# Momentive Specialty Chemicals Inc.

## First Quarter 2012 Earnings Conference Call

May 7, 2012

# Forward-Looking Statements

## Momentive Specialty Chemicals Inc. (MSC)

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,” “plan,” “estimate,” “may,” “will,” “could,” “should,” “seek” or “intend” and 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 most recent Annual Report on Form 10-K and our other 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, changes in governmental regulations and related compliance and litigation costs, difficulties with the realization of cost savings in connection with our strategic initiatives, including transactions with our affiliate, Momentive Performance Materials Inc., pricing actions by our competitors that could affect our operating margins, the impact of our substantial indebtedness, our failure to comply with financial covenants under our credit facilities or other debt, and the other factors listed in the Risk Factors section of our most recent Annual Report on Form 10-K and in our other 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.**

# Momentive Specialty Chemicals Inc. (MSC)

## Overview of First Quarter 2012 Results

**Craig O. Morrison**
Chairman, President & Chief Executive Officer

# 1Q’12 Results: Aggressive Cost Management and BRIC Investments Underpin Long-Term Earnings Upside

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- Revenues of $1.24 billion in 1Q’12 compared to $1.29 billion in the prior year quarter
  - Decline reflected lower volumes from macroeconomic volatility in certain end use markets
- Segment EBITDA[(1)] of $149 million compared to $178 million in prior year quarter
  - Reflects product mix shift and continued economic slowdown in Europe and Asia
  - Decline partially offset by improved performances in base epoxy resins and N. American forest products resins demonstrating breadth of product portfolio and benefit of past cost actions
  - Operating income of $44 million compared to operating income of $119 million in 1Q’11
- Continued growth in specialty product lines and BRIC region strategic investments
  - New Versatic™ Acids and Derivatives joint venture in China will be fully operational by the end of the second quarter of 2012 to serve customers in the Asia Pacific region
- Realized $7 million in savings from the shared services agreement in 1Q’12
  - Run-rate savings total $51 million since program’s inception as of 1Q’12
- Maintained a strong liquidity position while continuing to invest in growth
  - Cash and available borrowings of $672 million as of March 31, 2012
- In compliance with all financial covenants governing our senior secured credit facilities and indentures at March 31, 2012

**STRONG LIQUIDITY POSITION AND FOCUSED ON DRIVING STRATEGIC GROWTH INITIATIVES IN BRIC REGIONS**

(1) Segment EBITDA and Adjusted EBITDA are non-GAAP financial measures. The closest GAAP financial measure is Net Income (Loss). A table that reconciles Segment EBITDA and Adjusted EBITDA 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. At March 31, 2012, the Company was in compliance with the Adjusted EBITDA to Fixed Charges Ratio incurrence test. Under Momentive Specialty Chemical’s indenture for the Second Priority Senior Secured Notes, failure of this incurrence test does not represent an event of default. However, Momentive Specialty Chemicals may not be able to incur future debt outside of its revolving facility or make acquisitions in certain circumstances. The Company was in compliance with the senior secured bank leverage ratio under the covenants for its senior secured bank facility.

# First Quarter 2012
# Summary Financial Performance

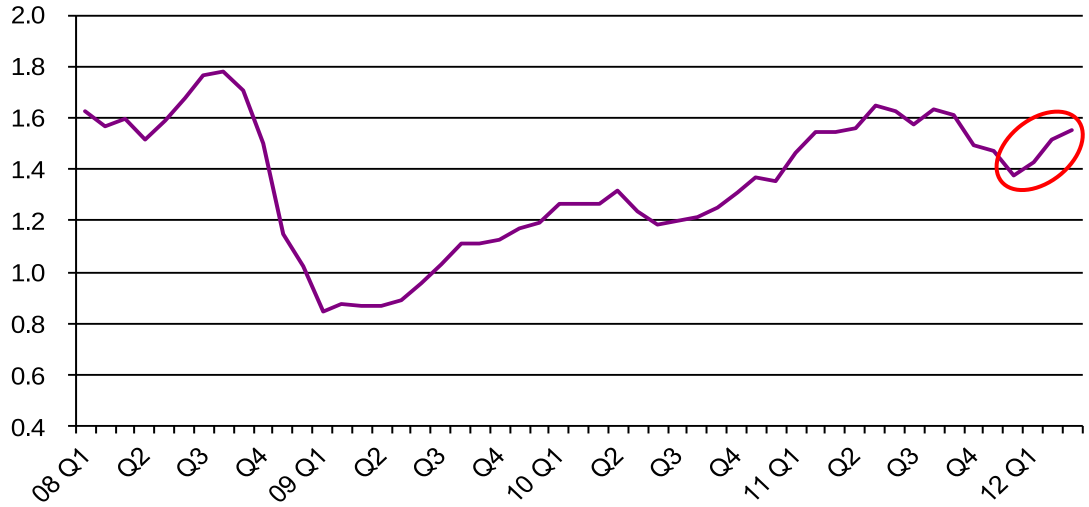
| *($ in millions)* | Quarter Ended March 31 2012 | 2011 | Δ |
|---|---|---|---|
| **Revenue** | **$1,236** | **$1,294** | **(4)%** |
| **Segment EBITDA [1]** | **149** | **178** | **(16)%** |
| **Operating Income** | **44** | **119** | **(63)%** |

**WHILE 1Q'12 SEGMENT EBITDA REFLECTS HEADWINDS FROM CERTAIN END USE MARKETS, MSC IS WELL POSITIONED DUE TO OUR GLOBAL FOOTPRINT, OPERATING LEVERAGE AND FOCUS ON PROVIDING SPECIALTY PRODUCTS**

(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 (loss) later in this presentation

# Overview of Raw Materials Environment

**Momentive Specialty Chemicals: Global Raw Material Cost Index**

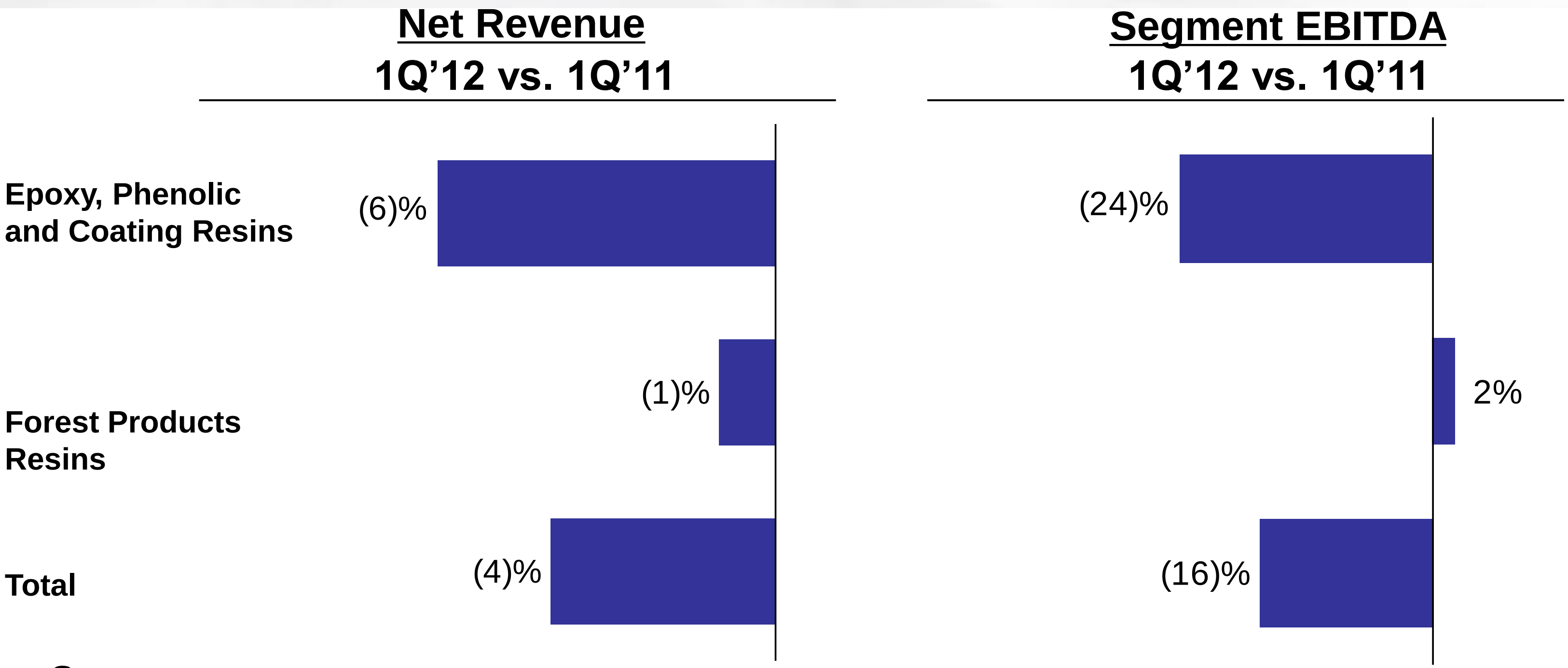



Source: CMAI data

**Summary**

- Raw material pricing generally increased both sequentially and on a year-over-year basis in 1Q'12
  - Phenol ↓1% YoY; methanol ↑3% YoY; urea ↑ 17% YoY;
- Announced a number of pricing actions in early 2012, which remain in process
- MSC continues to demonstrate its ability to effectively manage raw material volatility
- Expect continued raw material volatility in 2012

# First Quarter 2012
# Summary Segment Financial Performance

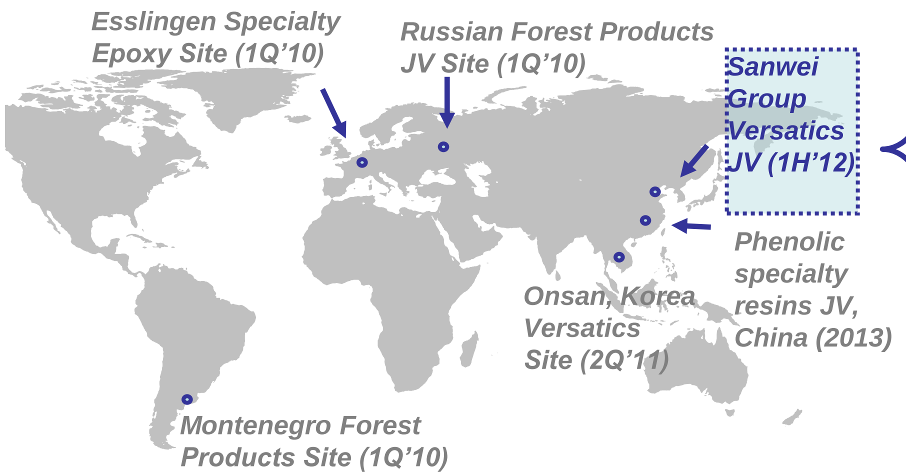



**Summary**

- MSC 1Q'12 revenue declined slightly due to lower volumes partially offset by pricing actions including the contractual pass through of higher raw material costs
- 1Q'12 EPCD revenue and Segment EBITDA reflects weaker specialty epoxy results primarily from lower wind energy demand, lower Versatic™ Acid and Derivative results due to slowdown in the European construction market and softer oilfield resins results, partially offset by a rebound in base epoxy resins
- 1Q'12 Forest Products Resins revenue and segment EBITDA reflects a modest improvement in North American forest product resins results

# Strategic Investments in Specialty Product Lines and BRIC Regions

## BRIC Region Growth




- MSC continues to expand into high growth regions with six new plants operational, or under construction, in BRIC countries since 2010
- BRIC revenue growth: 18% CAGR (2007-2011); medium-term target of > 40% of total revenue

## New Versatic™ Acids and Derivatives Joint Venture

- New Versatic™ Acids and Derivatives joint venture in China anticipated to be fully operational by the end of the 2Q'12
- JV will produce VeoVa™ monomer, a key building block ingredient used in water-based decorative coatings, redispersible powders and adhesives
- New plant represents the first manufacturing capacity for VeoVa monomer in Asia and will increase global capacity for this specialty material by 30 percent
  - Joint venture formed with Shanxi Sanwei Group Co., Ltd.

**CONTINUED INFRASTRUCTURE INVESTMENTS UNDERSCORE GROWTH COMMITMENT**

# Momentive Specialty Chemicals Inc.

## Financial Review

**William H. Carter**
Executive Vice President & Chief Financial Officer

# Epoxy, Phenolic and Coating Resins First Quarter 2012 Segment Results

**Quarter Ended March 31**

| *($ in millions)* | **2012** | **2011** | **Δ** |
|---|---|---|---|
| Revenue | $ 794 | $ 846 | (6)% |
| Segment EBITDA | 114 | 150 | (24)% |

**1Q'12 Sales Comparison YOY**

| **Volume** | **Price/Mix** | **Currency Translation** | **Total** |
|---|---|---|---|
| (2)% | (2)% | (2)% | (6)% |

**Summary**

- Volume decreases and negative mix in specialty epoxy business in Asia (wind energy), Versatic Acids results (EU construction) and oilfield resins impacted segment results
- Base epoxy business posted YoY increase in volumes during 1Q'12 versus prior year
- Phenolic specialty resins posted slightly improved volumes, while Segment EBITDA was essentially flat compared to a very strong prior year period
- Continue to strategically align manufacturing footprint
  - Recently announced closures of two Epoxy, Phenolic and Coating Resins sites

# Forest Products Resins
# First Quarter 2012 Segment Results

### Quarter Ended March 31

| *($ in millions)* | **2012** | **2011** | Δ |
|---|---|---|---|
| Revenue | $ 442 | $ 448 | (1)% |
| Segment EBITDA | 46 | 45 | 2% |

### 1Q'12 Sales Comparison YOY

| Volume | Price/Mix | Currency Translation | Total |
|---|---|---|---|
| (5)% | 4% | -- | (1)% |

**Summary**

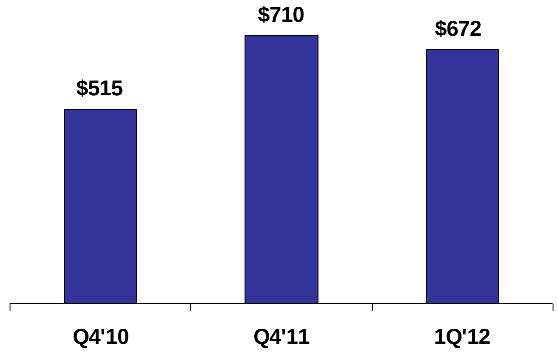
- 1Q'12 sales reflects slight YoY volume declines, partially offset by positive pricing actions
- Formaldehyde business reflected planned customer outages in 1Q'12 compared to the prior year
  - Anticipate continued long-term growth from formaldehyde specialty products, Hexamine and Triazine
- European business continues to see challenging market conditions
  - Announced site rationalization in Germany
- Posted positive Segment EBITDA gains supported by an improving N. American forest product resins business

# Balance Sheet Update & Financial Summary

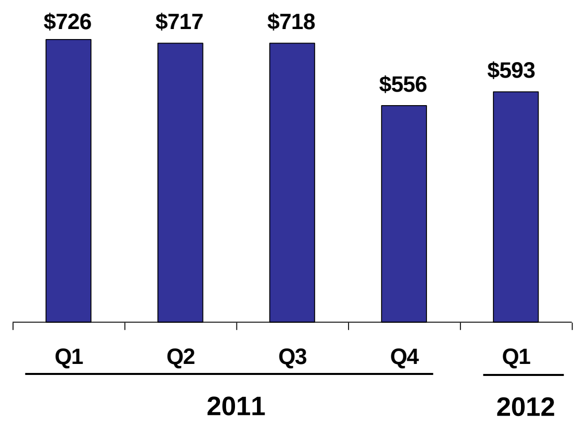
**Summary**

- Solid liquidity despite market volatility -- cash plus borrowing availability of $672 million at March 31, 2012
- Generated cash from operations of $16 million vs. usage of cash of $135 million in the prior year period
- 1Q'12 capital expenditures of $30 million
  - Anticipate FY'12 capital expenditures of ~ $145 to $155 million
  - Free cash flow is supported by low maintenance capital expenditures and net working capital intensity
- Recent refinancing activities:
  - In March 2012, the Company issued $450 million aggregate principal amount of 6.625% First-Priority Senior Secured Notes due 2020
  - MSC used the net proceeds, together with cash on hand, to repay approximately $454 million aggregate principal amount of existing term loans maturing May 5, 2013 under the Company's senior secured credit facilities
  - MSC extended $171 million of its $200 million revolving line of credit facility commitments from lenders from Feb. '13 to Dec. '14

## Cash Plus Borrowing Availability




## Net Working Capital (1)

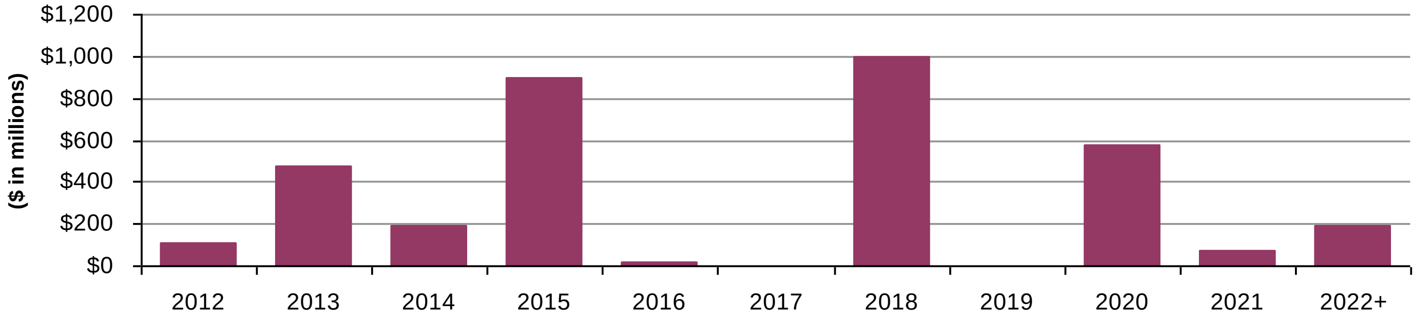



**NET UNAFFILIATED DEBT: ~ $3.1 BILLION (3/31/12)** (2)

(1) Net working capital defined as accounts receivable and inventories less accounts and drafts payable. Recasted for discontinued operations.
(2) See details of Momentive Specialty Chemical's total debt in the Appendix of this presentation.

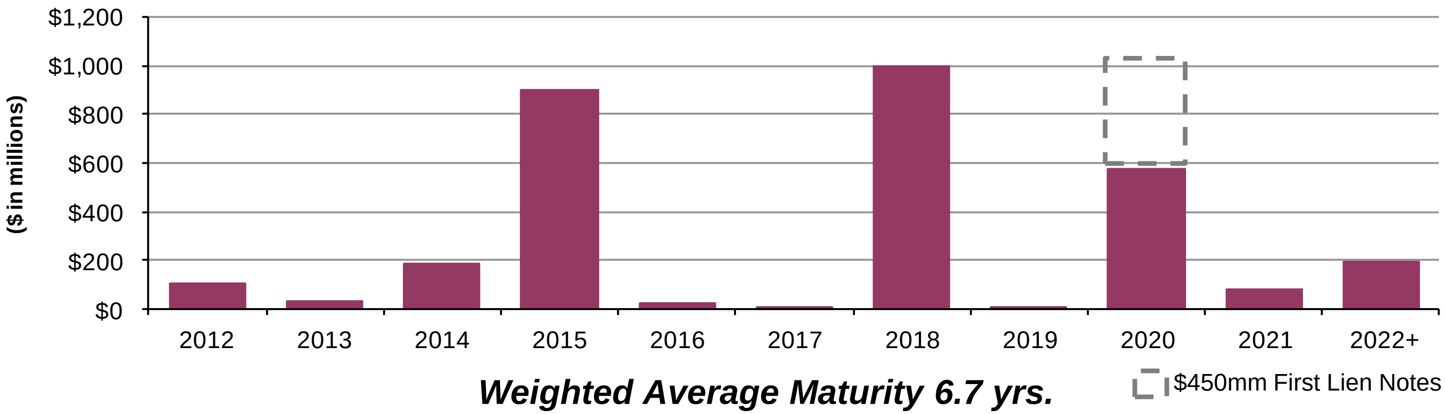
# Successful Bond Offering Extended Debt Maturity Profile

**Debt Maturities (Current)**




***Weighted Average Maturity 5.8 yrs.***

**Debt Maturities (Post Refinancing, 3/31/12)**




***Weighted Average Maturity 6.7 yrs.***

**MSC ISSUED FIRST LIEN NOTES DUE 2020 TO REFINANCE THE EXISTING $454 MILLION SENIOR CREDIT FACILITY TERM LOANS DUE MAY 2013**

Note: Maturity schedules are for OpCo debt only. HoldCo debt of $229 million is due in 2014. 2012 and 2013 maturities are mainly for various foreign working capital facilities that are expected to be refinanced.

# Closing Remarks

# First Quarter 2012 Closing Remarks

- Segment EBITDA of $149 million compared to $178 million in prior year quarter
  - Reflects product mix shift and continued economic slowdown in Europe and Asia
  - Decline partially offset by improved performances in base epoxy resins and N. American forest products resins demonstrating breadth of product portfolio
- Maintained strong liquidity position and balance sheet, while continuing to invest in growth platforms
  - New Versatic™ Acids and Derivatives joint venture in China will be fully operational by the end of the second quarter of 2012 to serve customers in the Asia Pacific region
  - Phenolic Specialty Resin joint venture proceeding in China
- Cost reduction activities with MPM under the shared services agreement continue to progress as planned
  - As of 3/31/12, MSC realized $51 million on a run-rate basis from the shared services agreement
- Successful debt refinancing enhances long-dated maturity profile
- Continue to anticipate volatile market conditions during the first half of the year; sequential quarterly improvement compared to the fourth quarter of 2011 supports our belief in a gradually improving demand environment in 2012

**STRONG LIQUIDITY POSITION AND FOCUSED ON DRIVING STRATEGIC GROWTH INITIATIVES IN BRIC REGIONS**

# Appendices

# Reconciliation of Non-GAAP Financial Measures

**Reconciliation of Segment EBITDA to Net Income (Unaudited)**

| | Three Months Ended March 31, 2012 | Three Months Ended March 31, 2011 |
|---|---|---|
| **Segment EBITDA:** | | |
| Epoxy, Phenolic and Coating Resins | $ 114 | $ 150 |
| Forest Products Resins | 46 | 45 |
| Corporate and Other | (11) | (17) |
| **Reconciliation:** | | |
| Items not included in Segment EBITDA | | |
| Asset impairments and other non-cash charges | (48) | 1 |
| Business realignment costs | (15) | (3) |
| Integration costs | (8) | (5) |
| Net income from discontinued operations | — | 5 |
| Other | 7 | (5) |
| Total adjustments | (64) | (7) |
| Interest expense, net | (65) | (64) |
| Income tax benefit (expense) | 2 | (3) |
| Depreciation and amortization | (38) | (41) |
| Net (loss) income | $ (16) | $ 63 |

# Fixed Charge Covenant Calculations

| | March 31, 2012 LTM Period |
|---|---|
| Net income | $ 39 |
| Income tax benefit | (2) |
| Interest expense, net | 263 |
| Depreciation and amortization | 164 |
| EBITDA | 464 |
| Adjustments to EBITDA: | |
| Asset impairments and other non-cash charges[1] | 90 |
| Net loss from discontinued operations[2] | 3 |
| Business realignments[3] | 27 |
| Integration costs[4] | 22 |
| Other[5] | 14 |
| Cost reduction programs savings[6] | 22 |
| Savings from shared services agreement[7] | 23 |
| Adjusted EBITDA | $ 665 |
| Fixed Charges[8] | $ 256 |
| Ratio of Adjusted EBITDA to Fixed Charges[9] | 2.60 |

(1) This presentation contains non-GAAP financial information. Adjusted EBITDA is a non-GAAP financial measure as defined by SEC rules. Adjusted EBITDA is not intended to represent any measure of earnings or cash flow in accordance with US GAAP and the calculation and use of this measure may differ from other companies. Adjusted EBITDA should not be used in isolation or as a substitute for measures of performance or liquidity. Adjusted EBITDA should not be considered an alternative to operating income or net income (loss) under US GAAP to evaluate results of operations or as an alternative to cash flows as a measure of liquidity. For additional information on Momentive Specialty Chemical's Adj. EBITDA including a reconciliation of such previously reported amounts to the company's operating income, please see such company's press release discussing its First Quarter 2012 results as issued on May 7, 2012.

(2) Momentive Performance Materials Holdings LLC ("Holdco") is the ultimate parent company of MPM and MSC (collectively, the "new Momentive"). **The MSC debt is not issued or guaranteed by HoldCo, Momentive Performance Materials Holdings Inc. (" MPM Holdings"), MPM or any of MPM's subsidiaries, and is also not secure by any assets of such entities. None of HoldCo, MPM Holdings, MPM, or any of MPM's subsidiaries is obligated with respect to any of MSC's indebtedness or other liabilities. The MPM debt is not issued or guaranteed by HoldCo, Momentive Specialty Holdings Inc. ("MSC Holdings"), MSC or any of MSC's subsidiaries, and is also not secured by any assets of such entities. None of HoldCo, MSC Holdings, MSC, or any of MSC's subsidiaries is obligated with respect to any of MPM's indebtedness or other liabilities.**

# Fixed Charge Covenant Calculations Footnotes

(1) Represents asset impairments, stock-based compensation, accelerated depreciation on closing facilities and unrealized foreign exchange and derivative activity.
(2) Represents the results of the North American Coatings and Composite Resins business.
(3) Represents headcount reduction expenses and plant rationalization costs related to cost reduction programs and other costs associated with business realignments.
(4) Represents integration costs associated with the Momentive Combination.
(5) Primarily includes pension expense related to formerly owned businesses, business optimization expenses, management fees, retention program costs and certain intercompany or non-operational realized foreign currency activity.
(6) Represents pro forma impact of in-process cost reduction programs.
(7) Represents pro forma impact of expected savings from the shared services agreement with MPM in conjunction with the Momentive Combination.
(8) Reflects pro forma interest expense based on interest rates at April 20, 2012 as if the March 2012 Refinancing Transactions had taken place at the beginning of the period.
(9) The Company's ability to incur additional indebtedness is restricted under indentures governing certain notes, unless the Company has an Adjusted EBITDA to Fixed Charges ratio 2.0 to 1.0. As of March 31, 2012, the Company was able to satisfy this test.

# Debt at March 31, 2012

| | March 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | Long-Term | Due Within One Year | Long-Term | Due Within One Year |
| **Non-affiliated debt:** | | | | |
| Senior Secured Credit Facilities: | | | | |
| Floating rate term loans due May 2013 | $ — | $ — | $ 446 | $ 8 |
| Floating rate term loans due May 2015 | 907 | 16 | 910 | 15 |
| Senior Secured Notes: | | | | |
| 6.625% First Priority Senior Notes due 2020 | 450 | — | — | — |
| 8.875 % senior secured notes due 2018 (includes $6 of unamortized debt discount at March 31, 2012 and December 31, 2011) | 994 | — | 994 | — |
| Floating rate second-priority senior secured notes due 2014 | 120 | — | 120 | — |
| 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 | 62 | — | 62 | — |
| Other Borrowings: | | | | |
| Australia Facility due 2014 | 35 | 5 | 36 | 5 |
| Brazilian bank loans | 24 | 38 | — | 65 |
| Capital Leases | 10 | 1 | 11 | 1 |
| Other | 5 | 14 | 4 | 23 |
| Total non-affiliated debt | 3,444 | 74 | 3,420 | 117 |
| **Affiliated debt:** | | | | |
| Affiliated borrowings due on demand | — | 2 | — | 2 |
| Total affiliated debt | — | 2 | — | 2 |
| Total debt | $ 3,444 | $ 76 | $ 3,420 | $ 119 |

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