Momentive Performance Materials Inc. Reports 2006 Results

Wilton, Connecticut – April 4, 2007 – Momentive Performance Materials Inc. ("Momentive" or "the Company") today reported its combined results for the year ended December 31, 2006. Highlights for 2006 include:

- Net sales of $2,414.1 million in 2006 compared to $2,341.9 million in 2005.
- Operating income of $100.8 million versus operating income of $222.8 million in 2005.
- Net loss of $36.9 million in 2006 compared to net income of $74.3 million in 2005.
- Adjusted EBITDA of $427.8 million for the Last Twelve Month (LTM) period ended December 31, 2006 compared to Adjusted EBITDA of $417.2 million in 2005. (Note: Adjusted EBITDA is a non-GAAP measure and is defined and reconciled to Net Income later in this release).

On December 3, 2006, Momentive Performance Materials Inc. acquired GE Advanced Materials ("the Transaction"), an operating unit of General Electric Company. The purchase price for GE Advanced Materials as of the acquisition date was approximately $3.8 billion subject to certain purchase price adjustments. In connection with the acquisition, the Company issued $3,031.2 million of debt, consisting of $50.0 million of drawn revolving credit facility, a $1,053.1 million term loan B facility, $765.0 million of senior notes, $300 million of senior toggle notes, $363.1 million of Euro senior notes and $500.0 million of senior subordinated notes. The total availability of our revolving credit facility is $300.0 million, of which $50.0 million was borrowed at the closing of the Transaction, and which has no outstanding balance, with the exception of $3.3 million of funded letters of credit, as of December 31, 2006.

"The Company has made significant steps into transforming itself into a self-reliant, standalone business," said Wayne Hewett, President and CEO. "We are competing admirably in the market, executing on our business plan, and completing the steps necessary to ensure that Momentive is a strong and focused standalone business. There is clearly a lot of work for us to do, in terms of expanding growth and tempering inflationary trends, both of which we are focused on improving."

Summary Results

In the following discussion, comparisons are made between the years ended December 31, 2006 (combined) and December 31, 2005, notwithstanding the presentation in our consolidated and combined statements of operations for the year ended December 31, 2006, the Successor period from December 4, 2006 to December 31, 2006 and the Predecessor period from January 1, 2006 to December 3, 2006. A split presentation of an annual period is required under GAAP when a change in accounting basis occurs. Consequently, the combined presentation for 2006 is not a recognized presentation under GAAP. Accounting for an acquisition requires that the historical carrying values of assets acquired and liabilities assumed be adjusted to fair value. A resulting higher cost basis associated with the allocation of the purchase price impacts post-acquisition period results, which impacts period-to-period comparisons. We believe a discussion of the separate periods presented for the year ended December 31, 2006 in our consolidated and combined statements of operations may impede understanding of our operating performance. The impact of the acquisition on the 28-day Successor period does not materially affect the comparison of the annual periods and, accordingly, we have prepared the discussion of our results of operations by comparing the year ended December 31, 2006 (combined) with the year ended December 31, 2005 without regard to the differentiation between Predecessor and Successor results of operations for the Predecessor period from January 1, 2006 to December 3, 2006 and the Successor period from December 4, 2006 to December 31, 2006.

The following table sets forth certain historical consolidated and combined financial information for the year ended December 31, 2005 and the combined successor and predecessor periods for the year ended December 31, 2006:

	Predecessor		Successor	Combined Predecessor and Successor
	Year Ended December 31, 2005	Period from January 1, 2006 to December 3, 2006	Period from December 4, 2006 to December 31, 2006	Year Ended December 31, 2006
		(dollars in millions)		
Net sales	$ 2,341.9	$ 2,168.0	$ 246.1	$ 2,414.1
Cost of sales	1,429.6	1,397.6	185.2	1,582.8
Gross profit	**912.3**	**770.4**	**60.9**	**831.3**
Selling, general and administrative expenses	617.3	534.6	52.9	587.5
Research and development expenses	72.2	72.8	7.4	80.2
In-process research and development	-	0.0	52.0	52.0
Restructuring and other costs	-	10.6	0.20	10.8
Operating income	**222.8**	**152.4**	**(51.6)**	**100.8**
Other income (expenses)				
Interest expense, net	(16.6)	(11.8)	(21.6)	(33.4)
Other income (expense), net	(1.7)	(4.7)	0.0	(4.7)
Minority interests	(64.7)	(43.9)	(0.1)	(44.0)
Income (loss) before income taxes	**139.8**	**92.0**	**(73.3)**	**18.7**
Income taxes	65.5	58.3	(2.7)	55.6
Net income (loss)	**$ 74.3**	**$ 33.7**	**$ (70.6)**	**$ (36.9)**
Net Sales by Segment				
Silicones	$ 2,094.5	$ 1,925.7	$ 219.2	2,144.9
Quartz	247.4	$ 242.3	$ 26.9	269.2
Total	**$ 2,341.9**	**$ 2,168.0**	**$ 246.1**	**$ 2,414.1**

Net sales. Net sales in 2006 were $ 2,414.1 million, compared to $2,341.9 million in 2005, an increase of 3.1%. The increase was driven by a 4.7% increase in sales volume, reflecting growth in both our Silicones and Quartz divisions, which was partially offset by unfavorable exchange rates fluctuations of 0.9% and a modest decrease in selling prices.

Cost of sales. Cost of sales in 2006 was $1,582.8 million, compared to $1,429.6 million in 2005, an increase of 10.7%. Cost of sales increased by $153.2 million primarily due to increases in sales volume, higher costs of raw materials and energy and increased labor costs, and the impact of a $34.4 million charge to cost of sales during December 2006 resulting from the sale of inventory that had been revalued at fair value in the purchase accounting at the date of the transaction.

Gross Profit. Gross profit in 2006 was $831.3 million or 34.4% of net sales, compared to $912.3 million or 39% of net sales, a decrease of 8.9%. The decrease is primarily due to the impact of increase in cost of net sales described above.

Reconciliation of Net Income to Adjusted EBITDA

Certain covenants contained in the credit agreement governing our credit facilities and the indentures governing the Senior Notes, Senior Toggle Notes and Senior Subordinated Notes (i) require the maintenance of a net first-lien secured indebtedness to Adjusted EBITDA ratio and/or (ii) restrict our ability to take certain actions such as incurring additional debt or making acquisitions if we are unable to meet certain financial tests. For example, the indenture covenants restrict our ability to incur additional indebtedness unless we are able to comply, on a pro forma basis, with an Adjusted EBITDA to Fixed Charges ratio (measured on a trailing four-quarter basis) of 2.0:1.0. Inability to comply with such covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

EBITDA consists of earnings before interest, taxes and depreciation and amortization. EBITDA is a measure commonly used in our industry and we present EBITDA to enhance your understanding of our operating performance. We use EBITDA as one criterion for evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other pro forma adjustments permitted in calculating covenant compliance in the indentures governing the notes to test the permissibility of certain types of transactions. However, EBITDA and Adjusted EBITDA are not measurements of financial performance under U.S. GAAP, and our EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. You should not consider our EBITDA or Adjusted EBITDA as an alternative to operating or net income, determined in accordance with U.S. GAAP, as an indicator of our operating performance, or as an alternative to cash flows from operating activities, determined in accordance with U.S. GAAP, as an indicator of our cash flows or as a measure of liquidity.

The following table reconciles net income to EBITDA and Adjusted EBITDA for the periods presented:

		Successor — Period from December 4, 2006 to December 31, 2006	Predecessor — Period from January 1, 2006 to December 3, 2006	Combined Successor and Predecessor Year ended December 31, 2006	Predecessor Year Ended December 31, 2005	Predecessor Year Ended December 31, 2004
				(dollars in millions)		
Net income (loss)		$ (70.6)	$ 33.7	$ (36.9)	$ 74.3	$ 67.4
Interest expense, net		21.6	11.8	33.4	16.6	23.4
Income taxes		(2.7)	58.3	55.6	65.5	45.6
Depreciation and amortization		27.0	153.4	180.4	186.3	182.1
EBITDA		$ (24.7)	$ 257.2	$ 232.5	$ 342.7	$ 318.5
Minority interest	(a)			49.8	$ 63.4	
Non Cash, Purchase accounting effects	(b)			86.4	-	
Stand-alone savings - assessment	(c)			15.7	14.4	
U.S. benefit plan savings	(d)			4.0	2.8	
Cost savings - new initiatives	(e)			7.4	-	
Restructuring and stand-alone costs	(f)			10.8	0.5	
Transaction and initial costs	(g)			21.2	(6.6)	
Adjusted EBITDA				$ 427.8	$ 417.2	

(a) Reflects the elimination of minority interests resulting from the acquisition of the remaining shareholder interest in joint ventures with Toshiba and Bayer of $63.4 million in 2005 and $44.9 million in 2006 and the consolidation from May 2006 to December 3, 2006 of OSi Italy.

(b) Represents non-cash charges of that have been revalued at fair value at the date of the Acquisition. The non-cash charges are comprised by (i) $34.4 million to cost of sales during December 2006 resulting from the sales of inventories and (ii) $52.0 million of in-process research and development intangible assets charged in December 2006.

(c) Represents stand-alone cost savings for functions and services previously provided by GE and its affiliated companies. These services were historically billed to us via an assessment and related to functions such as IT, finance, treasury, operations, research and development, insurance, legal, and human resources. The assessment was $62.5 million for 2005 and $62.6 million for 2006 and will not continue on a stand-alone basis.

(d) Represents savings related to the design of our U.S. benefit plans as compared to the cost historically billed directly to us by GE for the administration of benefit programs in the U.S.

(e) Represents cost savings from initiatives which have been implemented by management, including headcount reductions, reduction in number of legal entities, and consolidation of warehouses and offices.

(f) Primarily relates to restructuring and initial stand-alone costs related to the transaction, including (i) consulting services related to setting up our US benefit plan and other services of $3.3 million, (ii) retention payments of $3.3 million, (iii) costs for the transfer of production to a new facility and a reorganization of a sales force in Europe of $3.0 million and other adjustments of $1.2 million.

(g) Represents initial and start-up cost related to establishing Momentive as a stand-alone entity in 2006, which includes (i) non-cash items of $14.9 million that will not repeat including inventory reserves and other non-recurring one-time charges (ii) other consulting fees and services of $3.6 million and (iii) the discontinuation of royalty payments to Toshiba of $2.7 million. In 2005, represents the elimination of a gain on sale of our 49% interest in the Dong Yang Silicones Co.

Ltd. joint venture to the majority owner in the second quarter of 2005 of $4.1 million and other adjustments of $2.5 million.

Forward Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, the Company's management may from time to time make oral forward-looking statements. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "project," "plan," "estimate," "will" or "intend" and similar expressions. The forward-looking statements contained herein reflect our current views with respect to future events and are based on our currently available financial, economic and competitive data and on current business plans. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: economic factors such as an interruption in the supply of or increased pricing of raw materials due to natural disasters, competitive factors such as pricing actions by our competitors that could affect our operating margins, and regulatory factors such as changes in governmental regulations involving our products that lead to environmental and legal matters.

About the Company

Momentive Performance Materials Inc. is a premier specialty materials company, providing high-technology materials solutions to the silicones, quartz and ceramics markets. The company is a global leader with worldwide operations, a robust product portfolio, industry-leading research and development capabilities, and a long tradition of service excellence. Momentive Performance Materials Inc. is owned by an affiliate of Apollo Management, L.P. Additional information is available at www.momentive.com.

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