



Momentive Specialty Chemicals Inc.

**Third Quarter 2014
Earnings Conference Call**

November 10, 2014

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 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. 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 2014 Results

Craig O. Morrison

Chairman, President & Chief Executive Officer

Third Quarter 2014 Results

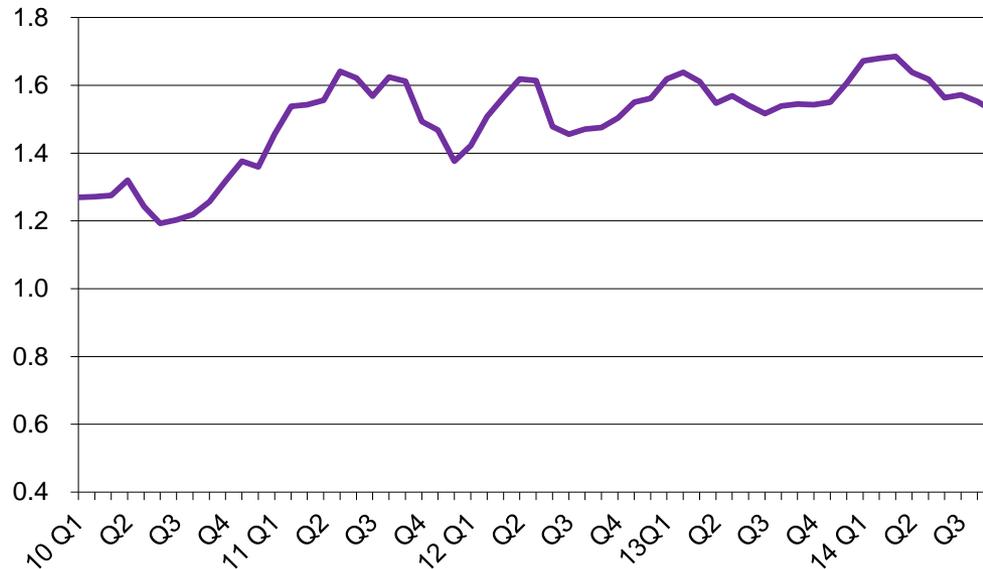
	Quarter Ended September 30		
(\$ in millions)	2014	2013	Δ
Revenue	\$1,347	\$1,249	8%
Segment EBITDA ⁽¹⁾	125	120	4%

- Total revenues increased 8% to \$1.35 billion in 3Q'14
- Total Segment EBITDA⁽¹⁾ increased 4% to \$125 million
 - Year-over-year gains despite negative lead lag impact of \$6 million, primarily in Forest Products
 - Forest Products Segment EBITDA increased 9% reflecting year-over-year gains in N. America formaldehyde, Latin America and Asia Pacific regions
 - Epoxy, Phenolic and Coatings Resins results reflected favorable specialty epoxy resin demand from Asian wind energy; higher North American oilfield proppants volume, and Versatic Acids™ and Derivatives pricing actions
 - These gains were offset by softer results in phenolic specialty resins, European dispersions and continued margin compression in base epoxies
- Targeting \$25 million to \$30 million in additional cost reductions in Q4'14 and 1H'15
- Expect normal seasonality in Q4'14, as well as approximately \$13 million to \$18 million negative EBITDA impact from supplier force majeure issues

(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., 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



Source: Includes content supplied by IHS Chemical, Copyright © IHS Chemical 2013; ICIS, Copyright © ICIS 2013. All rights reserved -Also includes Momentive acquisition prices

Summary

- Q3'14 raw material pricing declined modestly on a sequential basis from Q2'14
 - Q3'14 phenol spike drove negative lead lag impact of \$6 million
- Key YoY raw material input costs remain individually mixed in first nine months of 2014
 - Phenol ↑ 9%; Methanol ↓ (13)% ; Urea ↑ 13%
- Vinyl acetate monomer supply challenges also negatively impacting European dispersions business
- Remain focused on pricing to combat raw material volatility

4Q'14/2015 Key Actions and Productivity Program

Overview

- Preliminary assessment has targeted \$25 million to \$30 million in additional cost reductions in Q4'14 and 1H'15
 - Streamline SG&A
 - Minimize outside services
 - Optimize high cost sites
- Continue to benefit from streamlined corporate cost structure through Shared Services Agreement with MPM post emergence
- Aggressively focused on driving productivity and optimizing technology portfolio

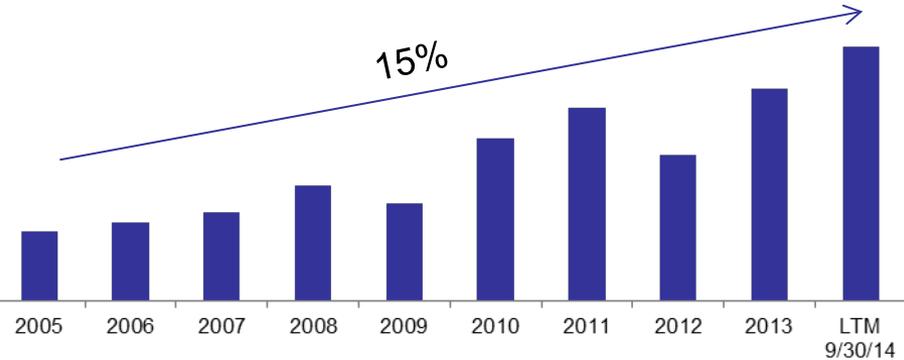
Productivity Targets



Positive Trends In Specialty Portion of Energy Portfolio

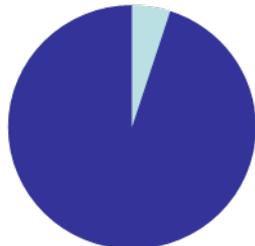
Oilfield Proppants

Proppants Volume CAGR

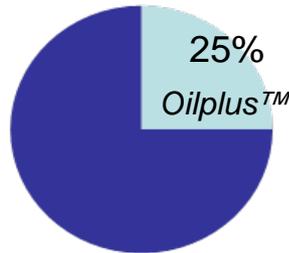


Oilplus™ Sales (1)

Oilplus™ 5%



2012

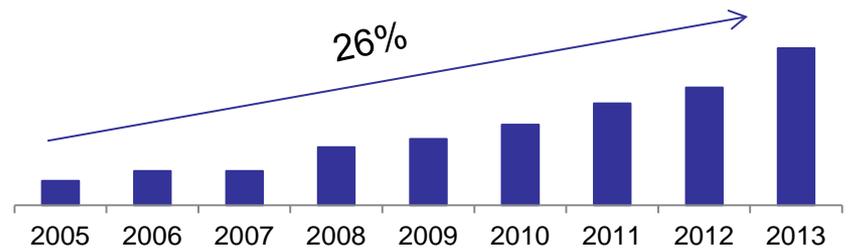


YTD 9/30/14

- Strong, multi-year growth in OilPlus™ proppants, a curable resin technology for oil and liquid-rich reservoirs

Specialty Formaldehyde Products: Triazine

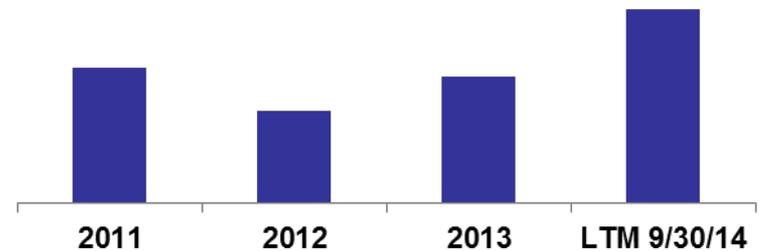
Triazine Volume CAGR



- Recent Edmonton expansion supports Triazine growth, which is used for hydrogen sulfide (H₂S) scavenging in crude oil, natural gas, and LNG

Specialty Epoxy: Strong Chinese Wind Energy Demand

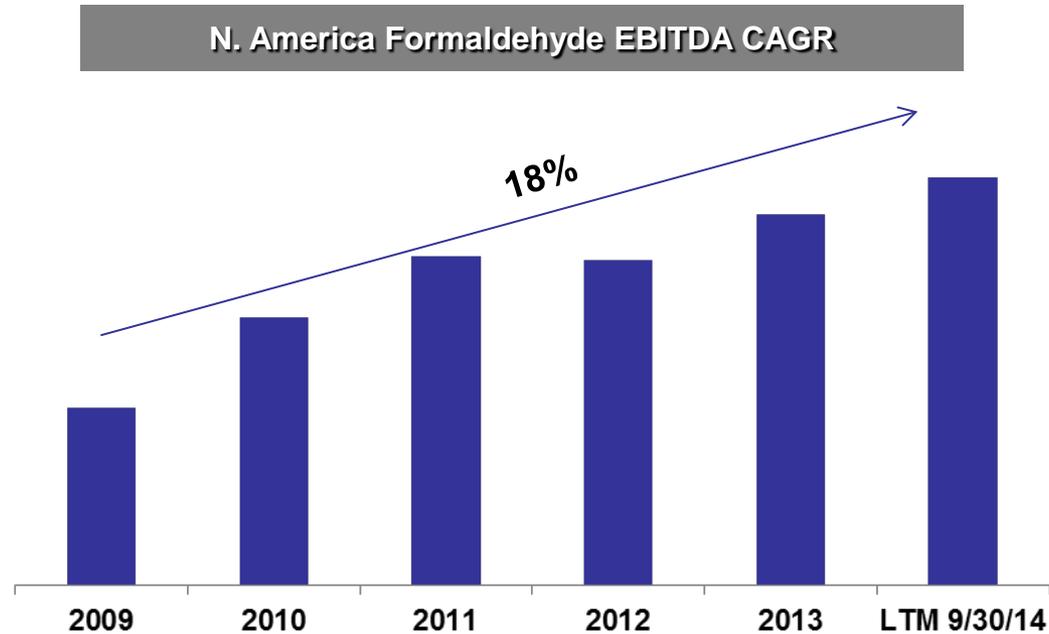
(Volume kMT)



- China specialty epoxy volumes recently exceeding 2011 levels as Chinese government again pursues wind energy expansion

(1) As percentage of overall oilfield proppant sales.

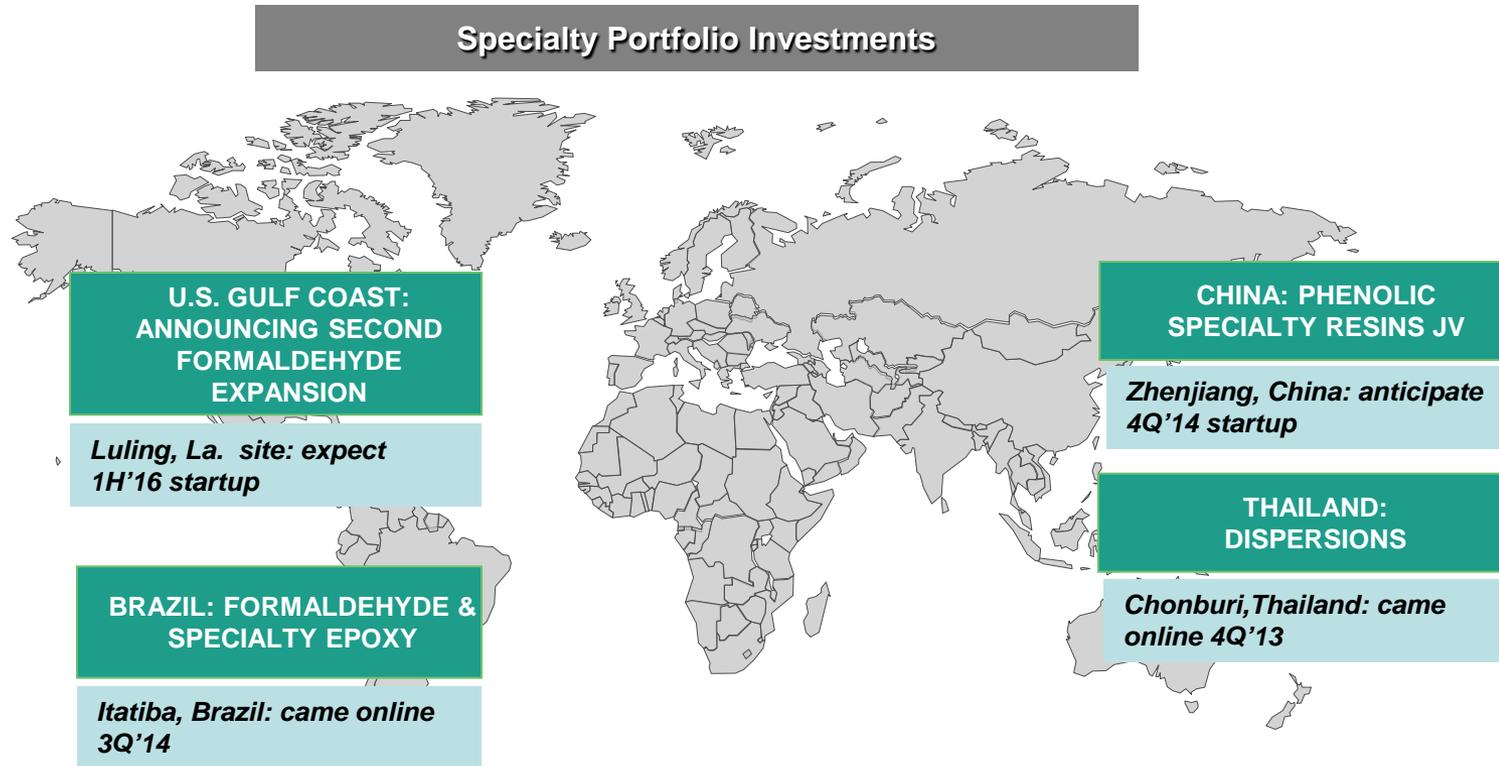
N. America Formaldehyde Continues to be a Strong Growth Platform



- Strong, multi-year growth in North America formaldehyde earnings
- Key building block chemical for formaldehyde-based resins and industrial applications (MDI, agriculture, energy exploration)
- N. American housing recovery and specialty applications, such as Triazine, supports EBITDA growth

**THREE NEW FORMALDEHYDE PLANTS CURRENTLY
UNDER CONSTRUCTION IN AMERICAS**

MSC Continues To Strategically Invest In Its Specialty Portfolio



Summary

- Just announced second N. American formaldehyde expansion in Luling, Louisiana, which is expected to come online in 1H'16
 - Geismar, Louisiana, and Curitiba, Brazil, expansions are expected to be completed in 4Q'15
- Epoxy resin and curing agent production facility came online in Itatiba, Brazil in Sept. 2014
- Phenolic Specialty Resins site anticipated to coming online in China in 4Q'14



Momentive Specialty Chemicals Inc.

Financial Review

William H. Carter

Executive Vice President & Chief Financial Officer

Epoxy, Phenolic and Coating Resins

Third Quarter 2014 Segment Results

	Quarter Ended September 30		
(\$ in millions)	2013	2014	Δ
Revenue	\$ 806	\$ 878	9%
Segment ⁽¹⁾ EBITDA	77	79	3%
Segment EBITDA Margin	9.6%	9.0%	(60)bps

3Q'14 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
10%	(1)%	-- %	9%

Summary

- Sales increased across all product lines, except base epoxy resins due to continued cyclicality
- Specialty portfolio is performing well, while commodity portions of the business lagged:
 - Specialty epoxy resin business increased significantly year-over-year due to strengthening demand in the wind energy market, particularly within China
 - Oilfield proppants continued to deliver strong year-over-year performance driven by new product development and Shreveport acquisition
 - Margin compression from BERI business, European dispersions business and raw material headwinds

(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 2014 Segment Results

Summary

- Sales increase primarily reflects strong N. America formaldehyde demand
- Segment EBITDA gains reflect year-over-year improvements in multiple product lines
 - N. American formaldehyde: growth in triazine
 - Latin America: bounce back from World Cup
 - Asia Pacific regional businesses: economy recovering in Australia, New Zealand and Japan
- EBITDA margin continues to improve reflecting strong volumes and ongoing cost control initiatives

	Quarter Ended September 30		
(\$ in millions)	2013	2014	Δ
Revenue	\$ 443	\$ 469	6%
Segment EBITDA	58	63	9%
Segment EBITDA Margin	13.1%	13.4%	30bps

3Q'14 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
6%	(1)%	1%	6%

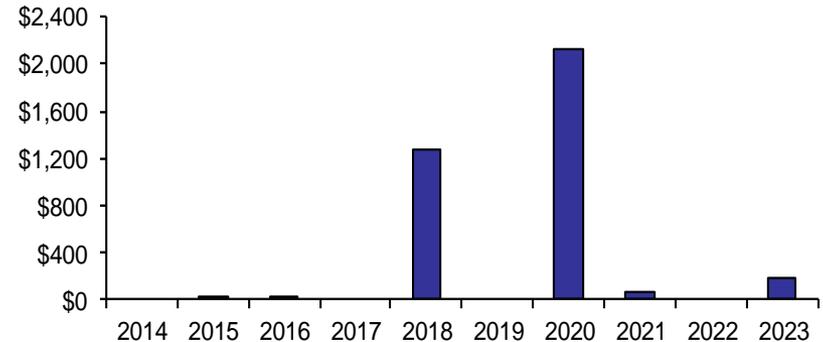
Balance Sheet Update & Financial Summary

Summary

- Substantial liquidity: cash plus borrowing availability of \$456 million at Sept. 30, 2014
- YTD'14 capital expenditures of \$133 million
 - Revising FY'14 capital expenditures to approximately \$200 million in support of site expansions
- Continued focus on working capital management
 - As anticipated, YTD increase reflects higher volumes from improving demand and seasonality
 - Sequential decrease in working capital in 3Q'14 vs. 2Q'14
 - For FY'14, expect only a modest increase in NWC compared to FY'13
- Second half 2014 cash generation is expected to slightly exceed second half 2013 levels

Debt Maturities (Current)

(\$ in millions)



Weighted Average Maturity 4.8 yrs.⁽²⁾

No Material Debt Maturities Before 2018

NET DEBT: ~ \$3.7 BILLION (9/30/14)⁽³⁾

(1) Excludes Jan. 2014 acquisition of oilfield manufacturing site in Shreveport, La. from CRS Proppants LLC.

(2) Excludes foreign local debt and capitalized leases

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

Closing Remarks

Third Quarter 2014 Closing Remarks

- Continued strong Forest Products results driven by growth in North American formaldehyde and forest products resins in Latin America and Asia Pacific
- Epoxy, Phenolic and Coatings Resins demonstrated year-over-year improvement with specialty gains being offset by cyclicalities in base epoxy resins and European dispersions
- Focused on incremental growth and profitability through strategic investments and productivity actions
 - Successfully integrating Shreveport oilfield acquisition and recently announced a third forest products expansion in North America
 - Two previously announced new forest product sites are on-track and are expected to come online in late 2015
 - Preliminary assessment has targeted \$25 million to \$30 million in additional cost savings in Q4'14 and 1H'2015
- Significant cash and available borrowings of \$456 million as of September 30, 2014

MSC CONTINUES TO INVEST IN ITS SPECIALTY PORTFOLIO WHILE PRUDENTLY MANAGING ITS BALANCE SHEET AND PURSUING COST REDUCTION INITIATIVES

Appendices

Reconciliation of Non-GAAP Financial Measures

(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	\$ 79	\$ 77	\$ 227	\$ 218
Forest Products Resins	63	58	188	172
Corporate and Other	(17)	(15)	(53)	(47)
Reconciliation:				
Items not included in Segment EBITDA:				
Asset impairments	—	—	—	(7)
Business realignment costs	(6)	(4)	(24)	(15)
Integration costs	(1)	(4)	(6)	(9)
Other	(29)	(17)	(52)	(43)
Total adjustments	(36)	(25)	(82)	(74)
Interest expense, net	(77)	(77)	(230)	(227)
Loss on extinguishment of debt	—	—	—	(6)
Income tax expense	(2)	(57)	(23)	(31)
Depreciation and amortization	(38)	(37)	(109)	(113)
Net loss	\$ (28)	\$ (76)	\$ (82)	\$ (108)

Debt at September 30, 2014

(\$ in millions)

	September 30, 2014		December 31, 2013	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
ABL Facility	\$ 65	\$ —	\$ —	\$ —
Senior Secured Notes:				
6.625% First-Priority Senior Secured Notes due 2020 (includes \$6 and \$7 of unamortized debt premium at September 30, 2014 and December 31, 2013, respectively)	1,556	—	1,557	—
8.875% Senior Secured Notes due 2018 (includes \$4 of unamortized debt discount at both September 30, 2014 and December 31, 2013)	1,196	—	1,196	—
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	20	20	40	20
Other Borrowings:				
Australia Facility due 2014	—	32	—	35
Brazilian bank loans	10	45	13	45
Capital Leases	8	1	9	1
Other	14	30	13	8
Total	\$ 3,706	\$ 128	\$ 3,665	\$ 109

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