



Momentive Specialty Chemicals Inc.

**Third Quarter 2013
Earnings Conference Call**

November 13, 2013

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 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 impact of our substantial indebtedness, our failure to comply with financial covenants under our credit facilities or other debt, 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, 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 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 Third Quarter 2013 Results

Craig O. Morrison

Chairman, President & Chief Executive Officer

Third Quarter 2013 Results

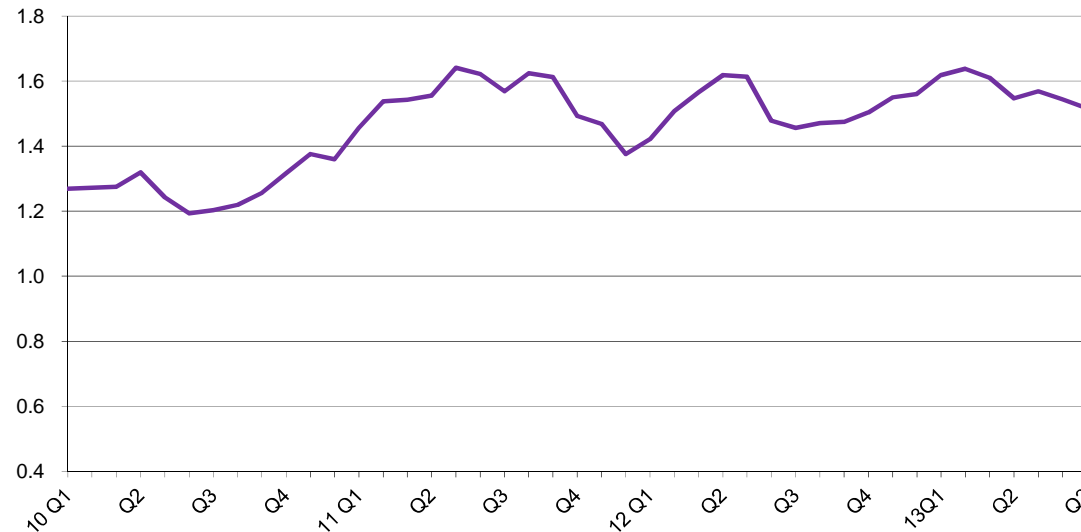
- Total revenues increased 6% to \$1.25 billion in 3Q'13
- Total Segment EBITDA⁽¹⁾ increased 4% to \$120 million
 - Forest Products Segment EBITDA up 18% on North American housing market improvement and impact of productivity/cost savings actions
 - Epoxy, Phenolic and Coatings Resins Segment EBITDA improved modestly as gains in oilfield and phenolic specialty resins were offset by cyclical in base epoxy resins
- Remain focused on investing in our specialty portfolio, further enhancing our cost structure and maintaining a strong balance sheet with significant liquidity
 - Signed a non-binding Memo of Understanding (MOU) with Kanoria Chemicals & Industries Limited to form a formaldehyde and phenolic specialty resins joint venture in India
 - Approved construction of a new forest products plant approved in Brazil
 - \$60 million of cumulative savings achieved under the Shared Services Agreement
 - Total liquidity of \$762 million as of September 30, 2013

Quarter Ended September 30			
(\$ in millions)	2012	2013	Δ
Revenue	\$1,177	\$1,249	6%
Segment EBITDA ⁽¹⁾	115	120	4%

(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.

Overview of Raw Materials Environment

Global Raw Materials Cost Index



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-ICIS, Acquisition prices

Summary

- Q3'13 raw material pricing generally flat from Q2'13 although regional price differences persist for certain key raw materials
- YTD'13 raw material costs remain volatile compared to YTD'12:
 - Phenol ↑ 6%; Methanol ↑ 16% ; Urea ↓ (26)%
- Anticipate continued raw material volatility into 2014 as global markets remain mixed

Strong and Growing Presence in High Growth BRIC Regions

Strategically Positioned in BRIC Regions

Asia Pacific ⁽¹⁾



9 manufacturing sites

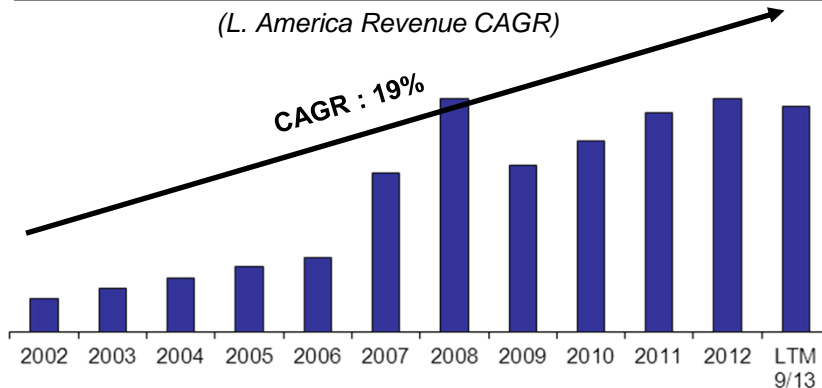
Latin America



5 manufacturing sites

Growing Latin America Presence

(L. America Revenue CAGR)



Summary

- Remain focused on growing specialty portfolio and expanding presence in high growth BRIC regions
 - BRIC/RoW represents ~ 25% of total revenues today
 - Medium-term target of > 40% of revenues
- Opened new manufacturing facility in Chonburi, Thailand to product a broad range of acrylic resins for use in coatings, adhesives and building and construction applications
- Signed a non-binding MoU with Kanoria Chemicals and Industries Limited in October to form a phenolic specialty resins and formaldehyde joint venture in India
- Approved construction of a new forest products plant in Brazil in October
- Construction remains on track for a phenolic specialty resins JV in China
 - Expected to be operational by end of the year

(1) Includes joint venture locations.



Momentive Specialty Chemicals Inc.

Financial Review

William H. Carter

Executive Vice President & Chief Financial Officer

Epoxy, Phenolic and Coating Resins Third Quarter 2013 Segment Results

(\$ in millions)	Quarter Ended September 30		
	2012	2013	Δ
Revenue	\$ 751	\$ 806	7%
Segment ⁽¹⁾ EBITDA	76	77	1%
Segment EBITDA Margin	10.1%	9.6%	(50)bps

3Q'13 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
9%	(4)%	2%	7%

Summary

- Sales increase reflects improved demand within oilfield and specialty epoxy businesses
- Segment EBITDA improved slightly year-over-year
 - Modest gains in oilfield and phenolic specialty resins were offset by cyclical in base epoxy resins

(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 2013 Segment Results



(\$ in millions)	Quarter Ended September 30		
	2012	2013	Δ
Revenue	\$ 426	\$ 443	4%
Segment EBITDA	49	58	18%
Segment EBITDA Margin	11.5%	13.1%	160 bps

3Q'13 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
3%	4%	(3)%	4%

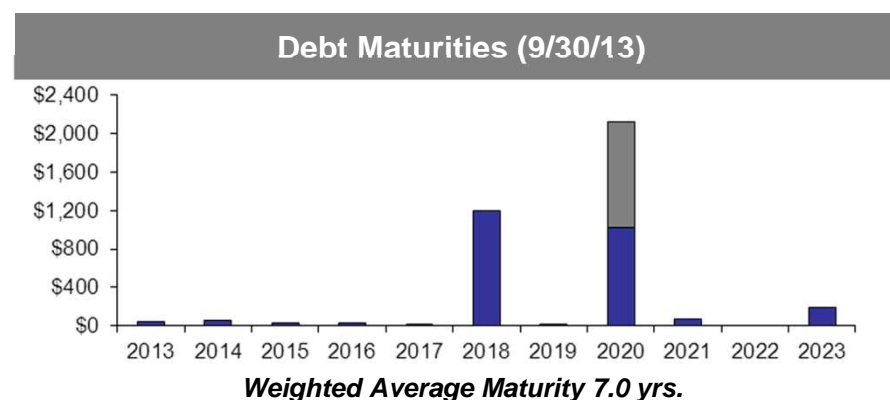
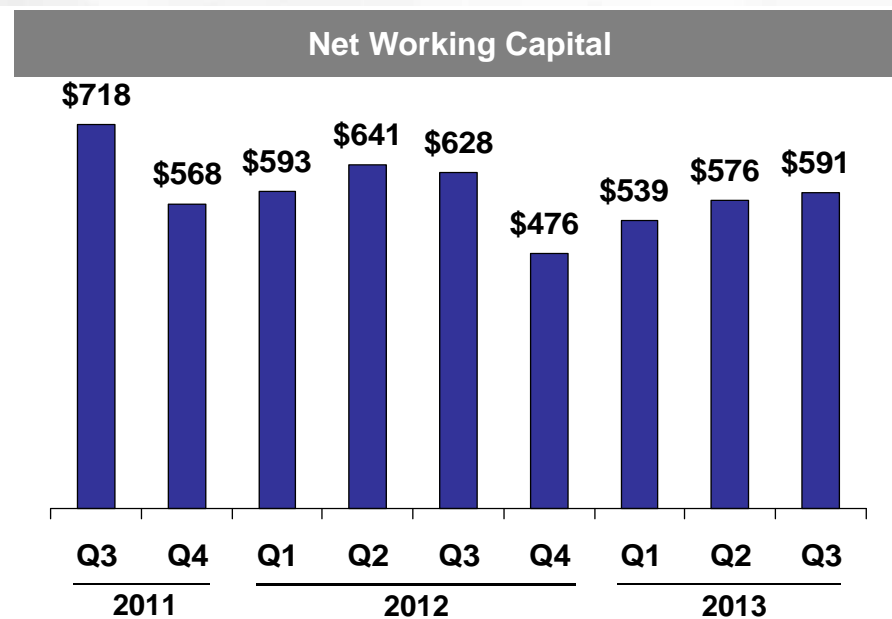
Summary

- 3Q'13 sales reflects volume gains and positive pricing actions, partially offset by portfolio rationalizations in Europe and the Asia Pacific region
- Segment EBITDA gains reflect improving volumes from North American housing demand and Latin America, as well as favorable mix, portfolio optimization and cost control initiatives

Balance Sheet Update & Financial Summary

Summary

- Substantial liquidity: cash plus borrowing availability of \$762 million at September 30, 2013
- 3Q'13 capital expenditures of \$36 million
 - Expect capital expenditures of ~ \$145 million in FY'13
- Continued focus on working capital management
 - Net working capital improved by \$37 million in 3Q'13 vs. 3Q'12 despite increasing year-over-year volumes
- Following a \$1.1 billion refinancing in January 2013, the Company has:
 - No material debt maturities before 2018
 - No financial maintenance covenants currently in effect ⁽¹⁾



NET DEBT: ~ \$3.45 BILLION (9/30/13)⁽³⁾

(1) No financial maintenance covenants in MSC's capital structure except for ABL upon minimum availability trigger. Debt maturity reference includes only MSC OpCo debt and does not include debt from subsidiaries

(2) Net working capital defined as accounts receivable and inventories less accounts and drafts payable. Recasted for discontinued operations.

(3) See details of Momentive Specialty Chemical's total debt in the Appendix of this presentation.

Closing Remarks

Third Quarter 2013 Closing Remarks

- Financial performance improved in Q3'13
 - Forest Products continues to benefit from strategic investments in BRIC regions, cost savings / productivity initiatives and gradual recovery of North American housing market
 - Epoxy results improved modestly overall with gains in specialty portfolio offset by cyclical in base epoxy resins business
- Continue to make strategic investments in specialty portfolio and high growth geographies, such as a non-binding MOU with Kanoria Chemicals and approval for a new forest products plant in Brazil
- Remain focused on driving further cost structure enhancements and realization of shared services agreement savings
 - \$60 million of cumulative savings achieved under the Shared Services Agreement
- Balance sheet is healthy and we have significant liquidity with cash and available borrowings of \$762 million as of September 30, 2013

MSC REMAINS WELL-POSITIONED FOR LONG-TERM GROWTH

Appendices

Reconciliation of Non-GAAP Financial Measures

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	\$ 77	\$ 76	\$ 218	\$ 291
Forest Products Resins	58	49	172	151
Corporate and Other	(15)	(10)	(47)	(36)
Reconciliation:				
Items not included in Segment EBITDA:				
Asset impairments	—	—	(7)	(23)
Business realignment costs	(4)	(11)	(15)	(29)
Integration costs	(4)	(2)	(9)	(8)
Other	(17)	(7)	(43)	(25)
Total adjustments	(25)	(20)	(74)	(85)
Interest expense, net	(77)	(66)	(227)	(198)
Loss on extinguishment of debt	—	—	(6)	—
Income tax (expense) benefit	(57)	351	(31)	349
Depreciation and amortization	(37)	(38)	(113)	(115)
Net (loss) income	<u>\$ (76)</u>	<u>\$ 342</u>	<u>\$ (108)</u>	<u>\$ 357</u>

- (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.
- (2) Momentive Performance Materials Holdings LLC (“Holdco”) is the ultimate parent company of MPM and MSC. **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 secured 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.**

Debt at September 30, 2013

(\$ in millions)

	September 30, 2013		December 31, 2012	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Senior Secured Credit Facilities:				
Floating rate term loans due 2015	\$ —	\$ —	\$ 895	\$ 15
Senior Secured Notes:				
6.625% First-Priority Senior Secured Notes due 2020 (includes \$7 of unamortized debt premium at September 30, 2013)	1,557	—	450	—
8.875% Senior Secured Notes due 2018 (includes \$4 and \$6 of unamortized debt discount at September 30, 2013 and December 31, 2012, respectively)	1,196	—	994	—
Floating rate Second-Priority Senior Secured Notes due 2014	—	—	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	40	20	60	2
Other Borrowings:				
Australia Facility due 2014	38	4	31	5
Brazilian bank loans	15	48	18	41
Capital Leases	9	1	10	1
Other	12	9	4	12
Total	<u>\$ 3,704</u>	<u>\$ 82</u>	<u>\$ 3,419</u>	<u>\$ 76</u>

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