

# FINAL TRANSCRIPT

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## **HXN - Q2 2011 Momentive Specialty Chemicals Inc Earnings Conference Call**

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*Momentive Specialty Chemicals Inc. - Director IR*

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*Momentive Specialty Chemicals Inc. - President, CEO*

**Bill Carter**

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## CONFERENCE CALL PARTICIPANTS

**Larry Jollon**

*Credit Suisse - Analyst*

**Tarek Hamid**

*JPMorgan - Analyst*

**Bill Hoffmann**

*RBC Capital Markets - Analyst*

**Roger Spitz**

*BofA Merrill Lynch - Analyst*

**James Finnerty**

*Citigroup - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the second-quarter 2011 Momentive Specialty Chemicals earnings conference call. My name is Keisha and I will be your operator for today. At this time all participants are in listen-only mode. We will conduct a question-and-answer session towards the end of this conference. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I would now like to hand the conference over to Mr. John Kompa, Director of Investor Relations. Please proceed.

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**John Kompa** - *Momentive Specialty Chemicals Inc. - Director IR*

Thank you, Keisha. Good morning and welcome to Momentive Specialty Chemicals' second-quarter 2011 earnings conference call. Leading today's call will be Craig Morrison, Chairman, President, and CEO; Bill Carter, Executive Vice President and Chief Financial Officer; and George Knight, Senior Vice President Finance, and Treasurer.

As a reminder, this call is also being webcast; and the slides referenced in today's conference call are available through the Momentive.com website under the investor relations section of Momentive Specialty Chemicals. A replay of this call will be available for three weeks, and the replay dial-in information is contained in Momentive Specialty Chemicals' second-quarter 2011 earnings release.

Before we start I would like to review information about forward-looking statements and the use of non-GAAP information as part of this call. As you know, some of our comments today may include statements about our expectations for the future. Those expectations are subject to known and unknown risk, uncertainties, and other factors that may cause the Company's actual results and performance in future periods to be materially different from any future results or performance suggested by these



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expectations. We can't guarantee the accuracy of any forecasts or estimates, and we undertake no obligation to update any forward-looking statements during the quarter, except as otherwise required by law.

If you would like more information on the risks involved in forward-looking statements please see our SEC filings, including our most recent annual report on Form 10-K and the detailed Risk Factors section.

In addition, some of our comments may reference non-GAAP financial measures. A reconciliation of the most directly comparable GAAP financial measure and other associated disclosures are contained in our earnings release and on our website. Our earnings release and our recent SEC filings are available on the Internet at [Momentive.com](http://Momentive.com).

With that, I will now turn the call over to Craig Morrison to discuss our quarterly results.

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**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Thanks, John. We were pleased to post strong quarterly results demonstrating the breadth of our specialty portfolio, our increased presence in the high-growth BRIC regions, and a low-cost manufacturing base.

Segment EBITDA increased to \$189 million compared to \$155 million in the prior year. The strong year-over-year increase in segment EBITDA was driven by our operating leverage, pricing actions, and an improved product mix.

Operating income totaled \$128 million. However, when adjusted for unusual items, pro forma operating income totaled \$146 million in 2Q '11 compared to pro forma operating income of \$104 million in 2Q '10.

Revenues increased to approximately \$1.4 billion, a 24% increase over prior year due to higher volumes, the contractual pass-through of increased raw materials, and pricing actions.

We were successful in driving our key initiatives of cost control and maintaining our liquidity position. In the first half of 2011, we achieved \$14 million of savings under the shared service agreement with Momentive Performance Materials, bringing MSC's total cost savings on a run rate basis to \$27 million since the program began.

Regarding our liquidity position, at the end of the quarter we had \$569 million in cash and available borrowings despite working capital increases primarily due to higher volumes and raw material inflation.

We also took additional steps to further improve our product portfolio through the recent sale of our North American coatings and composites business. Finally, at June 30, 2011, we were in compliance with all financial covenants that govern our senior secured credit facilities and indentures.

Turning to page 5, you can see an overview of our financials. As noted, our second-quarter 2011 sales increased 24% to approximately \$1.4 billion, reflecting a slight increase in year-over-year volumes, pricing actions, and the contractual pass-through of escalating raw material costs.

Operating income totaled \$128 million versus \$132 million in the prior year due to the negative impact of \$18 million in impairment costs as well as \$28 million in pushed-down income in the prior-year period. Excluding the unusual items, pro forma operating income increased 40% in the second quarter of 2011 versus the prior year.

Net income totaled \$63 million versus \$52 million in the prior year, while second-quarter 2011 segment EBITDA reached \$189 million, a 22% increase over the prior year.



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Oilfield resins, base epoxy revenues, phenolic specialty resins, North American Formaldehyde, and our Latin American Forest Products businesses all posted strong year-over-year gains. We continue to post significant earning gains on relatively modest volume increases due to our operating leverage, pricing actions, and our disciplined approach to costs.

Turning to slide 6 and our combined raw material index, where the steady trend of higher raws since early 2009 is evident and continued through the first half of 2011. On a year-over-year basis, we saw significant increases in phenol, methanol, urea, and propylene ranging from 15% to 37%. Ongoing pricing actions generally offset year-over-year raw material inflation on a quarterly basis.

Looking ahead, we expect raw material costs to stabilize for the remainder of 2011 and that the pricing actions we took in late 2010 and 2011 will continue to compensate for the increase in raw material and energy costs experienced in the first half of '11.

Turning to page 7, our revenue rose by \$282 million or 24% in the second quarter of 2011 versus the prior year. Pass-through of higher raw material costs increased sales by \$137 million, while foreign currency translation and volumes boosted sales by \$99 million and \$46 million, respectively.

Epoxy and Phenolic Resins sales increased by \$237 million or 32%. Favorable mix, ongoing pricing initiatives, and the pass-through of raw materials resulted in positive pricing impacts of \$108 million, while foreign exchange translation resulted in \$71 million in incremental sales.

Higher volumes accounted for \$58 million of the increase. We continue to benefit from short-term capacity constraints that positively impacted our monomers business during the quarter.

Despite soft North American housing conditions, we posted a solid performance in our Forest Products Resins business as sales rose by 11%. We benefited from the contractual pass-through of raw materials, which accounted for \$29 million of the increase and favorable foreign currency contributed \$28 million. However, a decrease in volumes negatively impacted sales by \$12 million driven by customer restocking in 2Q '10 that did not reoccur in 2Q '11.

Turning to slide 8, our sales growth also drove a strong overall EBITDA increase. Epoxy, Phenolic, and Coatings Resins posted a 31% gain for the quarter. Results reflected favorable mix, improved pricing initiatives, tight market conditions for base epoxies, and strong demand for our phenolic specialty resins and oilfield businesses.

Segment EBITDA was flat in our Formaldehyde and Forest Products Resins business for the quarter. Our North American Resins business continued to feel the effects of a soft housing market, while we experienced a decrease in volumes in our European Forest Products business due to continued competitive pressures. These challenges were offset by continued strong performance in our Formaldehyde business and our Latin American Forest Products business.

Turning to slide 9, we have put a strong multiyear growth strategy in place for MSC which drove our 24% top-line and 35% segment EBITDA growth in the first half of 2011 compared to the prior year. We focused on new product development and seeing the positive results of this investment, as approximately 21% of our 2010 revenues were from products developed in the last five years.

While we have been increasing our product offering, we have also been expanding our global footprint in the faster growing global regions. For example, we are pleased with our progress in growing our business in the BRIC economies, as we posted a 29% CAGR from 2007 to 2010. We have also just brought our new Versatic site online in Korea, which will support further regional growth; and we have additional Versatic capacity under construction in China.

The combination of our proprietary technology and BRIC growth has supported our shift to higher-margin specialty products such as our oilfield resins, specialty epoxy, Versatics, and international Forest Products Resins.

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Let me now turn the call over to Bill Carter, our CFO.

**Bill Carter** - *Momentive Specialty Chemicals Inc. - EVP, CFO*

Thank you, Craig. Turning to our Epoxy and Phenolic Resins segment, our second-quarter 2011 revenue totaled \$972 million, increasing 32% versus prior year, with price mix improvement of 14%, currency translation benefit of 10%, and volume improvement of 8%. Quarterly segment EBITDA increased by 31% versus the prior year.

As Craig mentioned, our results reflected strong performances in our oilfield resins business where we continue to see higher volumes and favorable pricing. We also saw continued strength in volumes and our specialty phenolics business, driven primarily by the growth in industrial markets. In the second quarter our base epoxy business also continued to perform well due to improving demand and overall market tightness.

Finally, as Craig indicated, we are pleased to announce that our new Versatic operation within the Onsan, Korea, plant began operation. Our Versatics Acid business continues to serve as a key driver of our Asia Pacific growth.

Turning to the next slide, in our Formaldehyde and Forest Products segment, sales increased 11% to \$466 million with price mix gains of 7% and translation gains of 7%, partially offset by volume declines of 3%. Our North American Formaldehyde business posted strong results, with continued gains in some of our specialty products such as triazene and hexamine. Triazene has shown great growth as it serves the oil and gas production and refining markets.

Our North American Resins business continued to reflect the soft housing market, while our European business had a challenging quarter with continued weak demand. Fortunately our Latin American Forest Products business continued to perform well.

Turning to the next slide and our balance sheet, we continued to strengthen our liquidity position with cash plus borrowing availability under our credit facilities of \$569 million at the end of the second quarter of 2011. Our net working capital improved sequentially by \$8 million despite higher raw material costs and sequential volume increases.

Days inventory outstanding also improved sequentially as 2Q 2011 totaled 38.9 days compared to 39.7 days as of Q1 2011. We are taking a number of actions to drive working capital lower going forward, and for the full year we continue to expect only a small overall increase in working capital.

Our capital expenditure investments totaled \$44 million in the second quarter of 2011. We continue to anticipate \$120 million to \$130 million in CapEx for 2011 in support of numerous growth opportunities.

Let me return the call to Craig to wrap up.

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Thanks, Bill. Looking at our second-quarter 2011 performance, we are seeing the benefits of our long-term growth strategy as sales reached \$1.4 billion and segment EBITDA reached \$189 million. We are also pleased with our efforts to further streamline our portfolio.

Following the divestiture of our Inks and Adhesives business in January, we completed the sale of our North American coatings and composites business. Both divestitures will increase our profitability margins going forward.

Our results were also supported by the savings from the shared service agreement with MPM, and we expect to take many of the actions in 2011 to achieve the expected synergies. Due to the recent worldwide economic developments, the short-term outlook for the remainder of 2011 is difficult to predict, although we believe our business is well positioned over the long term.



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Finally, cost control and maintaining a strong liquidity position remain a priority for us. Thank you for your continued interest in the Company, and I will now return the call to John Kompa.

**John Kompa** - *Momentive Specialty Chemicals Inc. - Director IR*

Thanks, Craig. Operator, we would now like to open the line for questions, if you could remind the callers of the instructions.

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Larry Jollon, Credit Suisse.

**Larry Jollon** - *Credit Suisse - Analyst*

Good morning. I may have missed this; I wasn't taking notes fast enough. But is it fair to say that the FX tailwind in the quarter on the sales line was about 10% year-over-year? Is that fair?

**Bill Carter** - *Momentive Specialty Chemicals Inc. - EVP, CFO*

Yes, on the sales line there is actually -- I quoted the percentage, and on a year-on-year basis that is approximately correct.

**Larry Jollon** - *Credit Suisse - Analyst*

Then how much of that do you think benefited you on the EBITDA line?

**Bill Carter** - *Momentive Specialty Chemicals Inc. - EVP, CFO*

It was an overall benefit to us. It is not a specific number we disclosed; but that does drop to the bottom line as a benefit.

**Larry Jollon** - *Credit Suisse - Analyst*

Okay. Then the sale of your North American coatings and composites business in the quarter, it looks like the proceeds were \$49 million. Is that correct?

**Bill Carter** - *Momentive Specialty Chemicals Inc. - EVP, CFO*

Yes.

**Larry Jollon** - *Credit Suisse - Analyst*

Can you disclose what the sales and EBITDA in 2010 associated with that business was?

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**Bill Carter** - *Momentive Specialty Chemicals Inc. - EVP, CFO*

Yes; give us a second in terms of sales and EBITDA. Actually, you will see in the back of this deck, the restated financials showing -- taking out that sale.

**Larry Jollon** - *Credit Suisse - Analyst*

Because there were two sales, right? There was the one in the first quarter and then the one --?

**Bill Carter** - *Momentive Specialty Chemicals Inc. - EVP, CFO*

Yes, there was the sale of our Inks and Adhesives business in the first quarter, and the sale of the coatings business in the second quarter.

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Inks was taken out in the first quarter already.

**Bill Carter** - *Momentive Specialty Chemicals Inc. - EVP, CFO*

Yes, Inks was taken out in the first quarter already, so what we have disclosed in the second quarter is simply taking out the coatings business.

**Larry Jollon** - *Credit Suisse - Analyst*

Okay, I will try to figure that out. If not, I will follow up with John. As it relates to the Formaldehyde and Forest Products business, as you know the press has reported that business for sale. Can you comment on the sale process?

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Yes, we don't comment on speculation about potential sales of business units. So we are not making any comment relative to any statements in the press.

**Larry Jollon** - *Credit Suisse - Analyst*

Okay. Fair enough. My last question is just as it relates to the carcinogen report. Are you seeing any impact on any of your businesses?

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

No, we have -- our Formaldehyde business continues to be very strong and growing very nicely on a year-over-year basis. We think -- we deal with chemicals that are regulated all the time; that is just part of the industry. And we think this is a very manageable situation.

It is not preferable from our standpoint, but it is certainly very manageable that when you look at formaldehyde it is a very ubiquitous material that is extremely cost-effective, very technically effective, and would be very, very hard to replace in most applications. So we continue to think it will have a very good growth future going forward.

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**Larry Jollon** - *Credit Suisse - Analyst*

Thanks for your time.

**Operator**

Tarek Hamid, JPMorgan.

**Tarek Hamid** - *JPMorgan - Analyst*

Good morning. On your guidance you said that the short-term outlook is hard to predict given what is going on in the broader economy. Have you seen any changes in order patterns from customers we have rolled into July and into August?

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Yes. First of all, the comment is not at all meant to reflect our relative performance because we think we are very well positioned as a company to compete against our competitors. But -- and I think it would be -- given the political paralysis we have seen in the US relative to dealing with debt issues, budget issues, given the bond issues that we see in Europe, and given the interest rate strategy that China is taking to control inflation, we certainly believe there is a potential there that it could impact consumer industrial confidence.

So that is really all that it's really meant to indicate. We don't comment on forward-looking periods in specific to what we are seeing in our business. But we do think it was appropriate to say that, given those three factors, there certainly is the potential there for, let's call it a little bit of a more turbulent period over the second half of the year.

I would say that has developed rather rapidly, because after the first quarter I think people were feeling very good. And even a matter of a few weeks ago it was a more positive outlook. But it has been a rather turbulent few weeks.

**Tarek Hamid** - *JPMorgan - Analyst*

Understood. I guess maybe just comment a little bit about in the epoxies business; are you seeing any big differences in geographies on epoxy demand?

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Well, we tend to find that Asia sets the pace in terms of base epoxy and the ability to push through price, and that has been a very positive first half of the year. Again, depending on what happens around the world on demand, that could change in the second half. But that is still a bit of an unknown.

As that grows tighter and you're able to push through -- and again the thing you need to understand is that can either be driven by a shortage of BPA or ECH, or in liquid epoxy resins. But in general, that tends to drive the pricing mechanism around the world and set the precedent around the world.

So we have seen fairly strong markets in all three regions and an ability to price accordingly. But again for the reasons we talked about earlier, that certainly could change in the second half of the year.

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**Tarek Hamid** - *JPMorgan - Analyst*

Understood. I guess lastly on the proppants business, that looks like that business continues to grow very, very rapidly. Do you anticipate any impact from the volatility we have seen on crude and nat gas over the last couple weeks on growth trajectory for that business? Or are we still at price levels that justify continued drilling and continued expansion?

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Yes, if you really look at the history there, even as natural gas prices have come down very dramatically over time -- and of course they can be volatile and spike up and come back down -- the economics are still there for drilling. In fact we have seen them continue to drill.

For us, the other big driver is given the type of wells, the horizontal and the deeper wells being drilled, they are great opportunities for our specific products. The horizontal well, we use 5 to 6 times or more the product that a vertical well would have used.

So it is not only the number of wells being drill driven but it's the amount of material each well that is drilled uses. And the second fact, the horizontal wells tend to benefit disproportionately from our type of proppants, which are resin-coated due to the nature that they are much larger and spread out.

So there's a number of factors that are driving our increased use. But you are right in the analysis that it has been a very high-growth business for us. It's a very good business for us, and continue to think of it as a very positive business going forward.

**Tarek Hamid** - *JPMorgan - Analyst*

Great. Thank you very much.

**Operator**

Bill Hoffmann, RBC Capital Markets.

**Bill Hoffmann** - *RBC Capital Markets - Analyst*

Yes, good morning. Craig, I wonder if you could just talk a little bit more about the epoxies business. Just wondering where you were capturing most of the margin in the first half, and whether you expect to be seeing the same kind of business dynamics in the second half. Because it feels like the BPA-ECH shortages are behind us at this point.

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Yes, we certainly had, in our base epoxy business, had a very strong year-over-year performance driven again by the Asian dynamics in the BPA-ECH. There certainly is the potential going into the second half of the year, for all the reasons we talked about, some of them being specific outages that may not be duplicated. Second being a change in demand depending on what does or doesn't happen in industrial and consumer demand.

So I would certainly say that there is a potential there for more in the base epoxy business, degrading from the first half rather than the specialty epoxy business. So clearly we have benefited from that tightness.

Again we don't have a magic crystal ball either, but we would say there is more of a potential there for an erosion than in the second half.

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**Bill Hoffmann** - RBC Capital Markets - Analyst

Is there any way to quantify the benefit in that quarter? Like where we might go quarter versus quarter?

**Craig Morrison** - Momentive Specialty Chemicals Inc. - President, CEO

Well, again we don't -- when you look at going forward we are not giving any projections going forward. But -- and we don't break out the specifics on the base epoxy business versus the specialty, but it was a very strong year-over-year growth. And again that erosion could be significant depending on what we see in the second half.

**Bill Hoffmann** - RBC Capital Markets - Analyst

Okay, that's fine. We will work on it. Just the other question is -- you did talk about some of the strength in the BRIC countries from a growth standpoint as well as this Versatics expansion. Can you just give us some sort of bigger-picture view right now of where the geographic breakdown of the EBITDA?

**Craig Morrison** - Momentive Specialty Chemicals Inc. - President, CEO

Well, China is our biggest region but we have seen -- when you look at India we have seen very significant growth. It is not the size or magnitude of China which is a multiple size larger. Mainly because, A, obviously the economy is more developed in China; B, our presence was there much longer as a priority.

But we have a very strong focus on India right now. We continue a very strong focus on China, which is our largest BRIC presence, as would be common in many chemical industries. And we also have a very strong presence across many of our product lines in Brazil, where the legacy companies have been there.

So the growth we have talked about really is on a percent basis spread very evenly across the various businesses and across the regions. China is the largest just because of the size and as developed as the economy is; but it really is a very broad-based and successful growth program.

**Bill Hoffmann** - RBC Capital Markets - Analyst

But overall, what percent of the total is the BRIC at this point? Is it sort of 10%, 12% at this point, or is it higher?

**Craig Morrison** - Momentive Specialty Chemicals Inc. - President, CEO

It's higher than that, yes.

**Bill Hoffmann** - RBC Capital Markets - Analyst

Okay.

**Craig Morrison** - Momentive Specialty Chemicals Inc. - President, CEO

Mid to high teens.

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**Bill Hoffmann** - RBC Capital Markets - Analyst

Okay. Then just last question, it's more for Bill.

**Craig Morrison** - Momentive Specialty Chemicals Inc. - President, CEO

The only other thing I would say about BRIC though that you have to keep -- that is literally a BRIC metric. What that doesn't include is other Southeast Asia growth as well as Korea growth. So when you add in -- there are other high-growth regions that are not in the technical term a BRIC.

The growth we talked about was very specifically calculated on the countries within BRIC. So it is a larger presence when you start to factor that in. You know?

**Bill Hoffmann** - RBC Capital Markets - Analyst

Yes, sure. We think of the higher-growth region as probably close to 25% or more; I think 30% [of your] total.

**Craig Morrison** - Momentive Specialty Chemicals Inc. - President, CEO

Right.

**Bill Hoffmann** - RBC Capital Markets - Analyst

Okay. Then just a question for Bill. Working capital-wise as we look into the back half of the year, just could be a little bit distorted because of the asset sales here. Normally you would be generating incremental cash and working capital in the back half of the year. Any thoughts on quantity at this point?

**Bill Carter** - Momentive Specialty Chemicals Inc. - EVP, CFO

Yes. As I said from an overall perspective in my comments, we think we will be a user of working capital, but much less than where we stand today. So we do think we will be generating cash in the back half of the year.

As you know, we generally generate a fair amount of working capital in the fourth quarter as we slow down over the holiday season. So I think the only guidance I would like to give is we will be a small user of working capital versus a large user compared to where we were in our first quarter.

Obviously the other piece that is a little up in the air are raw material prices. We have seen some moderation in raws. And to Craig's point, depending on exactly what shape economic growth takes in the second half and what raws do -- if they continue down that will help us. If they -- if economic activity picks up dramatically and we see them increase that will obviously hurt us.

But I think at this point we think we will generate cash in the second half and working capital will be a slight usage.

**Bill Hoffmann** - RBC Capital Markets - Analyst

Okay, thank you.

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**Operator**

Roger Spitz, Bank of America.

**Roger Spitz** - *BofA Merrill Lynch - Analyst*

Thank you and good morning. During the 2008/09 downturn how did your merchant formaldehyde business perform? Was it driven down along with the wood products resins business? Or was it a much more stable, recession-resilient business?

**Craig Morrison** - *Momentive Specialty Chemicals Inc. - President, CEO*

Yes, I think when you look at formaldehyde, if you take the falloff that occurred immediately after the 2008 time period, every business took a major downturn just because the chemical industry went into freeze mode. But when you look at a sustained retrenchment it totally disconnected from the Forest Products business and has recovered very quickly and very nicely, while the housing starts basically in North America have held down the traditional Forest Products Resin business.

So I would not couple the two. It is much more recession-proof.

For that short period right after the '08, end of third, beginning of the fourth quarter everybody felt it. When you think of it going in, it goes into a very broad-based set of applications when you think of MDI, BDO and those type of downstream chemicals or intermediates per se.

So it is a much broader economy based and not as tightly tied to housing starts and things of that nature, which are Forest Products. So I would not link the two; and it has done very, very well in the years since the recession.

**Roger Spitz** - *BofA Merrill Lynch - Analyst*

Great. Just for a little clarification, I guess I got confused on the working capital comment. You said both you should generate a bunch of cash in the second half as well as be a slight user of working capital. Can you (multiple speakers)?

**Bill Carter** - *Momentive Specialty Chemicals Inc. - EVP, CFO*

No, I'm sorry, to be clear, Roger, what I was referring to is obviously if you look at the first half of our year -- or excuse me, the first half of the year we have been a user of working capital. Obviously with a significant usage in the first quarter.

My comment was that if you look at the whole year we will still be a small user of working capital, which means we will generate cash in the second half from a working capital perspective, to reduce the overall usage for the year.

**Roger Spitz** - *BofA Merrill Lynch - Analyst*

Okay, that explains it. Thank you very much. I'm good. Thank you.

**Operator**

James Finnerty, Citi.



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**James Finnerty** - Citigroup - Analyst

Hi, good morning. I am not sure if I missed it, but did you give an update on CapEx guidance for the full year?

**Bill Carter** - Momentive Specialty Chemicals Inc. - EVP, CFO

I did, and we are still in the range of \$120 million to \$130 million.

**James Finnerty** - Citigroup - Analyst

\$120 million to \$130 million? Great. And, just I guess nobody has asked this question yet. Is there any update in terms of the timing of the IPO?

**Craig Morrison** - Momentive Specialty Chemicals Inc. - President, CEO

We really can't comment on the IPO process on this call.

**James Finnerty** - Citigroup - Analyst

Okay. Thanks very much.

**Operator**

(Operator Instructions) There are no further questions in queue at this time. I would now like to hand the conference back over to Craig for any closing remarks.

**Craig Morrison** - Momentive Specialty Chemicals Inc. - President, CEO

Thank you. Well, first of all, we would like to thank you for your participation. We always appreciate your interest in the Company, and we look forward to updating you on the next quarterly call. Thank you very much.

**Operator**

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect your lines. Good day.



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