



Hexion Inc.

Third Quarter 2015 Results

November 9, 2015

Forward-Looking Statements

Hexion Inc.



Certain statements in this presentation are forward-looking statements within the meaning of and made pursuant to the safe harbor provisions 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, our management may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “might,” “plan,” “estimate,” “may,” “will,” “could,” “should,” “seek,” “intend” or similar expressions. Forward-looking statements reflect our current expectations and assumptions regarding our business, the economy and other future events and conditions and are based on currently available financial, economic and competitive data and our current business plans. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors as discussed in the Risk Factors section of our filings with the Securities and Exchange Commission (the “SEC”). While we believe our assumptions are reasonable, we caution you against relying on any forward-looking statements as it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, a weakening of global economic and financial conditions, interruptions in the supply of or increased cost of raw materials, the loss of, or difficulties with the further realization of, cost savings in connection with our strategic initiatives, including transactions with our affiliate, Momentive Performance Materials Inc., the impact of our substantial indebtedness, our failure to comply with financial covenants under our credit facilities or other debt, pricing actions by our competitors that could affect our operating margins, changes in governmental regulations and related compliance and litigation costs and the other factors listed in the Risk Factors section of our SEC filings. For a more detailed discussion of these and other risk factors, see the Risk Factors section in our most recent Annual Report on Form 10-K and our other filings made with the SEC. All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The forward-looking statements made by us speak only as of the date on which they are made. Factors or events that could cause our actual results to differ may emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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



Hexion Inc.

Overview of Third Quarter 2015 Results

Craig O. Morrison
Chairman, President and Chief Executive Officer

George Knight ⁽¹⁾

Executive Vice President and
Chief Financial Officer

- Has served as Hexion's Senior Vice President – Finance and Treasurer since 2005
- From 1997 to 2005, held senior finance roles with Borden Foods Corp., Borden Inc. and Borden Chemical Inc.
- Previous roles also include:
 - International finance leadership positions with Duracell International Inc.
 - Auditor with Deloitte & Touche

Mark Bidstrup ⁽¹⁾

Senior Vice President and
Treasurer

- Has served as Hexion's Vice President of Finance and Chief Financial Officer for the Epoxy, Phenolic and Coatings Resins Division since 2009
- From 1995 to 2005, held senior finance roles for Borden Foods Corporation and Borden Chemical Inc.
- Previous roles also include:
 - Auditor with Price Waterhouse

(1) Effective January 1, 2016

Third Quarter 2015 Results



Quarter Ended September 30			
(\$ in millions)	2014	2015	Δ
Revenue	\$1,347	\$1,065	(21)%
Segment EBITDA ⁽¹⁾	128	133	4%

- Revenue decreased 21% to \$1.1 billion reflecting the negative impact of the U.S. dollar strengthening against most other currencies, softer volumes in oilfield proppants and lower selling prices from the decline in raw material costs
- Total Segment EBITDA⁽¹⁾ increased 4% to \$133 million
 - On a constant currency basis, total Segment EBITDA increased 13% for the quarter
 - Epoxy, Phenolic and Coatings Resins increased by 10% reflecting gains in specialty epoxy products, which offset declines in oilfield proppants and the impact of the U.S. dollar strengthening against most other currencies
 - Forest Products Segment EBITDA declined 6% reflecting currency headwinds, partially offset by gains in North American forest product resins

Strong Growth in Specialty Epoxy and N. American Forest Product Resins Drove YOY Segment EBITDA Gains Despite Headwinds in Oilfield and FX

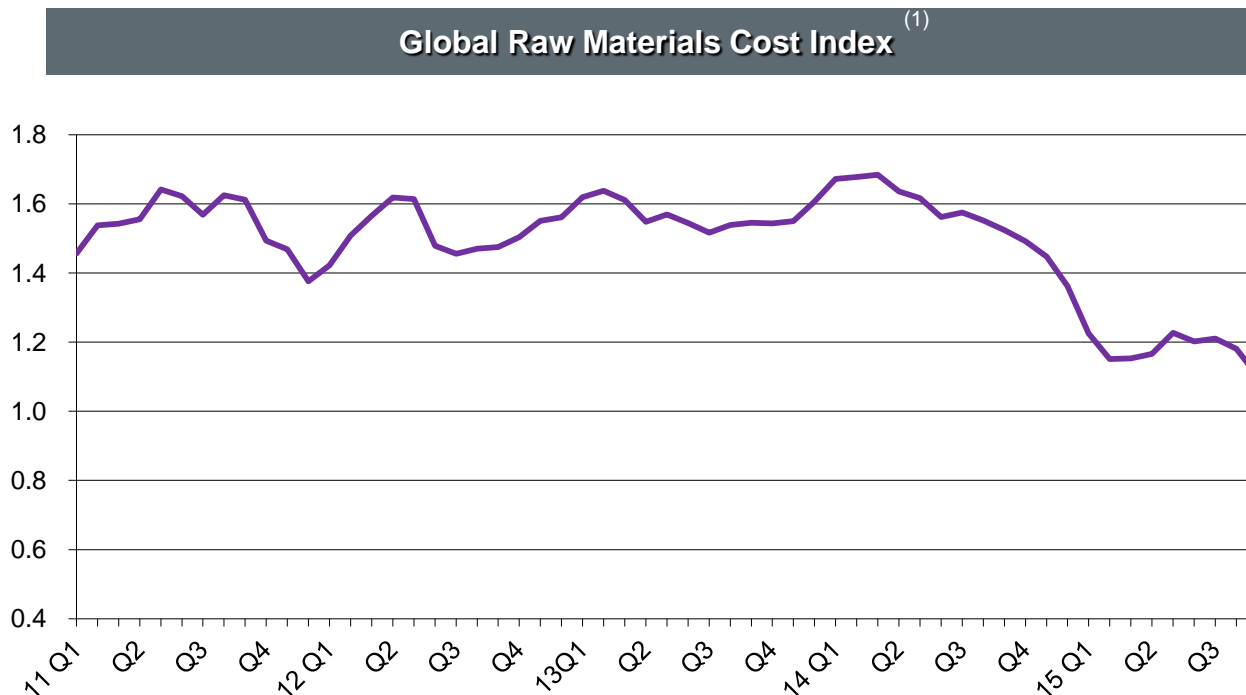
(1) Segment EBITDA is a non-GAAP financial measure. The closest GAAP financial measure is Net Income (Loss). A table that reconciles Segment EBITDA is at the end of this presentation. Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash and other income and expenses. Segment EBITDA is the primary performance measure used by the Company's senior management, the chief operating decision-maker and the board of directors to evaluate operating results and allocate capital resources among segments.

Third Quarter 2015 Results *cont.*

- Continued strategic investments in global network
 - Successfully brought online the first of three new formaldehyde sites in Curitiba, Brazil
 - Completed the acquisition of a joint venture partner's stake in a phenolic specialty resins manufacturing facility in China that recently opened in 4Q'14
- Hexion achieved \$16 million in cost productivity actions during the first nine months of 2015 from its previously announced structural cost savings program; expect to realize an additional \$14 million in savings over the next nine months



Continued Execution of Productivity Initiatives and Strategic Growth Projects



Summary

- Q3'15 total raw material pricing decreased approximately 3 percent globally on a sequential basis from Q2'15
- Total raw material pricing in the first nine months of 2015 declined significantly versus first nine months of 2014:
 - Phenol ↓ (29)%; Methanol ↓ (21)% ; Urea ↓ (14)%
 - Favorable raw material environment is projected through year-end 2015
- Margin expansion in other business units offset declining Oilfield business unit EBITDA

(1) Source: Includes content supplied by IHS Chemical, Copyright © IHS Chemical 2013; ICIS, Copyright © ICIS 2013. All rights reserved

Investing Behind Leading Specialty Technologies

Strategic Acquisition of Phenolic Resins JV

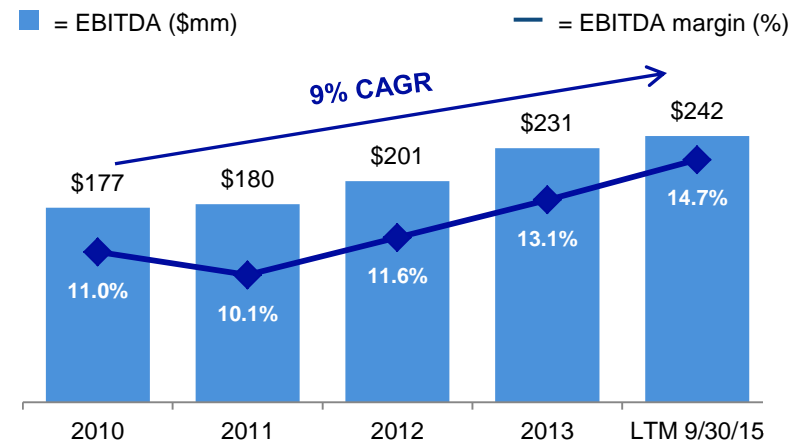
- In 3Q'15, Hexion completed the acquisition of a joint venture partner's stake in a phenolic specialty resins facility located in Zhenjiang, Jiangsu, China
 - The Company became the sole owner of the JV manufacturing facility, which came online in Q4'14
 - Site produces a full range of specialty novolac and resole phenolic resins used in a diverse range of applications, including refractories, friction, abrasives, insulation foam and forest products
- Acquisition strategically strengthens Hexion's global network and serves as a low cost base for Chinese and export customers



Executing Forest Products Growth Plan

- Successfully completed construction of Curitiba, Brazil in 3Q'15
 - New site delivering contracted volumes to investment grade customers in the region
 - Long-term demand for Latin America formaldehyde supported by furniture, construction, industrial demand and exports
- Two new Gulf Coast expansion projects remain on track to come online in 4Q'15 and 1Q'16

Forest Products Segment EBITDA & EBITDA Margin



Hexion Inc.

Financial Review

George Knight
Senior Vice President – Finance and
Treasurer

Epoxy, Phenolic and Coating Resins

Third Quarter 2015 Segment Results



	Quarter Ended September 30		
(\$ in millions)	2014	2015	Δ
Revenue	\$ 878	\$ 669	(24)%
Segment EBITDA ⁽¹⁾	84	92	10%
Segment EBITDA Margin	9.6%	13.8%	420bps

3Q'15 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
(11)%	(5)%	(8)%	(24)%

Summary

- Sales declined primarily due to lower volumes from softer oilfield proppants demand, currency translation headwinds and negative price/mix
- Key portions of specialty portfolio continued to perform well and drove significant margin improvement
 - Strong specialty epoxy resin results due to continued demand in the wind energy market, particularly in China
 - Continued recovery in base epoxy resins
 - Strong year-over-year gains in our monomers, dispersions and powder coatings businesses

(1) Segment EBITDA excludes in-process synergies. Segment EBITDA is defined as EBITDA adjusted to exclude certain non-cash and non-recurring expenses. Segment EBITDA is an important measure used by the Company's senior management and board of directors to evaluate operating results and allocate capital resources among segments. Segment EBITDA is also the profitability measure used to set management and executive incentive compensation goals. Corporate and Other primarily represents certain corporate, general and administrative expenses that are not allocated to the segments. Segment EBITDA is defined and reconciled to Net Income later in this presentation

Forest Products Resins

Third Quarter 2015 Segment Results



Summary

- Sales decreased primarily due to raw material price decreases passed through to customers and negative foreign currency translation
- EBITDA reflected continued strength in North American business offset by currency headwinds and unplanned customer outages
 - Segment EBITDA margin improvement continues to reflect strong cost control discipline

	Quarter Ended September 30		
(\$ in millions)	2014	2015	Δ
Revenue	\$ 469	\$ 396	(16)%
Segment EBITDA	63	59	(6)%
Segment EBITDA Margin	13.4%	14.9%	150bps

3Q'15 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
(2)%	(2)%	(12)%	(16)%

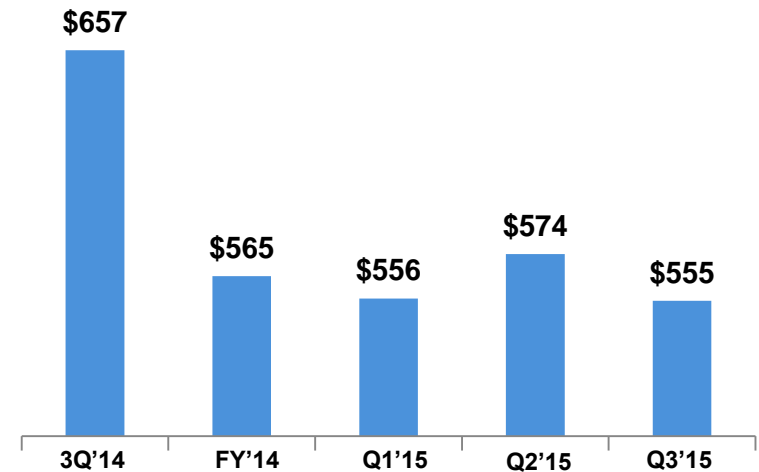
Balance Sheet Update & Financial Summary

Summary

- Substantial liquidity: cash plus borrowing availability of \$562 million at September 30, 2015
 - As adjusted for the completion of the ABL amendment effective November 6, 2015, Hexion's liquidity would have been \$590 million as of September 30, 2015
- Hexion posted \$38 million in cash flow from operations in the third quarter of 2015
 - Recorded \$66 million in cash flow from operations YTD as of 9/30/15
- YTD'15 capital expenditures of \$122 million
- Aggressively managing working capital
 - Net working capital (NWC) slightly lower than year-end 2014 levels
 - Favorable NWC trends primarily reflected foreign currency translation driven by strengthening U.S. dollar, lower raw material input costs and improvements in working capital efficiency
 - Expect continued favorable net working capital trends in 4Q'15

Net Working Capital

(\$ in millions)



No Material Debt Maturities Before 2018



Hexion Inc. Closing Remarks

Third Quarter 2015 Closing Remarks

- Reported Segment EBITDA increased 4% to \$133 million; 13% constant currency basis

- Continued strategic investments in global network
 - Successfully brought online the first of three new formaldehyde sites in Curitiba, Brazil
 - Completed the acquisition of a joint venture partner's stake phenolic specialty resins manufacturing facility in China

Location	Comments	Initial Production
Curitiba, Brazil	• Direct pipeline to customer site	OPENED 3Q'15
Geismar, La. (BASF)	• Contracted volumes	4Q'15
Luling, La. (Monsanto)	• Investment Grade Customers	1Q'16

- Achieved \$16 million in cost productivity actions during the first nine months of 2015 from a structural cost savings program
 - Expect to realize an additional \$14 million in savings over the next nine months
- Strong liquidity of \$562 million as of September 30, 2015

Focused on Achieving Structural Cost Savings and Leveraging Growth Investments to Serve Our Global Customers

Appendices

Reconciliation of Non-GAAP Financial Measures



(In millions)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	\$ 92	\$ 84	\$ 265	\$ 241
Forest Products Resins	59	63	182	191
Corporate and Other	(18)	(19)	(54)	(61)
Total	<u>\$ 133</u>	<u>\$ 128</u>	<u>\$ 393</u>	<u>\$ 371</u>
Reconciliation:				
Items not included in Segment EBITDA:				
Business realignment costs	\$ (3)	\$ (6)	\$ (11)	\$ (24)
Realized and unrealized foreign currency losses	(14)	(17)	(17)	(21)
Other	(4)	(14)	(33)	(36)
Total adjustments	(21)	(37)	(61)	(81)
Interest expense, net	(84)	(77)	(245)	(230)
Gain on extinguishment of debt	14	—	14	—
Income tax expense	(1)	(2)	(28)	(17)
Depreciation and amortization	(34)	(38)	(102)	(109)
Net income (loss)	<u>\$ 7</u>	<u>\$ (26)</u>	<u>\$ (29)</u>	<u>\$ (66)</u>

Debt at September 30, 2015



(\$ in millions)

	September 30, 2015		December 31, 2014	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
ABL Facility	\$ —	\$ —	\$ 60	\$ —
Senior Secured Notes:				
6.625% First-Priority Senior Secured Notes due 2020 (includes \$5 and \$6 of unamortized debt premium at September 30, 2015 and December 31, 2014, respectively)	1,555	—	1,556	—
10.00% First-Priority Senior Secured Notes due 2020	315	—	—	—
8.875% Senior Secured Notes due 2018 (includes \$2 and \$3 of unamortized debt discount at September 30, 2015 and December 31, 2014, respectively)	1,083	—	1,197	—
9.00% Second-Priority Senior Secured Notes due 2020	574	—	574	—
Debentures:				
9.2% debentures due 2021	74	—	74	—
7.875% debentures due 2023	189	—	189	—
8.375% sinking fund debentures due 2016	—	—	20	20
Other Borrowings:				
Australia Facility due 2017	29	3	36	4
Brazilian bank loans	7	42	9	47
Capital leases	7	1	8	1
Other	10	29	12	27
Total	\$ 3,843	\$ 75	\$ 3,735	\$ 99

