

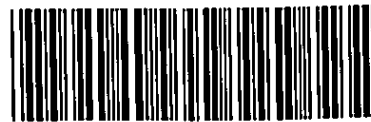
Company Registration No 06376744

MOMENTIVE PERFORMANCE MATERIALS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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MOMENTIVE PERFORMANCE MATERIALS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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MOMENTIVE PERFORMANCE MATERIALS LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Wolf Uwe Lehmann	(resigned 19 April 2010)
Ian Robert Moore	(resigned 24 November 2010)
Robert Gnann	(appointed 24 November 2010)
Osman Nebioglu	(appointed 19 April 2010)

SECRETARY

Verena Quink

REGISTERED OFFICE

5 Cranfield Road
Lostock Industrial Estate
Lostock, Bolton
BL6 4QD

REGISTERED NUMBER

06376744

PRINCIPAL BANKERS

DEUTSCHE BANK AG
Global Cash Management Division
3rd Floor Garden House
23 Great Winchester Street
London
EC2P 2AX

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Manchester
M2 3PW

MOMENTIVE PERFORMANCE MATERIALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

The Company is a wholly owned subsidiary of Momentive Performance Materials Holding GmbH, Leverkusen, Germany, and operates after General Electric sold the Global Silicones Business to Apollo Management LP as a part of the European Momentive Performance Materials Group hereafter "European Momentive Group"

The European Momentive Group is engaged in the business of producing, marketing and selling a variety of silicone based products to external customers throughout Europe, the Middle East, Africa and India. The European Momentive Group also sells products to affiliated Momentive Performance Material operations in both the Americas and the Pacific region. The European Momentive headquarters and principal manufacturing plant are located in Leverkusen, Germany.

The Company owns and operates a compounding and packaging operation, located in Lostock, UK.

The Company entered into a toll compounding and commercial services agreement with Momentive Performance Materials GmbH, Leverkusen, Germany hereafter "the GmbH". Under the terms of this agreement, the Company provides field sales and marketing services, customer support to the European Momentive Group, in addition to compounding and packaging services for the GmbH. The company receives compensation for these services on a cost-plus fee basis.

Business review

The results of the company are shown on page 6. The Company is exempt from the requirement to prepare an enhanced business review as it qualifies as a small company.

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

The Company's employees are a critical part of the continued success of the European Momentive Group. The nature of the services and manufacturing carried out by the company require a highly skilled and trained work force. The Company continues to attract and retain such employees.

The Company operates under strict integrity policies and practices, and is an equal opportunity employer.

In all of Momentive operations product safety, employee health and safety, and environmental care are important elements in the development of the company strategy. It is the responsibility of each Momentive Company to ensure that corporate environmental policy is put into practice. This includes protecting the environment by limiting the environmental impact of operations, meeting the requirements of legislation and training employees on environmental health and safety concerns.

In order to remain competitive in the future economic environment the Company will further change the mix from commodity to specialty products and continue to focus efforts around productivity and cost reductions in both manufacturing and services.

Directors

The directors who held office during the period were as follows:

Wolf Uwe Lehmann	(resigned 19 April 2010)
Ian Robert Moore	(resigned 24 November 2010)
Robert Gnann	(appointed 24 November 2010)
Osman Nebioglu	(appointed 19 April 2010)

MOMENTIVE PERFORMANCE MATERIALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future

The Company receives reimbursement of all costs incurred in providing their principal activity plus a service fee of 10% of such costs. The Company's parent company has confirmed that they will provide adequate resources to allow the company to continue in operational existence for the foreseeable future.

Accordingly, a going concern basis has been adopted in preparing the Directors' Report and financial statements.

Disclosure of information to auditors

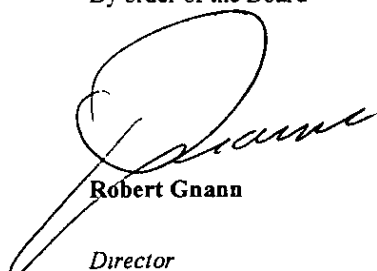
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

During the year KPMG LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed to fill the vacancy.

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Pricewaterhouse Coopers LLP will therefore continue in office.

By order of the Board



Robert Gnann

Director

29 September 2011



Osman Nebioglu

Director

MOMENTIVE PERFORMANCE MATERIALS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

MOMENTIVE PERFORMANCE MATERIALS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOMENTIVE PERFORMANCE MATERIALS LTD

We have audited the financial statements of Momentive Performance Materials Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Martin Heath

Martin Heath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor

Chartered Accountants and Statutory Auditors

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

29 September 2011

MOMENTIVE PERFORMANCE MATERIALS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover		3,859,787	3,372,427
Cost of sales		(1,885,896)	(1,586,173)
Gross profit		1,973,891	1,786,254
Distribution costs		(1,115,231)	(1,033,139)
Administrative expenses		(661,094)	(446,531)
OPERATING PROFIT	4	197,566	306,584
Other interest receivable and similar income	5	2,062	-
Interest payable and similar charges	6	(265,921)	(641,115)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2-6	(66,293)	(334,531)
Tax on (loss) on ordinary activities	7	(103,847)	(39,763)
(LOSS) FOR THE FINANCIAL YEAR/ PERIOD	14	(170,140)	(374,294)

All results derive from continuing operations

There have been no recognised gains and losses other than the result for the current financial year as set out above and therefore no separate Statement of Recognised Gains and Losses is presented

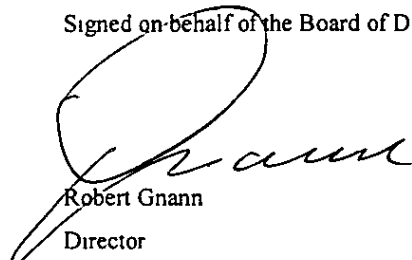
MOMENTIVE PERFORMANCE MATERIALS LIMITED

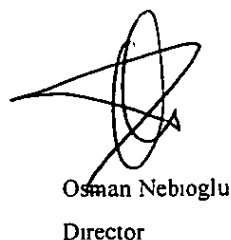
BALANCE SHEET As at 31 December 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Intangible assets	8	9,073,268	9,606,989
Tangible assets	9	665,115	692,528
		<u>9,738,383</u>	<u>10,299,517</u>
CURRENT ASSETS			
Debtors	10	2,617,388	1,552,682
Cash at bank and in hand		5,664	6,838
		<u>2,623,052</u>	<u>1,559,520</u>
CREDITORS: amounts falling due within one year	11	<u>(10,217,255)</u>	<u>(9,565,616)</u>
NET CURRENT LIABILITIES		<u>(7,594,203)</u>	<u>(8,006,096)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,144,180</u>	<u>2,293,421</u>
Provisions for liabilities	12	<u>(87,073)</u>	<u>(66,174)</u>
NET ASSETS		<u>2,057,107</u>	<u>2,227,247</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,000	1,000
Share premium	14	3,172,901	3,172,901
Profit and loss account	14	<u>(1,116,794)</u>	<u>(946,654)</u>
SHAREHOLDERS' FUNDS		<u>2,057,107</u>	<u>2,227,247</u>

The financial statements on pages 6 – 15 were approved by the Board of Directors on 29 September 2011

Signed on behalf of the Board of Directors


Robert Gnann
Director


Osman Nebioglu
Director

Registered number 06376744

MOMENTIVE PERFORMANCE MATERIALS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £	2009 £
(Loss) for the financial year/period	(170,140)	(374,294)
Issue of shares	-	-
Net addition in shareholders' funds	(170,140)	(374,294)
Opening shareholders' funds	2,227,247	2,601,541
Closing shareholders' funds	2,057,107	2,227,247

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

The principal accounting policies which are in accordance with United Kingdom Accounting Standards and the Companies Act 2006 have been consistently applied are as follows

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Momentive Performance Materials Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Momentive Performance Materials Inc, within which this Company is included, can be obtained from the address given in note 16

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future for the following reason

The Company receives reimbursement of all costs incurred in providing their principal activity plus a service fee of 10% of such costs The Company's parent company has confirmed that they will provide adequate resources to allow the Company to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of these financial statements

Accordingly, the going concern basis has been adopted in preparing the Directors' Report and financial statements

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life The estimated useful life of the goodwill is 20 years

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets The rates of depreciation are as follows

Fixtures, fittings, tools and equipment	10% and 20% per annum
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Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Pension costs

The Company operates a defined contribution scheme The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the year

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise

Revenue

For its activities as toll compounder and commercial services provider for Momentive Performance Materials Silicones GmbH, Leverkusen Germany, the Company receives reimbursement of all costs incurred in providing the above service, plus a service fee of 10% of such costs. Costs shall include both direct out-of-pocket costs as well as amortisation and depreciation on intangible and tangible fixed assets employed to carry out the production and service activities of the "Tolling Agreement" between the two parties

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

2. DIRECTORS' REMUNERATION

The directors received no remuneration from the Company during the year

3 STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows

	2010 Number	2009 Number
Production	17	18
Administration	14	14
	<u>31</u>	<u>32</u>
	£	£
The aggregate payroll costs of these persons were as follows		
Wages and salaries	1,265,972	1,226,257
Social security costs	140,374	135,506
Pension costs	162,222	210,384
	<u>1,568,568</u>	<u>1,572,147</u>

4. OPERATING PROFIT

Operating profit is after charging	2010 £	2009 £
Depreciation		
Owned assets	150,627	164,901
Goodwill amortisation	533,722	533,721
Rentals under operating leases		
Other operating leases	73,603	78,568
Land and buildings	126,636	104,638
Auditors' remuneration	14,000	15,278
	<u></u>	<u></u>

5 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Bank interest	<u>2,062</u>	<u>-</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Payable to group undertakings	<u>265,921</u>	<u>641,115</u>

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

7 TAXATION

Analysis of charge in period

	2010 £	2009 £
UK corporation tax		
Current tax on income for the period	149,394	55,773
Adjustment in respect of prior period	(66,446)	(16,010)
Total current tax	<u>82,948</u>	<u>39,763</u>
Deferred tax		
Origination/reversal of timing differences	20,899	-
Total deferred tax	<u>20,899</u>	<u>-</u>
Tax on profit on ordinary activities	<u>103,847</u>	<u>39,763</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK (28%) (2009 28%). The differences are explained below

	2010 £	2009 £
Current tax reconciliation		
Loss on ordinary activities before tax	(66,293)	(334,531)
Current tax at 28% (2009 28%)	<u>(18,562)</u>	<u>(93,669)</u>
Effects of		
Expenses not deductible for tax purposes	188,855	149,442
Capital allowances for period in excess of depreciation	(20,899)	-
Impact on difference of current tax rate and deferred tax rate	-	-
Adjustment in respect of prior period	<u>(66,446)</u>	<u>(16,010)</u>
Total current tax charge (see above)	<u>82,948</u>	<u>39,763</u>

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

8. INTANGIBLE FIXED ASSETS

	Goodwill
Cost	2010 £
At start and end of the year	<u>10,674,433</u>
Accumulated amortisation at start of the year	1,067,443
Charge for the year	533,722
Accumulated amortisation at end of the year	<u>1,601,165</u>
Net book value	
At 31 December 2010	<u>9,073,268</u>
At 31 December 2009	<u>9,606,990</u>

9 TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools and equipment £
Cost	
Assets opening balance	991,543
Additions	123,214
Disposal	-
	<u>1,114,757</u>
Accumulated depreciation at start of the year	299,015
Charge for the period	150,627
Accumulated depreciation at end of the year	<u>449,642</u>
Net book value	
At 31 December 2010	<u>665,115</u>
At 31 December 2009	<u>692,528</u>

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

10. DEBTORS

	2010 £	2009 £
Amounts owed by group undertakings	2,601,812	1,329,179
Other debtors	3,718	48,351
Corporation tax	-	144,931
Prepayments	11,858	30,221
	<u>2,617,388</u>	<u>1,552,682</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade creditors	116,876	170,660
Amounts owed to group undertakings	9,681,805	9,059,917
Corporation tax	115,937	55,773
Other creditors	19,684	-
Taxation and social security	102,899	172,701
Accruals and deferred income	180,054	106,565
	<u>10,217,255</u>	<u>9,565,616</u>

There are no fixed repayment dates for amounts owed to group undertakings. Interest on amounts owed to group accrues at a rate of 3.05% per annum.

12. PROVISIONS FOR LIABILITIES

	Deferred taxation 2010 £	Deferred taxation 2009 £
Arising at start of the year/on acquisition	66,174	66,174
Credit to the profit and loss account	20,899	-
At end of period	<u>87,073</u>	<u>66,174</u>

The elements of deferred taxation are as follows

	2010 £	2009 £
Difference between accumulated depreciation and amortisation and capital allowances	<u>87,073</u>	<u>66,174</u>

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

13 CALLED UP SHARE CAPITAL

	2010 £	2009 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

14. RESERVES

	Share premium account £	Profit and loss account £
At beginning of year	3,172,901	(946,654)
(Loss) for the year	-	(170,140)
At 31 December 2010	<u>3,172,901</u>	<u>(1,116,794)</u>

15. OPERATING LEASE COMMITMENTS

At 31 December 2010 the Company was committed to making the following payments during the next year in respect of operating leases

	2010		2009	
	Land & buildings £	Other £	Land & buildings £	Other £
Leases which expire				
Within two to five years	<u>100,000</u>	<u>62,000</u>	<u>100,000</u>	<u>85,000</u>

16. ULTIMATE PARENT COMPANY

The ultimate parent company is Momentive Performance Materials Inc Albany/USA. Copies of the group financial statements of Momentive Performance Materials Inc are available from the company secretary, at 22 Corporate Woods Blvd, 2nd Fl Albany, NY 1221, USA