



Hexion Inc.

Second Quarter 2015 Results

August 12, 2015

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 Second Quarter 2015 Results

Craig O. Morrison
Chairman, President and Chief Executive Officer

Second Quarter 2015 Results



Quarter Ended June 30			
(\$ in millions)	2014	2015	Δ
Revenue	\$1,337	\$1,087	(19)%
Segment EBITDA ⁽¹⁾	123	133	8%

- Second quarter 2015 revenues decreased 19% to \$1.1 billion reflecting the negative impact of the U.S. dollar strengthening and lower selling prices from the decline in oil prices
 - On a constant currency basis, net sales would have decreased by 9% for the quarter
- Total Segment EBITDA⁽¹⁾ increased 8% to \$133 million
 - On a constant currency basis, total Segment EBITDA increased 22% for the quarter
 - Epoxy, Phenolic and Coatings Resins increased by 14% reflecting gains in specialty epoxy products and base epoxy resins, which offset declines in oilfield proppants and the impact of the U.S. dollar strengthening against most other currencies
 - Forest Products Segment EBITDA reflected year-over-year gains in North American and Latin American forest product resins offset by currency headwinds

Q2'15 Results Highlighted by Strong Specialty Epoxy Resins Results Despite Currency Fluctuations

(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.

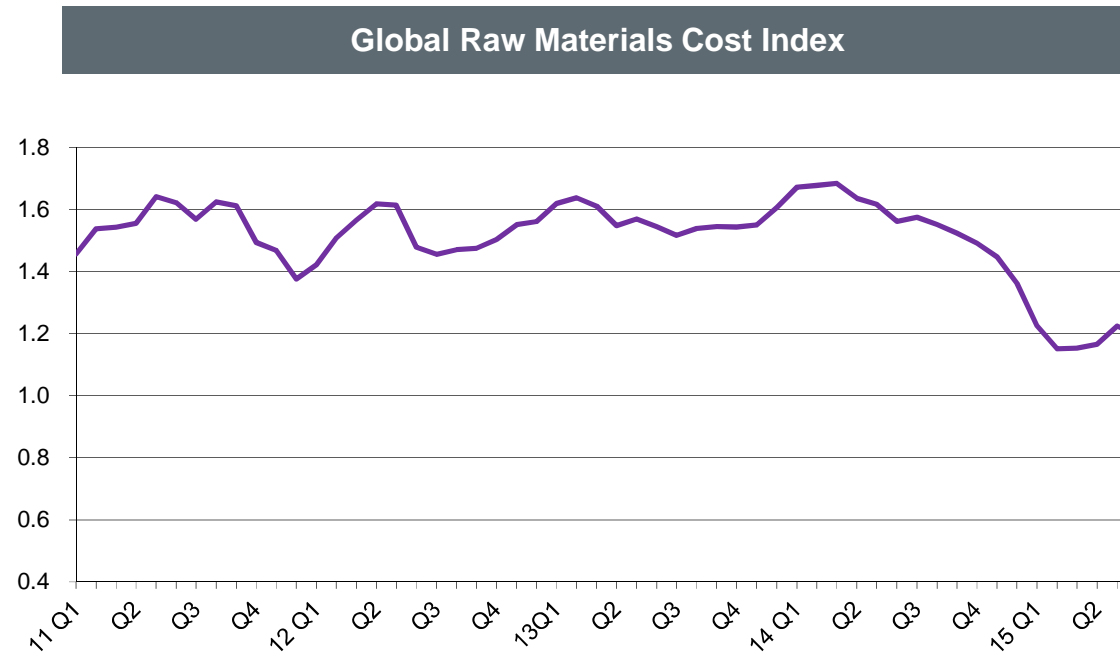
Second Quarter 2015 Results *cont.*

- Continued strategic investments in global network
 - Three formaldehyde sites currently under construction remain on track to come online in 2H'15 and 1Q'16
- Achieved \$9 million in cost productivity actions during the first half of 2015 from a program that will generate annual savings of \$31 million once fully implemented
- Successfully completed \$315 million First-Priority Senior Secured Notes offering in April and ABL Facility amendment in July; Total pro forma liquidity of \$706 million at June 30, 2015



Continued Execution of Strategic Growth Projects

Overview of Raw Materials Environment



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Summary

- Q2'15 total raw material pricing increased approximately 2 percent globally on a sequential basis from Q1'15
- 1H'15 total raw material pricing declined versus 1H'14:
 - Phenol ↓ (29%); Methanol ↓ (26%) ; Urea ↓ (13)%
 - Favorable raw material environment is projected through 2015
- Impact of declining raw material prices in other business units offset declining Oilfield business unit EBITDA

Driving Innovations in High Growth Auto Applications



Innovative Auto Applications



- Epikote™ Epoxy Resin
- Epicure™ Curing Agent

New Products

- Hexion developed a new composite coil spring – an industry first – in cooperation with Sogefi for Audi
- Used in New Audi A6 Avant 2.0 TDI since late 2014
- Reduces weight and improves fuel consumption



- Bakelite® thermoset cam carrier

- Hexion developed a new engineering thermoset in cooperation with WGS Global Services for Ford
- Thermoset material replaces heavier cast aluminum and reduces several manufacturing steps



- Composite applications

- Automotive composites evolving into the next high growth application
 - Auto Carbon Fiber Epoxy Door and Window Casing for Porsche 911 GT3 Cup based on EPIKOTE™ and EPIKURE™ epoxy resin system technology

Hexion Continues to Drive Innovation as New Product Development Averaged 21% of Total Revenue over the Last 5 years¹

(1) NPD defined as net sales from products introduced in the preceding 5 years



Hexion Inc.

Financial Review

William H. Carter
Executive Vice President and
Chief Financial Officer

Epoxy, Phenolic and Coating Resins

Second Quarter 2015 Segment Results



(\$ in millions)	Quarter Ended June 30		
	2014	2015	Δ
Revenue	\$ 862	\$ 683	(21)%
Segment EBITDA ⁽¹⁾	77	88	14%
Segment EBITDA Margin	8.9%	12.9%	400bps

2Q'15 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
(5)%	(6)%	(10)%	(21)%

Summary

- Sales declined primarily due to negative currency translation, lower volumes from softer oilfield proppants demand and negative price/mix
- Key portions of specialty portfolio continued to perform well and drove significant margin improvement
 - Strong specialty epoxy resin results due to continued demand in the wind energy market, particularly in China
 - Continued recovery in base epoxy resins although volumes negatively impacted by operational issues in 2Q'15
 - Successfully resolved a supplier outage impacting our Versatic™ Acids business and our Moerdijk, Netherlands site recently returned to normal operations

(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

Second Quarter 2015 Segment Results



	Quarter Ended June 30		
(\$ in millions)	2014	2015	Δ
Revenue	\$ 475	\$ 404	(15)%
Segment EBITDA	66	62	(6)%
Segment EBITDA Margin	13.9%	15.3%	140bps

Summary

- Sales decreased primarily due to raw material price decreases passed through to customers and negative foreign currency translation
- EBITDA reflected continued strength in North American and Latin America businesses offset by the impact of negative lead/lag and currency headwinds

2Q'15 Sales Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
6%	(12)%	(9)%	(15)%

Balance Sheet Update & Financial Summary



Summary

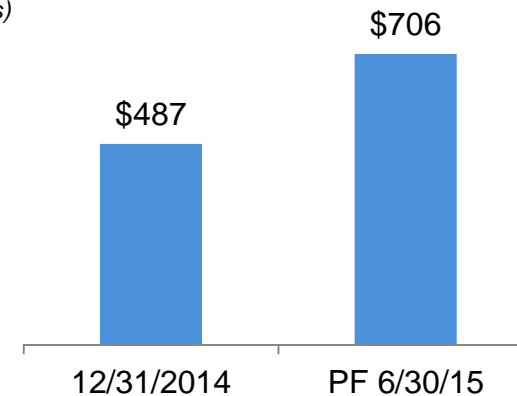
- Substantial liquidity: pro forma cash plus borrowing availability (adjusted for the ABL amendment) of \$706 million at June 30, 2015
- Improved cash flow from operations
 - \$28 million in 1H'15 versus use of cash of \$186 million in prior year
- 2Q'15 capital expenditures of \$39 million
- Aggressively managing working capital
 - Net working capital (NWC) essentially flat with 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
 - For FY'15, continue to anticipate a slight decrease in net working capital as compared to FY'14

April 2015 Refinancing

- Hexion completed a \$315m 1st lien bond deal in April and an ABL amendment in July
 - Proceeds from the bond deal used to fund Hexion's growth program, increase liquidity and repay \$40 million of near-term maturities
- ABL amendment increased borrowing base collateral to mitigate intra-year availability impacts from working capital fluctuations

Pro forma Liquidity

(\$ in millions)



No Material Debt Maturities Before 2018



Hexion Inc. Closing Remarks

Second Quarter 2015 Closing Remarks

- Reported Segment EBITDA increased 8% to \$133 million; 22% constant currency growth
- Supplier outage impacting our Versatic™ Acids and Derivatives business resolved in July 2015
 - Hexion is covered for losses under its insurance program and is in the process of pursuing additional recoveries. The majority of the negative impact due to the supplier disruption in 1H'15 was offset by insurance recoveries

- Successfully executing strategic growth capital investments
 - Formaldehyde expansion projects remain on pace

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

- Successfully completed \$315 million First-Priority Senior Secured Notes offering in April and an ABL Facility amendment in July
 - Total pro forma liquidity of \$706 million as of June 30, 2015

Q2'15 Segment EBITDA Results Reflected Ongoing Productivity Initiatives and Solid YoY Gains in Specialty Epoxy Resins and Latin America Forest Products

Appendices

Reconciliation of Non-GAAP Financial Measures



(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	\$ 88	\$ 77	\$ 173	\$ 157
Forest Products Resins	62	66	123	128
Corporate and Other	(17)	(20)	(36)	(42)
Total	\$ 133	\$ 123	\$ 260	\$ 243
Reconciliation:				
Items not included in Segment EBITDA:				
Business realignment costs	\$ (5)	\$ (12)	\$ (8)	\$ (18)
Integration costs	—	(3)	—	(5)
Realized and unrealized foreign currency losses	—	(1)	(3)	(4)
Other	(11)	(8)	(29)	(17)
Total adjustments	(16)	(24)	(40)	(44)
Interest expense, net	(84)	(76)	(161)	(153)
Income tax expense	(1)	(9)	(27)	(15)
Depreciation and amortization	(34)	(36)	(68)	(71)
Net loss	\$ (2)	\$ (22)	\$ (36)	\$ (40)

Debt at June 30, 2015



(\$ in millions)

	June 30, 2015		December 31, 2014	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
ABL Facility	\$ —	\$ —	\$ 60	\$ —
Senior Secured Notes:				
6.625% First-Priority Senior Secured Notes due 2020 (includes \$5 and \$6 of unamortized debt premium at June 30, 2015 and December 31, 2014, respectively)	1,555	—	1,556	—
10.00% First-Priority Senior Secured Notes due 2020	315	—	—	—
8.875% Senior Secured Notes due 2018 (includes \$3 of unamortized debt discount)	1,197	—	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	—	—	20	20
Other Borrowings:				
Australia Facility due 2017	32	3	36	4
Brazilian bank loans	9	48	9	47
Capital leases	7	1	8	1
Other	10	23	12	27
Total	\$ 3,962	\$ 75	\$ 3,735	\$ 99

