften during Q408, Hexion is carefully managing the restart of facilities in light of first quarter 2009 volume softness
- Based on operating trends to date in the first quarter of 2009, the Company expects first quarter volumes and operating margins to be in line with the fourth quarter of 2008
- Hexion announced increased productivity savings of ~ $100 million focused on improving operational efficiencies
  - Additional savings measures under evaluation
- The Company has taken a number of actions intended to enhance liquidity for 2009
- Management team is experienced in operating in a cash-driven environment
- Hexion posted a December 31, 2008 pro forma adjusted EBITDA of $596 million

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Appendices

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Reconciliation of Non-GAAP Financial Measures

($ millions)	Three months ended Dec. 31,		Twelve months ended Dec. 31,	
	2008	2007	2008	2007
Segment EBITDA:				
Epoxy and Phenolic Resins	(2)	65	192	334
Formaldehyde and Forest Product Resins	41	42	194	177
Coatings and Inks	(4)	12	35	81
Performance Products	23	19	90	73
Corporate and Other	(12)	(13)	(50)	(54)
Total	46	125	461	611
Reconciliation:				
Items not included in Segment EBITDA				
Terminated merger costs	(800)	--	(1,027)	--
Transaction costs	--	--	--	(1)
Integration costs	(7)	(10)	(27)	(38)
Non-cash charges	(11)	(37)	(26)	(54)
Unusual items:				
Gains (loss) on divestiture of assets	(6)	--	5	8
Purchase accounting effects/inventory step-up	--	(1)	--	(1)
Business realignments	(19)	(5)	(41)	(21)
Derivative settlement	(24)	--	(37)	--
Other	1	(8)	(8)	(17)
Total unusual items	(48)	(14)	(81)	(31)
Total adjustments	(866)	(61)	(1,161)	(124)
Interest expense, net	(77)	(73)	(304)	(310)
Income tax benefit (expense)	22	(1)	17	(44)
Depreciation and amortization	(46)	(53)	(203)	(198)
Net loss	(921)	(63)	(1,190)	(65)

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Fixed Charge Covenant Calculations

Reconciliation of Net Loss to Adj. EBITDA	Year Ended December 31, 2008
Net loss	$ (1,190)
Income taxes	(17)
Interest expense, net	304
Depreciation and amortization expense	203
EBITDA	(700)
Adjustments to EBITDA	
Terminated merger and settlement costs (1)	1,027
Integration costs (2)	27
Non-cash items (3)	26
Unusual items:	
Gain on divestiture of assets	(5)
Business realignments (4)	41
Derivative settlements (5)	37
Other (6)	24
Total unusual items	97
In process Synergies & productivity program savings (7)	119
Adjusted EBITDA	$ 596
Fixed Charges (8)	$ 247
Ratio of Adj. EBITDA to Fixed Charges (10)	2.41

Fixed Charge Covenant Calculations Footnotes

1. Primarily represents accounting, consulting, tax and legal costs related to the terminated Huntsman merger and related litigation, including the $325 million payment to Huntsman to terminate the merger and the $225 million to settle litigation and the non-cash push-down of settlement costs paid by Apollo of $200 million. Also represents the write-off of previously deferred acquisition costs.

2. Primarily represents redundancy and incremental administrative costs associated with integration programs. Also includes costs to implement a single, company-wide management information and accounting system and a new consolidations and financial reporting system.

3. Includes non-cash charges for impairments of property and equipment and intangible assets, impairments of goodwill, accelerated depreciation, stock-based compensation and unrealized foreign exchange and derivative activity.

4. Represents plant rationalization, headcount reduction and other costs associated with business realignments.

5. Primarily represents derivative settlements on a portion of our cross currency and interest rate swaps.

6. Primarily includes pension expense related to formerly owned businesses, business optimization expenses, management fees and realized foreign currency activity.

7. Represents targeted productivity program savings.

8. The charges reflect pro forma interest expense based on interest rates at February 26, 2009.

9. We are required to have an Adjusted EBITDA to Fixed Charges ratio of greater than 2.0 to 1.0 to be able to incur additional indebtedness under our indenture for the Second Priority Senior Secured Notes. As of December 31, 2008, the Company was able to satisfy this covenant and incur additional indebtedness under this indenture.

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Debt at December 31, 2008

($ in millions)

	12/31/2008	12/31/2007
Senior Secured Credit Facilities:		
Floating rate term loans due 2013	$ 2,254	$ 2,282
Revolving credit facilities due 2011	180	--
Senior Secured Notes:		
9.75% Second-priority senior secured notes due 2014	625	625
Floating rate second-priority senior secured notes due 2014	200	200
Debentures:		
9.2% debentures due 2021	115	115
7.875% debentures 2023	247	247
Sinking fund debentures: 8.375% due 2016	78	78
Other Borrowings:		
Australian Multi-Currency Term/Working Capital Facility due 2012	50	69
Industrial Revenue Bonds due 2009	34	34
Capital Leases	15	12
Other	61	58
Total debt	$ 3,859	$ 3,720

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