



Hexion Inc.

Fourth Quarter & Fiscal Year 2015 Results

March 14, 2016

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 Fourth Quarter & Fiscal Year 2015 Results

Craig O. Morrison
Chairman, President and Chief Executive Officer

Fourth Quarter 2015 Results



Quarter Ended December 31			
(\$ in millions)	2014	2015	Δ
Revenue	\$1,160	\$909	(22)%
Segment EBITDA ⁽¹⁾	91	73	(20)%

- Revenue decreased 22% to \$909 million reflecting the negative impact of the strengthening U.S. Dollar, softer volumes in oilfield proppants and lower selling prices from the decline in raw material costs
 - On a constant currency basis, revenue decreased 14% for the quarter

- Total Segment EBITDA⁽¹⁾ decreased 20% to \$73 million
 - On a constant currency basis, total Segment EBITDA decreased 10% for the quarter
 - Prior year quarter benefited from the positive impact of \$13 million in favorable one-time items
 - In EPCD, improvement in our specialty epoxy and Versatic™ Acids and Derivatives businesses could not fully offset softer oilfield proppants results and the impact of the U.S. dollar strengthening
 - Forest Products Segment EBITDA declined 20% reflecting currency headwinds, Latin America volatility and softer Triazine demand

(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.

Fourth Quarter 2015 Results *cont.*



- Continued strategic investments in global network
 - Successfully brought online the second of three new formaldehyde sites in Geismar, La.
- Identified approximately \$35 million in additional productivity targets; \$43 million of structural cost savings remain in process as of December 31, 2015
 - In our base epoxy resins business, site rationalization at Norco expected to add \$20 million in Segment EBITDA on a run rate basis
 - Productivity actions at Duisburg, Germany, site to add ~ \$9 million in Segment EBITDA on a run rate basis
 - Additional SG&A actions throughout global network



**Targeting Additional Productivity Initiatives
While Successfully Driving Forest Product Expansions**

Fiscal Year 2015 Results



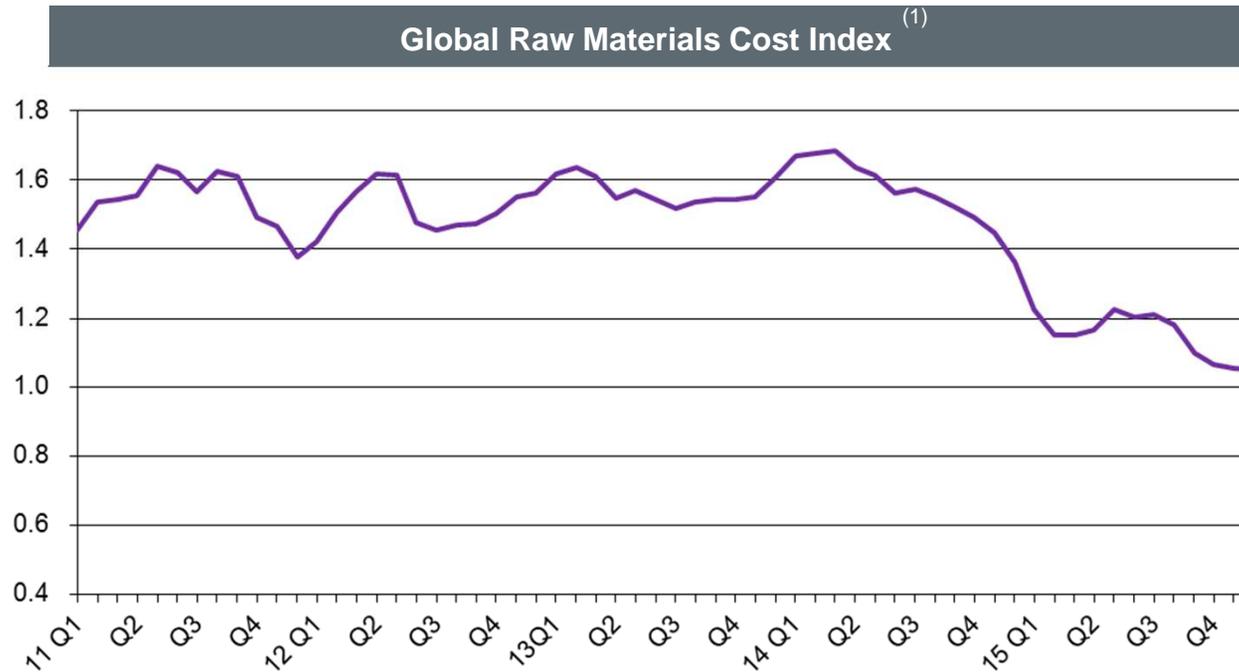
	Year Ended December 31		
(\$ in millions)	2014	2015	Δ
Revenue	\$5,137	\$4,140	(19)%
Segment EBITDA ⁽¹⁾	462	466	1%

- Revenue decreased 19% to \$4.1 billion reflecting the negative impact of the strengthening U.S. dollar, softer volumes in oilfield proppants and lower selling prices from the decline in raw material costs
 - On a constant currency basis, revenue decreased 11% for the fiscal year
- Total Segment EBITDA⁽¹⁾ increased 1% to \$466 million
 - On a constant currency basis, total Segment EBITDA increased 11% in 2015
 - Year-over-year EBITDA gains supported primarily by specialty epoxy, base epoxy resins, Versatic™ Acids and Derivatives, and N. American forest product resins businesses, which offset declines in oilfield proppants and the impact in the U.S. dollar strengthening
- Fiscal Year End 2015 cash and available borrowings of \$587, an increase of \$100 million compared to year-end 2014

Strong Cash flow from Operations and Aggressive Management of Net Working Capital in FY'15

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Overview of Raw Materials Environment



Summary

- Q4'15 total raw material pricing decreased approximately 9 percent globally on a sequential basis from Q3'15
- Total raw material pricing in 2015 declined significantly versus 2014:
 - Phenol ↓ (28)%; Methanol ↓ (22)% ; Urea ↓ (15)%
 - Closely monitoring key raw materials considering historical volatility

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

Hexion Continues to Take Actions to Optimize Productivity within its Manufacturing Footprint

- Hexion will rationalize its Norco, Louisiana, site by the end of June 2016
 - Changes are in response to large capacity additions in Asia combined with softening global demand for epichlorohydrin (ECH)
 - The Company will transfer production of some specialty epoxy products to other existing Hexion manufacturing sites
- Manufacturing changes at our Norco site enables us to improve our overall manufacturing utilization and cost structure
- Minimizes exposure to the more volatile, intermediate portions of the epoxy market and focuses on our higher value specialty products
 - Third party supply agreements in place for ECH going forward in N. America

**Site Rationalization at Norco Expected to Add
\$20 million in Segment EBITDA on a Run Rate Basis**

New Product Development and Strategic Formaldehyde Expansions Deliver Strong Growth Platform



Successfully Driving Innovation Pipeline

- Development of high performance composite resins delivering a strong and lightweight alternative to metal
 - Epikote™ epoxy resin systems specified by the BMW group for volume production of structural composite parts in the new BMW 7-Series autos

- Continued growth and innovation in automotive applications
 - Epikote™ and Epicure® composite coil spring developed in cooperation with Sogefi for Audi
 - Epikote™ and Epikure™ carbon fiber epoxy door and window casing for Porsche

- Steady investment in R&D support strong new product pipeline
 - Approximately 19% of our FY'15 sales were from new products developed over the last five years

Executing Forest Products Growth Platform

- Ongoing investment behind high growth platform

- Successfully completed construction of Geismar site in 4Q'15 and Luling expansion came online as planned in 1Q'16
 - New sites delivering contracted volumes to long-term customers

- Three plants -- 2 in N. America and 1 in L. America -- are in start up mode

Location	Comments	Initial Production
Curitiba, Brazil	<ul style="list-style-type: none"> • Direct pipeline to customer site 	OPENED 3Q'15
Geismar, La. (BASF)	<ul style="list-style-type: none"> • Contracted volumes 	OPENED 4Q'15
Luling, La. (Monsanto)	<ul style="list-style-type: none"> • Investment Grade Customers 	OPENED 1Q'16





Hexion Inc.

Financial Review

George Knight
Executive Vice President
and Chief Financial Officer

Epoxy, Phenolic and Coating Resins

Fourth Quarter 2015 Segment Results



(\$ in millions)	Quarter Ended December 31		
	2014	2015	Δ
Revenue	\$ 720	\$ 563	(22)%
Segment EBITDA ⁽¹⁾	49	42	(14)%
Segment EBITDA Margin	6.8%	7.5%	70bps

4Q'15 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
(6)%	(9)%	(7)%	(22)%

Summary

- Sales declined primarily due to lower volumes from softer oilfield proppants demand, currency translation headwinds and negative price/mix
- Improvement in our specialty epoxy and Versatic™ Acids and Derivatives businesses was offset by weaker oilfield proppants and phenolic specialty resins
 - Fourth quarter 2014 also included \$13 million of positive one-time items within this segment that did not reoccur in the current period
- Further streamlining operations as part of expanded productivity initiatives:
 - In addition to Norco, La., site actions, consolidating phenolic resole production in Iserlohn-Letmathe, Germany

(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 Fourth Quarter 2015 Segment Results



	Quarter Ended December 31		
(\$ in millions)	2014	2015	Δ
Revenue	\$ 440	\$ 346	(21)%
Segment EBITDA	64	51	(20)%
Segment EBITDA Margin	14.5%	14.7%	20bps

4Q'15 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
(8)%	(4)%	(9)%	(21)%

Summary

- Sales decreased primarily due to raw material price decreases passed through to customers and negative foreign currency translation
- EBITDA reflected currency headwinds, unplanned formaldehyde customer outages, weaker Triazine demand and softness in L. America business
 - Ex FX, Segment EBITDA decreased 6%

Balance Sheet Update & Financial Summary

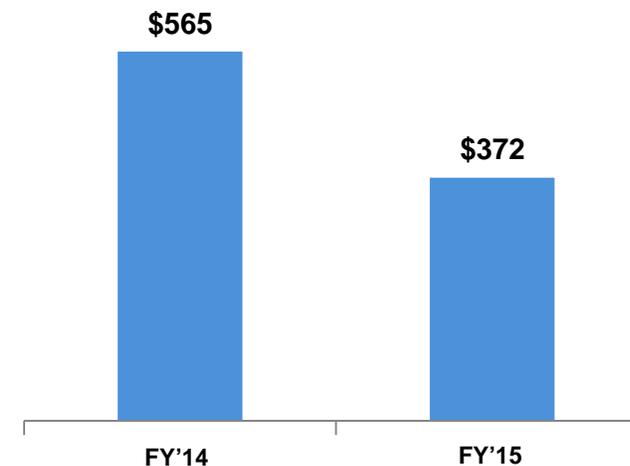


Summary

- Substantial liquidity: cash plus borrowing availability of \$587 million at December 31, 2015
- Hexion drove \$213 million in cash flow from operations in 2015
- 2015 capital expenditures of \$179 million
 - Projected 2016 capital expenditures to be lower than 2015
- Aggressively managing working capital
 - Net working capital (NWC) significantly 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 increase in net working capital in 2016 with an increase in the 1H'16 and a decrease in 2H'16, which is consistent with historical trends

Net Working Capital

(\$ in millions)



Substantial Liquidity of \$587 million as of December 31, 2015



Hexion Inc. Closing Remarks

Fourth Quarter and FY'15 Closing Remarks



- Q4'15 reported Segment EBITDA decreased 20% to \$73 million; (10)% constant currency basis
- FY'15 reported Segment EBITDA increased 1% to \$466 million; 11% constant currency basis
- Continued strategic investments in global network: construction of three new formaldehyde sites on-time and on-budget
- Identified approximately \$35 million in additional productivity targets; \$43 million of structural cost savings remain in process as of December 31, 2015
 - As a component of the in process savings, Norco site rationalization will create an incremental \$20 million of productivity for the base epoxy resins business
- Strong liquidity of \$587 million as of December 31, 2015



Drove Strong Levels of Cash Flow from Operations and Successfully Completed Construction of Two New Formaldehyde Sites in FY'15

Appendices

Reconciliation of Non-GAAP Financial Measures



(In millions)	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	\$ 42	\$ 49	\$ 307	\$ 290
Forest Products Resins	51	64	233	255
Corporate and Other	(20)	(22)	(74)	(83)
Total	\$ 73	\$ 91	\$ 466	\$ 462
Reconciliation:				
Items not included in Segment EBITDA:				
Asset impairments	\$ (6)	\$ (5)	\$ (6)	\$ (5)
Business realignment costs	(5)	(23)	(16)	(47)
Realized and unrealized foreign currency losses	7	(11)	(10)	(32)
Gain on extinguishment of debt	27	—	41	—
Unrealized gains (losses) on pension and OPEB plan liabilities	13	(102)	13	(102)
Other	2	11	(31)	(25)
Total adjustments	38	(130)	(9)	(211)
Interest expense, net	(81)	(78)	(326)	(308)
Income tax expense	(6)	(5)	(34)	(22)
Depreciation and amortization	(35)	(35)	(137)	(144)
Net loss attributable to Hexion Inc.	(11)	(157)	(40)	(223)
Net income (loss) attributable to noncontrolling interest	1	(1)	1	(1)
Net loss	\$ (10)	\$ (158)	\$ (39)	\$ (224)

Debt at December 31, 2015



(\$ in millions)

Following is a summary of our cash and cash equivalents and outstanding debt at December 31, 2015 and 2014:

	2015	2014
Cash and cash equivalents	\$ 236	\$ 172
Short-term investments	\$ —	\$ 7
Debt:		
ABL Facility	\$ —	\$ 60
Senior Secured Notes:		
6.625% First-Priority Senior Secured Notes due 2020 (includes \$4 and \$6 of unamortized debt premium at December 31, 2015 and 2014, respectively)	1,554	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 December 31, 2015 and 2014, respectively)	995	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	—	40
Other Borrowings:		
Australia Term Loan Facility due 2017	32	40
Brazilian bank loans	47	56
Capital Leases	10	9
Other	39	39
Unamortized debt issuance costs	(51)	(57)
Total	\$ 3,778	\$ 3,777

