

HEXIONTM

Specialty Chemicals

**Second Quarter 2010
Earnings Conference Call**

August 13, 2010



Forward-Looking Statements

Certain statements in this presentation including but not limited to those made under the caption “Outlook”, 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 expectations and assumptions regarding our businesses, the economy and other future conditions. Actual results could vary materially depending on risks and uncertainties that may affect our markets, services, prices and other factors as discussed in our most recent Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission (SEC). We caution you against relying on any forward-looking statements as they are neither statements of historical fact nor guarantees of future performance.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional or global economic, competitive and regulatory factors including, but not limited to, the current credit crises and global economic downturn, interruptions in the supply of or increased pricing of raw materials due to natural disasters, pricing actions by our competitors that could affect our operating margins, changes in governmental regulations involving our products, and the following:

- our inability to achieve expected cost savings,
- the outcome of litigation described in our SEC filings,
- our failure to comply with financial covenants under our credit facilities or other debt, and
- the other factors described in the Risk Factors section of our Annual Report on Form 10-K and in our other SEC filings.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time.

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



Overview of Second Quarter 2010 Results

William H. Carter

Executive Vice President & Chief Financial Officer

Second Quarter 2010 Results

- Hexion's strong Q2'10 performance reflected higher volumes, pricing actions and leverage from past productivity projects, which drove a significant YoY and sequential gain in EBITDA
- Q2'10 results included:
 - Revenues of \$1.3 billion versus \$947 million in prior year due to improved volumes, the contractual pass through of increased raw material costs and pricing actions
 - Operating income of \$138 million compared to an operating loss of \$9 million in Q2'09
 - Segment EBITDA⁽¹⁾ of \$164 million compared to \$90 million in prior year quarter
- Strong liquidity position and cost control remain a priority
 - Hexion realized \$24 million in productivity savings in the second quarter of 2010
 - Volume gains and raw material escalation (since Dec. '09 levels) continued to drive higher levels of working capital
 - Hexion continues to maintain a strong liquidity position with cash and available borrowings of \$390 million at 6/30/10
- The Company was in compliance with all financial covenants governing its senior secured credit facilities and indentures at 6/30/10

Q2'10 Represented Second-Highest Quarterly EBITDA in Hexion's History

(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. At June 30, 2010, the Company was in compliance with the Adjusted EBITDA to Fixed Charges Ratio incurrence test. Under Hexion's Indenture for the Second Priority Senior Secured Notes, failure of this incurrence test does not represent an event of default. However, Hexion 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. June 30, 2010 LTM Adjusted EBITDA includes \$70 million of in-process productivity program savings.

Second Quarter 2010 Summary Financial Performance

Quarter Ended June 30

| <i>(\$ in millions)</i> | <u>2010</u> | <u>2009</u> | <u>Δ</u> |
|--|----------------|--------------|------------|
| Revenue | \$1,304 | \$947 | 38% |
| Operating income (loss) | 138 | (9) | nm |
| Net income (loss) | 52 | (56) | nm |
| Segment EBITDA ⁽¹⁾ | 164 | 90 | 82% |

Aggressive Price Management and Cost Controls Drove Significant YOY Improvement to the Bottom Line

(1) Segment EBITDA excludes in-process synergies.

While Higher vs. Prior Year, Raw Materials Moderated Compared to Q1'10

Hexion Global Raw Material Cost Index

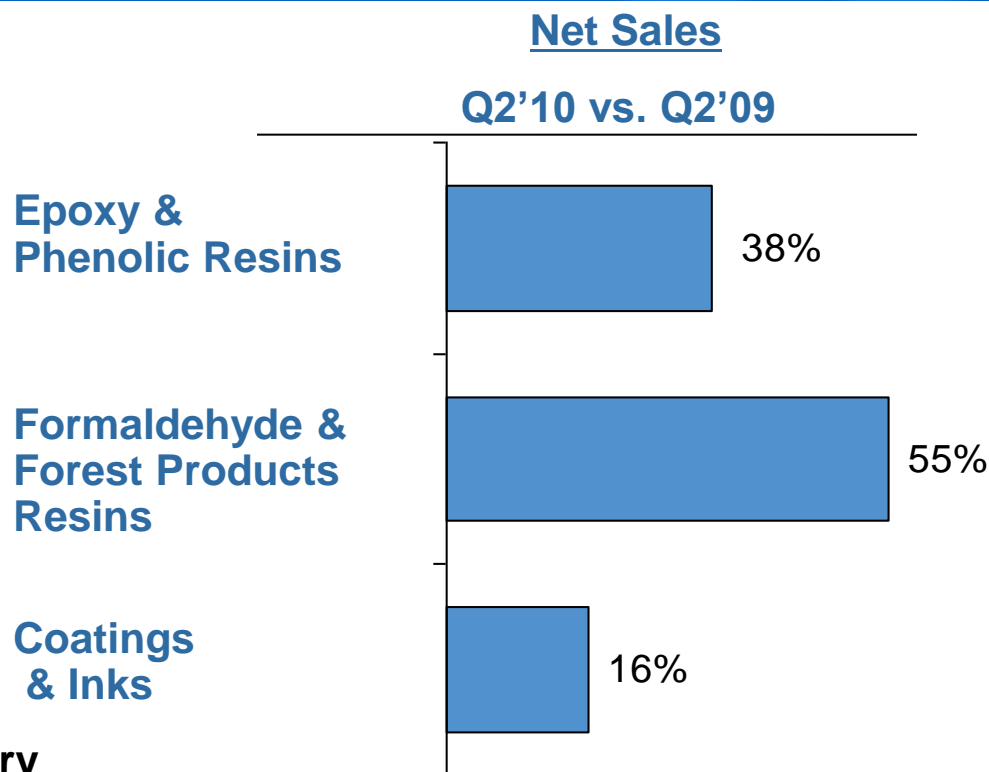


Source: CMAI data

Summary

- Average Q2'10 raw material prices increased significantly compared to Q209
 - Phenol ↑37% YoY; methanol ↑69% YoY; propylene↑98% YoY
 - Raw materials moderated sequentially, however, compared to Q1'10
- Previously-announced pricing actions remain in-process
- YOY raw material cost increases impacted working capital investment

Second Quarter 2010 Segment Net Sales



Summary

- Volumes increased second quarter 2010 sales by \$248 million and the pass through of raw material driven price increases positively impacted quarterly sales by \$136 million
- Second quarter 2010 sales were negatively impacted by foreign currency translation of \$8 million, while the deconsolidation of a joint venture decreased sales by \$19 million

Second Quarter 2010 Segment EBITDA Results

| (\$ in millions) | <u>Quarter Ended June 30</u> | | |
|--|------------------------------|--------------|-------------|
| | <u>2010</u> | <u>2009</u> | <u>% Δ</u> |
| Epoxy & Phenolic Resins | \$ 102 | \$ 63 | 62% |
| Formaldehyde & Forest Products Resins | 50 | 22 | 127% |
| Coatings & Inks | 27 | 22 | 23% |

Summary

- Breadth of Hexion product portfolio, aggressive cost and pricing actions supports strong EBITDA recovery even as certain end markets recover unevenly

Productivity Achievements

Summary

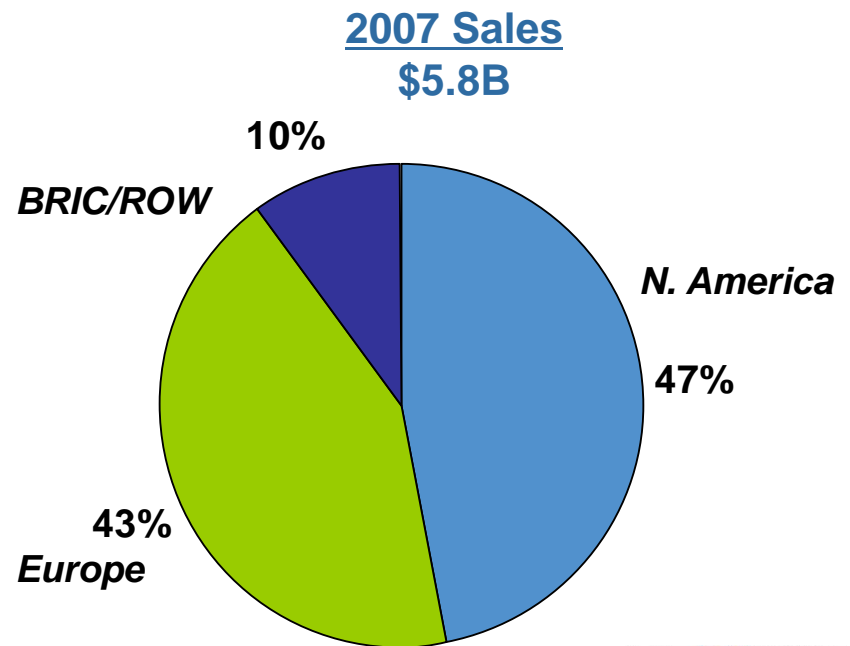
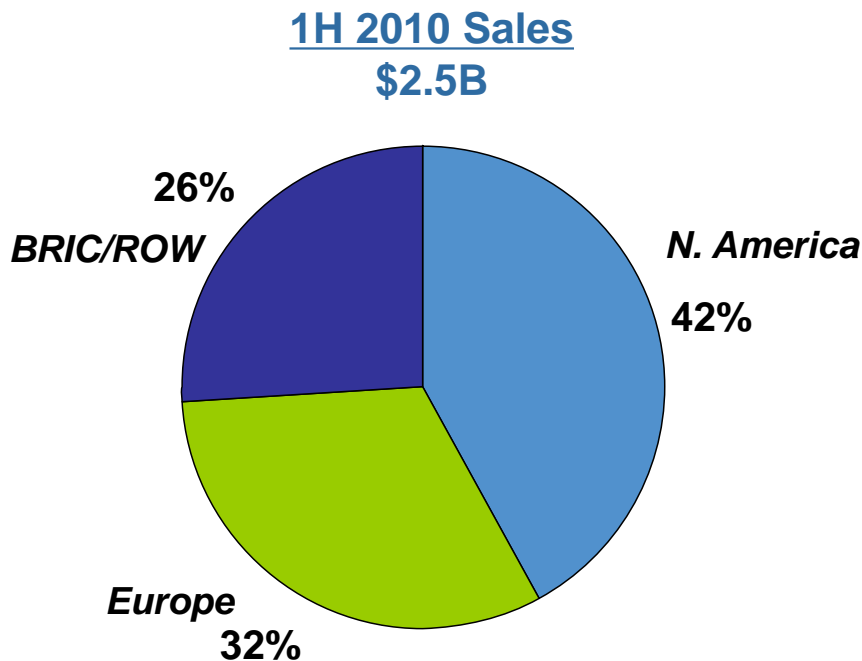
- Hexion achieved \$24 million in targeted productivity savings in Q2'10
- Hexion is pursuing \$70 million in remaining savings over the next 15 months
 - Estimated net cost of \$44 million to obtain remaining savings
- 1H'10 Hexion variable costs have increased 7% on volume increases of 27%

| | | |
|------------------------------|--------------|--------------|
| <i>(\$ in millions)</i> | <u>FY09</u> | <u>Q2'10</u> |
| Achieved Productivity | \$148 | \$24 |
| In-Process Savings | \$125 | \$70 |

Aggressively Creating and Retaining a Leaner Cost Structure

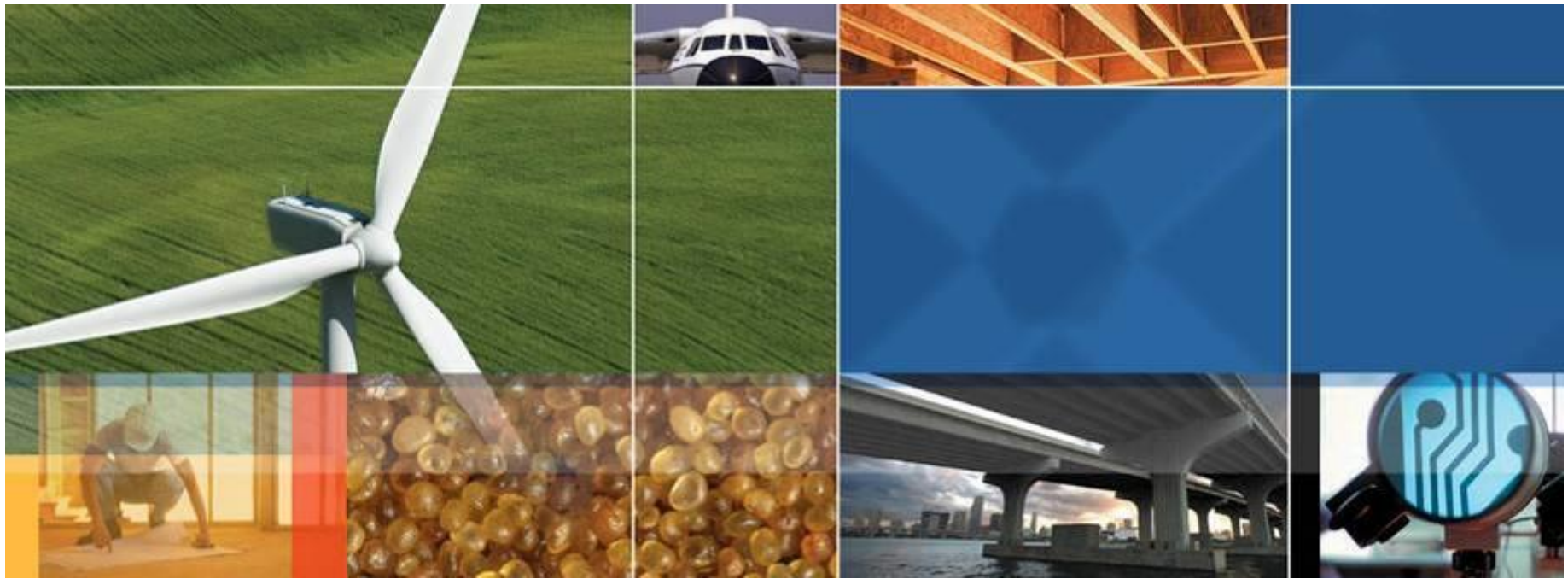
Hexion Continues to Focus on Geographical Expansion into Higher Growth Regions

- Hexion continues to expand into the high growth regions with four new plants operational, or under construction, in BRIC countries
- “BRIC/ROW” sales continue to steadily increase: 26% at mid-year 2010 versus 10% in 2007



Second Half 2010 Priorities

- Closely monitor and react to risks and opportunities that develop across the global economy
- Achievement of targeted productivity actions as planned and continue tight control over variable costs
- Aggressively manage capital expenses, working capital and liquidity
- Closely direct our ongoing investment in high-growth global end markets and regions
 - Versatic™ Acid & Derivatives: continued progress with two expansion projects in Onsan, Korea, and Sanwei, China
 - Investing in market development for specialty businesses
 - Actively pursuing expansion into India



Financial Review

George F. Knight

Senior Vice President, Finance and Treasurer

Epoxy and Phenolic Resins (EPR) Second Quarter 2010 Segment Highlights

Quarter Ended June 30

| (\$ in millions) | 2010 | 2009 | Δ |
|------------------|--------|--------|-----|
| Revenue | \$ 613 | \$ 444 | 38% |
| Segment EBITDA | \$ 102 | \$ 63 | 62% |

Q2'10 Sales Comparison YOY

| Volume | Price/Mix | Currency Translation | Accounting Changes (1) | Total |
|--------|-----------|----------------------|------------------------|-------|
| 29% | 16% | (3)% | (4)% | 38% |

Summary

- Continued strong demand from specialty epoxy & Oilfield resins
- Dramatic improvement in base epoxy resins business
 - Collectively, these three product lines accounted for the majority of the YoY EBITDA gain
- Oilfield business posted record quarterly EBITDA
 - Opened new manufacturing and transload site in Cleburne, TX., in Q2'10
 - Also opened four new transload sites in strategic N. American shale gas locations

(1) Represents the effect of the deconsolidation of the HAI joint venture due to the adoption of ASU 2009-17

Formaldehyde and Forest Products (FFP) Resins Second Quarter 2010 Segment Highlights

Quarter Ended June 30

(\$ in millions)

| | 2010 | 2009 | Δ |
|----------------|--------|-------|------|
| Revenue | \$ 422 | \$272 | 55% |
| Segment EBITDA | \$ 50 | \$ 22 | 127% |

Q2'10 Sales Comparison YOY

| Volume | Price/Mix | Currency Translation | Total |
|--------|-----------|----------------------|-------|
| 32% | 18% | 5% | 55% |

Summary

- Improving volumes and past productivity actions drove higher EBITDA in N. American resins business despite housing starts only modestly improving vs. prior year levels
- Strong results in our N. American formaldehyde business
- International forest products business increased across-the-board vs. Q209
- Raw materials moderated sequentially, which allowed for a more manageable pricing environment

Coatings and Inks (C&I) Second Quarter 2010 Segment Highlights

Quarter Ended June 30

| (\$ in millions) | 2010 | 2009 | Δ |
|------------------|--------|--------|-----|
| Revenue | \$ 269 | \$ 231 | 16% |
| Segment EBITDA | \$ 27 | \$ 22 | 23% |

Q2'10 Sales Comparison YOY

| Volume | Price/Mix | Currency Translation | Total |
|--------|-----------|----------------------|-------|
| 12% | 7% | (3)% | 16% |

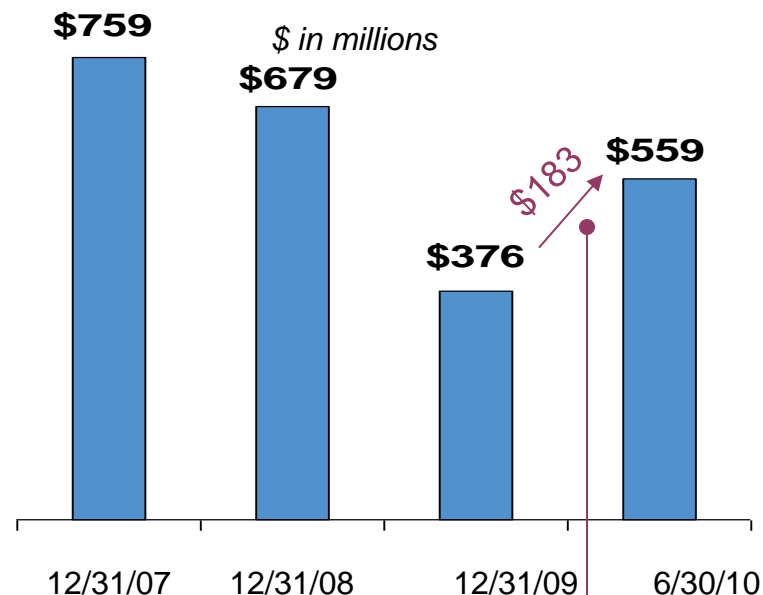
Summary

- Volumes rose in nearly all product lines due to generally improving market conditions in Q2'10
- Results reflected a strong performance in monomers due to global acrylic monomer shortage, which allowed for more aggressive pricing
- Cumulative productivity actions continue to support higher earnings
- Ongoing pricing actions underway to address raw material headwinds in certain product lines

Balance Sheet Update & Financial Summary

- Working capital increased by \$183 million in the first half of 2010 versus year-end 2009 levels reflecting increased volumes and rising raw materials
- Q2'10 capital expenditures of \$26 million
- Liquidity remained strong with cash plus borrowing availability of \$390 million at June 30, 2010

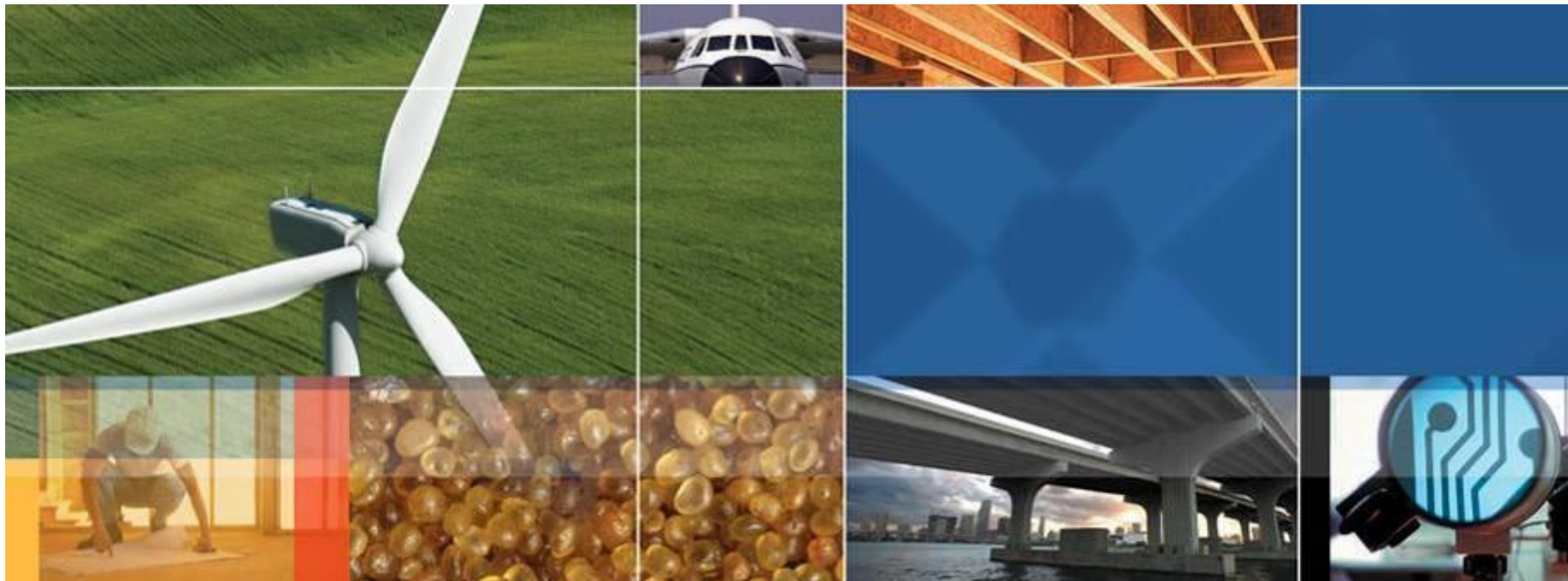
Net Working Capital



| | |
|-----------------------|-------------|
| Change in Days | (16) |
| Volume | 132 |
| Raw Material Costs | 87 |
| FX/ Other | (20) |
| | <u>183</u> |

Net Debt: ~ \$3.5 billion (6/30/10) ⁽¹⁾

(1) Includes \$100 million of affiliated debt. See detail of Hexion's total debt in the Appendix of this presentation.



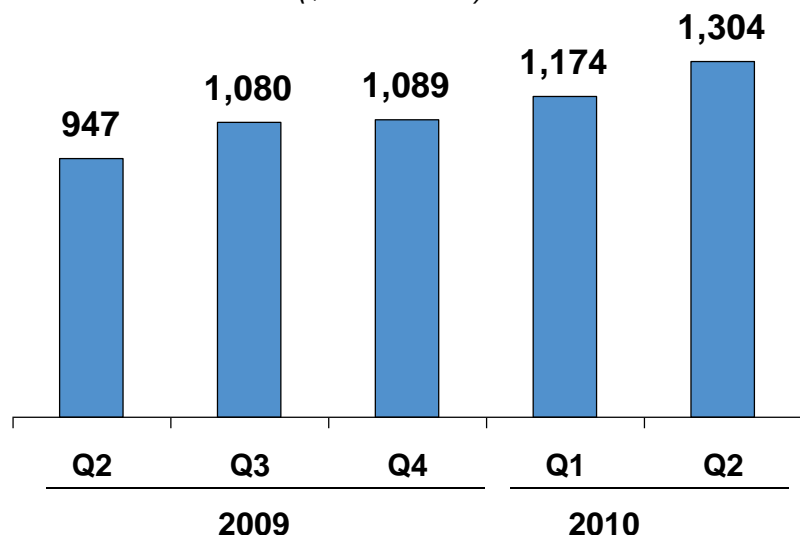
Summary

William H. Carter

Summary: Hexion Q2'10 Results & Outlook

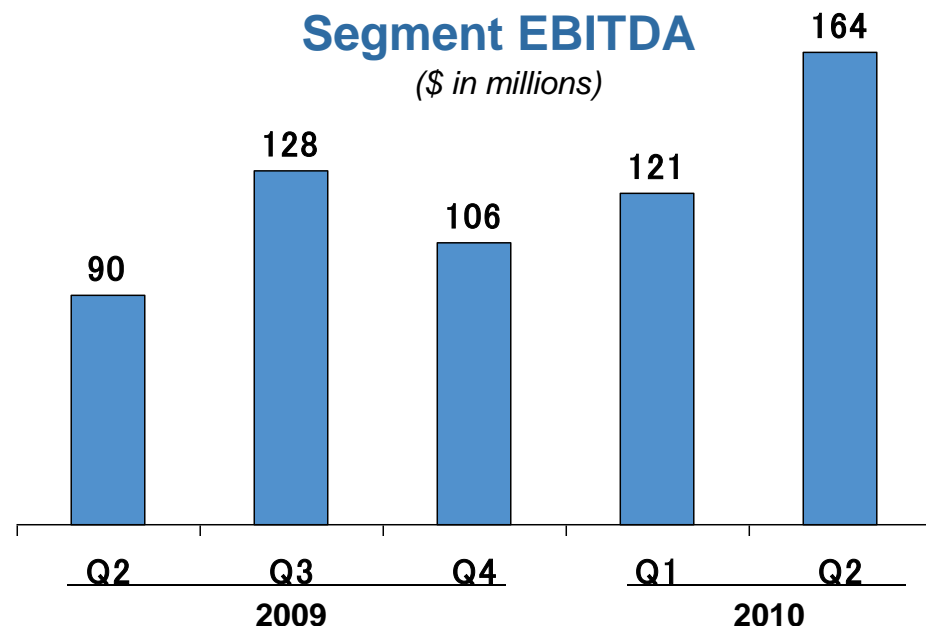
Revenue

(\$ in millions)

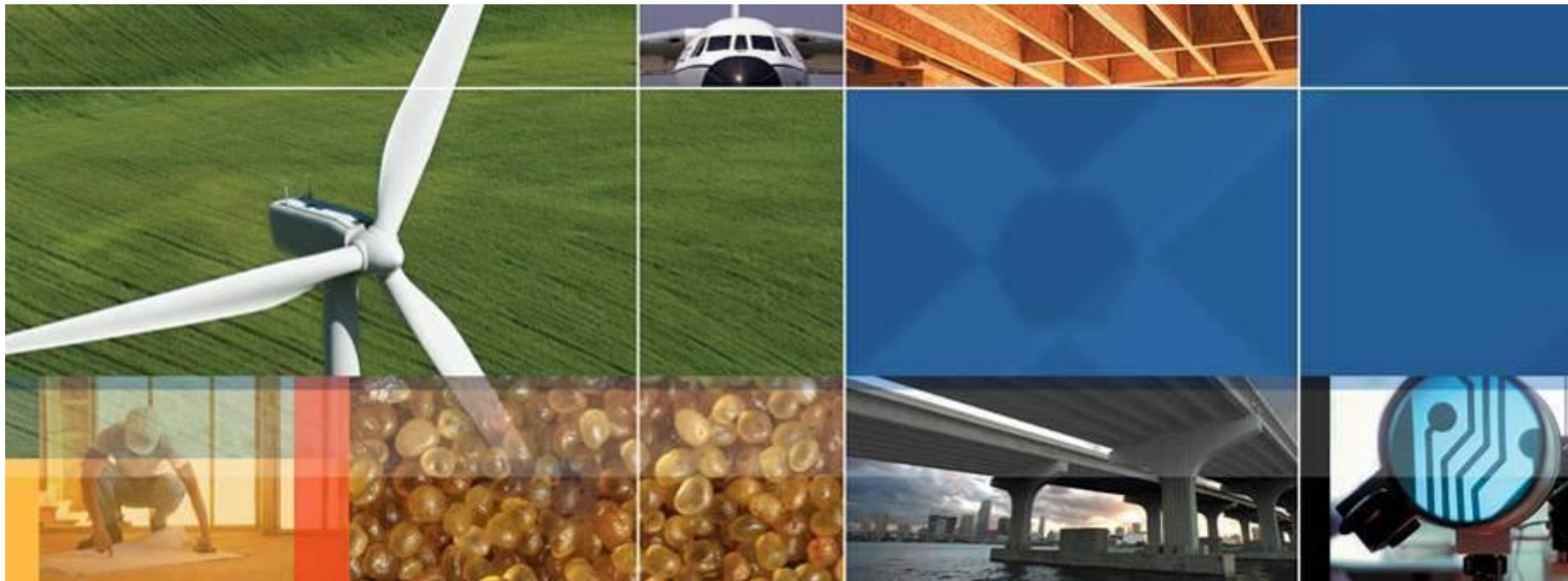


Segment EBITDA

(\$ in millions)



- Strong Q2'10 results reflect operating leverage from cumulative productivity actions and broad based pricing actions
- Cost-efficiency remains a priority: in-process productivity actions of \$70 million at 6/30/10
- Hexion continues to selectively invest in high growth global regions, while preserving liquidity of \$390 million
- Despite the ongoing volatility in various leading economic indicators, Hexion remains optimistic that the recovery in volumes will continue in 2010



Appendices

Reconciliation of Non-GAAP Financial Measures

| | <u>Three months ended June 30,</u> | | <u>Six months ended June 30,</u> | |
|--|------------------------------------|----------------|----------------------------------|--------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Segment EBITDA: | | | | |
| Epoxy and Phenolic Resins | \$ 102 | \$ 63 | \$ 178 | \$ 109 |
| Formaldehyde and Forest Product Resins | 50 | 22 | 92 | 44 |
| Coatings and Inks | 27 | 22 | 42 | 23 |
| Corporate and Other | (15) | (17) | (27) | (25) |
| Reconciliation: | | | | |
| Items not included in Segment EBITDA | | | | |
| Terminated merger and settlement income, net | 27 | 12 | 35 | 42 |
| Non-cash charges | (2) | (3) | (11) | 1 |
| Unusual items: | | | | |
| Gain/(loss) on divestiture of assets | 2 | 2 | 2 | (1) |
| Business realignments | (3) | (22) | (11) | (38) |
| Asset impairments | — | (44) | — | (47) |
| Other | (8) | (8) | (16) | (22) |
| Total unusual items | (9) | (72) | (25) | (108) |
| Total adjustments | 16 | (63) | (1) | (65) |
| Interest expense, net | (72) | (56) | (135) | (120) |
| Gain on extinguishment of debt | — | 14 | — | 182 |
| Income tax (expense) benefit | (13) | 3 | (18) | — |
| Depreciation and amortization | (43) | (44) | (86) | (88) |
| Net income (loss) attributable to Hexion Specialty Chemicals, Inc. | 52 | (56) | 45 | 60 |
| Net income attributable to noncontrolling interest | — | — | — | 1 |
| Net income (loss) | <u>\$ 52</u> | <u>\$ (56)</u> | <u>\$ 45</u> | <u>\$ 61</u> |

Fixed Charge Covenant Calculations

(U.S. Dollars in Millions)

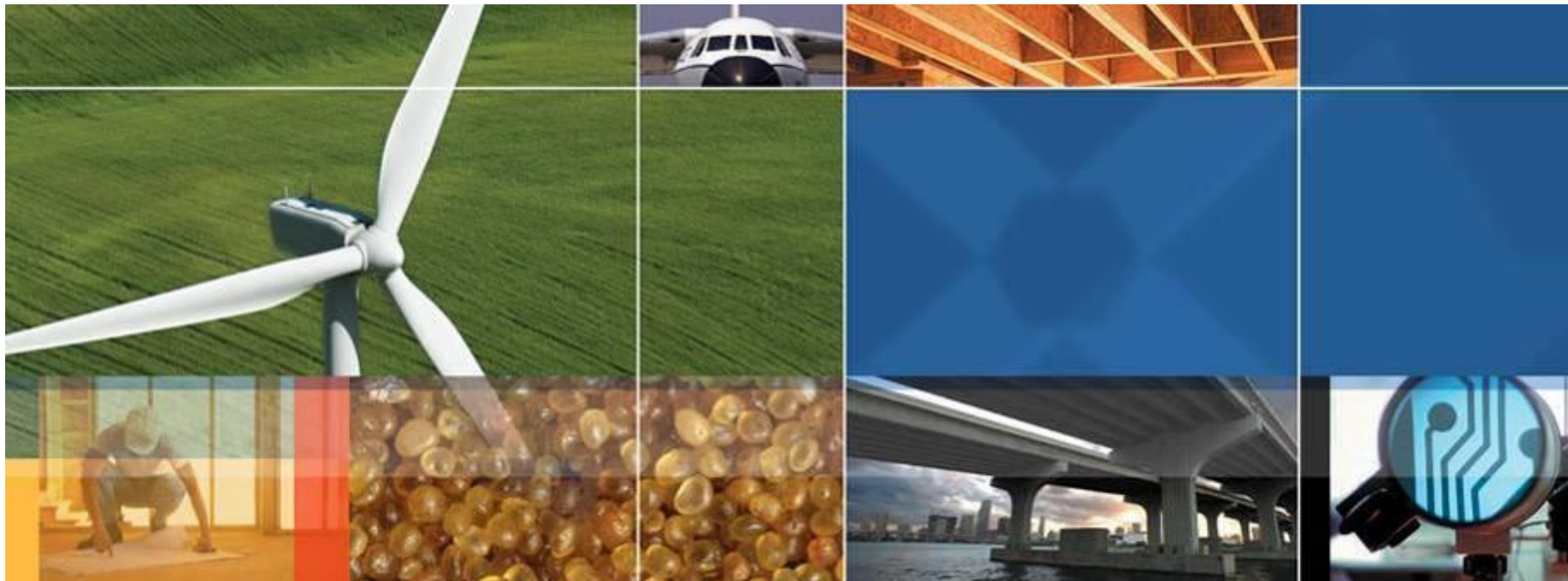
| | June 30, 2010 <u>LTM Period</u> |
|---|---------------------------------------|
| Reconciliation of Net Income to Adjusted EBITDA | |
| Net income | \$ 100 |
| Income taxes | 20 |
| Gain on extinguishment of debt | (42) |
| Interest expense, net | 238 |
| Depreciation and amortization | 176 |
| EBITDA | <u>492</u> |
| Adjustments to EBITDA: | |
| Terminated merger and settlement income, net ⁽¹⁾ | (55) |
| Net income attributable to noncontrolling interest | (2) |
| Non-cash items ⁽²⁾ | 8 |
| Unusual items: | |
| Loss on divestiture of assets | 3 |
| Business realignments ⁽³⁾ | 29 |
| Asset impairments | 5 |
| Other ⁽⁴⁾ | 57 |
| Total unusual items | <u>94</u> |
| Productivity program savings ⁽⁵⁾ | 70 |
| Adjusted EBITDA | <u>\$ 607</u> |
| Fixed charges ⁽⁶⁾ | <u>\$ 258</u> |
| Ratio of Adjusted EBITDA to Fixed Charges ⁽⁷⁾ | <u>2.35</u> |

Fixed Charge Covenant Calculations Footnotes

- (1) Represents negotiated reductions on accounting, consulting, tax and legal costs related to the terminated Huntsman merger and recognition of insurance settlements associated with the New York Shareholder Action. Also represents insurance recoveries related to the \$200 million termination settlement payment made on behalf of the Company that was pushed down and treated as an expense of the Company in 2008. These amounts are partially offset by legal settlement accruals pertaining to the New York Shareholder Action. (Refer to Hexion's 2009 Annual Report on 10-K and other SEC filings for a description of the New York Shareholder Action.)
- (2) Represents stock-based compensation, the write-off of previously deferred financing fees and unrealized foreign exchange and derivative activity.
- (3) Represents plant rationalization and headcount reduction expenses related to productivity programs and other costs associated with business realignments.
- (4) Primarily includes pension expense related to formerly owned businesses, business optimization expenses, management fees, retention program costs, realized foreign currency activity and debt issuance costs related to the January Refinancing Transactions.
- (5) Represents pro-forma impact of in-process productivity program savings.
- (6) Reflects pro forma interest expense based on interest rates at August 4, 2010 as if the January Refinancing Transactions and the execution of a new interest rate swap in July 2010 had taken place at the beginning of the period.
- (7) 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 June 30, 2010, the Company was able to satisfy this test and incur additional indebtedness under this indenture.

Debt at June 30, 2010

| | June 30, 2010 | | December 31, 2009 | |
|--|-----------------|---------------------|-------------------|---------------------|
| | Long-Term | Due Within One Year | Long-Term | Due Within One Year |
| Non-affiliated debt: | | | | |
| Senior Secured Credit Facilities: | | | | |
| Revolving facility due 2011 | \$ — | \$ — | \$ 36 | \$ — |
| Floating rate term loans due 2013 | 455 | 7 | 2,211 | 23 |
| Floating rate term loans due 2015 | 930 | 16 | — | — |
| Senior Secured Notes: | | | | |
| 8.875% senior secured notes due 2018 (includes \$7 of unamortized debt discount) | 993 | — | — | — |
| Floating rate second-priority senior secured notes due 2014 | 120 | — | 120 | — |
| 9.75% second-priority senior secured notes due 2014 | 533 | — | 533 | — |
| 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 Non-affiliated Borrowings: | | | | |
| Australia Multi-Currency Term / Working Capital Facility due 2011 | 38 | 9 | 46 | 8 |
| Brazilian bank loans | 34 | 40 | 30 | 35 |
| Capital leases | 13 | 1 | 14 | 1 |
| Other | 7 | 12 | 13 | 11 |
| Total non-affiliated debt | <u>3,448</u> | <u>85</u> | <u>3,328</u> | <u>78</u> |
| Affiliated debt: | | | | |
| Affiliated borrowings due on demand | — | 4 | — | 4 |
| Affiliated term loan due 2011 | <u>100</u> | <u>—</u> | <u>100</u> | <u>—</u> |
| Total affiliated debt | <u>100</u> | <u>4</u> | <u>100</u> | <u>4</u> |
| Total debt | <u>\$ 3,548</u> | <u>\$ 89</u> | <u>\$3,428</u> | <u>\$ 82</u> |



HEXION™

Specialty Chemicals