

HEXIONTM

Specialty Chemicals

**First Quarter 2010
Earnings Conference Call**

May 12, 2010



Forward-Looking Statements

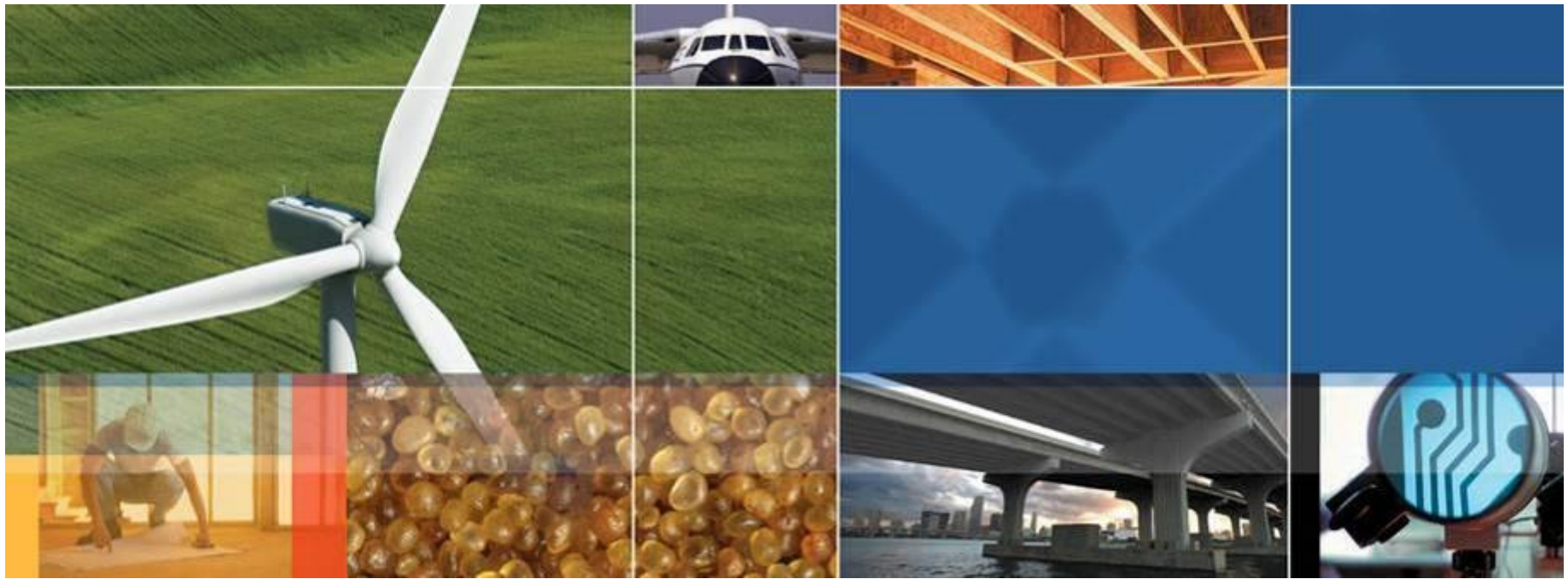
Certain statements in this presentation including but not limited to those made under the caption “Outlook”, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, the 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 First Quarter 2010 Results

Craig O. Morrison

Chairman, President & Chief Executive Officer

First Quarter 2010 Results

- First quarter 2010 results reflected volume gains, operating leverage from the Company's comprehensive cost reduction initiatives and strong performance from Hexion's specialty product lines
- Hexion's Q1'10 results included:
 - Revenues of \$1.17 billion versus \$914 million in prior year due to improved volumes, the contractual pass through of increased raw material costs and pricing actions
 - Operating income of \$67 million compared to operating income of \$12 million in prior year
 - Segment EBITDA⁽¹⁾ of \$121 million compared to \$61 million in prior year quarter
- Hexion realized \$33 million in productivity savings in the first quarter of 2010
- Hexion continues to aggressively focus on cash management and working capital, although volume gains and raw material inflation negatively impacted working capital in the first quarter of 2010
- Hexion remains focused on liquidity, with cash and available borrowings of \$416 million at 3/31/10
- The Company was in compliance with all financial covenants governing its senior secured credit facilities and indentures at 3/31/10

Q1'10 Results Reflected Improved Volumes and Strong Performances in Key Product Lines

⁽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 March 31, 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, March 31, 2010 LTM Adjusted EBITDA includes \$92 million of in-process productivity program savings.

First Quarter 2010 Summary Financial Performance

Quarter Ended March 31

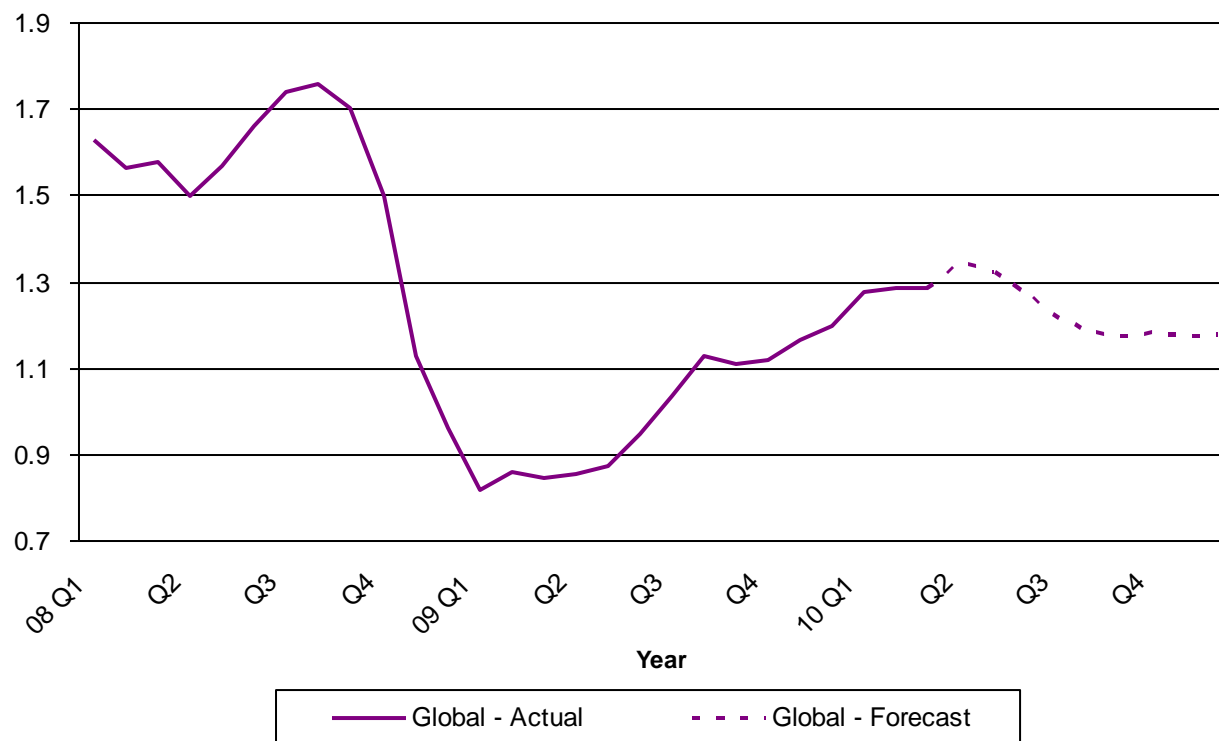
<i>(\$ in millions)</i>	<u>2010</u>	<u>2009</u>	<u>Δ</u>
Revenue	\$1,174	\$914	28%
Operating income	67	12	nm
Net (loss) income ⁽¹⁾	(7)	116	nm
Segment EBITDA ⁽²⁾	121	61	98%

Q1'10 Revenue and EBITDA Improved Sharply Year-over-Year

(1) Net (loss) income attributable to Hexion Specialty Chemicals, Inc.
 (2) Segment EBITDA excludes in-process synergies.

Raw Materials Have Steadily Climbed

Hexion Global Raw Material Cost Index



Source: CMAI data.

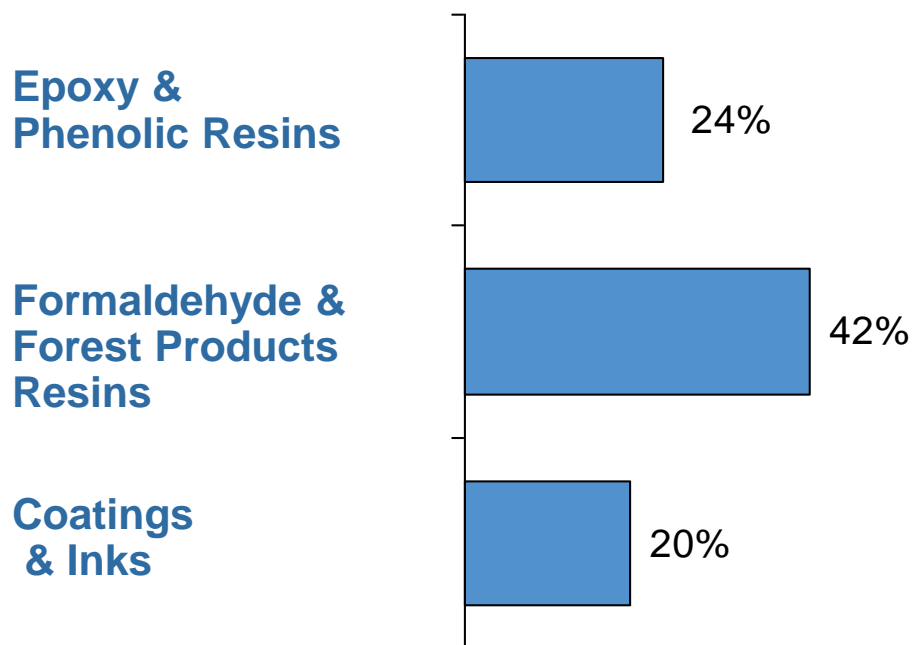
Summary

- Average Q1'10 raw material prices increased significantly compared to prior year:
 - Phenol increased 71% YoY; methanol increased 63% YoY; propylene increased 148% YoY
- Multiple pricing actions have been announced and are currently in-process
- Contractual raw material pass through terms typically require a 30-45 day “lag” period

First Quarter 2010 Segment Net Sales

Net Sales

Q1'10 vs. Q109



Summary

- Volumes increased first quarter 2010 sales by \$206 million, while foreign currency translation totaled \$65 million and price increases accounting for \$11 million of the increase
- Price increases were partially offset by unfavorable mix

First Quarter 2010 Segment EBITDA Results

(\$ in millions)	Quarter Ended March 31		
	<u>2010</u>	<u>2009</u>	<u>% Δ</u>
Epoxy & Phenolic Resins	\$ 76	\$ 46	65%
Formaldehyde & Forest Products Resins	42	22	91%
Coatings & Inks	15	1	nm

Summary

- First quarter 2010 EBITDA reflected volume recovery, productivity actions and continued strength in Hexion's specialty products

Productivity Achievements

Summary

- Productivity actions continue to contribute toward Hexion's improvement in gross and operating margins in Q1'10 vs. prior year period
- Hexion achieved \$33 million in targeted productivity savings in Q1'10
- Hexion is pursuing \$92 million in remaining savings over the next 15 months
 - Estimated net cost of \$51 million to obtain remaining savings

<i>(\$ in millions)</i>		
	<u>FY09</u>	<u>At Q1'10</u>
Achieved Productivity	\$148	\$33
In-Process Savings	\$125	\$92

Hexion Continues to Improve its Long Term Cost Position

Continued Strategic Investments in High-Growth Regions

Specialty Epoxy

- Officially opened site in Esslingen, Germany, in Q1'10 in support of Specialty Epoxy applications

Formaldehyde & Forest Products

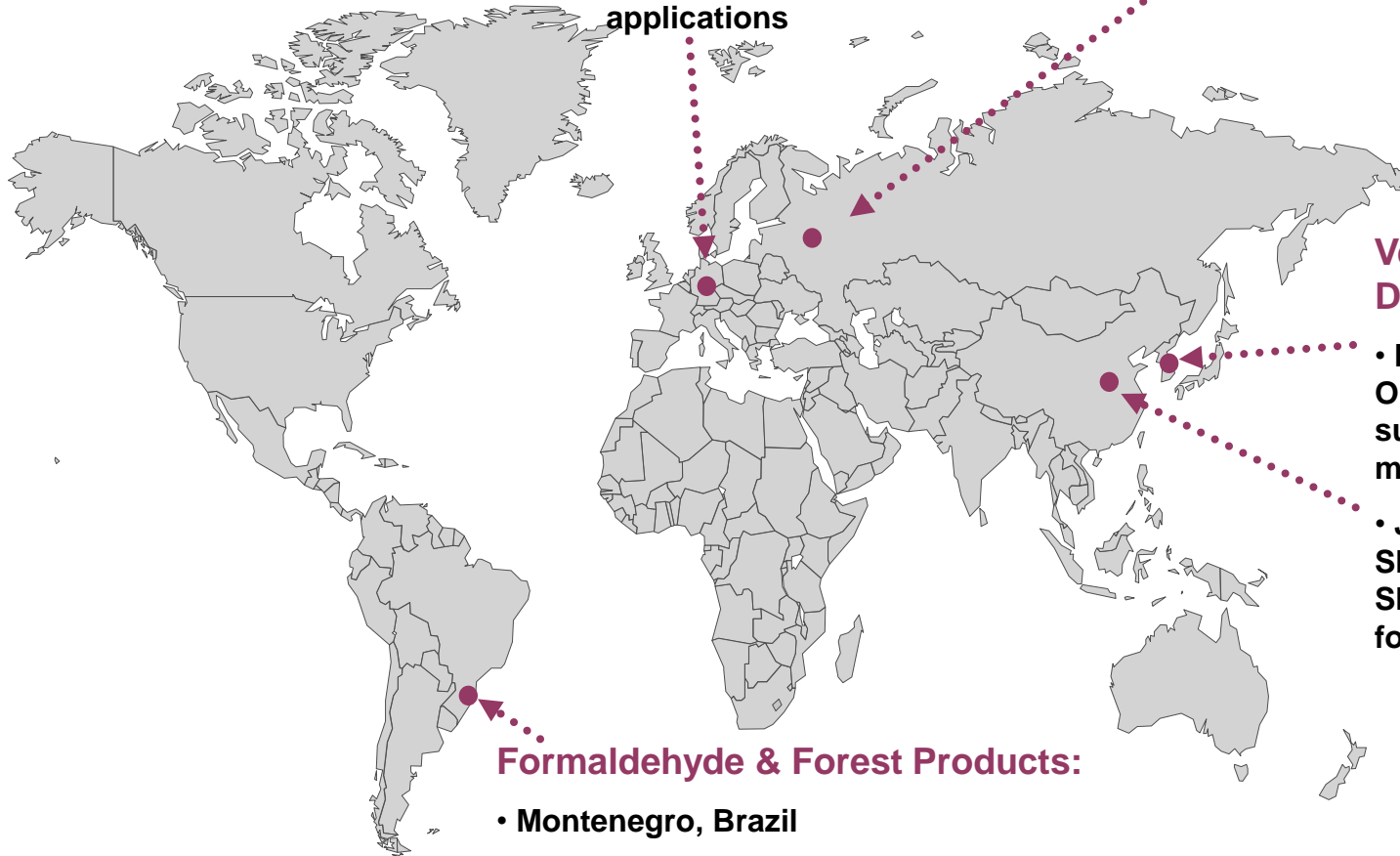
Russian joint venture with OAO Shcheckinoazot

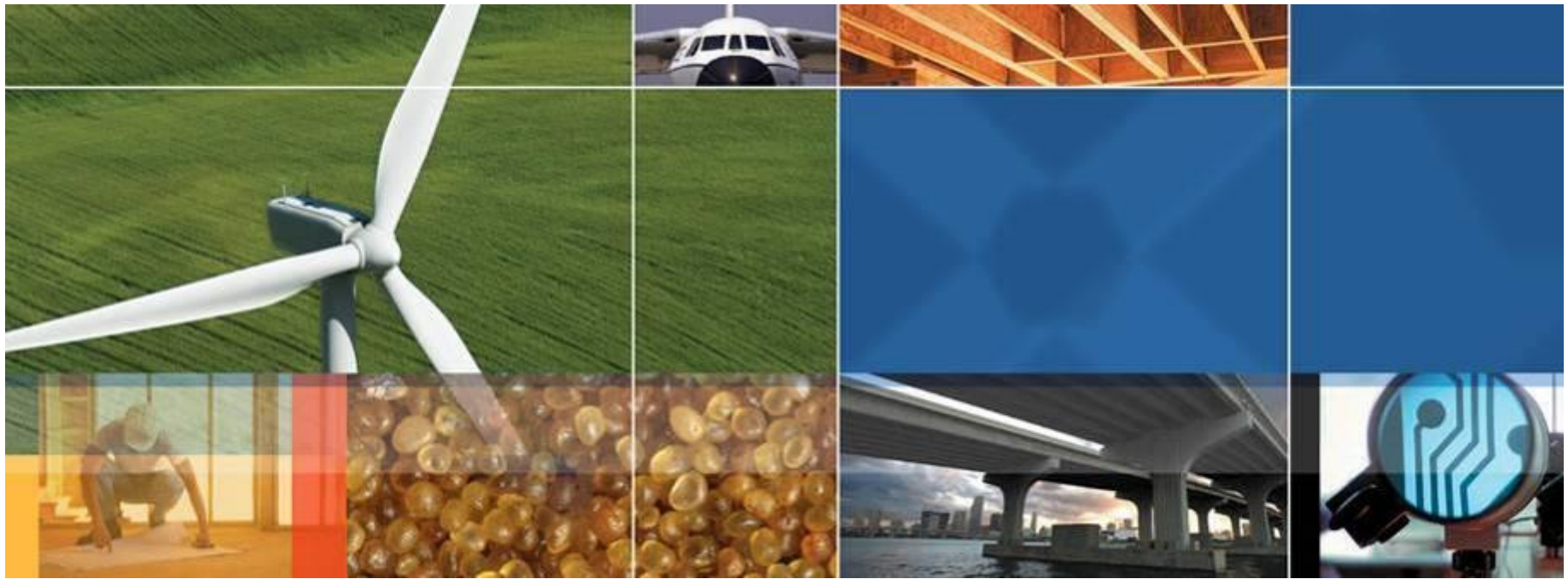
Versatic™ Acids & Derivatives:

- New construction at Onsan, Korea site in support of Cardura® monomers
- Joint venture with Shanxi Sanwei Group in Shanxi Province, China, for Veova® monomers

Formaldehyde & Forest Products:

- Montenegro, Brazil
- Began production in Q1'10





Financial Review

William H. Carter

Executive Vice President & Chief Financial Officer

Overview of Recast Segments

- Hexion made certain changes to its segment reporting structure
- Effective in the first quarter of 2010, the results of the Company's oilfield products applications and the equity earnings in its HAI joint venture are included within its Epoxy and Phenolic Resins segment
 - Previously the results of these businesses were reported in the Performance Products segment
- New segments are aligned with internal divisional management responsibilities and structure
 - Epoxy and Phenolic Resins
 - Formaldehyde and Forest Product Resins
 - Coatings and Inks

■ See Addendum for FY08 & FY09 Recast Segment Results

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

Quarter Ended March 31

(\$ in millions)

	2010	2009	Δ
Revenue	\$ 556	\$ 449	24%
Segment EBITDA	\$ 76	\$ 46	65%

Summary

- Strong demand from specialty epoxy, Versatic™ Acid & Derivatives, & Oilfield resins
- Improved performance in base epoxy resins
- Volume increases were partially offset by increased raw material costs and competitive pricing pressures in oilfield business
- Approximately two-thirds of the YoY EBITDA gains were from specialty epoxy, Versatic™ Acid & Derivatives, & Oilfield resins

Q1'10 Sales Comparison YOY

Volume	Price/Mix	Currency Translation	Accounting Changes (1)	Total
20%	4%	5%	(5)%	24%

(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 First Quarter 2010 Segment Highlights

Quarter Ended March 31

(\$ in millions)	2010	2009	Δ
Revenue	\$ 386	\$271	42%
Segment EBITDA	\$ 42	\$ 22	91%

Q1'10 Sales Comparison YOY

Volume	Price/Mix	Currency Translation	Accounting Changes	Total
30%	--	12%	--	42%

Summary

- Volume gains in both N. American and international businesses
 - Benefiting from stable to slightly improving residential homebuilding market in N. America
 - Positive impact from global restocking vs. prior year
 - Strong results in our N. American formaldehyde business
- Raw material costs have climbed steadily since mid 2009, but productivity and contractual pricing actions are helping offset inflationary pressures
- The impact of passing through raw material cost increases was offset by unfavorable mix

Coatings and Inks (C&I)

First Quarter 2010 Segment Highlights

Quarter Ended March 31

(\$ in millions)	2010	2009	Δ
Revenue	\$ 232	\$ 194	20%
Segment EBITDA	\$ 15	\$ 1	nm

Q1'10 Sales Comparison YOY

Volume	Price/Mix	Currency Translation	Accounting Changes	Total
16%	(2)%	6%	--	20%

Summary

- Volumes improved due to stabilized market conditions in Q1'10, as well as the absence of destocking experienced in Q109
 - Strong performance in global dispersions business
 - Volumes in U.S. coatings and composites business continue to lag vs. rest of segment
- Cumulative productivity actions supporting improved earnings
- C&I experienced competitive price pressure in Q1'10
 - Recent pricing actions underway to address raw material headwinds

Balance Sheet Update & Financial Summary

- Working capital increased by \$134 million in the first quarter of 2010 versus year-end 2009 levels reflecting increased volumes, strategic inventory build in certain product lines and rising raw materials
- Q1'10 capital expenditures of \$21 million including \$12 million for productivity-related cap ex investments
- Maintaining FY10 guidance of ~ \$123 million in base cap ex and \$37 million in additional investments related to productivity initiatives
- Refinancing improved debt maturity profile and provided additional liquidity
 - Pay down of senior secured debt substantially reduced covenant pressure
- Liquidity remained strong with cash plus borrowing availability of \$416 million at March 31, 2010

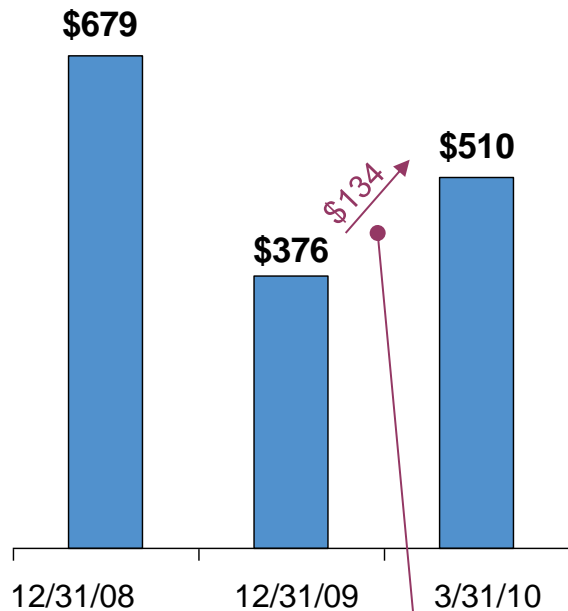
Net Debt: ~ \$3.5 billion (3/31/10) ⁽¹⁾

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

Working Capital at March 31, 2010

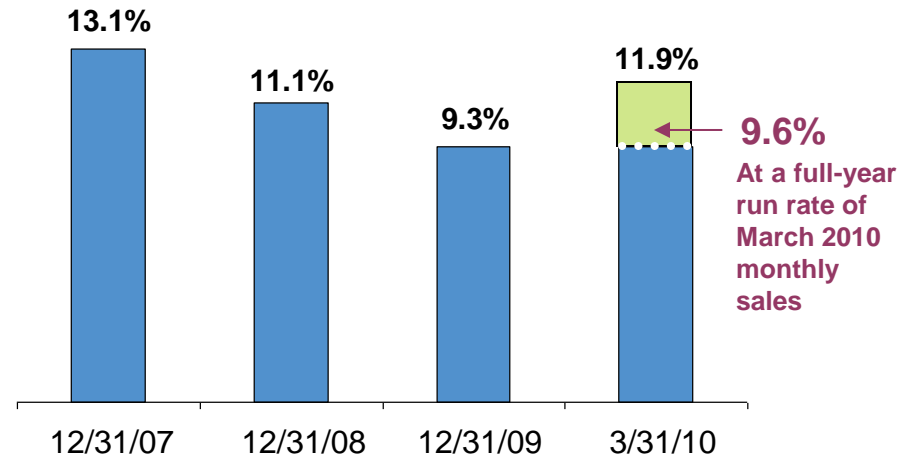
\$ in millions

Net Working Capital



Raw Material Costs	31
Volume	132
F(x) & Other	10
Efficiencies	(39)
	<u>134</u>

Net Working Capital as a Percentage of LTM Sales

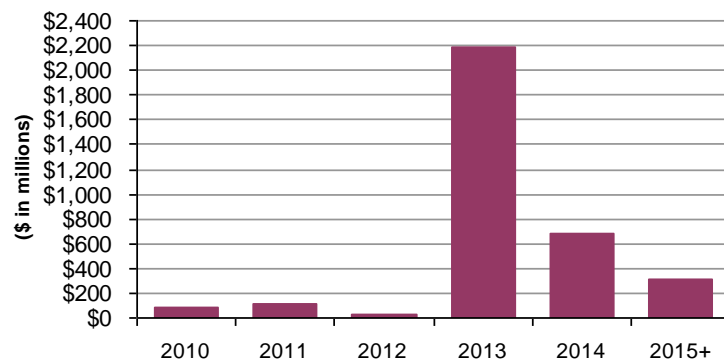


Raw Materials and Improving Volumes Impacted Working Capital

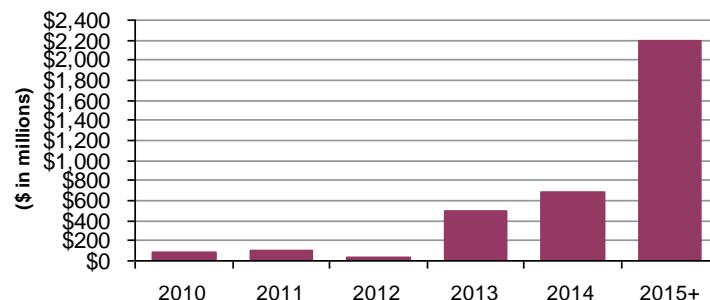
January 2010 Refinancing Summary

- Hexion amended its Senior Secured Credit Facilities during Q1 2010 and extended the maturity of ~ \$959 million of term loans by two years
- The Company also issued \$1 billion aggregate principal amount of senior secured notes due 2018
 - Net proceeds of \$993 million from the issue were used to repay \$800 million of Hexion’s U.S. term loans⁽¹⁾
 - Provided \$162 million of incremental cash
- Hexion renewed its revolving line of credit facility commitments, which total \$200 million
 - Commitments will extend the availability of the revolver to 2013
- \$529 million in total liquidity pro forma for the Jan. 2010 refinancing

Debt Maturities (Prior to Refinancing)

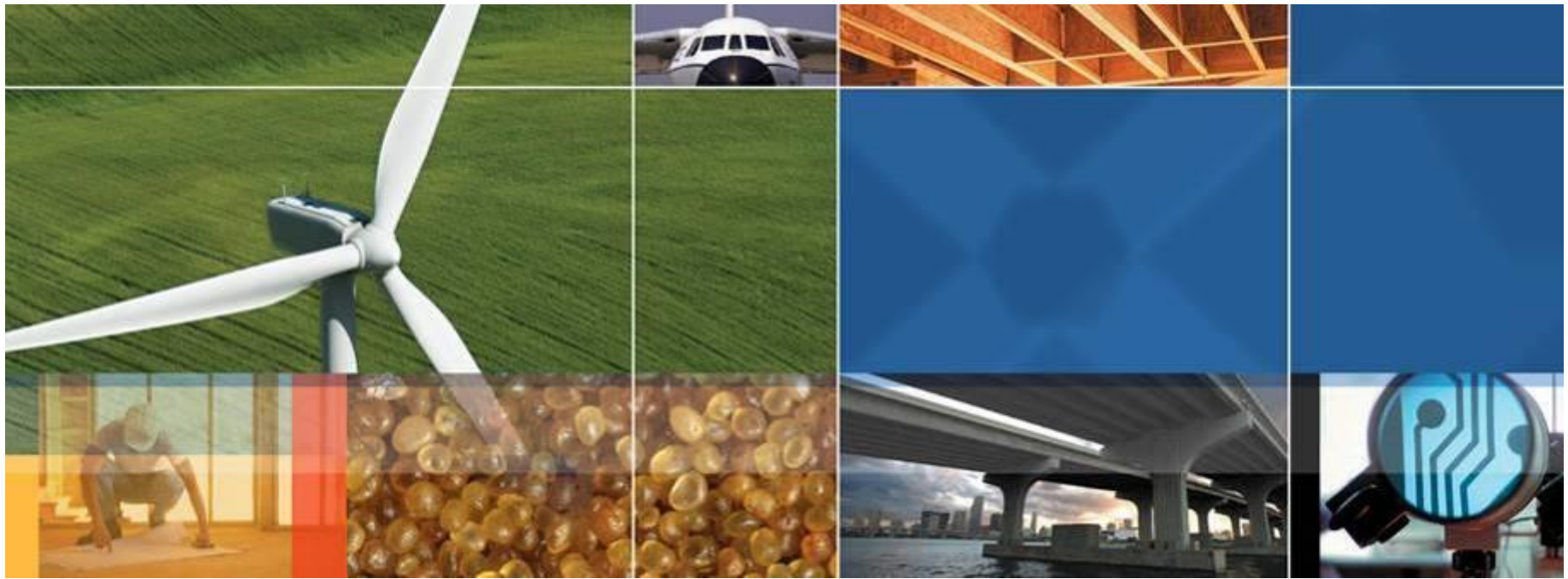


Debt Maturities (Pro forma for Refinancing)



Refinancing Improved Hexion’s Debt Maturity Profile

(1) The Company renewed its revolving line of credit facility commitments from lenders, which will take effect upon the May 31, 2011 maturity of the existing revolving facility commitments

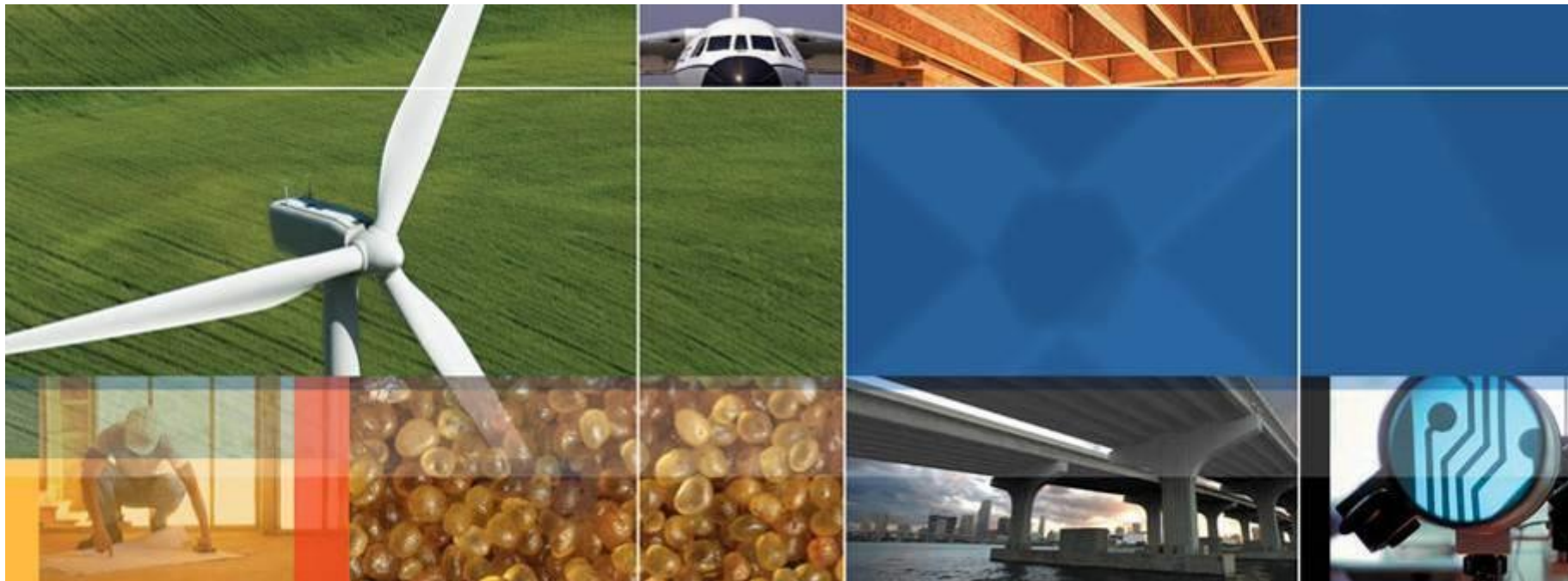


Summary

Craig O. Morrison

Summary: Hexion Q1'10 Results & Outlook

- First quarter 2010 results reflected volume gains, operating leverage from the Company's comprehensive cost control initiatives and strong performance from Hexion's specialty product lines
 - Hexion achieved \$32 million in productivity savings in Q1'10
 - Total in process productivity actions of \$92 million remained at March 31, 2010
- Hexion continues to selectively invest in high growth global regions:
 - Joint venture with Shanxi Sanwei Group Co., Ltd. to build and operate a new plant in the Shanxi Province, China
 - Construction of a manufacturing plant in Onsan Korea, to produce Cardura™ monomer, a Versatic™ Acid derivative used as a key raw material in environmentally advanced paints and coatings
- Hexion remains optimistic that the signs of stabilization in several end markets will continue to drive a gradual improvement in volumes and earnings, although raw materials remain volatile
- With \$416 in liquidity and no significant near-term maturities, the recent refinancing improved Hexion's liquidity and debt profile



Appendices

Reconciliation of Non-GAAP Financial Measures

	<u>Three months ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
Segment EBITDA:		
Epoxy and Phenolic Resins	\$ 76	\$ 46
Formaldehyde and Forest Product Resins	42	22
Coatings and Inks	15	1
Corporate and Other	(12)	(8)
Reconciliation:		
Items not included in Segment EBITDA		
Terminated merger and settlement income, net	8	30
Non-cash charges	(9)	(10)
Unusual items:		
Losses on divestiture of assets	—	(3)
Business realignments	(8)	(16)
Other	(8)	(3)
Total unusual items	<u>(16)</u>	<u>(22)</u>
Total adjustments	(17)	(2)
Interest expense, net	(63)	(64)
Gain on extinguishment of debt	—	168
Income tax expense	(5)	(3)
Depreciation and amortization	<u>(43)</u>	<u>(44)</u>
Net (loss) income attributable to Hexion Specialty Chemicals, Inc.	(7)	116
Net income attributable to noncontrolling interest	<u>—</u>	<u>1</u>
Net (loss) income	<u>\$ (7)</u>	<u>\$ 117</u>

Fixed Charge Covenant Calculations

	<u>March 31, 2010 LTM Period</u>
Reconciliation of Net Loss to Adjusted EBITDA	
Net loss	\$ (29)
Income taxes	4
Gain on extinguishment of debt	(56)
Interest expense, net	222
Depreciation and amortization	177
EBITDA	<u>318</u>
Adjustments to EBITDA:	
Terminated merger and settlement income, net ⁽¹⁾	(18)
Net income attributable to noncontrolling interest	(2)
Non-cash items ⁽²⁾	5
Unusual items:	
Loss on divestiture of assets	3
Business realignments ⁽³⁾	48
Asset impairments	50
Other ⁽⁴⁾	58
Total unusual items	<u>159</u>
Productivity program savings ⁽⁵⁾	<u>92</u>
Adjusted EBITDA	<u>\$ 554</u>
Fixed charges ⁽⁶⁾	<u>\$ 264</u>
Ratio of Adjusted EBITDA to Fixed Charges ⁽⁷⁾	<u>2.10</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. These amounts are partially offset by legal settlement accruals pertaining to the New York Shareholder Action.
- (2) Represents stock-based compensation, and the write-off of previously deferred financing fees, partially offset by unrealized net foreign exchange and derivative losses.
- (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 May 5, 2010 as if the January Refinancing Transactions 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 March 31, 2010, the Company was able to satisfy this test and incur additional indebtedness under this indenture.

Debt at March 31, 2010

Debt outstanding at March 31, 2010 and December 31, 2009 is as follows:

	March 31, 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	462	11	2,211	23
Floating rate term loans due 2015	937	12	—	—
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	42	9	46	8
Brazilian bank loans	31	44	30	35
Capital leases	14	1	14	1
Other	8	4	13	11
Total non-affiliated debt	3,465	81	3,328	78
Affiliated debt:				
Affiliated borrowings due on demand	—	4	—	4
Affiliated term loan due 2011	100	—	100	—
Total affiliated debt	100	4	100	4
Total debt	\$ 3,565	\$ 85	\$3,428	\$ 82

Historical Segment Sales and EBITDA Results – Prior Period Balances Recast to Conform to Hexion’s Reportable Segments at March 31, 2010

(\$ in millions)

2008 Sales & Segment EBITDA

Segment Sales:

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Total
Epoxy and Phenolic Resins	729	791	743	532	2,795
Formaldehyde and Forest Product Resins	575	518	548	408	2,049
Coatings and Inks	333	358	320	238	1,249
Total	1,637	1,667	1,611	1,178	6,093

Segment EBITDA:

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Total
Epoxy and Phenolic Resins	95	79	83	21	278
Formaldehyde and Forest Product Resins	53	51	48	46	198
Coatings and Inks	19	14	11	(9)	35
Corporate and Other	(13)	(13)	(12)	(12)	(50)
	154	131	130	46	461

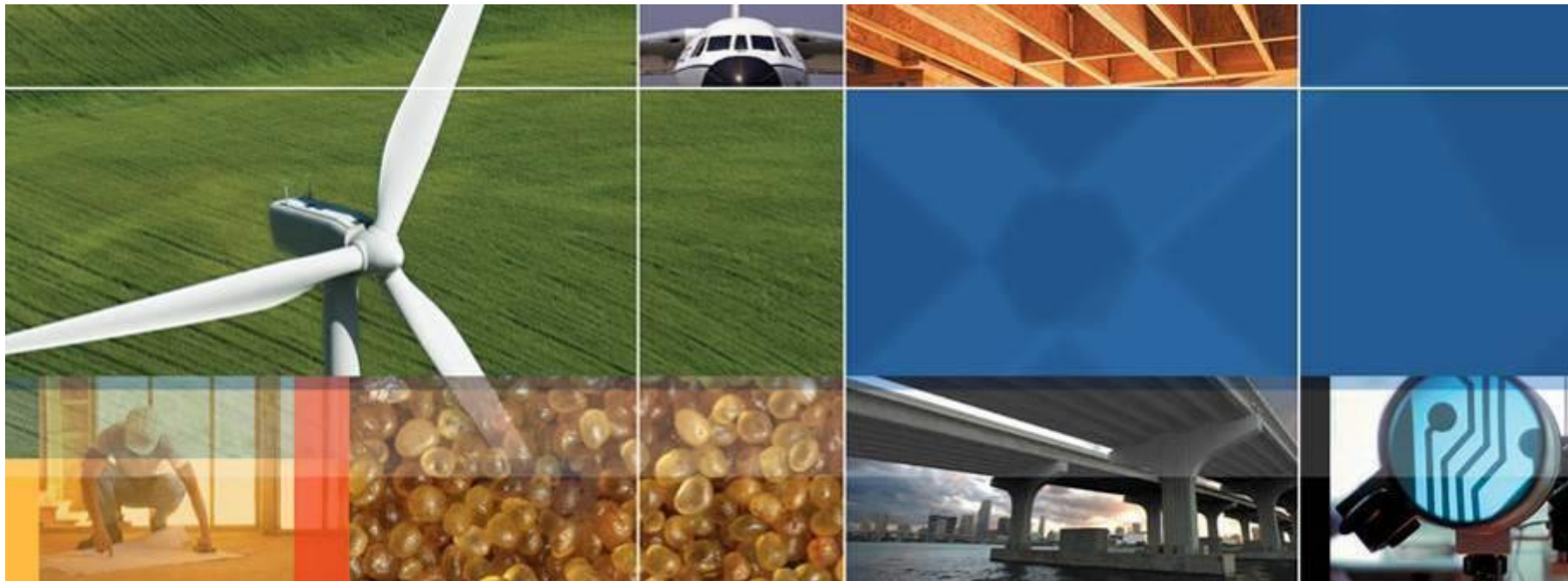
2009 Sales & Segment EBITDA

Segment Sales:

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Total
Epoxy and Phenolic Resins	449	444	521	530	1,944
Formaldehyde and Forest Product Resins	271	272	315	340	1,198
Coatings and Inks	194	231	244	219	888
Total	914	947	1,080	1,089	4,030

Segment EBITDA:

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Total
Epoxy and Phenolic Resins	46	63	83	75	267
Formaldehyde and Forest Product Resins	22	22	31	36	111
Coatings and Inks	1	22	27	8	58
Corporate and Other	(8)	(17)	(13)	(13)	(51)
	61	90	128	106	385



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