



Hexion Inc.

Third Quarter 2017 Results

November 14, 2017

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 Quarterly Report on Form 10-Q 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 Third Quarter 2017 Results

Craig Rogerson
Chairman, President and Chief Executive Officer

Overview of Third Quarter 2017 Results



Quarter Ended September 30			
(\$ in millions)	2016	2017	YoY Δ
Revenue	\$819	\$914	12%
Segment EBITDA ⁽¹⁾	112	96	(14)%

- Improving revenue and strong volume trends with increases of 12% and 9% year over year, respectively
- Net loss of \$70 million compared to net loss of \$47 million in the prior year period
- Third quarter 2017 Segment EBITDA ⁽¹⁾ decreased 14% year-over-year to \$96 million
 - Third quarter 2017 Segment EBITDA reflected ongoing impact of destocking and competitive pressure in the global wind energy market impacting the specialty epoxy resins business, partially offset by growth in North American Forest Products resins and formaldehyde, base epoxy resins, and oilfield proppants
 - The hurricanes negatively impacted Q3'17 Segment EBITDA by \$6 million
- As part of its ongoing cost optimization efforts, Hexion announced \$40 million in new structural cost reductions
 - Expect to redeploy portions of cost savings into strategic growth initiatives, such as Edmonton R&D expansion and waterborne coatings capacity
- Strategic growth capital investment program continues to drive earnings as plants and projects ramp up. Three recently completed new formaldehyde plants delivered \$4 million in Segment EBITDA in Third Quarter 2017 and \$17 million over the last twelve months
 - On track to deliver ~ \$30 to \$35 million in run-rate Segment EBITDA over the next few years, representing significant upside opportunity

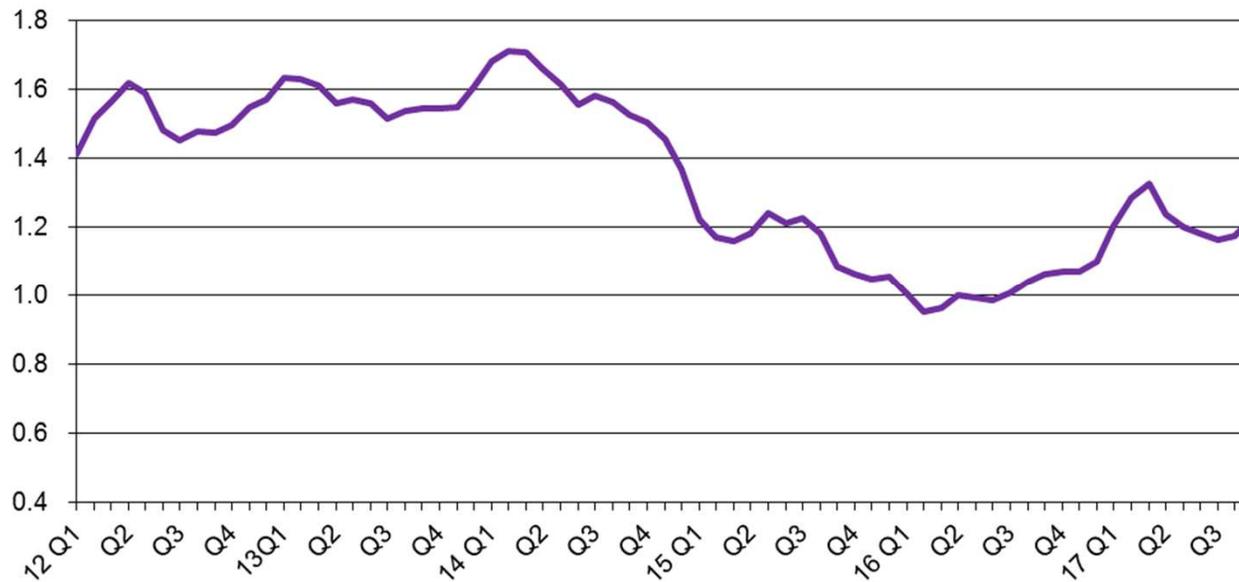
Strategically Investing in Growth Initiatives and Driving Structural Cost Savings

(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.

Overview of Raw Materials Environment



Global Raw Materials Cost Index ⁽¹⁾



Summary

- Q3'17 global raw material pricing is down ~ 2% on a sequential basis from Q2'17
- Total raw material pricing in YTD'17 versus YTD'16:
 - Phenol ↑ 16%; Methanol ↑ 56%; Urea: ↑ 2%

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

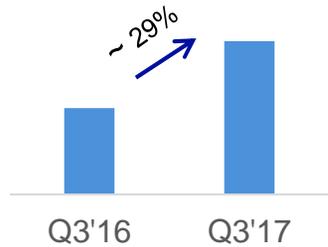
Key Product Lines Support Long Term Earnings Growth



Base Epoxy Resins

Base Epoxy Resin Volume

(Volume kMT)

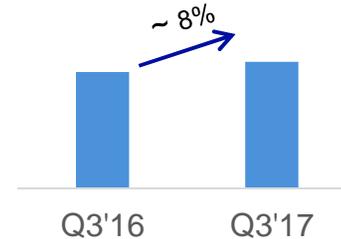


- Expected improvements in base epoxy resin industry fundamentals over next several years drives positive outlook for continued profitability
- Structural savings from Norco closure supports continued earnings improvement in FY'17 and beyond
- Significant year-over-year improvement in base epoxy resins profitability in Q3'17

Strong Formaldehyde Growth

Global Formaldehyde Volume

(Volume kMT)

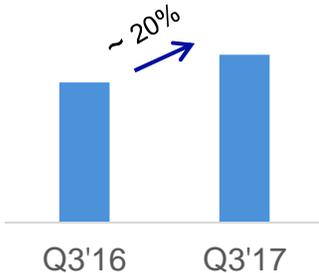


- New formaldehyde plants represent key component of Hexion's global growth strategy
- Following successful start-up, new plants continue to ramp up production with \$4 million impact in Q3'17

Oilfield Proppants

Resin Coated Proppant Volumes

(Volume kMT)

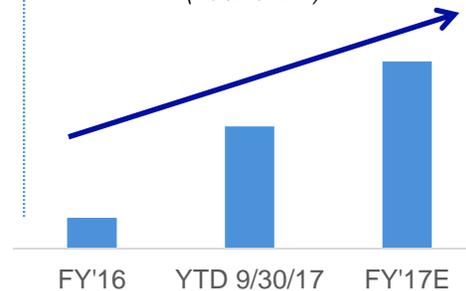


- Resin coated proppant volumes continue to recover from cyclical lows
- Improved profitability year-over-year and sequentially

High-growth Investment: NextGen Epoxy™

Waterborne Volume

(Volume kMT)



- NextGen Epoxy™ Waterborne system offers coating performance comparable to solvent-borne systems
- As of April 1, 2017, all future shipping containers manufactured in China must use Waterborne materials
- Successfully brought on additional capacity in August '17

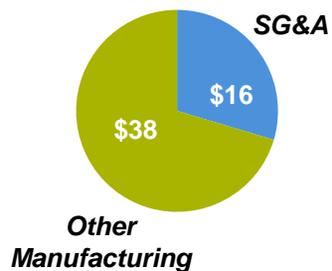
Driving Structural Cost Savings and Leveraging Strategic Capital Investments



Structural Cost Savings Program

In-Process Cost Savings

(US \$ in millions)



- Completed comprehensive review of organizational structure to further streamline the business
- Identified \$40 million in new cost savings
- Portions of structural cost savings to be redeployed toward strategic and highly-targeted growth initiatives
- \$54 million of structural cost savings remain in process as of 9/30/17
 - Expect to realize balance of savings over next 12 to 18 mos.

Strategically Investing in Technology Infrastructure

- Recently completed technology center expansion in Edmonton, Alberta
- Focused on developing next generation forest products resins aligned with EcoBind™ technology
- Hexion continues to drive innovation geared toward high-margin specialty products and applications



Diversified Portfolio Provides Multiple Organic Growth Opportunities



- Versatic Acids™ and Derivatives, Base Epoxy Resins and Forest Products businesses continue to exhibit strong growth through YTD 9/30/17
- Significant upside from long-term growth in wind epoxy, waterborne epoxy, and automotive applications where Hexion has leading positions
- Continued recovery in construction market provides positive backdrop for Forest Products business

Leveraging Growth Capital Investments



- Already achieving our targeted ROI as new North American formaldehyde plants successfully started up and delivered \$17mm of EBITDA LTM 9/30/17
- Continue to invest behind specialty portfolio to address key megatrends, such as auto light-weighting and next generation waterborne epoxies



Hexion Inc.

Financial Review

George Knight
Executive Vice President
and Chief Financial Officer

Forest Product Resins

Third Quarter 2017 Segment Results



	Quarter Ended September 30		
(\$ in millions)	2016	2017	Δ
Revenue	\$ 343	\$ 386	13%
Segment EBITDA ⁽¹⁾	65	66	2%
Segment EBITDA Margin	19.0%	17.1%	(190)bps

Q3'17 Revenue Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
3%	9%	1%	13%

Summary

- Revenue increased primarily due to strong volume gains in North America and the positive lead lag impact on pricing
- Segment EBITDA increased by 2% year-over-year reflecting higher segment volumes and cost efficiencies from the new North America formaldehyde facilities and strength in North American resins business

(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

Epoxy, Phenolic and Coating Resins Third Quarter 2017 Segment Results



	Quarter Ended September 30		
(\$ in millions)	2016	2017	Δ
Revenue	\$ 476	\$ 528	11%
Segment EBITDA ⁽¹⁾	64	45	(30)%
Segment EBITDA Margin	13.4%	8.5%	(490)bps

Q3'17 Revenue Comparison YoY			
Volume	Price/Mix	Currency Translation	Total
7%	2%	2%	11%

Summary

- Revenue increased primarily due to strong volume gains in oilfield proppants and base epoxy resins as well as pass through of higher raw material costs in certain businesses
- Segment EBITDA reflected:
 - \$6 million hurricane impact
 - Destocking and competitive pressures in specialty epoxy resins business
 - Oilfield proppant and base epoxy resins EBITDA improved year over year
 - Continued strong volume growth in NextGen Epoxy™ Waterborne system, which offers coating performance comparable to solvent-borne systems but with lower emissions

Balance Sheet Update & Financial Summary

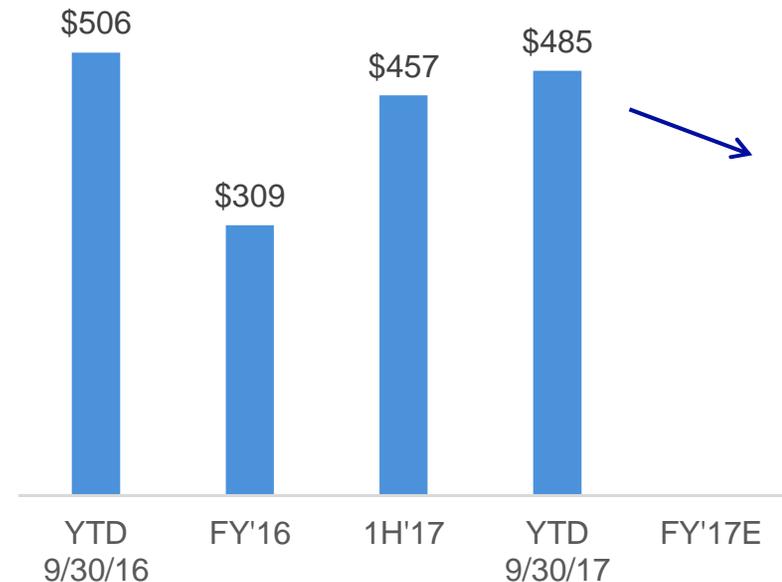


Summary

- Cash plus borrowing availability of \$310 million at September 30, 2017 reflecting normal seasonal working capital build
- FY'17 capital expenditures expected to be \$100 million to \$110 million
- Continued focus on appropriately managing working capital
 - NWC remains a modest 14% of sales
 - Expect NWC to decrease in fourth quarter of 2017, consistent with historical trends

Net Working Capital ⁽¹⁾

(US \$ in millions)



Continued Focus on Prudent Management of Balance Sheet

(1) Net working capital adjusted for the sale of Hexion's Performance Adhesives, Powder Coatings, Additives & Acrylic Coatings and Monomers businesses.

Appendices

Reconciliation of Non-GAAP Financial Measures



	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Reconciliation:				
Net (loss) income	\$ (70)	\$ (47)	\$ (146)	\$ 59
Income tax expense	9	16	16	40
Interest expense, net	82	76	247	235
Depreciation and amortization	29	30	85	101
Accelerated depreciation	14	21	14	127
EBITDA	\$ 64	\$ 96	\$ 216	\$ 562
Items not included in Segment EBITDA:				
Asset impairments	\$ 13	\$ —	\$ 13	\$ —
Business realignment costs (income)	10	(3)	27	42
Gain on dispositions	—	—	—	(240)
Realized and unrealized foreign currency (gains) losses	(5)	6	(7)	(3)
(Gain) loss on extinguishment of debt	—	(3)	3	(47)
Other	14	16	39	50
Total adjustments	32	16	75	(198)
Segment EBITDA	\$ 96	\$ 112	\$ 291	\$ 364
Segment EBITDA:				
Epoxy, Phenolic and Coating Resins	\$ 45	\$ 64	\$ 143	\$ 230
Forest Products Resins	66	65	195	184
Corporate and Other	(15)	(17)	(47)	(50)
Total	\$ 96	\$ 112	\$ 291	\$ 364
Adjustment for dispositions ⁽¹⁾	—	—	—	(30)
Adjusted Segment EBITDA	\$ 96	\$ 112	\$ 291	\$ 334

(1) Adjustments for dispositions impact the Epoxy, Phenolic and Coating Resins segment.

Debt at September 30, 2017



(\$ in millions)

	September 30, 2017		December 31, 2016	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
ABL Facility	\$ 124	\$ —	\$ —	\$ —
Senior Secured Notes:				
6.625% First-Priority Senior Secured Notes due 2020 (includes \$2 and \$3 of unamortized debt premium at September 30, 2017 and December 31, 2016, respectively)	1,552	—	1,553	—
10.00% First-Priority Senior Secured Notes due 2020	315	—	315	—
10.375% First-Priority Senior Secured Notes due 2022	560	—	—	—
8.875% Senior Secured Notes due 2018 (includes \$1 of unamortized debt discount at December 31, 2016)	—	—	706	—
13.75% Senior Secured Notes due 2022	225	—	—	—
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	—
Other Borrowings:				
Australia Facility due 2017	—	55	—	51
Brazilian bank loans	11	29	14	26
Lease obligations	27	4	7	2
Other	5	33	3	28
Unamortized debt issuance costs	(44)	—	(38)	—
Total	\$ 3,612	\$ 121	\$ 3,397	\$ 107

