

MOMENTIVE PERFORMANCE MATERIALS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

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MOMENTIVE PERFORMANCE MATERIALS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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MOMENTIVE PERFORMANCE MATERIALS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Robert Gnann
Arnoldus Mertens
George Knight

SECRETARY

Verena Quink

REGISTERED OFFICE

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

REGISTERED NUMBER

06376744

PRINCIPAL BANKERS

Deutshce 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
One Kingsway
Cardiff
CF10 3PW

MOMENTIVE PERFORMANCE MATERIALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

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 and up to the date of signing the financial statements were as follows:

Robert Gnann

Osman Nebioglu (resigned 30th November 2012)

Arnoldus Mertens (appointed 30th November 2012)

George Knight (appointed 30th November 2012)

MOMENTIVE PERFORMANCE MATERIALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

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

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



Arnoldus Mertens

Director

Date 24 April 2013

MOMENTIVE PERFORMANCE MATERIALS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the directors have prepared the financial statements in accordance with United Kingdom 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 period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

MOMENTIVE PERFORMANCE MATERIALS LIMITED

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

We have audited the financial statements of Momentive Performance Materials Limited for the year ended 31 December 2012 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements we consider the implications for our report.

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 2012 and of its profit 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.



Jason Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor
Chartered Accountants and Statutory Auditors
Cardiff

30 April 2013

MOMENTIVE PERFORMANCE MATERIALS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover		3,706,103	3,868,787
Cost of sales		(1,991,102)	(1,738,730)
Gross profit		1,715,001	2,130,057
Distribution costs		(934,560)	(1,067,457)
Administrative expenses		(687,975)	(743,838)
OPERATING PROFIT	4	92,466	318,762
Interest payable and similar charges	5	(281,228)	(278,661)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(188,762)	40,101
Tax on (loss)/profit on ordinary activities	6	(110,556)	(91,253)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	13	(299,318)	(51,152)

All results derive from continuing operations

There have been no recognised gains and losses other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented

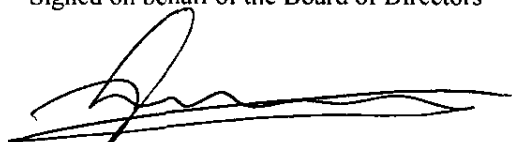
There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and the ir historical cost equivalents

MOMENTIVE PERFORMANCE MATERIALS LIMITED

BALANCE SHEET As at 31 December 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Intangible assets	7	8,005,825	8,539,547
Tangible assets	8	1,227,996	1,376,937
		<u>9,233,821</u>	<u>9,916,484</u>
CURRENT ASSETS			
Debtors	9	82,816	109,709
Cash at bank and in hand		-	116,062
		<u>82,816</u>	<u>225,771</u>
CREDITORS: amounts falling due within one year	10	<u>(7,513,382)</u>	<u>(8,120,836)</u>
NET CURRENT LIABILITIES		<u>(7,430,566)</u>	<u>(7,895,065)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,803,255</u>	<u>2,021,419</u>
Provisions for liabilities	11	<u>(96,618)</u>	<u>(15,464)</u>
NET ASSETS		<u>1,706,637</u>	<u>2,005,955</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Share premium	13	3,172,901	3,172,901
Profit and loss account	13	<u>(1,467,264)</u>	<u>(1,167,946)</u>
TOTAL SHAREHOLDERS' FUNDS		<u>1,706,637</u>	<u>2,005,955</u>

The financial statements on pages 6 – 15 were approved by the Board of Directors on **24 April 2013**
Signed on behalf of the Board of Directors



Arnoldus Mertens
Director

Registered number 06376744

MOMENTIVE PERFORMANCE MATERIALS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £	2011 £
Loss for the financial year	(299,318)	(51,152)
Net decrease in shareholders' funds	(299,318)	(51,152)
Opening shareholders' funds	2,005,955	2,057,107
Closing shareholders' funds	<u>1,706,637</u>	<u>2,005,955</u>

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 and 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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012**

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

Turnover

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 6.67% 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 2012 (continued)

2 DIRECTORS' REMUNERATION

The directors received no remuneration from the Company during the year (2011 £nil). They are remunerated by other group companies for their services to the group as a whole during the period. It is not practicable to allocate their services as a director between group companies. Details of their remuneration can be found in the financial statements of those companies.

3 STAFF NUMBERS AND COSTS

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

	2012 Number	2011 Number
Production	12	14
Administration	17	18
	<u>29</u>	<u>32</u>
	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	1,292,456	1,329,418
Social security costs	151,933	153,059
Other Pension costs	178,240	175,475
	<u>1,622,629</u>	<u>1,657,952</u>

4 OPERATING PROFIT

Operating profit is after charging:	2012 £	2011 £
Depreciation		
Owned assets	322,062	153,646
Goodwill amortisation	533,721	533,721
Rentals under operating leases		
Other operating leases	82,827	61,762
Land and buildings	105,182	75,300
Auditors' remuneration	12,400	24,600

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
Payable to group undertakings	<u>281,228</u>	<u>278,661</u>

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in period

	2012 £	2011 £
UK corporation tax		
Current tax on income for the period	108,299	163,232
Adjustment in respect of prior period	(78,897)	(370)
Total current tax	<u>29,402</u>	<u>162,862</u>
Deferred tax		
Origination/reversal of timing differences	(26,618)	(71,609)
Adjustment in respect of prior period	107,773	
Total deferred tax	<u>81,154</u>	<u>(71,609)</u>
Tax on profit on ordinary activities	<u>110,566</u>	<u>91,253</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 (24.5%) (2011: 26%). The differences are explained below

	2012 £	2011 £
Current tax reconciliation		
(Loss)/Profit on ordinary activities before tax	(188,762)	40,101
Current tax at 24.5% (2011: 26%)	<u>(46,247)</u>	<u>10,426</u>
Effects of:		
Expenses not deductible for tax purposes	138,356	81,197
Capital allowances for period in excess of depreciation	16,189	71,609
Adjustment in respect of prior period	<u>(78,897)</u>	<u>(370)</u>
Total current tax charge (see above)	<u>29,402</u>	<u>162,862</u>

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

7 INTANGIBLE FIXED ASSETS

	Goodwill
Cost	£
At start and end of the year	10,674,434
Accumulated amortisation at start of the year	2,134,887
Charge for the year	533,722
Accumulated amortisation at end of the year	2,668,609
Net book value	
At 31 December 2012	8,005,825
At 31 December 2011	8,539,547

8 TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools and equipment £
Cost	
Assets opening balance	1,921,325
Additions	173,121
	2,094,446
Accumulated depreciation at start of the year	544,388
Charge for the period	322,062
Accumulated depreciation at end of the year	866,450
Net book value	
At 31 December 2012	1,227,996
At 31 December 2011	1,376,937

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

9. DEBTORS

	2012 £	2011 £
Other debtors	32,086	64,102
Prepayments and accrued income	50,730	45,607
	<u>82,816</u>	<u>109,709</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	66,861	81,932
Amounts owed to group undertakings	7,375,340	7,645,283
Corporation tax	43,599	163,232
Other creditors	-	62,979
Accruals and deferred income	27,582	167,410
	<u>7,513,382</u>	<u>8,120,836</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 2012 £	Deferred taxation 2011 £
Arising at start of the year	15,464	87,073
Credit to the profit and loss account	81,154	(71,609)
At end of year	<u>96,618</u>	<u>15,464</u>

The elements of deferred taxation are as follows

	2012 £	2011 £
Difference between accumulated depreciation and amortisation and capital allowances	<u>96,618</u>	<u>15,464</u>

MOMENTIVE PERFORMANCE MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

12 CALLED UP SHARE CAPITAL

	2012 £	2011 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

13. RESERVES

	Share premium account £	Profit and loss account £
At beginning of year	3,172,901	(1,167,946)
Loss for the year	-	(299,318)
At 31 December 2012	<u>3,172,901</u>	<u>(1,467,264)</u>

14. OPERATING LEASE COMMITMENTS

At 31 December 2012 the Company was committed to making the following payments during the next year in respect of operating leases

	2012		2011	
	Land and buildings £	Other £	Land & buildings £	Other £
Leases which expire				
Within two to five years	<u>104,000</u>	<u>31,065</u>	<u>100,000</u>	<u>30,247</u>

15. 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