Filed Pursuant to Rule 424(b)(3)
Registration No. 333-201338

PROSPECTUS SUPPLEMENT
(To Prospectus dated May 9, 2018)

33,927,948 Shares

MPM Holdings Inc.

Common Stock

This is supplement no. 3 to the prospectus dated May 9, 2018 that relates to the offer and resale of up to an aggregate of 33,927,948 shares of common stock of MPM Holdings Inc. (the "Company") by the selling stockholders identified in the prospectus. The shares being offered by the selling stockholders have previously been registered under the Securities Act of 1933, as amended, on a registration statement bearing Registration No. 333-201338. We are not selling any shares under the prospectus. We will not receive any proceeds from the sale of shares being offered by the selling stockholders.

The selling stockholders may offer shares of our common stock from time to time, if and to the extent as they may determine, through public or private transactions or through other means described under "Plan of Distribution" at prevailing market prices or at privately negotiated prices. The selling stockholders may sell shares through agents they select or through underwriters and dealers they select. The selling stockholders also may sell shares directly to investors. If the selling stockholders use agents, underwriters or dealers to sell the shares, we will name such agents, underwriters or dealers and describe any applicable commissions or discounts in a supplement to this prospectus if required.

Our common stock is quoted on the OTCQX Marketplace (the "OTCQX") under the symbol "MPMQ". On November 12, 2018, the closing price of our common stock on the OTCQX was $30.20 per share.

Recent Developments

We have attached to this prospectus supplement the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2018 filed on November 9, 2018. The attached information updates and supplements, and should be read together with, the Company's prospectus dated May 9, 2018, as supplemented from time to time.

See "Risk factors" beginning on page 16 of the prospectus in conjunction with "Risk Factors" under Part II, item 1A of the attached quarterly report, for a discussion of certain risks that you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 13, 2018.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

MPM HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Commission File Number 333-201338

Delaware	47-1756080
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

MOMENTIVE PERFORMANCE MATERIALS INC.
(Exact name of registrant as specified in its charter)

Commission File Number 333-146093

Delaware	20-5748297
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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260 Hudson River Road Waterford, NY 12188	(518) 233-3330
(Address of principal executive offices including zip code)	(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

MPM Holdings Inc. Yes ☒ No ☐
Momentive Performance Materials Inc. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

MPM Holdings Inc. Yes ☒ No ☐
Momentive Performance Materials Inc. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

MPM Holdings Inc.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Momentive Performance Materials Inc.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

MPM Holdings Inc. Yes ☐ No ☒
Momentive Performance Materials Inc. Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

MPM Holdings Inc. Yes ☒ No ☐
Momentive Performance Materials Inc. Yes ☒ No ☐

The number of shares of common stock of MPM Holdings Inc., par value $0.01 per share, outstanding as of the close of business on November 2, 2018, was 48,163,690 shares.

The number of shares of common stock of Momentive Performance Materials Inc., par value $0.01 per share, outstanding as of the close of business on November 2, 2018, was 48 shares, all of which were held by MPM Intermediate Holdings Inc.

This Form 10-Q is a combined quarterly report being filed separately by two registrants: MPM Holdings Inc. and Momentive Performance Materials Inc.

MPM HOLDINGS INC. AND MOMENTIVE PERFORMANCE MATERIALS INC.

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Part I — FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	MPM HOLDINGS INC.		MOMENTIVE PERFORMANCE MATERIALS INC.	
(In millions, except share data)	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Assets				
Current assets:				
Cash and cash equivalents (including restricted cash of $1 at both September 30, 2018 and December 31, 2017)	$ 252	$ 174	$ 252	$ 174
Accounts receivable (net of allowance for doubtful accounts of $3 and $4 at September 30, 2018 and December 31, 2017, respectively)	386	323	386	323
Inventories:				
Raw materials	172	153	172	153
Finished and in-process goods	292	292	292	292
Other current assets	52	51	52	51
Total current assets	1,154	993	1,154	993
Investment in unconsolidated entities	21	19	21	19
Deferred income taxes	10	11	10	11
Other long-term assets	14	11	14	11
Property, plant and equipment:				
Land	77	77	77	77
Buildings	376	338	376	338
Machinery and equipment	1,141	1,135	1,141	1,135
	1,594	1,550	1,594	1,550
Less accumulated depreciation	(459)	(383)	(459)	(383)
	1,135	1,167	1,135	1,167
Goodwill	212	216	212	216
Other intangible assets, net	268	300	268	300
Total assets	$ 2,814	$ 2,717	$ 2,814	$ 2,717
Liabilities and Equity				
Current liabilities:				
Accounts payable	$ 320	$ 286	$ 320	$ 286
Debt payable within one year	36	36	36	36
Interest payable	25	12	25	12
Income taxes payable	11	7	11	7
Accrued payroll and incentive compensation	69	68	69	68
Other current liabilities	100	103	99	102
Total current liabilities	561	512	560	511
Long-term liabilities:				
Long-term debt	1,211	1,192	1,211	1,192
Pension and postretirement benefit liabilities	319	335	319	335
Deferred income taxes	62	60	62	60
Other long-term liabilities	72	74	72	74
Total liabilities	2,225	2,173	2,224	2,172
Commitments and contingencies (See Note 8)				
Equity				
Common stock - $0.01 par value; 70,000,000 shares authorized; 48,163,690 and 48,121,634 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	—	—		
Common stock - $0.01 par value; 100 shares authorized; 48 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively			—	—
Additional paid-in capital	871	868	868	866
Accumulated other comprehensive income (loss)	(53)	(18)	(53)	(18)

Accumulated deficit	(229)	(306)	(225)	(303)
Total equity	589	544	590	545
Total liabilities and equity	$ 2,814	$ 2,717	$ 2,814	$ 2,717

See Notes to Condensed Consolidated Financial Statements

MPM HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except share and per share data)	**2018**	**2017**	**2018**	**2017**
Net sales	$ 687	$ 594	$ 2,048	$ 1,732
Cost of sales	528	473	1,562	1,378
Gross profit	159	121	486	354
Costs and expenses:				
Selling, general and administrative expense	83	84	255	251
Research and development expense	17	17	52	48
Restructuring and discrete costs (See Note 4)	8	6	11	6
Other operating expense (income), net	1	(1)	(1)	3
Operating income	50	15	169	46
Interest expense, net (See Note 7)	21	21	61	60
Non-operating (income) expense, net	(4)	(5)	(7)	(7)
Reorganization items, net	4	—	9	—
Income (loss) before income taxes and earnings from unconsolidated entities	29	(1)	106	(7)
Income tax expense (See Note 13)	12	6	31	11
Income (loss) before earnings from unconsolidated entities	17	(7)	75	(18)
Earnings from unconsolidated entities, net of taxes	1	(1)	2	(1)
Net income (loss)	$ 18	$ (8)	$ 77	$ (19)
Net income (loss) per share:				
Net income (loss) per common share—basic	$ 0.37	$ (0.17)	$ 1.60	$ (0.39)
Net income (loss) per common share—diluted	$ 0.37	$ (0.17)	$ 1.58	$ (0.39)
Shares used in per-share calculation				
Weighted average common shares outstanding—basic	48,219,157	48,121,634	48,171,413	48,109,535
Weighted average common shares outstanding—diluted	48,772,328	48,121,634	48,729,355	48,109,535

See Notes to Condensed Consolidated Financial Statements

MOMENTIVE PERFORMANCE MATERIALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2018**	**2017**	**2018**	**2017**
Net sales	$ 687	$ 594	$ 2,048	$ 1,732
Cost of sales	528	473	1,562	1,378
Gross profit	159	121	486	354
Costs and expenses:				
Selling, general and administrative expense	82	84	253	250
Research and development expense	17	17	52	48
Restructuring and discrete costs (See Note 4)	8	6	11	6
Other operating expense (income), net	1	(1)	(1)	3
Operating income	51	15	171	47
Interest expense, net (See Note 7)	21	21	61	60
Non-operating (income) expense, net	(4)	(5)	(7)	(7)
Reorganization items, net	4	—	9	—
Income (loss) before income taxes and earnings from unconsolidated entities	30	(1)	108	(6)
Income tax expense (See Note 13)	12	6	31	11
Income (loss) before earnings from unconsolidated entities	18	(7)	77	(17)
Earnings from unconsolidated entities, net of taxes	1	(1)	2	(1)
Net income (loss)	$ 19	$ (8)	$ 79	$ (18)

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (Unaudited)

	MPM HOLDINGS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	$ 18	$ (8)	$ 77	$ (19)
Other comprehensive income, net of tax:				
Foreign currency translation	(23)	11	(37)	42
Net prior service credit	(1)	(1)	2	9
Other comprehensive income	(24)	10	(35)	51
Comprehensive (loss) income	$ (6)	$ 2	$ 42	$ 32

	MOMENTIVE PERFORMANCE MATERIALS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	$ 19	$ (8)	$ 79	$ (18)
Other comprehensive income, net of tax:				
Foreign currency translation	(23)	11	(37)	42
Net prior service credit	(1)	(1)	2	9
Other comprehensive income	(24)	10	(35)	51
Comprehensive (loss) income	$ (5)	$ 2	$ 44	$ 33

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	MPM HOLDINGS INC.		MOMENTIVE PERFORMANCE MATERIALS INC.	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Cash flows provided by (used in) operating activities				
Net income (loss)	$ 77	$ (19)	$ 79	$ (18)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	120	117	120	117
Gain on insurance proceeds received for capital	(3)	—	(3)	—
Unrealized actuarial (gains) losses from pensions and other post retirement liabilities	(2)	1	(2)	1
Deferred income tax expense (benefit)	4	(10)	4	(10)
Unrealized foreign currency gains	(6)	(4)	(6)	(4)
Amortization of debt discount and ABL deferred financing costs	19	18	19	18
Stock based compensation	3	3	2	2
Other non-cash adjustments	(2)	9	(2)	9
Net change in assets and liabilities:				
Accounts receivable	(71)	(40)	(71)	(40)
Inventories	(27)	(20)	(27)	(20)
Accounts payable	47	27	47	27
Income taxes payable	6	—	6	—
Other assets, current and non-current	(2)	(3)	(2)	(3)
Other liabilities, current and non-current	6	(33)	7	(31)
Net cash provided by operating activities	169	46	171	48
Cash flows used in investing activities				
Capital expenditures	(84)	(123)	(84)	(123)
Capital reimbursed from insurance proceeds	3	—	3	—
Purchases of intangible assets	(1)	(2)	(1)	(2)
Dividend from MPM	1	1	—	—
Purchase of a business	—	(9)	—	(9)
Net cash used in investing activities	(81)	(133)	(82)	(134)
Cash flows used in financing activities				
Borrowings of short-term debt	36	35	36	35
Repayments of short-term debt	(36)	(36)	(36)	(36)
Dividends paid	—	—	(1)	(1)
ABL financing fees	(4)	—	(4)	—
Net cash used in financing activities	(4)	(1)	(5)	(2)
Increase (decrease) in cash, cash equivalents, and restricted cash	84	(88)	84	(88)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(6)	4	(6)	4
Cash, cash equivalents, and restricted cash at beginning of period	174	228	174	228
Cash, cash equivalents, and restricted cash at end of period	$ 252	$ 144	$ 252	$ 144
Supplemental disclosures of cash flow information				
Cash paid for:				
Interest	$ 29	$ 30	$ 29	$ 30
Income taxes, net of refunds	21	20	21	20
Non-cash investing activity:				
Capital expenditures included in accounts payable	$ 15	$ 25	$ 15	$ 25

See Notes to Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF EQUITY (Unaudited)

MPM HOLDINGS INC.

(In millions, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
Balance as of December 31, 2017	48,121,634	$ —	$ 868	$ (18)	$ (306)	$ 544
Net income			—	—	77	77
Other comprehensive income			—	(35)	—	(35)
Stock-based compensation expense			3	—	—	3
Issuance of common stock	42,056	—	—	—	—	—
Balance as of September 30, 2018	48,163,690	$ —	$ 871	$ (53)	$ (229)	$ 589

MOMENTIVE PERFORMANCE MATERIALS INC.

(In millions, except share data)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
Balance as of December 31, 2017	$ —	$ 866	$ (18)	$ (303)	$ 545
Net income	—	—	—	79	79
Other comprehensive income	—	—	(35)	—	(35)
Dividends	—	—	—	(1)	(1)
Capital contribution from parent	—	2	—	—	2
Balance as of September 30, 2018	$ —	$ 868	$ (53)	$ (225)	$ 590

See Notes to Condensed Consolidated Financial Statements

MPM HOLDINGS INC. AND MOMENTIVE PERFORMANCE MATERIALS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(In millions, except share and per share data)

1. Business and Basis of Presentation

MPM Holdings Inc. (“Momentive”) is a holding company that conducts substantially all of its business through its subsidiaries. Momentive’s wholly owned subsidiary, MPM Intermediate Holdings Inc. (“Intermediate Holdings”), is a holding company for its wholly owned subsidiary, Momentive Performance Materials Inc. (“MPM” or the “Company”) and its subsidiaries. Momentive became the indirect parent company of MPM in accordance with MPM’s plan of reorganization (the “Plan”) pursuant to MPM’s emergence from Chapter 11 bankruptcy on October 24, 2014 (the “Effective Date” or the “Emergence Date”). Prior to its reorganization, MPM, through a series of intermediate holding companies, was controlled by investment funds managed by affiliates of Apollo Management Holdings, L.P. (together with Apollo Global Management, LLC and subsidiaries, “Apollo”). Unless otherwise noted, references to “we,” “us,” “our” or the “Company” refer collectively to Momentive and MPM and their subsidiaries, and, unless otherwise noted, the information provided pertains to both Momentive and MPM. Differences between the financial results of Momentive and MPM represent certain management expenses of and cash received by Momentive and therefore are not consolidated within the results of MPM.

Based in Waterford, New York, the Company is comprised of four reportable segments: Performance Additives, Formulated and Basic Silicones, Quartz Technologies and Corporate. Performance Additives is a global business engaged in the manufacture, sale and distribution of urethane additives, silicone fluids and silanes. Formulated and Basic Silicones is a global business engaged in the manufacture, sale and distribution of coatings, electronics materials, elastomers, sealants, and basic silicone fluids. Quartz Technologies, also a global business, is engaged in the manufacture, sale and distribution of high-purity fused quartz and ceramic materials. Corporate includes corporate, general and administrative expenses that are not allocated to the other segments, such as certain shared service and other administrative functions.

The unaudited Condensed Consolidated Financial Statements include the accounts of the Company, its majority-owned subsidiaries in which minority shareholders hold no substantive participating rights. Intercompany accounts and transactions are eliminated upon consolidation. In the opinion of management, all adjustments consisting of normal, recurring adjustments considered necessary for a fair statement have been included. Results for the interim periods are not necessarily indicative of results for the entire year.

Year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S. GAAP”). Pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes included in Momentive, MPM and their subsidiaries’ most recent Annual Report on Form 10-K for the year ended December 31, 2017.

2. Summary of Significant Accounting Policies

Principles of Consolidation—The Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries in which minority shareholders hold no substantive participating right. Intercompany accounts and transactions are eliminated in consolidation. The Company’s share of net earnings of 20% to 50% owned companies, for which it has the ability to exercise significant influence over operating and financial policies (but not control), are included in “Earnings from unconsolidated entities, net of taxes” in the Consolidated Statements of Operations. Investments in the other companies are carried at cost.

The Company’s unconsolidated investment accounted for under the equity method of accounting is a partial ownership interest in Zhejiang Xinan Momentive Performance Materials Co., Ltd, a joint venture in China which manufactures siloxane, one of our key intermediate materials. The Company’s current ownership interest in the joint venture is 25%. In October 2018, the Company exercised a contractual right acquiring an additional ownership interest for approximately $30. As a result, the Company’s ownership interest in this joint venture was increased to 49% from 25%.

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and also requires the disclosure of contingent assets and liabilities at the date of the financial statements. In addition, it requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Management’s estimates and assumptions are evaluated on an ongoing basis and are based on historical experience, current conditions and available information. Actual results could differ from these estimates.

Property and Equipment—Land, buildings and machinery and equipment are stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the properties (the average estimated useful lives for buildings and machinery are 20 years and 11 years, respectively). Assets under capital leases are amortized over the lesser of their useful life or the lease term. Major renewals and betterments are capitalized. maintenance, repairs, minor renewals and turnarounds (periodic maintenance and repairs to major units of manufacturing facilities) are expensed as incurred. When property and equipment is retired or disposed of, the asset and related depreciation are removed from the accounts and any gain or loss is reflected in operating income. The Company capitalizes interest costs that are incurred during the construction of property and equipment. Construction in progress is included in “Machinery and equipment” on the Condensed Consolidated Balance Sheets.

Subsequent Events—As a public reporting company, the Company evaluates subsequent events and transactions through the date these unaudited Condensed Consolidated Financial Statements are issued.

Reclassifications—Certain prior period balances have been reclassified to conform with current presentations.

Net Income (Loss) Per Share—Momentive calculates earnings per share as the ratio of net income (loss) to weighted average basic and diluted common shares outstanding.

Stock-Based Compensation—The Company measures and recognizes the compensation expense for all share-based awards made to employees and directors based on estimated fair values, in accordance with ASC 718, Compensation – Stock Compensation. The fair value of stock options granted is calculated using a Monte Carlo option-pricing model on the date of the grant, and the fair value of Restricted Stock Units are valued using the fair market value of the Company's common stock on the date of grant. Compensation expense is recognized over the employee's requisite service period (generally the vesting period of the equity grant). See Note 9 for additional details regarding stock-based compensation.

Business Acquisitions—In January 2017 the Company acquired the operating assets of Sea Lion Technology, Inc. to further support the Silanes business of its Performance Additives segment. The Company previously had a tolling relationship with Sea Lion Technology, Inc. on their site. The acquisition enabled the Company to further strategically leverage its assets in support of the *NXT** silane business. The Company paid $9 in cash to acquire Sea Lion Technology, Inc., and acquired substantially all of its property, plant and equipment. This acquisition was not significant in relation to the Company's consolidated financial results and, therefore, pro forma financial information has not been presented.

The acquisition was accounted for using the purchase method of accounting and the allocation of the purchase price inclusive of identification and measurement of the fair value of tangible and intangible assets. The Company engaged specialists to assist in the valuation of tangible and intangible assets. The table below summarizes the initial purchase price allocation to the fair value of assets acquired at the acquisition date. Goodwill is calculated as the excess of the purchase price over the total assets recognized and represents the estimated future economic benefits arising from expected synergies and growth opportunities for the Company. All of the goodwill and intangible assets are deductible for tax purposes.

Property, plant & equipment	$	7
Goodwill		1
Intangible assets		1
Purchase price of the business acquisition	$	9

**NXT is a trademark of Momentive Performance Materials Inc.*

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Board Update No. 2014-09: *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 supersedes the existing revenue recognition guidance and most industry-specific guidance applicable to revenue recognition. According to the new guidance, an entity will apply a principles-based five step model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. Additionally, in March 2016, the FASB issued Accounting Standards Board Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606)*: *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued Accounting Standards Board Update No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"), which clarifies the identification of performance obligations and the licensing implementation guidance. In May 2016, the FASB issued Accounting Standards Board Update No. 2016-12, *Revenue from Contracts with Customers (Topic 606)*: *Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12"), which provides clarifying guidance in certain narrow areas and adds some practical expedients. In December 2016, the FASB issued Accounting Standards Board Update No. 2016-20, *Technical Corrections and Improvements to Topic 606: Revenue from Contracts with Customers* ("ASU 2016-20"), which facilitates 13 technical corrections and improvements to Topic 606 and other Topics amended by ASU 2014-09 to increase stakeholders' awareness of the proposals and to expedite improvements to ASU 2014-09. In September 2017, the FASB issued Accounting Standards Board Update No. 2017-13: *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)* ("ASU 2017-13"), which clarifies transition provisions for certain public business entities. The effective dates for the ASUs issued in 2016 and 2017 are the same as the effective date for ASU 2014-09. On January 1, 2018, the Company adopted ASU 2014-09 and all the related amendments: ASU 2016-08, ASU 2016-10, ASU 2016-12, ASU 2016-20 and ASU 2017-13, together deemed as new revenue standard - Accounting Standards Codification Topic 606 Revenue from Contracts with Customers, using the modified retrospective method on contracts that are not yet complete as of the initial application of the new revenue standard. The adoption of ASU 2014-09 did not materially impact the Company's financial statements,

as the Company's sales revenue continues to be recognized when the transfer of control of the products occurs dictated by the commercial terms governing the arrangement and evaluation of the transfer of the risks and rewards.

In August 2016, the FASB issued Accounting Standards Board Update No. 2016-15: *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides new guidance designed to reduce existing diversity in practice of how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU addresses eight specific cash flow issues, of which the following are expected to be applicable to the Company: 1) debt prepayment and extinguishment costs, 2) proceeds from settlement of insurance claims, 3) distributions received from equity method investments, and 4) separately identifiable cash flows and application of the predominance principle. In addition, in November 2016, the FASB issued Accounting Standards Board Update No. 2016-18: *Statement of Cash Flows (Topic 230), Restricted Cash* ("ASU 2016-18"). ASU 2016-18 clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. On January 1, 2018, the Company adopted ASU 2016-15 and ASU 2016-18, resulting in an immaterial modification of the Company's current disclosures and reclassifications within the consolidated statement of cash flows.

In January 2017, the FASB issued Accounting Standards Board Update No. 2017-01: *Business Combinations (Topic 805) - Clarifying the Definition of a Business* ("ASU 2017-01"). The ASU clarifies the definition of business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 will be effective for the Company's fiscal year beginning January 1, 2018 and subsequent interim periods with prospective application with impacts on the Company's consolidated financial statements that may vary depending on each specific acquisition. Early adoption is conditionally permitted. On January 1, 2018, the Company adopted ASU 2017-01, and this ASU did not have a significant impact on its financial statements or disclosures.

In February 2017 the FASB issued Accounting Standards Board Update No. 2017-05: *Other Income - Gains and Loss from Derecognition of Nonfinancial Assets (subtopic 610-20).* The amendments in this ASU provide clarification that nonfinancial assets within the scope of ASC 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty and that an entity should allocate consideration to each distinct asset by applying the guidance in ASC 606 on allocating the transaction price to performance obligations. The amendments in this ASU also require entities to de-recognize a distinct non-financial asset or distinct in substance non-financial asset in a partial sale transaction when it (1) does not have (or ceases to have) a controlling financial interest in the legal entity that holds the asset in accordance with ASC 810 and (2) transfers control of the asset in accordance with ASC 606. The amendments to this ASU are effective in fiscal years beginning after December 15, 2017, including interim periods within those annual periods. On January 1, 2018, the Company adopted ASU 2017-05 and the adoption of the amendments in this ASU did not have a significant impact on the Company's consolidated financial statements.

In March 2017 the FASB issued Accounting Standards Update No. 2017-07: *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cos*t ("ASU 2017-07"). ASU 2017-07 requires entities to: 1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement and 2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, ASU 2017-07 requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. ASU 2017-07's amendments are effective for interim and annual periods beginning after December 15, 2017. On January 1, 2018, the Company adopted ASU 2017-07, resulting in an impact on the Company's consolidated income statements. As discussed in Note 10, the Company discloses various components of net benefit cost in the specific pension and other postretirement benefit plans footnote as the basis for the retrospective application.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09: *Compensation - Stock Compensation (Topic 718)*. The amendments in the ASU provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The ASU's amendments are effective for interim and annual periods beginning after December 15, 2017. An entity needs to apply the amendments in this ASU on a prospective basis to an award modified on or after the adoption date. The Company adopted this standard as of January 1, 2018, and this ASU did not have a significant impact on its financial statements or disclosures.

In February 2016, the FASB issued Accounting Standards Board Update No. 2016-02: *Leases (ASC 842)* ("ASU 2016-02"). Pursuant to the guidance in ASU 2016-02, lessees will need to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee's balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. In September 2017, the FASB issued Accounting Standards Board Update No. 2017-13: *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)* , which clarifies transition provisions for certain public business entities. In January 2018, the FASB issued Accounting Standards Update No. 2018-01: *Leases (Topic 842), Land Easement Practical Expedient for Transition to Topic 842* , which provides an optional practical expedient related to expired and existing land easements. In July 2018, the FASB issued Accounting Standards Update No. 2018-10: *Codification Improvements to Topic 842. Leases*, which clarifies several items in the codification related to Topic 842. In July 2018, the FASB issued Accounting Standards Update No. 2018-11: *Leases (Topic 842), Targeted Improvements*, which provides an additional (and optional) transition method to adopt the new leases standard. The effective dates for the ASUs issued in 2017 and 2018 are the same as the effective date for ASU 2016-02. ASU 2016-02 is effective for public companies for annual reporting periods beginning after December 15,

2018, and interim periods within those fiscal years. The Company has identified its substantial leases impacted by ASC 842 and expects this impact to be material due to the need to recognize the Company's operating leases on its balance sheet as a right-of-use asset and a lease liability.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13: *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those years. The Company is currently assessing this ASU's impact on its financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13: *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurements. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing this ASU's impact on its financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-14: *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in this update remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The amendments in this update are effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The Company is currently assessing this ASU's impact on its financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15: *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*, which clarifies the accounting for implementation costs for hosting arrangements. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing this ASU's impact on its financial statements.

All other new accounting pronouncements issued but not yet effective or adopted have been deemed to be not relevant to the Company and, accordingly, are not expected to have an impact once adopted.

3. Revenue Recognition

Revenue is recognized when obligations under the terms of a contract or purchase order from a customer of the Company are satisfied. The payment terms under a contract are generally defined within the relevant contract or the purchase order. Standard payment terms are generally within 30-45 days of the invoice. For the purpose of allocation of price to the distinct deliverables within a contract with a customer, the Company assesses the materiality of multiple explicit or implicit distinct deliverables in the contract. Generally, the revenue recognition occurs with the transfer of control of the product underlying the contract/purchase order dictated by the commercial terms governing the arrangement and evaluation of the transfer of risk and rewards. The Company has determined that the transfer of risks and rewards is the strongest indicator of the point in time that control has transferred to the customer, and the indicator is largely dictated by the relevant shipping terms. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods net of estimated allowances and returns. Contract pricing terms are negotiated over a long time horizon, during which there will inevitably be fluctuations in fixed and variable costs. The exact amount of the price increases for fixed and variable cost may or may not be explicitly stated in the contract with the customer. Such change may be specified via escalation of the base prices based on costs at contract inception.

The Company determined the fixed and variable considerations of its contracts with customers at the date of adoption on January 1, 2018, and performed a single, standalone selling price allocation to all of the distinct deliverables in the contracts with each customer. The Company expenses the contract origination costs whose amortization period, if any, is expected to be less than one year.

The Company does not recognize revenue on contracts that convey the right to a customer to return the product for reasons other than the product being damaged or defective, recognizing revenue only when payment is received or the right to return the product expires.

Shipping and handling costs that are billed to customers are included in Net sales in the Consolidated Statements of Operations. The Company treats shipping and handling costs that occur after transfer of control as a fulfillment activity and accordingly accrues for such costs at the time of shipment. Sales, value add, and other taxes that the Company collects concurrent with revenue-producing activities are excluded from revenue.

The following table disaggregates our net sales by end market:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
End Market:				
Agriculture	14	12	41	35
Automotive	113	102	360	316
Construction	76	68	218	200
Consumer	144	148	447	425
Electronics	46	45	140	128
Energy	19	15	53	44
Healthcare	17	17	51	46
Industrial	155	120	433	342
Personal Care	76	52	203	145
Textiles	13	14	46	39
Others	14	1	56	12
Total net sales	**687**	**594**	**2,048**	**1,732**

Net sales by end market is the information outside of the Company's financial statements which was provided prior to 2018. The Company believes net sales by end market is the most relevant disaggregation information for the Company. The Performance Additives and Formulated and Basic Silicones segments cater to all of the end markets whereas the Quartz Technologies segment primarily caters to the industrial and electronics end markets.

4. Restructuring Expenses and Discrete Costs

Included in restructuring and discrete costs are costs related to restructuring (primarily severance payments associated with work force reductions) and services and other expenses associated with cost optimization programs and transformation savings activities.

In March 2018, the Company announced a $15 global restructuring program to reduce costs through primarily global selling, general and administrative expense reductions. In connection with this program, during the three months ended September 30, 2018, the Company recorded severance related costs of approximately $2, comprising of $1 each for the Performance Additives and Formulated and Basic Silicones segments of the Company. During the nine months ended September 30, 2018, the Company recorded severance related costs of approximately $10, comprising of $5 each for the Performance Additives and Formulated and Basic Silicones segments of the Company. These costs are included in Other current liabilities on the Consolidated Balance Sheet and Restructuring and discrete costs on the Consolidated Statement of Operations.

The following table sets forth the changes in the restructuring reserve related to severance. Included in this table are minor restructuring programs that were undertaken by the Company in different locations, none of which were individually material. These costs are primarily related to workforce reductions:

	Total
Accrued liability at December 31, 2017	4
Restructuring charges	—
Adjustments	—
Payments	(2)
Accrued liability at March 31, 2018	2
Restructuring charges	8
Adjustments	—
Payments	(1)
Accrued liability at June 30, 2018	9
Restructuring charges	2
Adjustments	—
Payments	(2)
Accrued liability at September 30, 2018	$ 9

For the three months ended September 30, 2018 and 2017, the Company recognized other costs of $6 and $9, respectively, and gains relating to insurance reimbursements of $0 and $5, respectively. For the nine months ended September 30, 2018 and 2017, the Company recognized other costs of $9 and $18, respectively, and gains relating to insurance reimbursements of $8 and $15, respectively. The other costs in 2018 and 2017 were primarily comprised of one-time expenses for transaction advisory services, other services and integration, which together with the gains relating to insurance reimbursements are included in "Restructuring and discrete costs" in the Condensed Consolidated Statements of Operations. Refer to Note 11 for further details regarding these costs.

5. Related Party Transactions

Transactions with Hexion

Shared Services Agreement

In October 2010, the Company entered into a shared services agreement with Hexion Inc. ("Hexion") (which, from October 1, 2010 through October 24, 2014, was a subsidiary under a common parent and thereafter, an entity controlled by a significant shareholder of the Company) (the "Shared Services Agreement"). Under this agreement, the Company provides to Hexion, and Hexion provides to the Company, certain services, including, but not limited to, legal, information technology hardware, and procurement services. The Shared Services Agreement establishes certain criteria upon which the cost of such services are allocated between the Company and Hexion. The Shared Services Agreement was renewed for one year starting in October 2018, is subject to termination by either the Company or Hexion, without cause, on not less than 30 days' written notice, and expires in October 2019 (subject to one-year renewals every year thereafter; absent contrary notice from either party).

Pursuant to the Shared Services Agreement, during the nine months ended September 30, 2018 and 2017, the Company incurred approximately $15 and $29, respectively, of net costs for shared services and Hexion incurred approximately $22 and $41, respectively, of net costs for shared services. Included in the net costs incurred during the nine months ended September 30, 2018 and 2017, were net billings from Hexion to the Company of $11 and $21, respectively, to bring the percentage of total net incurred costs for shared services under the Shared Services Agreement to the applicable allocation percentage. The allocation percentages are reviewed by the Steering Committee pursuant to the terms of the Shared Services Agreement. The Company had accounts payable to Hexion of $1 and $3 at September 30, 2018 and December 31, 2017, respectively, and no accounts receivable from Hexion under this agreement.

Other Transactions with Hexion

In April 2014, the Company sold 100% of its interest in its Canadian subsidiary to a subsidiary of Hexion for a purchase price of $12. As a part of the transaction the Company also entered into a non-exclusive distribution agreement with a subsidiary of Hexion, whereby the subsidiary of Hexion will act as a distributor of certain of the Company's products in Canada. The agreement has a term of 10 years, and is cancelable by either party with 180 days' notice. The Company compensates the subsidiary of Hexion for acting as a distributor at a rate of 2% of the net selling price of the related products sold. During the three and nine months ended September 30, 2018, the Company sold $8 and $24, respectively, of products to Hexion under this distribution agreement, and paid less than $1 to Hexion as compensation for acting as distributor of the products for all periods. During the three and nine months ended September 30, 2017, the Company sold $6 and $17, respectively, of products to Hexion under this distribution agreement, and paid less than $1 to Hexion as compensation for acting as distributor of the products for all periods. As of September 30, 2018 and December 31, 2017, the Company had accounts receivable from Hexion related to the distribution agreement of $3 and $2, respectively.

The Company also sells other products to, and purchases products from Hexion. These transactions were not material as of September 30, 2018 and 2017.

Purchases and Sales of Products and Services with Affiliates other than Hexion.

The Company also sells products to, and purchases products from its affiliates other than Hexion. These transactions were not material as of September 30, 2018.

6. Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy exists, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

- **Level 1:** Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2:** Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date.
- **Level 3:** Unobservable inputs, that are supported by little or no market activity and are developed based on the best information available in the circumstances. For example, inputs derived through extrapolation or interpolation that cannot be corroborated by observable market data.

Recurring Fair Value Measurements

At both September 30, 2018 and December 31, 2017, the Company had less than $1 of natural gas derivative contracts, which are measured using Level 2 inputs, and are included in “Other current assets” in the unaudited Condensed Consolidated Balance Sheets. The fair value of the natural gas derivative contracts generally reflects the estimated amounts that the Company would receive or pay, on a pre-tax basis, to terminate the contracts at the reporting date based on broker quotes for the same or similar instruments. Counter-parties to these contracts are highly rated financial institutions, none of which experienced any significant downgrades that would reduce the fair value receivable amount owed, if any, to the Company. There were no transfers between Level 1, Level 2 or Level 3 measurements during the three months ended September 30, 2018.

Non-derivative Financial Instruments

The following table summarizes the carrying amount and fair value of the Company’s non-derivative financial instruments:

		Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
September 30, 2018					
Debt	$ 1,247	$ —	$ 1,444	$ —	$ 1,444
December 31, 2017					
Debt	$ 1,228	$ —	$ 1,391	$ —	$ 1,391

Fair values of debt classified as Level 2 are determined based on other similar financial instruments, or based upon interest rates that are currently available to the Company for the issuance of debt with similar terms and maturities. Fair values of debt are based upon the aggregate principal amount of each instrument, and do not include any unamortized debt discounts or premiums. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities are considered reasonable estimates of their fair values due to the short-term maturity of these financial instruments.

7. Debt Obligations

As of September 30, 2018 and December 31, 2017, the Company had no outstanding borrowings under its senior secured asset-based revolving loan facility (the “ABL Facility”). On March 2, 2018, the Company entered into an amendment to its ABL Facility to extend the maturity of the ABL Facility from October 2019 to March 2, 2023 and increase the commitments under the ABL Facility by $30 for a total of $300, incurring $4 of fees for this amendment which is being amortized through March 2, 2023 on a straight line basis. Outstanding letters of credit under this revised ABL Facility at September 30, 2018 were $53, leaving an unused borrowing capacity of $247.

As of September 30, 2018, the Company was in compliance with all the covenants included in the agreements governing its outstanding indebtedness.

At September 30, 2018, the weighted average interest rate of the Company’s long term debt was 4.31%.

Debt outstanding at September 30, 2018 and December 31, 2017 was as follows:

	September 30, 2018		December 31, 2017	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Senior Secured Credit Facilities:				
ABL Facility	$ —	$ —	$ —	$ —
Secured Notes:				
3.88% First-Priority Senior Secured Notes due 2021 (includes $70 and $85 of unamortized debt discount, respectively)	1,030	—	1,015	—
4.69% Second-Priority Senior Secured Notes due 2022 (includes $21 and $25 of unamortized debt discount, respectively)	181	—	177	—
Other Borrowings:				
China bank loans	—	36	—	36
Total debt	$ 1,211	$ 36	$ 1,192	$ 36

Momentive is not an obligor under the debt obligations above. MPM is a borrower under the ABL Facility and the issuer of the secured notes, which are fully and unconditionally guaranteed by certain subsidiaries of MPM (see Note 15).

8. Commitments and Contingencies

Non-Environmental Legal Matters

The Company is involved in various legal proceedings in the ordinary course of business and had reserves of $5 and $4 at September 30, 2018 and December 31, 2017, respectively, for all non-environmental legal defense costs incurred and settlement costs that it believes are probable and estimable, all of which are included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets.

In connection with the bankruptcy cases, in September 2014, BOKF, NA, as trustee (the "First Lien Trustee") for MPM's previously issued 8.875% First-Priority Senior Secured Notes due 2020 (the "Old First Lien Notes"), and Wilmington Trust, National Association, as trustee (the "1.5 Lien Trustee" and together with the First Lien Trustee, the "Appellants") for MPM's previously issued 10% Senior Secured Notes due 2020 (the "Old Secured Notes") jointly appealed to the U.S. District Court for the Southern District of New York (the "District Court") seeking reversal of the U.S. Bankruptcy Court of the Southern District of New York's (the "Bankruptcy Court") determinations that the interest rates on the 3.88% First Lien Notes due 2021 (the "First Lien Notes") and the 4.69% Second Lien Notes due 2022 (the "Second Lien Notes") under the Plan of Reorganization was proper and in accordance with United States Bankruptcy Code. In May 2015, the District Court affirmed the Bankruptcy Court's rulings, and the trustees subsequently appealed the District Court decision to the United States Court of Appeals for the Second Circuit (the "Second Circuit"). In October 2017, the Second Circuit reversed the District Court's determination with respect to the interest rates and remanded the issue to the Bankruptcy Court for further proceedings. An adverse resolution of this matter could result in a significant obligation by the Company to make a catch-up payment for past due interest and an increase in the Company's interest costs going forward. The Bankruptcy Court conducted a bench trial for the remanded proceedings in August and September 2018. The Bankruptcy Court has not yet issued its decision. At this time, the Company is unable to estimate any reasonably possible loss, or range of losses, with regard to this matter.

Environmental Matters

The Company is involved in certain remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs at each site are based on the Company's best estimate of discounted future costs. As of both September 30, 2018 and December 31, 2017, the Company had recognized total obligations of approximately $12 for remediation costs at the Company's manufacturing facilities and off-site landfills. These amounts are included in "Other long-term liabilities" in the unaudited Condensed Consolidated Balance Sheets.

Included in these liabilities is $8 related to groundwater treatment at the Company's Waterford, NY site. In 1988, a consent decree was signed with the State of New York which requires recovery of groundwater at the site to contain migration of specified contaminants in the groundwater. A groundwater pump and treat system and groundwater monitoring program are currently operational to implement the requirements of this consent decree.

Due to the long-term nature of the project and the uncertainty inherent in estimating future costs of implementing this program, this liability was recorded at its net present value, which assumes a 3% discount rate and an estimated time period of 50 years and is included in our total obligations as discussed above. The undiscounted obligations, which are expected to be paid over the estimated period, are approximately $17. Over the next five years the Company expects to make ratable payments totaling approximately $2.

9. Equity Plans and Stock Based Compensation

Management Equity Plan

On March 12, 2015, the Board of Directors of Momentive approved the MPM Holdings Inc. Management Equity Plan (the "MPMH Equity Plan"). Under the MPMH Equity Plan, Momentive can award no more than 3,818,182 shares which may consist of options, restricted stock units, restricted stock and other stock-based awards, qualifying as equity classified awards in accordance with ASC 718 "Compensation - Stock Compensation". The restricted stock units are non-voting units of measurement which are deemed to be equivalent to one common share of Momentive. The options are options to purchase common shares of Momentive. The awards contain restrictions on transferability and other typical terms and conditions. The purpose of the MPMH Equity Plan is to assist the Company in attracting, retaining, incentivizing and motivating employees and to promote the success of the Company's business by providing such participating individuals with a proprietary interest in the performance of the Company.

The Compensation Committee of the Board of Directors of Momentive has approved grants under the MPMH Equity Plan of restricted stock units and options to certain of the Company's key managers, including the Company's named executive officers ("NEOs") and certain directors of the Company.

The following is a summary of key terms of the stock-based awards granted under the MPMH Equity Plan:

Award	Vesting Terms	Option/Unit Terms
Stock Options—Tranche A	Performance-based and market-based upon achievement of targeted common stock prices either through a Sale or an IPO with certain conditions as such terms are defined by the MPMH Equity Plan	10 years
Stock Options—Tranche B	Performance-based and market-based upon achievement of targeted common stock prices either through a Sale or an IPO with certain conditions as such terms are defined by the MPMH Equity Plan	10 years
Employees and NEOs Restricted Stock Units ("RSUs") grant ("2015 Program")	Cliff vest four years after grant date; Immediate vesting upon a Sale and ratable vesting in the event of an IPO as defined in the MPMH Equity Plan	NA
Employees and NEOs Restricted Stock Units ("RSUs") grant ("2018 Program")	Cliff vest 1.77 years after grant date provided that the Company has completed a Sale or an IPO as defined in the MPMH Equity Plan	NA
Directors RSUs grant	Cliff vest annually after grant date; Immediate vesting upon a Sale as defined in the MPMH Equity Plan	NA

Stock Options

Information on Stock Options activity is as follows:

	Tranche A		Tranche B	
	Units	Weighted-Average Exercise Price per Share	Units	Weighted-Average Exercise Price per Share
Balance at January 1, 2018	782,040	$ 10.33	782,040	$ 10.33
Granted	—		—	
Exercised	—		—	
Forfeited	—		—	
Expired	—		—	
Balance as of September 30, 2018	782,040	$ 10.33	782,040	$ 10.33

As there have been no performance and market based achievements since the date of the original grant, there has been no compensation expense recorded during the three and nine months ended September 30, 2018 and 2017 with respect to stock options. At both September 30, 2018 and December 31, 2017, unrecognized compensation expense related to non-vested stock options was $15. Stock-based compensation cost related to stock options will be recognized once the satisfaction of the performance conditions become probable, including greater certainty as to the satisfaction of conditions under the Merger Agreement.

Restricted Stock Units

Information on Restricted Stock Units activity is as follows:

	Units	Weighted-Average Grant Date Fair Value per Share	Aggregate Fair Value
Balance at January 1, 2018	712,376	$ 19.92	
Granted	175,413	31.85	
Vested	(98,756)	19.46	3
Forfeited	(18,900)	20.33	
Expired	—		
Balance as of September 30, 2018	770,133	$ 22.72	

The fair market values related to the RSUs granted in 2018 were derived from material financial weighted analysis of the Company's expected financial performance at the grant date, and its 20 day weighted average stock price at over-the-counter exchange. The material financial weighted analysis consisted of (i) a discounted cash flow analysis, (ii) a selected publicly traded company analysis and (iii) a selected transactions analysis.

Additionally, vesting of the Director RSU grants could be accelerated upon a Sale of the Company occurring prior to the scheduled vesting date, the RSUs, to the extent unvested, shall become fully vested.

There were no performance-based achievements during the three and nine months ended September 30, 2018. The fair value of the Company's RSUs, net of forfeitures, is expensed on a straight-line basis over the required service period.

Stock-based compensation expense related to RSU awards under the 2015 Program was approximately $1 for both the three months ended September 30, 2018 and 2017 and $3 for both the nine months ended September 30, 2018 and 2017 for Momentive, whereas for MPM, it was $1 and $0 for the three months ended September 30, 2018 and 2017, respectively, and $2 for both the nine months ended September 30, 2018 and 2017. As of September 30, 2018, unrecognized compensation related to RSU awards under the 2015 Program was $2 which will be recognized over the remaining 0.68 years vesting period. At September 30, 2018, unrecognized compensation expense related to the RSU awards under the 2018 Program was $5. Stock-based compensation cost related to RSU awards may be accelerated once the satisfaction of one of the performance conditions outlined becomes probable.

Although the MPMH Equity Plan, under which the above awards were granted, was issued by Momentive, substantially all of the underlying compensation cost represents compensation costs paid by Momentive on MPM's behalf, as a result of the MPM's employees' services to MPM. Upon vesting of awards, Momentive will issue new stock to deliver shares or otherwise settle awards in accordance with the MPMH Equity Plan.

10. Pension and Postretirement Benefit Plans

The following are the components of the Company's net pension and postretirement (benefit) expense for the three and nine months ended September 30, 2018 and 2017:

	Pension Benefits				Non-Pension Postretirement Benefits			
	Three Months Ended September 30,				Three Months Ended September 30,			
	2018		2017		2018		2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost (1)	$ 1	$ 3	$ 2	$ 3	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	2	1	2	—	—	—	—	—
Expected return on assets	(3)	—	(2)	—	—	—	—	—
Amortization of prior service credit	—	—	—	—	(1)	—	(1)	—
Net periodic benefit cost	$ —	$ 4	$ 2	$ 3	$ (1)	$ —	$ (1)	$ —

	Pension Benefits				Non-Pension Postretirement Benefits			
	Nine Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost (1)	$ 4	$ 9	$ 5	$ 9	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	7	3	7	2	1	—	1	—
Expected return on assets	(9)	(1)	(7)	—	—	—	—	—
Amortization of prior service credit	—	—	—	—	(3)	—	(3)	—
Actuarial (gain) loss (2)	—		—	—	(2)	—	1	—
Net periodic benefit cost	$ 2	$ 11	$ 5	$ 11	$ (4)	$ —	$ (1)	$ —

(1) Service cost of $3 and $1 were recorded in Cost of sales and Selling, general and administrative expense, respectively, for the three months ended September 30, 2018. Service cost of $3 and $2 were recorded in Cost of sales and Selling, general and administrative expense, respectively, for the three months ended September 30, 2017. Service cost of $10 and $3 were recorded in Cost of sales and Selling, general and administrative expense, respectively, for the nine months ended September 30, 2018. Service cost of $10 and $4 were recorded in Cost of sales and Selling, general and administrative expense, respectively, for the nine months ended September 30, 2017. All non-service costs are included in Non-operating (income) expense, net in the unaudited Condensed Consolidated Statements of Operations.

(2) The actuarial gain on U.S. non-pension post-retirement benefit plans of $2 during the nine months ended September 30, 2018 and the actuarial loss on U.S. non-pension post-retirement benefit plans of $1 during the nine months ended September 30, 2017 relate to the change in discount rate as a result of re-measurements of the accumulated postretirement benefit obligation on Company-sponsored post-retiree medical, dental, vision and life insurance benefit plans. These re-measurements were triggered by plan provision changes for active retirees and employees. The Company recorded these (gains) losses in Non-operating (income) expense, net in the unaudited Condensed Consolidated Statements of Operations.

11. Segment Information and Customers

The Company's segments are based on the products that the Company offers and the markets that it serves. The Performance Additives segment is engaged in the manufacture, sale and distribution of specialty silanes, silicone fluids and urethane additives. The Formulated and Basic Silicones segment is engaged in the manufacture, sale and distribution of sealants, electronics materials, coatings, elastomers and basic silicone fluids. The Quartz Technologies segment is engaged in the manufacture, sale and distribution of high-purity fused quartz and ceramic materials. In addition, the Corporate segment consists of corporate, general and administrative expenses that are not allocated to the other segments, such as certain shared service and other administrative functions.

Following are net sales and Segment EBITDA (earnings before interest, income taxes, depreciation and amortization) by segment. Segment EBITDA is defined as EBITDA adjusted for certain non-cash items and certain 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. Segment EBITDA is also the profitability measure used to set management and executive incentive compensation goals.

Net Sales(1):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Performance Additives	$ 239	$ 223	$ 737	$ 670
Formulated and Basic Silicones	395	320	1,151	910
Quartz Technologies	53	51	160	152
Total	$ 687	$ 594	$ 2,048	$ 1,732

(1) Inter-segment sales are not significant and, as such, are eliminated within the selling segment.

Segment EBITDA:

	MPM HOLDINGS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Performance Additives	$ 47	$ 45	$ 151	$ 140
Formulated and Basic Silicones	51	20	155	71
Quartz Technologies	13	13	34	30
Corporate	(9)	(11)	(31)	(31)
Total	$ 102	$ 67	$ 309	$ 210

	MOMENTIVE PERFORMANCE MATERIALS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Performance Additives	$ 47	$ 45	$ 151	$ 140
Formulated and Basic Silicones	51	20	155	71
Quartz Technologies	13	13	34	30
Corporate	(9)	(11)	(30)	(30)
Total	$ 102	$ 67	$ 310	$ 211

Reconciliation of Net Income (Loss) to Segment EBITDA:

	MPM HOLDINGS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$ 18	$ (8)	$ 77	$ (19)
Interest expense, net	21	21	61	60
Income tax expense	12	6	31	11
Depreciation and amortization	40	42	120	117
Items not included in Segment EBITDA:				
Non-cash charges and other income and expense , net	$ (1)	$ —	$ 2	$ 4
Unrealized (gains) losses on pension and postretirement benefits	—	—	(2)	1
Restructuring and discrete costs	8	6	11	36
Reorganization items	4	—	9	—
Segment EBITDA	$ 102	$ 67	$ 309	$ 210

	MOMENTIVE PERFORMANCE MATERIALS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$ 19	$ (8)	$ 79	$ (18)
Interest expense, net	21	21	61	60
Income tax expense	12	6	31	11
Depreciation and amortization	40	42	120	117
Items not included in Segment EBITDA:				
Non-cash charges and other income and expense , net	$ (2)	$ —	$ 1	$ 4
Unrealized (gains) losses on pension and postretirement benefits	—	—	(2)	1
Restructuring and discrete costs	8	6	11	36
Reorganization items	4	—	9	—
Segment EBITDA	$ 102	$ 67	$ 310	$ 211

Items Not Included in Segment EBITDA

Not included in Segment EBITDA are certain non-cash items and other income and expenses.

For the three and nine months ended September 30, 2018 and 2017, non-cash charges primarily included loss due to the scrapping of certain assets, stock based compensation expense, and net foreign exchange transaction gains and losses related to certain intercompany arrangements. In addition, for the three and nine months ended September 30, 2017, non-cash charges also included asset impairment charges.

For the nine months ended September 30, 2017, unrealized gains (losses) on pension and postretirement benefits represented non-cash actuarial losses recognized upon the remeasurement of our pension and postretirement benefit obligations.

For the three and nine months ended September 30, 2018 and 2017, restructuring and discrete costs included one-time expenses for services, transaction advisory services and integration. In addition, for the three and nine months ended September 30, 2017, these costs also included costs arising from the work stoppage inclusive of unfavorable manufacturing variances at our Waterford, NY facility, and restructuring. For the nine months ended September 30, 2018 and 2017, these amounts also included a gain related to an insurance reimbursement of $8 and $15, respectively related to fire damage at our Leverkusen, Germany facility whereas it was $5 for the three months ended September 30, 2017. For the nine months ended September 30, 2018, restructuring and discrete costs also included the restructuring costs related to the Company's announced restructuring initiative.

For the three and nine months ended September 30, 2018, reorganization items, net represented incremental costs pertaining to professional fees and bankruptcy court fees incurred directly as a result of our Chapter 11 bankruptcy filing of 2014 from which we emerged in 2014.

12. Changes in Accumulated Other Comprehensive (Loss) Income

Following is a summary of changes in "Accumulated other comprehensive (loss) income" for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,					
	2018			2017		
	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Total	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Total
Beginning balance	$ 33	$ (62)	$ (29)	$ 27	$ (62)	$ (35)
Other comprehensive income before reclassifications, net of tax	—	(23)	(23)	—	11	11
Amounts reclassified from Accumulated other comprehensive income (loss), net of tax	(1)	—	(1)	(1)	—	(1)
Net other comprehensive (loss) income	(1)	(23)	(24)	(1)	11	10
Ending balance	$ 32	$ (85)	$ (53)	$ 26	$ (51)	$ (25)

	Nine Months Ended September 30,					
	2018			2017		
	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Total	Defined Benefit Pension and Postretirement Plans	Foreign Currency Translation Adjustments	Total
Beginning balance	$ 30	$ (48)	$ (18)	$ 17	$ (93)	$ (76)
Other comprehensive income before reclassifications, net of tax (1) (2)	5	(37)	(32)	12	42	54
Amounts reclassified from Accumulated other comprehensive income (loss), net of tax	(3)	—	(3)	(3)	—	(3)
Net other comprehensive (loss) income	2	(37)	(35)	9	42	51
Ending balance	$ 32	$ (85)	$ (53)	$ 26	$ (51)	$ (25)

(1) Other comprehensive income related to defined benefit pension and postretirement plans for the nine months ended September 30, 2018, represents the recognition of prior service benefits of $5, with the corresponding decrease in the projected benefit obligation following certain plan provision changes.

(2) Other comprehensive income related to defined benefit pension and postretirement plans for the nine months ended September 30, 2017, represents the recognition of prior service benefits of $18, with the corresponding decrease in the projected benefit obligation following certain plan provision changes, reduced by tax expenses of $6, for the nine months ended September 30, 2017 (see Note 10).

13. Income Taxes

The effective tax rate was 41% and 40% for Momentive and MPM, respectively, for the three months ended September 30, 2018 and (600)% for both Momentive and MPM for the three months ended September 30, 2017. The effective tax rate was 29% for both Momentive and MPM for the nine months ended September 30, 2018. The effective tax rate was (157)% and (183)% for Momentive and MPM for the nine months ended September 30, 2017. The change in the effective tax rate was primarily attributable to the amount and distribution of income and loss among the various jurisdictions in which the Company operates. The effective tax rates were also impacted by operating losses generated in jurisdictions where no tax benefit was recognized due to the maintenance of a full valuation allowance, the release of valuation allowance in certain non-U.S. jurisdictions, the tax impact of recognition of net prior service benefit following certain plan provision changes, and the resolution of certain tax matters in non-U.S. jurisdictions.

For the three and nine months ended September 30, 2018, income taxes included favorable discrete tax adjustments of $3 and $4, respectively, pertaining to the release of valuation allowance in certain non-U.S. jurisdictions and the resolution of certain tax matters in non-U.S. jurisdictions. For the three and nine months ended September 30, 2017, income taxes included unfavorable discrete tax adjustments of $2 and favorable discrete tax adjustments of $8, respectively, pertaining to benefits curtailment, legislative changes in Italy and Japan and the resolution of certain tax matters in non-U.S. jurisdictions.

The Company is recognizing the earnings of non-U.S. operations currently in its U.S. consolidated income tax return as of September 30, 2018 and is expecting that all earnings, with the exception of Germany and Japan, will be repatriated to the United States. The Company has accrued the incremental tax expense expected to be incurred upon the repatriation of these earnings. In addition, the Company has certain intercompany arrangements that if settled may trigger taxable gains or losses based on currency exchange rates in place at the time of settlement. Since the currency translation impact is considered indefinite, the Company has not provided deferred taxes on gains of $7, which could result in a tax obligation of $2, based on currency exchange rates as of September 30, 2018. Should the intercompany arrangement be settled or the Company change its assertion, the actual tax impact will depend on the currency exchange rate at the time of settlement or change in assertion.

The Company believes that it is reasonably possible that a net increase of unrecognized tax benefits within the range of $0 and $50 may occur within the next 12 months as a result of the addition of new uncertain tax positions, as well as the revaluation of existing uncertain tax positions resulting from developments in examinations that are currently ongoing, in appeals or in the courts.

In December 2017, The Tax Cuts & Jobs Act (the “TCJA”) was enacted into law. The TCJA decreased the federal corporate tax rate to 21%, imposed a one-time transition tax on previously unremitted foreign earnings, and modified the taxation of other income and expense items. The Company’s 2017 financial statements reflected provisional estimates for the one-time transition tax on the untaxed post -1986 earnings & profits (E&P) of our foreign subsidiaries, excluding our foreign branches. During first nine months of 2018, the Company did not record any material adjustments to the provisional amounts recorded in the fourth quarter of 2017 related to the deemed repatriated earnings as it continues to obtain, prepare, and analyze information and evaluate legislative and authoritative guidance being issued.

14. Net Income (Loss) per Share

The following table presents the calculation of basic and diluted net income (loss) per share attributable to Momentive for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except share data)	2018	2017	2018	2017
Net income (loss)	$ 18	$ (8)	$ 77	$ (19)
Weighted average common shares—basic	48,219,157	48,121,634	48,171,413	48,109,535
Effect of dilutive potential common shares	553,171	—	557,942	—
Weighted average shares outstanding—diluted	48,772,328	48,121,634	48,729,355	48,109,535
Net income (loss) per common share—basic	$ 0.37	$ (0.17)	$ 1.60	$ (0.39)
Net income (loss) per common share—diluted	$ 0.37	$ (0.17)	$ 1.58	$ (0.39)
Antidilutive employee share-based awards, excluded	—	310,836	—	129,409

Employee equity share options, unvested shares and similar equity instruments granted by the Company are treated as potential common shares outstanding in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of in-the-money options, unvested restricted stock, and restricted stock units. The dilutive effect of such equity awards is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are collectively assumed to be used to repurchase shares.

Due to the loss recognized during the three and nine months ended September 30, 2017, there is no effect for potentially dilutive shares for that period.

15. Guarantor/Non-Guarantor Subsidiary Financial Information

As of September 30, 2018, the Company had outstanding $1,100 in aggregate principal amount of 3.88% First-Priority Senior Secured Notes due 2021 (the "First Lien Notes") and $202 in aggregate principal amount of 4.69% Second-Priority Senior Secured Notes due 2022 (the "Second Lien Notes"). The notes are fully and unconditionally, jointly and severally guaranteed on a senior secured basis by each of MPM's existing 100% owned U.S. subsidiaries that is a guarantor under MPM's ABL Facility and MPM's future U.S. subsidiaries (other than receivables subsidiaries and U.S. subsidiaries of foreign subsidiaries) that guarantee any debt of MPM or any of the guarantor subsidiaries of MPM under the related indenture (the "Note Guarantors"). The following condensed consolidated financial information presents the Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017, the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017 and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 of (i) Momentive Performance Materials Inc. ("Parent"); (ii) the guarantor subsidiaries; (iii) the non-guarantor subsidiaries; and (iv) MPM on a consolidated basis.

These financial statements are prepared on the same basis as the consolidated financial statements of MPM except that investments in subsidiaries are accounted for using the equity method for purposes of the consolidating presentation. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions. The guarantor subsidiaries are 100% owned by Parent and all guarantees are full and unconditional, subject to certain customary release provisions set forth in the applicable Indenture. Additionally, the ABL Facility is secured by, among other things, most of the assets of the Parent, the guarantor subsidiaries and certain non-guarantor subsidiaries, subject to certain exceptions and permitted liens. There are no significant restrictions on the ability of Parent to obtain funds from its domestic subsidiaries by dividend or loan. The indentures governing the First Lien Notes and the Second Lien Notes contain covenants that, among other things, limit MPM's ability and the ability of certain of MPM's subsidiaries to (i) incur or guarantee additional indebtedness or issue preferred stock; (ii) grant liens on assets; (iii) pay dividends or make distributions to MPM's stockholders; (iv) repurchase or redeem capital stock or subordinated indebtedness; (v) make investments or acquisitions; (vi) enter into sale/leaseback transactions; (vii) incur restrictions on the ability of MPM's subsidiaries to pay dividends or to make other payments to us; (viii) enter into transactions with MPM's affiliates; (ix) merge or consolidate with other companies or transfer all or substantially all of MPM's assets; and (x) transfer or sell assets.

MOMENTIVE PERFORMANCE MATERIALS INC.
SEPTEMBER 30, 2018
CONDENSED CONSOLIDATING BALANCE SHEETS (Unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents (including restricted cash of $0, $0, $1 and $1, respectively)	$ —	$ 70	$ 182	$ —	$ 252
Accounts receivable	—	120	266	—	386
Due from affiliates	—	67	30	(97)	—
Inventories:					
Raw materials	—	84	88	—	172
Finished and in-process goods	—	127	165	—	292
Other current assets	—	16	36	—	52
Total current assets	—	484	767	(97)	1,154
Investment in unconsolidated entities	1,738	454	21	(2,192)	21
Deferred income taxes	—	—	10	—	10
Other long-term assets	4	—	10	—	14
Intercompany loans receivable	295	1,024	215	(1,534)	—
Property, plant and equipment, net	—	534	601	—	1,135
Goodwill	—	105	107	—	212
Other intangible assets, net	—	112	156	—	268
Total assets	$ 2,037	$ 2,713	$ 1,887	$ (3,823)	$ 2,814
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ —	$ 105	$ 215	$ —	$ 320
Due to affiliates	—	30	67	(97)	—
Debt payable within one year	—	—	36	—	36
Interest payable	25	—	—	—	25
Income taxes payable	—	—	11	—	11
Accrued payroll and incentive compensation	—	40	29	—	69
Other current liabilities	—	35	64	—	99
Total current liabilities	25	210	422	(97)	560
Long-term liabilities:					
Long-term debt	1,211	—	—	—	1,211
Intercompany loans payable	211	626	697	(1,534)	—
Pension and retirement benefit liabilities	—	120	199	—	319
Deferred income taxes	—	5	57	—	62
Other long-term liabilities	—	14	58	—	72
Total liabilities	1,447	975	1,433	(1,631)	2,224
Total equity (deficit)	590	1,738	454	(2,192)	590
Total liabilities and equity	$ 2,037	$ 2,713	$ 1,887	$ (3,823)	$ 2,814

MOMENTIVE PERFORMANCE MATERIALS INC.
DECEMBER 31, 2017
CONDENSED CONSOLIDATING BALANCE SHEETS

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents (including restricted cash of $0, $0, and $1, respectively)	$ 14	$ 1	$ 159	$ —	$ 174
Accounts receivable	—	94	229	—	323
Due from affiliates	3	62	40	(105)	—
Inventories:					
Raw materials	—	76	77	—	153
Finished and in-process goods	—	132	160	—	292
Other current assets	—	11	40	—	51
Total current assets	17	376	705	(105)	993
Investment in unconsolidated entities	1,640	339	19	(1,979)	19
Deferred income taxes	—	—	11	—	11
Other long-term assets	—	1	10	—	11
Intercompany loans receivable	288	978	116	(1,382)	—
Property, plant and equipment, net	—	546	621	—	1,167
Goodwill	—	105	111	—	216
Other intangible assets, net	—	122	178	—	300
Total assets	$ 1,945	$ 2,467	$ 1,771	$ (3,466)	$ 2,717
Liabilities and Equity					
Current liabilities:					
Accounts payable	$ —	$ 95	$ 191	$ —	$ 286
Due to affiliates	—	40	65	(105)	—
Debt payable within one year	—	—	36	—	36
Interest payable	12	—	—	—	12
Income taxes payable	—	—	7	—	7
Accrued payroll and incentive compensation	—	39	29	—	68
Other current liabilities	—	33	69	—	102
Total current liabilities	12	207	397	(105)	511
Long-term liabilities:					
Long-term debt	1,192	—	—	—	1,192
Intercompany loans payable	196	469	717	(1,382)	—
Pension and retirement benefit liabilities	—	137	198	—	335
Deferred income taxes	—	—	60	—	60
Other long-term liabilities	—	14	60	—	74
Total liabilities	1,400	827	1,432	(1,487)	2,172
Total equity (deficit)	545	1,640	339	(1,979)	545
Total liabilities and equity (deficit)	$ 1,945	$ 2,467	$ 1,771	$ (3,466)	$ 2,717

MOMENTIVE PERFORMANCE MATERIALS INC.
THREE MONTHS ENDED SEPTEMBER 30, 2018
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ 320	$ 525	$ (158)	$ 687
Cost of sales	—	263	423	(158)	528
Gross profit	—	57	102	—	159
Costs and expenses:					
Selling, general and administrative expense	—	41	41	—	82
Research and development expense	—	11	6	—	17
Restructuring and discrete costs	—	11	(3)	—	8
Other operating (income) expense, net	—	(1)	2	—	1
Operating (loss) income	—	(5)	56	—	51
Interest expense (income), net	18	(4)	7	—	21
Non-operating expense (income), net	—	—	(4)	—	(4)
Reorganization items, net	—	4	—	—	4
(Loss) income before income taxes and earnings (losses) from unconsolidated entities	(18)	(5)	53	—	30
Income tax expense	—	3	9	—	12
(Loss) income before earnings (losses) from unconsolidated entities	(18)	(8)	44	—	18
Earnings (losses) from unconsolidated entities, net of taxes	37	45	1	(82)	1
Net income (loss)	$ 19	$ 37	$ 45	$ (82)	$ 19
Comprehensive (loss) income	$ (5)	$ 13	$ 24	$ (37)	$ (5)

MOMENTIVE PERFORMANCE MATERIALS INC.
THREE MONTHS ENDED SEPTEMBER 30, 2017
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ 291	$ 459	$ (156)	$ 594
Cost of sales	—	244	385	(156)	473
Gross profit	—	47	74	—	121
Costs and expenses:					
Selling, general and administrative expense	—	43	41	—	84
Research and development expense	—	12	5	—	17
Restructuring and discrete costs	—	9	(3)	—	6
Other operating (income) expense, net	—	—	(1)	—	(1)
Operating income (loss)	—	(17)	32	—	15
Interest expense (income), net	20	(7)	8	—	21
Non-operating (income) expense, net	(2)	(3)	—	—	(5)
(Loss) income before income taxes and earnings (losses) from unconsolidated entities	(18)	(7)	24	—	(1)
Income tax expense	—	1	5	—	6
(Loss) income before earnings (losses) from unconsolidated entities	(18)	(8)	19	—	(7)
Earnings (losses) from unconsolidated entities, net of taxes	10	18	(1)	(28)	(1)
Net (loss) income	$ (8)	$ 10	$ 18	$ (28)	$ (8)
Comprehensive income (loss)	$ 2	$ 19	$ 16	$ (35)	$ 2

MOMENTIVE PERFORMANCE MATERIALS INC.
NINE MONTHS ENDED SEPTEMBER 30, 2018
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ 956	$ 1,599	$ (507)	$ 2,048
Cost of sales	—	777	1,292	(507)	1,562
Gross profit	—	179	307	—	486
Costs and expenses:					
Selling, general and administrative expense	—	154	99	—	253
Research and development expense	—	33	19	—	52
Restructuring and discrete costs	—	20	(9)	—	11
Other operating (income) expense, net	—	(2)	1	—	(1)
Operating (loss) income	—	(26)	197	—	171
Interest expense (income), net	57	(17)	21	—	61
Non-operating expense (income), net	—	(8)	1	—	(7)
Reorganization items, net	—	9	—	—	9
(Loss) income before income taxes and earnings (losses) from unconsolidated entities	(57)	(10)	175	—	108
Income tax expense	—	5	26	—	31
(Loss) income before earnings (losses) from unconsolidated entities	(57)	(15)	149	—	77
Earnings (losses) from unconsolidated entities, net of taxes	136	151	2	(287)	2
Net income (loss)	$ 79	$ 136	$ 151	$ (287)	$ 79
Comprehensive income (loss)	$ 44	$ 101	$ 123	$ (224)	$ 44

MOMENTIVE PERFORMANCE MATERIALS INC.
NINE MONTHS ENDED SEPTEMBER 30, 2017
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ 852	$ 1,364	$ (484)	$ 1,732
Cost of sales	—	733	1,129	(484)	1,378
Gross profit	—	119	235	—	354
Costs and expenses:					
Selling, general and administrative expense	—	134	116	—	250
Research and development expense	—	32	16	—	48
Restructuring and discrete costs	—	14	(8)	—	6
Other operating expense, net	—	—	3	—	3
Operating (loss) income	—	(61)	108	—	47
Interest expense (income), net	56	(20)	24	—	60
Non-operating (income) expense, net	(3)	(4)	—	—	(7)
(Loss) income before income taxes and earnings (losses) from unconsolidated entities	(53)	(37)	84	—	(6)
Income tax (benefit) expense	—	(5)	16	—	11
(Loss) income before earnings (losses) from unconsolidated entities	(53)	(32)	68	—	(17)
Earnings (losses) from unconsolidated entities, net of taxes	35	67	(1)	(102)	(1)
Net (loss) income	$ (18)	$ 35	$ 67	$ (102)	$ (18)
Comprehensive income (loss)	$ 33	$ 85	$ 76	$ (161)	$ 33

MOMENTIVE PERFORMANCE MATERIALS INC.
NINE MONTHS ENDED SEPTEMBER 30, 2018
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows (used in) provided by operating activities	$ (50)	$ 8	$ 234	$ (21)	$ 171
Cash flows (used in) provided by investing activities:					
Capital expenditures	—	(32)	(52)	—	(84)
Purchases of intangible assets	—	(1)	—	—	(1)
Capital reimbursed from insurance proceeds	—	—	3	—	3
Return of capital from subsidiary from sales of accounts receivable	—	37 (a)	—	(37)	—
	—	4	(49)	(37)	(82)
Cash flows (used in) provided by financing activities:					
Borrowings of short-term debt	—	—	36	—	36
Repayments of short-term debt	—	—	(36)	—	(36)
Net intercompany loan (repayments) borrowings	41	70	(111)	—	—
ABL financing fees	(4)	—	—	—	(4)
Intercompany dividend	—	(13)	(8)	21	—
Common stock dividends paid	(1)	—	—	—	(1)
Return of capital to parent from sales of accounts receivable	—	—	(37) (a)	37	—
	36	57	(156)	58	(5)
Decrease in cash, cash equivalents, and restricted cash	(14)	69	29	—	84
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	—	(6)	—	(6)
Cash, cash equivalents, and restricted cash at beginning of period	14	1	159	—	174
Cash, cash equivalents, and restricted cash at end of period	$ —	$ 70	$ 182	$ —	$ 252

(a) During the nine months ended September 30, 2018, Momentive Performance Materials USA LLC contributed receivables of $37 to a non-guarantor subsidiary as capital contributions, resulting in a non-cash transaction. During the nine months ended September 30, 2018, the non-guarantor subsidiary sold the contributed receivables to certain banks under various supplier financing agreements. The cash proceeds were returned to Momentive Performance Materials USA LLC by the non-guarantor subsidiary as a return of capital. The sale of receivables has been included within cash flows from operating activities on the Combined Non-Guarantor Subsidiaries. The return of the cash proceeds from the sale of receivables has been included as a financing outflow and an investing inflow on the Combined Non-Guarantor Subsidiaries and the Combined Guarantor Subsidiaries, respectively.

MOMENTIVE PERFORMANCE MATERIALS INC.
NINE MONTHS ENDED SEPTEMBER 30, 2017
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows provided by (used in) operating activities	$ 11	$ (34)	$ 107	$ (36)	$ 48
Cash flows (used in) provided by investing activities:					
Capital expenditures	—	(50)	(73)	—	(123)
Purchases of intangible assets	—	(1)	(1)	—	(2)
Purchase of business	—	(9)	—	—	(9)
Return of capital from subsidiary from sales of accounts receivable	—	39 (a)	—	(39)	—
	—	(21)	(74)	(39)	(134)
Cash flows (used in) provided by financing activities:					
Borrowings of short-term debt	—	—	35	—	35
Payments of short-term debt	—	—	(36)	—	(36)
Net intercompany loan (repayments) borrowings	(26)	68	(42)	—	—
Intercompany dividend	—	(13)	(23)	36	—
Common stock dividends paid	(1)	—	—	—	(1)
Return of capital to parent from sales of accounts receivable	—	—	(39) (a)	39	—
	(27)	55	(105)	75	(2)
Decrease in cash, cash equivalents, and restricted cash	(16)	—	(72)	—	(88)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	—	4	—	4
Cash, cash equivalents, and restricted cash at beginning of period	39	1	188	—	228
Cash, cash equivalents, and restricted cash at end of period	$ 23	$ 1	$ 120	$ —	$ 144

(a) During the nine months ended September 30, 2017, Momentive Performance Materials USA LLC contributed receivables of $39 to a non-guarantor subsidiary as capital contributions, resulting in a non-cash transaction. During the nine months ended September 30, 2017, the non-guarantor subsidiary sold the contributed receivables to certain banks under various supplier financing agreements. The cash proceeds were returned to Momentive Performance Materials USA LLC by the non-guarantor subsidiary as a return of capital. The sale of receivables has been included within cash flows from operating activities on the Combined Non-Guarantor Subsidiaries. The return of the cash proceeds from the sale of receivables has been included as a financing outflow and an investing inflow on the Combined Non-Guarantor Subsidiaries and the Combined Guarantor Subsidiaries, respectively.

16. Agreement and Plan of Merger

On September 13, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with MOM Holding Company, a Delaware corporation ("Parent"), and MOM Special Company, a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub"). Parent is a wholly owned subsidiary of affiliates of SJL Partners, LLC, a limited liability company formed under the laws of South Korea ("SJL"), KCC Corporation, a South Korean corporation ("KCC"), and Wonik Holdings Co., Ltd., a South Korean limited company ("Wonik").

The Merger Agreement provides for the merger of Merger Sub with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of Parent. The transaction is valued at approximately $3,100, which includes the assumption of net debt, pension and certain other postretirement liabilities.

Pursuant to the terms of the Merger Agreement, which has been unanimously approved by the Boards of Directors of Momentive, KCC, Wonik, and the investment committee of SJL and by Momentive's stockholders holding a majority of Momentive's common stock, Parent will assume Momentive's net debt obligations. Momentive stockholders will receive as merger consideration $32.50 for each share of common stock they own subject to a downward adjustment in the event that the aggregate cash held by the Company at the end of the last calendar quarter prior to completion of the Merger is less than $250.

The transaction will be financed through a combination of cash and new debt that will be put in place at closing. The transaction is not subject to any financing contingency and is expected to close in the first half of 2019, subject to requisite regulatory approvals and other customary closing conditions.

The completion of the Merger is subject to certain conditions, including, among others, (i) the absence of any law or order prohibiting the closing, (ii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (the termination of which occurred on October 19, 2018) and receipt of other required antitrust approvals and (iii) obtaining clearances from the Committee on Foreign Investment in the United States and (iv) that no event or development which has a material adverse effect on the assets, business, condition or results of the Company (subject to certain exceptions) has occurred. Each of the Investor Group and the Company has made customary representations and warranties in the Merger Agreement. The Company has agreed to various covenants and agreements, including, among others things, (i) not to solicit alternate transactions and (ii) to conduct its business in the ordinary course during the period between the date of the Merger Agreement and the effectiveness of the Merger and refrain from taking various non-ordinary course actions during that period, and the Investor Group has also agreed to various covenants and agreements, including, among others things, to conduct its business in the ordinary course during the period between the date of the Merger Agreement and the effectiveness of the Merger and refrain from taking various non-ordinary course actions during that period without consent. The obligation of each of the parties to consummate the Merger is also conditioned on the other party's representations and warranties being true and correct (subject to certain materiality exceptions) and the other party having performed in all material respects its obligations under the Merger Agreement.

The Merger Agreement may be terminated by each of the Investor Group or the Company under specified circumstances, including if the Merger is not consummated by June 13, 2019 (which date can be extended to September 13, 2019 in specified circumstances, including if the relevant antitrust approvals have not yet been obtained). The Merger Agreement contains certain termination rights for both the Investor Group and the Company.

Further details to the Merger Agreement can be found in the Company's Form 8-K filed with the SEC on September 19. 2018.

The accompanying financial statements do not include any adjustments that may be necessary under purchase accounting, upon the consummation of the Merger, to reflect the impact of the transaction on the Company's financial position, liquidity or financial commitments.

Upon the closing of the Merger and in connection with the Company's stock-based compensation plans (Note 9) (i) outstanding stock options will be canceled and the holder will become entitled to receive a lump-sum cash payment equal to the product of (x) the number of option shares and (y) the excess (if any) of the Merger consideration over the exercise price per share of such Company stock option, less applicable income and employment tax withholdings. and (ii) each RSU will be canceled and the holder will become entitled to receive a lump-sum cash payment equal to the Merger consideration, less applicable income and employment tax withholdings. Stock-based compensation cost related to stock options will be recognized once the satisfaction of the performance conditions become probable. In addition, the extinguishment of the Company's indebtedness will result in a write-off of currently unamortized discounts and debt issuance costs (Note 7).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions)

The following commentary should be read in conjunction with the condensed consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Momentive's and MPM's most recent Annual Report on Form 10-K and amendments thereto.

Within the following discussion, unless otherwise stated, "the third quarter of 2018" refers to the three months ended September 30, 2018, "the first nine months of 2018" refers to the nine months ended September 30, 2018, "the third quarter of 2017" refers to the three months ended September 30, 2017, and "the first nine months of 2017" refers to the nine months ended September 30, 2017.

Forward-Looking and Cautionary Statements

Certain statements in this press release 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, including statements related to the benefits and anticipated timing of the merger transaction and expectations or predictions of future financial or business performance. 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, the merger agreement, 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 most recent Annual Report on Form 10-K and our other 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 impact of work stoppage and other incidents on our operations, changes in governmental regulations or interpretations thereof and related compliance and litigation costs, adverse rulings in litigation, difficulties with the realization of cost savings in connection with our global restructuring, transformation and strategic initiatives, including transactions with our affiliate, Hexion Inc., pricing actions by our competitors that could affect our operating margins, the impact of our growth and productivity investments, our ability to realize the benefits there from, and the timing thereof, our ability to obtain additional financing, and risks related to the merger agreement including the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated, risks that any of the closing conditions to the proposed merger may not be satisfied or may not be satisfied in a timely manner, the risk that the businesses will not be integrated successfully, that such integration may be more difficult, time-consuming or costly than expected or that the expected benefits of the acquisition will not be realized, potential customer losses and business disruption following the announcement or consummation of the proposed transaction, potential litigation relating to the merger transaction, the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement, the effect of the announcement or pendency of the transaction on the Company's business relationships, operating results, and business generally, 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.

Overview and Outlook

Business Overview

At September 30, 2018, we had four reportable segments: Performance Additives, Formulated and Basic Silicones, Quartz Technologies, and Corporate.

Our Performance Additives segment is one of the leading manufacturers of specialty silanes, silicone fluids, and urethane additives. Our liquid additives are key ingredients in our customers' products and are used to improve or enable the performance characteristics and processability of a variety of products across different end-markets including automotive, personal care, agriculture, consumer and construction. Our silicone fluids and urethane additives Performance Additives product lines are developed using a range of raw material inputs and generally use more limited siloxane than Formulated and Basic Silicone products.

Our Formulated and Basic Silicones segment produces sealants, electronic materials, coatings, elastomers and basic silicone fluids focused on automotive, consumer goods, construction, electronics, and healthcare end-markets. Our products enable key design features, such as extended product life, wear resistance, biocompatibility, and weight reduction. Our sealants, electronic materials and coatings product lines are generally applied to our customers' products, in the form of a high-tech coating or adhesive, while our elastomers product lines are fashioned into parts by extruding or molding them in items such as gaskets or tubing. Formulated silicones product offerings are typically used to seal, protect or adhere, and often perform multiple functions at once.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions) (Continued)

Our Quartz Technologies segment is a global leader in the development and manufacturing of fused quartz and non-oxide based ceramic powders and shapes. Fused quartz products are manufactured from quartz sand and are used in processes requiring extreme temperature and high purity. Momentive's high-purity fused quartz materials are used for a diverse range of applications in which optical clarity, design flexibility and durability in extreme environments are critical, such as semiconductor, lighting, healthcare, and aerospace. Our product line includes tubing, rods and other solid shapes, as well as fused quartz crucibles for growing single crystal silicon. Our Quartz Technologies segment's products are the material solution for silicon chip semiconductor manufacturing.

We serve more than 4,000 customers between our Performance Additives, Formulated and Basic Silicones, and Quartz Technologies businesses in over 100 countries. Our customers include leading companies in their respective industries.

Unless otherwise noted, references to "we," "us," "our" or the "Company" refer collectively herein to Momentive and MPM and their subsidiaries, and, unless otherwise noted, the information provided pertains to both Momentive and MPM. Differences between the financial results of Momentive and MPM represent certain management expenses of and cash received by Momentive and therefore are not consolidated within the results of MPM.

Nine Months Ended September 30, 2018 Overview

- ***Net Sales***—Net sales increased approximately $316 in the first nine months of 2018 as compared to the first nine months of 2017. The increase in net sales was driven by improved market dynamics in our basics end-markets and volume gains across all of our segments, which reflected the benefits of our strategic growth investments and increased demand in the automotive, agriculture, personal care, electronic and industrial end markets.
- ***Net Income*** —During the first nine months of 2018, net income increased by $96 and $97 for Momentive and MPM, respectively, compared to the first nine months of 2017, primarily due to volume, mix and price increases across our product portfolio.
- ***Segment EBITDA***—Segment EBITDA increased by $99 in the first nine months of 2018 for both Momentive and MPM, as compared to the first nine months of 2017. The increase in Segment EBITDA was driven by significantly improved market dynamics in our basics end-markets and the benefits of prior strategic investments in our specialty capabilities.

Short-term Outlook

On September 13, 2018, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with MOM Holding Company, a Delaware corporation ("Parent"), and MOM Special Company, a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub"). Parent is a wholly owned subsidiary of affiliates of SJL Partners, LLC, a limited liability company formed under the laws of South Korea ("SJL"), KCC Corporation, a South Korean corporation ("KCC"), and Wonik Holdings Co., Ltd., a South Korean limited company ("Wonik" and, together with SJL and KCC, the "Investors"). The Merger Agreement provides for the merger of Merger Sub with and into Momentive (the "Merger"), with Momentive surviving the Merger as a wholly owned subsidiary of Parent. The transaction is valued at approximately $3,100, which includes the assumption of net debt, pension and certain other postretirement liabilities. Pursuant to the terms of the Merger Agreement, which has been unanimously approved by the Boards of Directors of Momentive, KCC, Wonik, and the investment committee of SJL and by Momentive's stockholders holding a majority of Momentive's common stock, Parent will assume Momentive's net debt obligations. Momentive stockholders will receive as merger consideration $32.50 for each share of common stock they own subject to a downward adjustment in the event that the aggregate cash held by the Company at the end of the last calendar quarter prior to completion of the Merger is less than $250. The transaction will be financed through a combination of cash and new debt that will be put in place at closing. The transaction is not subject to any financing contingency and is expected to close in the first half of 2019, subject to requisite regulatory approvals and other customary closing conditions.

As we look into the remainder of 2018, we expect continued strong demand, solid industry fundamentals, pricing tailwinds from realization of previously implemented increases, and continued margin improvement from increased specialty sales, cost optimization and favorable trends in basic products. We also expect significant upside from capital investments we have made in our specialty product portfolio over the last several years. Specifically, our NXT expansion has been completed and is expected to double our capacity in our fastest growing product line enabling state-of-the-art manufacturing capabilities on two continents. We expect that this will drive growth moving forward, allowing us to strengthen our leadership position in automotive tire applications and enable additional new product offerings.

In March 2018, we announced a restructuring initiative totaling $15 in estimated annual run rate cost reductions with approximately $8 to be realized in 2018. The most recent initiative primarily targets selling, general, and administrative cost reductions. We expect to achieve savings in net costs of approximately $10, resulting in increased profitability and further margin expansion. We previously completed global restructuring programs and siloxane production transformation of our Leverkusen, Germany facility that generated approximately $45 in annual savings.

In October 2018, we exercised a contractual right acquiring an additional ownership interest for approximately $30 in Zhejiang Xinan Momentive Performance Materials Co., Ltd, a joint venture in China which manufactures siloxane, one of our key intermediate materials. As a result, our ownership interest in this joint venture was increased to 49% from 25%.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions) (Continued)

We remain focused on driving free cash flow, defined as cash flows from operating activities less capital expenditures, and optimizing net working capital, as defined in the Liquidity and Capital Resources section below, in fiscal year 2018.

Matters Impacting Comparability of Results

Other Comprehensive Income

Our other comprehensive income is significantly impacted by foreign currency translation, and defined benefit pension and postretirement benefit adjustments. The impact of foreign currency translation is driven by the translation of assets and liabilities of our foreign subsidiaries, which are denominated in functional currencies other than the U.S. dollar. The primary assets and liabilities driving the adjustments are cash and cash equivalents; accounts receivable; inventory; property, plant and equipment; goodwill and other intangible assets; accounts payable and pension and other postretirement benefit obligations. The primary currencies in which these assets and liabilities are denominated are the euro and Japanese yen. The impact of defined benefit pension and postretirement benefit adjustments is primarily driven by the recognition of prior service benefits due to plan design changes, as well as the subsequent amortization of amounts from accumulated other comprehensive income in periods following the initial recording of such amounts.

Results of Operations

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	MPM HOLDINGS INC.				MOMENTIVE PERFORMANCE MATERIALS INC.			
	Three Months Ended September 30,				Three Months Ended September 30,			
	2018		2017		2018		2017	
	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
Net sales	$ 687	100 %	$ 594	100 %	$ 687	100 %	$ 594	100 %
Cost of sales	528	77 %	473	80 %	528	77 %	473	80 %
Gross profit	159	23 %	121	20 %	159	23 %	121	20 %
Selling, general and administrative expense	83	13 %	84	14 %	82	13 %	84	14 %
Research and development expense	17	2 %	17	3 %	17	2 %	17	3 %
Restructuring and discrete costs	8	1 %	6	1 %	8	1 %	6	1 %
Other operating expense (income), net	1	— %	(1)	— %	1	— %	(1)	— %
Operating income	50	7 %	15	2 %	51	7 %	15	2 %
Interest expense, net	21	3 %	21	3 %	21	3 %	21	3 %
Non-operating (income) expense, net	(4)	(1)%	(5)	(1)%	(4)	(1)%	(5)	(1)%
Reorganization items, net	4	1 %	—	— %	4	1 %	—	— %
Total non-operating expense	21	3 %	16	2 %	21	3 %	16	2 %
Income before income taxes and earnings from unconsolidated entities	29	4 %	(1)	— %	30	4 %	(1)	— %
Income tax expense	12	2 %	6	1 %	12	2 %	6	1 %
Income before earnings from unconsolidated entities	17	2 %	(7)	(1)%	18	2 %	(7)	(1)%
Earnings from unconsolidated entities, net of taxes	1	— %	(1)	— %	1	— %	(1)	— %
Net income	$ 18	2 %	$ (8)	(1)%	$ 19	2 %	$ (8)	(1)%
Other comprehensive (loss) income	$ (24)		$ 10		$ (24)		$ 10	

Three Months Ended September 30, 2018 vs. Three Months Ended September 30, 2017

Net Sales

Net sales in the third quarter of 2018 increased $93, or 16%, compared to the third quarter of 2017. This increase was primarily due to a volume increase of approximately $36 due to improved market dynamics in our basics end-markets and increased demand in the automotive, agriculture, personal care, energy, construction, electronics and industrial end markets, and a favorable price/mix shift of approximately $60, driven by our continuous intentional shift towards higher-margin products as well as pricing initiatives announced in the fourth quarter of 2017. These organic growth in sales were offset by unfavorable foreign exchange rate fluctuations of $3.

Operating Income

In the third quarter of 2018, operating income increased by $35 and $36 for Momentive and MPM, respectively, compared to the third quarter of 2017. Cost of sales increased by $55 for both Momentive and MPM, compared to the third quarter of 2017. This increase was primarily

due to our sales increase, along with $30 due to the impact of raw material inflation and increase of $6 in net processing costs offset by favorable exchange rate fluctuations of $4. Selling, general and administrative expense decreased by $1 and $2 for Momentive and MPM, respectively, compared to the third quarter of 2017 primarily due to favorable exchange rate fluctuations. Research and development expense for the third quarter of 2018 was flat for both Momentive and MPM compared to the third quarter of 2017. Restructuring and discrete costs increased by $2 for both Momentive and MPM, primarily due to the severance related costs pursuant to our global restructuring program announced in March 2018 and fees related to transaction advisory services. Other operating expense increased by $2 for both Momentive and MPM during the third quarter of 2018 compared to the third quarter of 2017, mainly due to the non-recurrence of a settlement gain related to the resolution of a take or pay arrangement in 2018.

The summary of the components of depreciation and amortization expense on our consolidated statements of operations for the three months ended September 30, 2018 and 2017 is as follows:

	Three Months Ended September 30,	
	2018	2017
Cost of sales	$ 28	$ 31
Selling, general and administrative expense	12	11
Total depreciation and amortization expense	$ 40	$ 42

Non-Operating Expense

In the third quarter of 2018, total non-operating expense increased $5 compared to the third quarter of 2017 for both Momentive and MPM, mainly due to the incremental costs pertaining to professional fees and higher bankruptcy court fees incurred directly as a result of our Chapter 11 bankruptcy filing of 2014 from which we emerged in 2014.

Income Tax Expense

The effective tax rate was 41% and 40% for Momentive and MPM, respectively, for the three months ended September 30, 2018 and (600)% for both Momentive and MPM for the comparable prior year period. The change in the effective tax rate was primarily attributable to the amount and distribution of income and loss among the various jurisdictions in which we operate. The effective tax rates were also impacted by operating losses generated in jurisdictions where no tax benefit was recognized due to the maintenance of a full valuation allowance, the release of valuation allowance in certain non-U.S. jurisdictions, and the resolution of certain tax matters in non-U.S. jurisdictions.

For the three months ended September 30, 2018, income taxes included favorable discrete tax adjustments of $3 pertaining to the release of valuation allowance in certain non-U.S. jurisdictions and the resolution of certain tax matters in non-U.S. jurisdictions. For the three months ended September 30, 2017, income taxes included unfavorable discrete tax adjustments of $2 pertaining to the resolution of certain tax matters in non-U.S. jurisdictions.

We are recognizing the earnings of non-U.S. operations currently in our U.S. consolidated income tax return as of September 30, 2018, and are expecting that all earnings, with the exception of Germany and Japan, will be repatriated to the United States. We have accrued the incremental tax expense expected to be incurred upon the repatriation of these earnings. In addition, we have certain intercompany arrangements that if settled may trigger taxable gains or losses based on currency exchange rates in place at the time of settlement. Since the currency translation impact is considered indefinite, we have not provided for deferred taxes on gains of $7, which could result in a tax obligation of $2, based on currency exchange rates as of September 30, 2018. Should the intercompany arrangement be settled or we change our assertion, the actual tax impact will depend on the currency exchange rate at the time of settlement or change in assertion.

Other Comprehensive Income

In the third quarter of 2018, foreign currency translation negatively impacted other comprehensive income by $23 for both Momentive and MPM, primarily due to the impact of the strengthening of the U.S. dollar against other currencies. In addition, for the third quarter of 2018, recognition of net prior service benefit following certain plan provision changes also negatively impacted other comprehensive income by $1.

In the third quarter of 2017, foreign currency translation positively impacted other comprehensive income by $11 for both Momentive and MPM, primarily due to the impact of the weakening of the U.S dollar against other currencies. In addition, for the third quarter of 2017, recognition of net prior service benefit following certain plan provision changes also impacted other comprehensive income by $1.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions) (Continued)

Results of Operations

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	MPM HOLDINGS INC.				MOMENTIVE PERFORMANCE MATERIALS INC.			
	Nine Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
Net sales	$ 2,048	100%	$ 1,732	100 %	$ 2,048	100%	$ 1,732	100 %
Cost of sales	1,562	76%	1,378	80 %	1,562	76%	1,378	80 %
Gross profit	486	24%	354	20 %	486	24%	354	20 %
Selling, general and administrative expense	255	12%	251	14 %	253	12%	250	14 %
Research and development expense	52	3%	48	3 %	52	3%	48	3 %
Restructuring and discrete costs	11	—%	6	— %	11	—%	6	— %
Other operating expense (income), net	(1)	—%	3	— %	(1)	—%	3	— %
Operating income	169	9%	46	3 %	171	9%	47	3 %
Interest expense, net	61	4%	60	3 %	61	4%	60	3 %
Non-operating (income) expense, net	(7)	—%	(7)	— %	(7)	—%	(7)	— %
Reorganization items, net	9	—%	—	— %	9	—%	—	— %
Total non-operating expense	63	4%	53	3 %	63	4%	53	3 %
Income (loss) before income taxes and earnings from unconsolidated entities	106	5%	(7)	— %	108	5%	(6)	— %
Income tax expense	31	1%	11	1 %	31	1%	11	1 %
Income (loss) before earnings from unconsolidated entities	75	4%	(18)	(1)%	77	4%	(17)	(1)%
Earnings from unconsolidated entities, net of taxes	2	—%	(1)	— %	2	—%	(1)	— %
Net income (loss)	$ 77	4%	$ (19)	(1)%	$ 79	4%	$ (18)	(1)%
Other comprehensive income	$ (35)		$ 51		$ (35)		$ 51	

Nine Months Ended September 30, 2018 vs. Nine Months Ended September 30, 2017

Net Sales

Net sales in the first nine months of 2018 increased $316, or 18%, compared to the first nine months of 2017. This increase was primarily due to a volume increase of approximately $128 due to improved market dynamics in our basics end-markets and increased demand in almost all our end markets namely automotive, agriculture, construction, consumer, personal care, electronics, energy, health care, textiles and industrial end markets, and a favorable price/mix shift of approximately $146, driven by our continuous intentional shift towards higher-margin products as well as pricing initiatives announced in the fourth quarter of 2017. Favorable foreign exchange rate fluctuations of $42 also contributed to the increase in net sales.

Operating Income

In the first nine months of 2018, operating income increased by $123 and $124 for Momentive and MPM, respectively, compared to the first nine months of 2017. Cost of sales increased by $184 for both Momentive and MPM, compared to the first nine months of 2017. This increase was primarily due to our sales increase and its related impacts, along with $82 due to the impact of raw material inflation and $26 related to unfavorable foreign exchange rate fluctuations. These increases were offset by a decrease of $36 in net processing costs. Selling, general and administrative expense increased by $4 and $3 for Momentive and MPM, respectively, compared to the first nine months of 2017 primarily due to the impact of a merit increase implemented in 2017, timing of services, and unfavorable exchange rate fluctuations of $1. Research and development expense for the first nine months of 2018 increased by $4 for both Momentive and MPM compared to the first nine months of 2017 primarily related to the timing of new projects. Restructuring and discrete costs increased by $5 for both Momentive and MPM, mainly due to the severance-related costs pursuant to another global restructuring program announced in March 2018 and lower gains relating to insurance reimbursements. Other operating expense decreased by $4 for both Momentive and MPM during the first nine months of 2018 compared to the first nine months of 2017, mainly due to business-related subsidies, lower scrapping of long-lived assets, and foreign currency translation gains.

The summary of the components of depreciation and amortization expense on our consolidated statements of operations for the nine months ended September 30, 2018 and 2017 is as follows:

	Nine Months Ended September 30,	
	2018	2017
Cost of sales	$ 84	$ 84
Selling, general and administrative expense	36	33
Total depreciation and amortization expense	$ 120	$ 117

Non-Operating Expense

In the first nine months of 2018, total non-operating expense increased by $10 compared to the first nine months of 2017 for both Momentive and MPM, mainly due to the incremental costs pertaining to professional fees and higher bankruptcy court fees incurred directly as a result of our Chapter 11 bankruptcy filing of 2014 from which we emerged in 2014.

Income Tax Expense

The effective tax rate was 29% for both Momentive and MPM for the nine months ended September 30, 2018 and (157)% and (183)% for Momentive and MPM, respectively, for the comparable prior year period. The change in the effective tax rate was primarily attributable to the amount and distribution of income and loss among the various jurisdictions in which we operate. The effective tax rates were also impacted by operating losses generated in jurisdictions where no tax benefit was recognized due to the maintenance of a full valuation allowance, the release of valuation allowance in certain non-U.S. jurisdictions, the tax impact of recognition of net prior service benefit following certain plan provision changes, and the resolution of certain tax matters in non-U.S. jurisdictions.

For the nine months ended September 30, 2018, income taxes included favorable discrete tax adjustments of $4 pertaining to the release of valuation allowance in certain non-U.S. jurisdictions and the resolution of certain tax matters in non-U.S. jurisdictions. For the nine months ended September 30, 2017, income taxes included favorable discrete tax adjustments of $8 pertaining to benefits curtailment, legislative changes in Italy and Japan, and the resolution of certain tax matters in non-U.S. jurisdictions.

We are recognizing the earnings of non-U.S. operations currently in our U.S. consolidated income tax return as of September 30, 2018, and are expecting that all earnings, with the exception of Germany and Japan, will be repatriated to the United States. We have accrued the incremental tax expense expected to be incurred upon the repatriation of these earnings. In addition, we have certain intercompany arrangements that if settled may trigger taxable gains or losses based on currency exchange rates in place at the time of settlement. Since the currency translation impact is considered indefinite, we have not provided for deferred taxes on gains of $7, which could result in a tax obligation of $2, based on currency exchange rates as of September 30, 2018. Should the intercompany arrangement be settled or we change our assertion, the actual tax impact will depend on the currency exchange rate at the time of settlement or change in assertion.

Other Comprehensive Income

In the first nine months of 2018, foreign currency translation negatively impacted other comprehensive loss by $37 for both Momentive and MPM, primarily due to the impact of the strengthening of the U.S. dollar against other currencies. Also, for the first nine months of 2018, certain plan provision changes related to accumulated postretirement benefit obligation on Company-sponsored post-retiree medical, dental, vision and life insurance benefit plans positively impacted other comprehensive loss by $2.

In the first nine months of 2017, foreign currency translation positively impacted other comprehensive income by $42 for both Momentive and MPM, primarily due to the impact of the weakening of the U.S dollar against other currencies. In addition, for the first nine

months of 2017, recognition of net prior service benefit following certain plan provision changes also impacted other comprehensive income by $9.

Results of Operations by Segment

Following are net sales and Segment EBITDA by reportable segment. Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash items and certain other income and expenses. Segment EBITDA is the primary performance measure used by our senior management, the chief operating decision-maker and the 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. Segment EBITDA should not be considered a substitute for net income (loss) or other results reported in accordance with U.S. GAAP. Segment EBITDA may not be comparable to similarly titled measures reported by other companies.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Sales[(1)]:				
Performance Additives	$ 239	$ 223	$ 737	$ 670
Formulated and Basic Silicones	395	320	1,151	910
Quartz Technologies	53	51	160	152
Total	$ 687	$ 594	$ 2,048	$ 1,732

(1) Inter-segment sales are not significant and, as such, are eliminated within the selling segment.

	MPM HOLDINGS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Segment EBITDA:				
Performance Additives	$ 47	$ 45	$ 151	$ 140
Formulated and Basic Silicones	51	20	155	71
Quartz Technologies	13	13	34	30
Corporate	(9)	(11)	(31)	(31)
Total	$ 102	$ 67	$ 309	$ 210

	MOMENTIVE PERFORMANCE MATERIALS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Segment EBITDA:				
Performance Additives	$ 47	$ 45	$ 151	$ 140
Formulated and Basic Silicones	51	20	155	71
Quartz Technologies	13	13	34	30
Corporate	(9)	(11)	(30)	(30)
Total	$ 102	$ 67	$ 310	$ 211

Segment Results

Three Months Ended September 30, 2018 vs. Three Months Ended September 30, 2017

The following is an analysis of the percentage change in sales by business from the three months ended September 30, 2017 to the three months ended September 30, 2018:

	Volume	Price/Mix	Currency Translation	Total
Performance Additives	4%	4%	(1)%	7%
Formulated and Basic Silicones	8%	15%	— %	23%
Quartz Technologies	2%	2%	— %	4%

Performance Additives

Net sales in the third quarter of 2018 increased $16 or 7%, compared to the third quarter of 2017. This increase was primarily due to an increase in sales volume of $9 related to automotive, agriculture, and personal care end markets, reflecting our growth initiatives across our entire portfolio and favorable price/mix shift of approximately $9 offset by unfavorable foreign currency exchange fluctuations of $2 due to the strengthening of the U.S. dollar against other currencies.

Segment EBITDA in the third quarter of 2018 increased by $2 to $47 compared to the third quarter of 2017. This increase was primarily due to volume growth, favorable price/mix shift and contributions from strategic investments partially offset by the start-up operations of NXT* and the temporary impact of higher input costs in key urethane additives end markets.

Formulated and Basic Silicones

Net sales in the third quarter of 2018 increased $75, or 23%, compared to the third quarter of 2017. This increase was primarily due to a favorable increase in sales volume of $26 reflecting improved market dynamics in our basics end-markets, as well as strong growth within our specialty portfolio driven by increased demand in electronics, construction, energy, and industrial end markets and favorable price/mix shift of approximately $50 driven by intentional shift towards higher-margin products and pricing initiatives announced in the fourth quarter of 2017, offset by unfavorable foreign currency exchange fluctuations of $1 due to the strengthening of the U.S. dollar against other currencies.

Segment EBITDA in the third quarter of 2018 increased by $31 to $51 compared to the third quarter of 2017. This increase was primarily driven by the same factors impacting net sales as well as strategic capital investments.

Quartz Technologies

Net sales in the third quarter of 2018 increased $2, or 4%, compared to the third quarter of 2017. The increase was primarily due to volume increase of $1 mainly due to improved market conditions in the electronics market and approximately $1 related to a favorable price/mix shift.

Segment EBITDA in the third quarter of 2018 was flat at $13 compared to the third quarter of 2017.

Corporate

Corporate charges are corporate, general and administrative expenses that are not allocated to the other segments, such as certain shared service and other administrative functions. Corporate charges decreased by $2 in the third quarter of 2018 for both Momentive and MPM mainly due to our restructuring initiative announced in March 2018.

Nine Months Ended September 30, 2018 vs. Nine Months Ended September 30, 2017

The following is an analysis of the percentage change in sales by business from the three months ended September 30, 2017 to the three months ended September 30, 2018:

	Volume	Price/Mix	Currency Translation	Total
Performance Additives	6%	1%	3%	10%
Formulated and Basic Silicones	9%	15%	2%	26%
Quartz Technologies	3%	2%	—%	5%

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions) (Continued)

Performance Additives

Net sales in the first nine months of 2018 increased $67 or 10%, compared to the first nine months of 2017. This increase was primarily due to an increase in sales volume of $41 related to automotive, agriculture, textiles and personal care end markets, reflecting our growth initiatives across our entire portfolio, favorable foreign currency exchange fluctuations of $18 due to the weakening of the U.S. dollar against other currencies, and $8 of favorable price/mix shift.

Segment EBITDA in the first nine months of 2018 increased by $11 to $151 compared to the first nine months of 2017. This increase was primarily due to volume growth, favorable price/mix shift and contributions from past strategic capital investments.

Formulated and Basic Silicones

Net sales in the first nine months of 2018 increased $241, or 26%, compared to the first nine months of 2017. This increase was primarily due to a favorable price/mix shift of approximately $135 driven by intentional shift towards higher-margin products and pricing initiatives announced in the fourth quarter of 2017, a favorable increase in sales volume of $82 reflecting improved market dynamics in our basics end-markets, as well as strong growth within our specialty portfolio driven by increased demand in electronics, construction, consumer, energy, health care and industrial end markets, and favorable foreign currency exchange fluctuations of $24 due to the weakening of the U.S. dollar.

Segment EBITDA in the first nine months of 2018 increased by $84 to $155 compared to the first nine months of 2017. This increase was primarily driven by the same factors impacting net sales as well as strategic capital investments.

Quartz Technologies

Net sales in the first nine months of 2018 increased $8, or 5%, compared to the first nine months of 2017. The increase was primarily due to volume increase of $5 mainly due to improved market conditions in the electronics market and approximately $3 related to a favorable price/mix shift.

Segment EBITDA in the first nine months of 2018 increased by $4 to $34 compared to the first nine months of 2017. This increase was primarily due to the increase in sales volume, improved manufacturing efficiencies, and volume leverage from increased sales.

Corporate

Corporate charges are corporate, general and administrative expenses that are not allocated to the other segments, such as certain shared service and other administrative functions. Corporate charges were flat in the first nine months of 2018 for both Momentive and MPM, as compared to the first nine months of 2017 mainly due to our restructuring initiative announced in March 2018.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions) (Continued)

Reconciliation of Net Income (Loss) to Segment EBITDA:

	MPM HOLDINGS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$ 18	$ (8)	$ 77	$ (19)
Interest expense, net	21	21	61	60
Income tax expense	12	6	31	11
Depreciation and amortization	40	42	120	117
Items not included in Segment EBITDA:				
Non-cash charges and other income and expense , net	$ (1)	$ —	$ 2	$ 4
Unrealized (gains) losses on pension and postretirement benefits	—	—	(2)	1
Restructuring and discrete costs	8	6	11	36
Reorganization items	4	—	9	—
Segment EBITDA	$ 102	$ 67	$ 309	$ 210

	MOMENTIVE PERFORMANCE MATERIALS INC.			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$ 19	$ (8)	$ 79	$ (18)
Interest expense, net	21	21	61	60
Income tax expense	12	6	31	11
Depreciation and amortization	40	42	120	117
Items not included in Segment EBITDA:				
Non-cash charges and other income and expense , net	$ (2)	$ —	$ 1	$ 4
Unrealized (gains) losses on pension and postretirement benefits	—	—	(2)	1
Restructuring and discrete costs	8	6	11	36
Reorganization items	4	—	9	—
Segment EBITDA	$ 102	$ 67	$ 310	$ 211

Items Not Included in Segment EBITDA

Not included in Segment EBITDA are certain non-cash items and other income and expenses.

For the three and nine months ended September 30, 2018 and 2017, non-cash charges primarily included loss due to the scrapping of certain assets, stock based compensation expense, and net foreign exchange transaction gains and losses related to certain intercompany arrangements. In addition, for the three and nine months ended September 30, 2017, non-cash charges also included asset impairment charges.

For the nine months ended September 30, 2017, unrealized gains (losses) on pension and postretirement benefits represented non-cash actuarial losses recognized upon the remeasurement of our pension and postretirement benefit obligations.

For the three and nine months ended September 30, 2018 and 2017, restructuring and discrete costs included one-time expenses for services, transaction advisory services and integration. In addition, for the three and nine months ended September 30, 2017, these costs also included costs arising from the work stoppage inclusive of unfavorable manufacturing variances at our Waterford, NY facility, and restructuring. For the nine months ended September 30, 2018 and 2017, these amounts also included a gain related to an insurance reimbursement of $8 and $15, respectively related to fire damage at our Leverkusen, Germany facility whereas it was $5 for the three months ended September 30, 2017. For the nine months ended September 30, 2018, it also included the restructuring costs related to the Company's announced $15 restructuring initiative.

For the three and nine months ended September 30, 2018, reorganization items, net represented incremental costs pertaining to professional fees and bankruptcy court fees incurred directly as a result of our Chapter 11 bankruptcy filing of 2014 from which we emerged in 2014.

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand, cash flow from operations and funds available under the ABL Facility. Our primary continuing liquidity needs are to finance our working capital, debt service and capital expenditures.

At September 30, 2018, we had $1,247 of outstanding indebtedness (with a face value of $1,338). In addition, at September 30, 2018, we had $498 in liquidity for both Momentive and MPM, consisting of the following:

- $251 of unrestricted cash and cash equivalents (of which $181 is maintained in foreign jurisdictions) for both Momentive and MPM; and
- $247 of availability under the ABL Facility ($300 borrowing base, less $53 of outstanding letters of credit and subject to a fixed charge coverage ratio of 1.0 to 1.0 that will only apply if our availability is less than the greater of (a) 12.5% of the lesser of the borrowing base and the total ABL Facility commitments at such time and (b) $27).

A summary of the components of our net working capital (defined as accounts receivable and inventories less accounts payable) at September 30, 2018 and December 31, 2017 is as follows:

	September 30, 2018	% of LTM Net Sales	December 31, 2017	% of LTM Net Sales
Accounts receivable	$ 386	15 %	$ 323	14 %
Inventories	464	18 %	445	19 %
Accounts payable	(320)	(12)%	(286)	(12)%
Net working capital	$ 530	21 %	$ 482	21 %

The increase in net working capital of $48 from December 31, 2017, was partially due to an increase in accounts receivable because of increased sales in the period offset by our strategic initiatives to expedite the collection process. In addition, net working capital was impacted by increased inventory due to normal seasonality and impacts of inflation. These increases were offset by an increase in accounts payable due to continuous strategic efforts to negotiate longer payment terms, timing of purchases of inventory and impacts of inflation. The increase in net working capital was offset by exchange rate fluctuations of $14 due to the strengthening of the U.S. dollar against the euro and Japanese yen.

We remain focused on driving positive free cash flow, which in the context of the Company is defined as cash flows from operating activities net of capital expenditures, through our global cost control initiatives and aggressively managing net working capital. To minimize the impact of net working capital on cash flows, we continue to review inventory safety stock levels where possible. We also continue to focus on receivable collections by accelerating receipts through the sale of receivables at a discount.

We have the ability to borrow from the ABL Facility to support our short-term liquidity requirements, particularly when net working capital requirements increase in response to seasonality of our volumes in the summer months. As of September 30, 2018, we had no outstanding borrowings under the ABL Facility.

On March 2, 2018, we entered into an amendment to our ABL Facility to extend the maturity of the ABL Facility from October 2019 to March 2, 2023 and increase the commitments under the ABL Facility by $30 for a total of $300, incurring $4 of fees for this amendment, which is being amortized through March 2, 2023 on a straight line basis.

We expect to have adequate liquidity to fund our operations for the foreseeable future from cash on our balance sheet, cash flows provided by operating activities and amounts available for borrowings under the ABL Facility.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions) (Continued)

Sources and Uses of Cash

Following are highlights from our unaudited Condensed Consolidated Statements of Cash Flows:

	MPM HOLDINGS INC.		MOMENTIVE PERFORMANCE MATERIALS INC.	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Sources (uses) of cash:				
Operating activities	$ 169	$ 46	$ 171	$ 48
Investing activities	(81)	(133)	(82)	(134)
Financing activities	(4)	(1)	(5)	(2)
Effect of exchange rates on cash flows	(6)	4	(6)	4
Increase (decrease) in cash, cash equivalents, and restricted cash	$ 78	$ (84)	$ 78	$ (84)

Operating Activities

During the first nine months of 2018, our operations provided $169 and $171 of cash for Momentive and MPM, respectively. Net income of $77 and $79 for Momentive and MPM, respectively, included $133 and $132 of net non-cash expense items, for Momentive and MPM, respectively, of which $120 was for depreciation and amortization, $19 was for the amortization of debt discount, $4 related to the change in deferred tax provisions and $3 and $2 related to stock based compensation expense for Momentive and MPM, respectively, offset by $3 related to gain on insurance proceeds received for capital expenditure, $6 related to unrealized foreign exchange gain, and $2 related to unrealized actuarial gain from pensions and other post retirement liabilities. Net working capital used $51 of cash for both Momentive and MPM, primarily, due to an increase of $71 in accounts receivable because of timing of sales in the period and selling price increase and an increase of $27 in inventories to meet forecast volume and normal seasonality, offset by an increase in accounts payable of $47, primarily due to continuous strategic efforts to negotiate longer payment terms and timing of purchases of inventory. Changes in other assets and liabilities that primarily included interest expense, taxes and pension plan contributions were driven by the timing of when items were expensed versus paid and impact of foreign currency fluctuations.

During the first nine months of 2017, our operations provided $46 and $48 of cash for Momentive and MPM, respectively. Net loss of $19 and $18 for Momentive and MPM, respectively, included $134 and $133 of net non-cash expense items, for Momentive and MPM, respectively, of which $117 was for depreciation and amortization, $18 was for the amortization of debt discount, stock based compensation expense of $3 and $2 for Momentive and MPM, respectively, and $1 for unrealized actuarial loss from other post retirement liabilities. These were offset by a $10 change in deferred tax provisions and $4 related to unrealized foreign exchange gains. Net working capital used $33 of cash for both Momentive and MPM, primarily, due to increases in accounts receivable and inventories of $40 and $20, respectively, offset by a decrease in accounts payable of $27, primarily due to reasons stated in the preceding paragraphs. Changes in other assets and liabilities that primarily included interest expense, taxes and pension plan contributions were driven by the timing of when items were expensed versus paid and impact of foreign currency fluctuations.

Investing Activities

During the first nine months of 2018, investing activities used $84 of cash on ongoing capital expenditures related to growth, environmental, health and safety compliance and capital improvement projects which were offset by approximately $3 related to capital reimbursed from insurance proceeds. We reaffirm the fiscal year 2018 capital expenditure budget of approximately $125.

During the first nine months of 2017, investing activities used $123 of cash on ongoing capital expenditures related to growth, environmental, health and safety compliance and capital improvement projects and $9 related to our acquisition of a business.

Financing Activities

During the first nine months of 2018, Momentive and MPM used $4 related to ABL financing fees.

During the first nine months of 2017, Momentive and MPM used $1 related to net short-term borrowings and did not have any other outside financing activity.

At September 30, 2018, there were $53 in outstanding letters of credit and no outstanding borrowings under our ABL Facility, leaving unused borrowing capacity of $247.

The credit agreement governing the ABL Facility contains various restrictive covenants that prohibit us and/or restrict our ability to prepay indebtedness, including our First Lien Notes and Second Lien Notes (collectively, the "notes"). In addition, the credit agreement governing

the ABL Facility and the indentures governing our notes, among other things, restrict our ability to incur indebtedness or liens, make investments or declare or pay any dividends and these restrictions are subject to exceptions.

There are certain restrictions on the ability of certain of our subsidiaries to transfer funds to the parent of such subsidiaries in the form of cash dividends, loans or otherwise, which primarily arise as a result of certain foreign government regulations or as a result of restrictions within certain subsidiaries' financing agreements that limit such transfers to the amounts of available earnings and profits or otherwise limit the amount of dividends that can be distributed. In either case, we have alternative methods to obtain cash from these subsidiaries in the form of intercompany loans and/or returns of capital in such instances where payment of dividends is limited to the extent of earnings and profits.

We have recorded deferred taxes on the earnings of our foreign subsidiaries, as they are not considered to be permanently reinvested as those foreign earnings are needed for operations in the United States.

Covenants under the ABL Facility and the Notes

The instruments that govern MPM's indebtedness contain, among other provisions, restrictive covenants (and incurrence tests in certain cases) regarding indebtedness, dividends and distributions, mergers and acquisitions, asset sales, affiliate transactions, capital expenditures and, under certain circumstances, the maintenance of a fixed charge coverage ratio, as further described below. Payment of borrowings under the ABL Facility and MPM's notes may be accelerated if there is an event of default as determined under the governing debt instrument. Events of default under the credit agreement governing the ABL Facility include the failure to pay principal and interest when due, a material breach of a representation or warranty, events of bankruptcy, a change of control and most covenant defaults. Events of default under the indentures governing our notes include the failure to pay principal and interest, a failure to comply with covenants, subject to a 30-day grace period in certain instances, and certain events of bankruptcy.

The ABL Facility does not have any financial maintenance covenant other than a minimum fixed charge coverage ratio of 1.0 to 1.0 that would only apply if our availability under the ABL Facility at any time was less than the greater of (a) 12.5% of the lesser of the borrowing base and the total ABL Facility commitments at such time and (b) $27. The fixed charge coverage ratio is generally defined as the ratio of (a) Adjusted EBITDA minus non-financed capital expenditures and cash taxes to (b) debt service plus cash interest expense plus certain restricted payments, each measured on a last twelve months, or LTM, basis and calculated as of the last day of the applicable fiscal quarter.

In addition to the financial maintenance covenant described above, MPM is also subject to certain incurrence tests under the indentures governing our notes that restrict our ability to take certain actions if we are unable to meet specified ratios. For instance, the indentures governing MPM's notes contain an incurrence test that restricts MPM's ability to incur indebtedness or make investments, among other actions, if MPM does not maintain an Adjusted EBITDA to Fixed Charges ratio (measured on a LTM basis) of at least 2.0 to 1.0. The Adjusted EBITDA to Fixed Charges ratio under the indentures is generally defined as the ratio of (a) Adjusted EBITDA to (b) net interest expense excluding the amortization or write-off of deferred financing costs, each measured on a LTM basis. The restrictions on our ability to incur indebtedness or make investments under the indentures that apply as a result, however, are subject to exceptions, including exceptions that permit indebtedness under the ABL Facility.

At September 30, 2018, MPM was in compliance with all covenants under the credit agreement governing the ABL Facility and under the indentures governing the notes.

Adjusted EBITDA is defined as EBITDA adjusted for certain non-cash and certain non-recurring items and other adjustments calculated on a pro-forma basis, including the expected future cost savings from business optimization or other programs and the expected future impact of acquisitions, in each case as determined under the governing debt instrument. As we are highly leveraged, we believe that including the supplemental adjustments that are made to calculate Adjusted EBITDA provides additional information to investors about our ability to comply with our financial covenants and to obtain additional debt in the future. Adjusted EBITDA is not a defined term under U.S. GAAP. Adjusted EBITDA is not a measure of financial condition, liquidity or profitability, and should not be considered as an alternative to net income (loss) determined in accordance with U.S. GAAP or operating cash flows determined in accordance with U.S. GAAP. Additionally, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not take into account certain items such as interest and principal payments on our indebtedness, depreciation and amortization expense (because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue), working capital needs, tax payments (because the payment of taxes is part of our operations, it is a necessary element of our costs and ability to operate), non-recurring expenses and capital expenditures. Fixed Charges under the indentures should not be considered as an alternative to interest expense.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollar amounts in millions) (Continued)

The following table reconciles net income to EBITDA and Adjusted EBITDA, and calculates the ratio of Adjusted EBITDA to Fixed Charges and Pro forma Fixed Charge Coverage Ratio as calculated under our indentures and ABL Facility for the period presented:

	September 30, 2018 LTM Period
Net income	$ 98
Interest expense, net	81
Income tax expense	35
Depreciation and amortization	157
EBITDA	371
Adjustments to EBITDA	
Restructuring and discrete costs[a]	11
Reorganization items, net[b]	10
Unrealized gains on pension and postretirement benefits [c]	(8)
Pro forma cost savings [d]	11
Non-cash charges [e]	9
Adjusted EBITDA	$ 404
Adjusted EBITDA less Capital Expenditures and Cash Taxes	$ 251
Pro forma fixed charges[f]	$ 56
Ratio of Adjusted EBITDA to Fixed Charges[g]	7.21
Pro forma Fixed Charge Coverage Ratio[h]	4.48

(a) Primarily includes expenses related to our global restructuring program, siloxane production transformation, and certain other non-operating income and expenses.

(b) Represents professional fees related to our reorganization.

(c) Represents non-cash actuarial gains resulting from pension and postretirement liability curtailment and re-measurements.

(d) Represents estimated cost savings, on a pro forma basis, from initiatives implemented or being implemented by management.

(e) Includes primarily the effects of foreign exchange gains and losses and impacts of asset impairments and disposals, and stock-based compensation expense.

(f) Reflects pro forma interest expense based on outstanding indebtedness and interest rates at September 30, 2018 adjusted for applicable restricted payments.

(g) MPM's ability to incur additional indebtedness, among other actions, is restricted under the indentures governing our notes, unless MPM has an Adjusted EBITDA to Fixed Charges ratio of at least 2.0 to 1.0. As of September 30, 2018, we were able to satisfy this test and incur additional indebtedness under these indentures.

(h) Represents pro forma Fixed Charge Coverage Ratio (the "FCCR") as defined in the credit agreement for the ABL Facility. If the availability under the ABL Facility is less than the greater of (a) 12.5% of the lesser of the borrowing base and the total ABL Facility commitments at such time and, (b) $27, then the FCCR must be greater than 1.0 to 1.0.

Off-Balance Sheet Arrangements

At September 30, 2018, we had no off-balance sheet arrangements.

Recently Issued Accounting Standards

The nature and impact of recent accounting pronouncements is discussed in Note 2 to our condensed consolidated financial statements in this Form 10-Q, which is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Information regarding our market risk as of December 31, 2017 was provided in Momentive's and MPM's Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes to such disclosure during the nine months ended September 30, 2018.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, Momentive, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, our President and Chief Executive Officer, and Chief Financial Officer concluded that Momentive's disclosure controls and procedures were effective as of September 30, 2018.

As of the end of the period covered by this Quarterly Report on Form 10-Q, MPM, under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, our President and Chief Executive Officer, and Chief Financial Officer concluded that MPM's disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control Over Financial Reporting

There have been no changes in Momentive's internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

There have been no changes in MPM's internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1. Legal Proceedings

Except as noted below, there have been no material developments in any of the ongoing legal proceedings during the first nine months of 2018 for both Momentive and MPM that are included in Momentive's and MPM's Annual Report on Form 10-K for the year ended December 31, 2017 and the amendments thereto.

Appeals Relating to the Confirmation of the Plan in the Bankruptcy Cases

In connection with the bankruptcy cases, the following appeals were filed on September 16, 2014 relating to the confirmation of the Plan of Reorganization.

Make-whole. The Appellants jointly appealed to the District Court seeking reversal of the Bankruptcy Court's determinations that Momentive Performance Materials Holdings Inc. and certain of its domestic subsidiaries (the "Debtors") were not required to compensate holders of the Old First Lien Notes and Old Secured Notes for any prepayment premiums (the "Make-Whole Determination").

Interest rate. The Appellants also appealed to the District Court seeking reversal of the Bankruptcy Court's determination that the interest rates on the First Lien Notes and the Second Lien Notes provided to holders of the Old First Lien Notes and Old Secured Notes under the Plan of Reorganization was proper and in accordance with the Bankruptcy Code (the "Interest Rate Determination").

In May 2015, the District Court denied both of the Appellants' appeals and affirmed the Bankruptcy Court's rulings. The Appellants appealed the District Court's decision to the Second Circuit. On October 20, 2017, the Second Circuit affirmed the Make-Whole Determination. In November 2017, the Appellants petitioned for panel rehearing or, in the alternative, for rehearing en banc by the Second Circuit with respect to the Make-Whole Determination. On December 11, 2017, the Second Circuit issued an order denying the Rehearing Request and upheld the Company's position that no make-whole payments were due. On October 20, 2017, the Second Circuit also reversed the Interest Rate Determination and remanded the issue to the Bankruptcy Court for further proceedings. The Second Circuit held that, on remand, the Bankruptcy Court should assess whether an efficient market rate can be ascertained, and, if so, apply it to the First Lien Notes and Second Lien Notes. On December 22, 2017, the Second Circuit issued its mandate remanding the Interest Rate Determination to the Bankruptcy Court. The Bankruptcy Court conducted a bench trial in August and September 2018 in connection with the remanded Interest Rate Determination (the "Remand"). The Bankruptcy Court has not yet issued its decision.

On March 12, 2018, the Appellants each filed a petition for a writ of certiorari with the Supreme Court with respect to the Make-Whole Determination (the "Cert Petition"). On June 19, 2018, the Supreme Court denied the Appellants' Cert Petition.

We cannot predict with certainty the timing or outcome of the Remand. An adverse resolution of this matter could result in a significant obligation by the Company to make a catch-up payment for the past-due interest and an increase in the Company's interest cost going forward.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in "Risk Factors," in our Annual Report on Form 10-K filed on February 27, 2018 (the "Annual Report") and our Quarterly Report on Form 10-Q filed on August 14, 2018 ("Q2 Quarterly Report") which could materially affect our business, financial condition or results of operations. Except as noted below, there have been no material changes to our risk factors from those disclosed in the Annual Report and the Q2 Quarterly Report.

The proposed acquisition of us by the Investors may cause disruption in our business.

On September 13, 2018, we entered into the Merger Agreement with affiliates of the Investors, pursuant to which we will be acquired by the Investors in an all cash transaction. The Merger Agreement generally requires us to operate our business in the ordinary course pending consummation of the Merger and restricts us, without the Investors' consent, from taking certain specified actions until the Merger is completed. These restrictions may affect our ability to execute our business strategies and attain financial and other goals and may impact our financial condition, results of operations and cash flows.

In connection with the pending Merger, our current and prospective employees may experience uncertainty about their future roles with us following the Merger, which may materially adversely affect our ability to attract and retain key personnel while the Merger is pending. Key employees may depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with us following the Merger, and may depart prior to the consummation of the Merger. Accordingly, no assurance can be given that we will be able to attract and retain key employees to the same extent that we have been able to in the past.

The proposed Merger further could cause disruptions to our business or business relationships, which could have an adverse impact on results of operations. Parties with which we have business relationships may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties.

The pursuit of the Merger may place a significant burden on management and internal resources. The diversion of management's attention away from day-to-day business concerns could adversely affect our financial results.

We also could be subject to litigation related to the proposed Merger, which could result in significant costs and expenses. In addition to potential litigation-related expenses, we have incurred and will continue to incur other significant costs, expenses and fees for professional services and other transaction costs in connection with the proposed Merger, and many of these fees and costs are payable regardless of whether or not the proposed Merger is consummated.

Failure to complete the Merger in a timely manner or at all could negatively impact the market price of our common stock, as well as our future business and financial condition, results of operations and cash flows.

We currently anticipate the Merger will close in the first half of 2019, but it cannot be certain when or if the conditions for the proposed Merger will be satisfied or (if permissible under the Merger Agreement and applicable law) waived. The Merger cannot be completed until the conditions to closing are satisfied or (if permissible under the Merger Agreement and applicable law) waived. In the event that the Merger is not completed for any reason, the holders of our common stock will not receive any payment for their shares of our common stock in connection with the proposed Merger. Instead, we will remain an independent public company and holders of our common stock will continue to own their shares.

Additionally, if the Merger is not consummated in a timely manner or at all, our ongoing business may be adversely affected as follows:

- we may experience negative reactions from financial markets and our stock price could decline;
- we may experience negative reactions from employees, customers, suppliers or other third parties;
- our management's focus would have been diverted from pursuing other opportunities that could have been beneficial to us; and
- the costs of pursuing the Merger may be higher than anticipated and would be born entirely by us.

If the acquisition by the Investors is not completed, there can be no assurance that these risks will not materialize and will not materially adversely affect our stock price, business, financial conditions, results of operations or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

This item is not applicable to the registrant.

Item 5. Other Information

On or about November 9, 2018, the Company mailed a Notice of Stockholder Action by Written Consent and Availability of Appraisal Rights and Information Statement, dated November 9, 2018, to its stockholders (i) informing its stockholders that the holders of a majority of the outstanding shares of the Company's common stock executed a written consent in lieu of a special meeting approving the adoption of the Merger Agreement and the consummation of the Merger and (ii) providing notice to its stockholders of the availability of appraisal rights under Section 262 of the Delaware General Corporation Law in connection with the Merger. A copy of the Information Statement is being furnished with this Quarterly Report on Form 10-Q and is attached hereto as Exhibit 99.1.

The information set forth in this Item 5 and the attached Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities in that section, and shall not be deemed to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, whether made before or after the date hereof and regardless of any general incorporation language in such filings, except to the extent expressly set forth by specific reference in such a filing.

Item 6. Exhibits

2.1*	Agreement and Plan of Merger, dated September 13, 2018, by and among MOM Holding Company, MOM Special Company, and MPM Holdings Inc.
10.1*†	Amendment No. 2 to Trademark License Agreement dated December 3, 2006, by and between General Electric Company and Momentive Performance Materials Inc., effective August 1, 2018.
31.1*	Rule 13a-14(a)/15d-14(a) Certifications for MPM Holdings Inc.:
	(a) Certificate of the Chief Executive Officer
	(b) Certificate of the Chief Financial Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certifications for Momentive Performance Materials Inc.:
	(a) Certificate of the Chief Executive Officer
	(b) Certificate of the Chief Financial Officer
32.1*	Section 1350 Certifications for MPM Holdings Inc.
32.2*	Section 1350 Certifications for Momentive Performance Materials Inc.
99.1*+	Notice of Stockholder Action by Written Consent and Availability of Appraisal Rights and Information Statement, dated November 9, 2018.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Schema Document
101.CAL**	XBRL Calculation Linkbase Document
101.DEF**	XBRL Definition Linkbase Document
101.LAB**	XBRL Label Linkbase Document
101.PRE**	XBRL Presentation Linkbase Document

* Filed herewith.

** Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). The financial information in the XBRL-related documents is “unaudited” or “unreviewed.”

† Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the SEC.

+ This exhibit is being furnished and shall not be deemed to be “filed” for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of such section, nor shall such information be deemed incorporated by reference in any of the Company’s filings under the Securities Act or the Exchange Act, whether made before or after the date hereof and regardless of any general incorporation language of such filings, except to the extent expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MPM HOLDINGS INC.

Date: November 9, 2018

/s/ Erick R. Asmussen

Erick R. Asmussen
Chief Financial Officer
(Principal Financial Officer)

MOMENTIVE PERFORMANCE MATERIALS INC.

Date: November 9, 2018

/s/ Erick R. Asmussen

Erick R. Asmussen
Chief Financial Officer
(Principal Financial Officer)