



Momentive Performance Materials Inc.

**Fourth Quarter and Fiscal Year 2014
Earnings Conference Call**

March 30, 2015

Forward-Looking Statements

Momentive Performance Materials Inc. (MPM)

Certain statements in this presentation are forward-looking statements within the meaning of and made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, our management may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “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 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 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: our ability to obtain additional financing, increased legal costs related to the Chapter 11 proceedings and other potential litigation, a weakening of global economic and financial conditions, interruptions in the supply of or increased cost of raw materials, changes in governmental regulations and related compliance and litigation costs, difficulties with the realization of cost savings in connection with our strategic initiatives, including transactions with our affiliate, Hexion Inc., pricing actions by our competitors that could affect our operating margins and the other factors listed in the Risk Factors section of our SEC filings. For a more detailed discussion of these and other risk factors, see the Risk Factors section in our most recent Annual Report on Form 10-K and our other filings made with the SEC. All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The forward-looking statements made by us speak only as of the date on which they are made. Factors or events that could cause our actual results to differ may emerge from time to time. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

This presentation contains non-GAAP financial information. Reconciliation to GAAP is included at the end of the presentation.

Today's Presenters

Jack Boss
*President &
Chief Executive Officer*

- Named President & Chief Executive Officer in December 2014
- Joined Momentive Performance Materials Inc. in March 2014. Previously served as President of Honeywell Safety Products at Honeywell International
- Has more than 30 years of experience in the specialty chemicals and materials industries
- Previous roles include:
 - Vice President and General Manager, Great Lakes Chemical Corporation (n.k.a Chemtura Corporation)
 - Vice President and Business Director, International Specialty Products (n.k.a Ashland, Inc.)

Brian Berger
Interim Chief Financial Officer

- Interim Chief Financial Officer
- Joined Momentive Performance Materials Inc. in September 2012. Previously served as Director of Shared Services at Stanley Black & Decker, Inc.
- Has more than 21 years of experience in financial management roles, primarily in the specialty chemicals and materials industries
- Previous roles include:
 - Director, Americas Shared Financial Services at SABIC Innovative Plastics
 - CFO, Global Lexan at GE Plastics and SABIC Innovative Plastics



Momentive Performance Materials Inc.

Overview of Fourth Quarter and Fiscal Year 2014 Results

Jack Boss
Chief Executive Officer & President

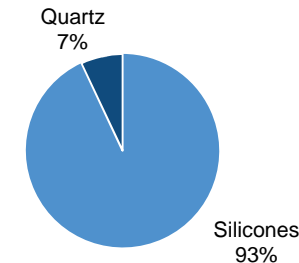
Momentive Performance Materials Business Overview

Overview

- One of the world's largest producers of silicones and silicone derivatives and a global leader in the development and manufacturing of products derived from quartz and specialty ceramics
- Silicones Segment: manufactures a multi-functional family of materials used in a variety of products, serving as a critical ingredient in many construction, transportation, healthcare, personal care, electronic, consumer and agricultural uses
- Quartz Segment: manufactures quartz, specialty ceramics and crystal products for use in high-technology industries
- As of December 31, 2014, operates 24 production sites (17 Silicones, 7 Quartz) with locations in the Americas, Europe and Asia
 - Serves more than 4,500 customers in over 100 countries
 - One of two producers in the silicones industry with truly global siloxane production capacity

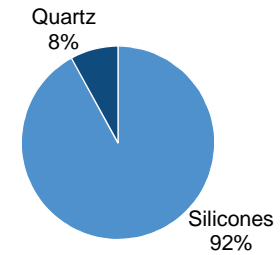
Revenue & EBITDA by Segment (FY2014)

Revenue



Total FY2014: \$2.5 billion

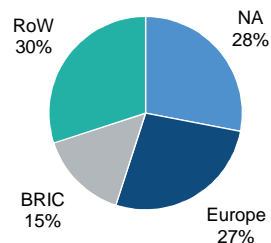
EBITDA



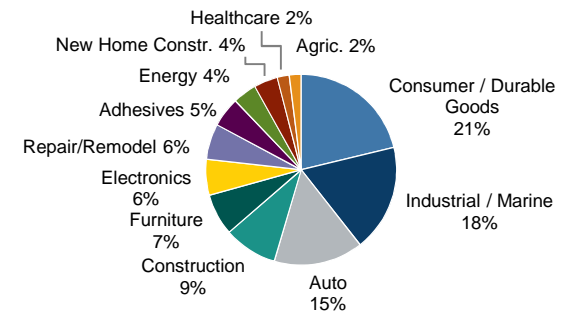
Total FY2014: \$238 million

Revenue by Industry and Geography (FY2014)

By Geography



By Industry



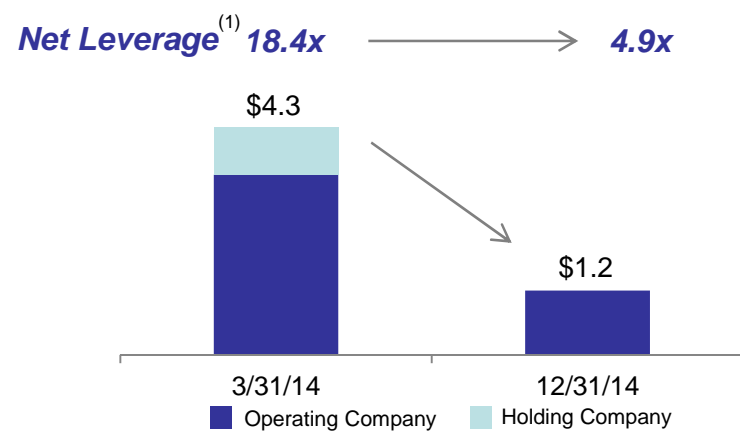
Leading Silicones and Specialty Materials Platform

Momentive Positioned for Success Through Balance Sheet Restructuring

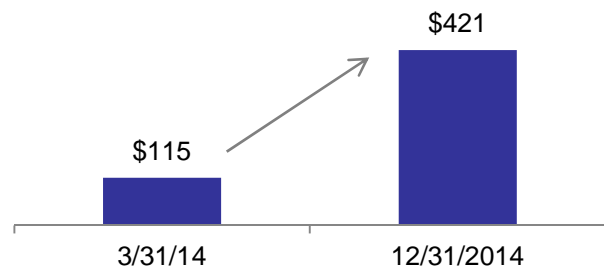
Summary Overview

- Successfully completed financial restructuring on October 24, 2014
 - Continued to operate in normal course throughout pendency of chapter 11 case, while also maintaining a strong customer focus and pursuing growth investments
 - No operational interruptions, asset sales, headcount reductions or modifications of employee benefits
 - Company now positioned with enhanced flexibility to invest in business through operational initiatives, innovation and growth opportunities
- Emerged with a healthy balance sheet, significant liquidity and a structurally enhanced free cash flow profile
 - 100% recovery to trade creditors and \$600 million new equity infusion
 - Reduced consolidated holding company debt by ~ \$3 billion and annual interest expense by ~ \$350 million
 - Net leverage and liquidity of 4.9x and \$421 million, respectively, as of December 31, 2014
- Established independent senior management team and board of directors from Hexion Inc.
 - Jack Boss named Chief Executive Officer on December 15, 2014
 - Shared Services Agreement between Momentive and Hexion Inc.

Total Debt (\$Bn)



Liquidity (\$mm)



Transformational Restructuring Creates Solid Financial Foundation to Sustainably Operate, Innovate and Grow

(1) Net leverage of 18.4x calculated using LTM 3/31/14 EBITDA of \$225mm. Net leverage of 4.9x calculated using 12/31/14 EBITDA of \$238mm.

Overview Fourth Quarter 2014 Results

Commentary ⁽¹⁾

- Net sales decreased 2% YoY to \$603 million
 - Reported decline driven by strengthening of the U.S. dollar against other currencies. On a constant currency basis, net sales would have increased by 2%

- Segment EBITDA⁽²⁾ increased 17% to \$61 million
 - Increase driven by specialty silicones portfolio
 - Partially offset by ongoing weakness in demand cyclicality for semiconductor-related quartz products
 - Segment EBITDA margins increased 160 basis points versus the prior year period

- Recently completed an expansion of Rayong, Thailand facility serving liquid silicone rubber customers throughout Asia in the automotive, aerospace, energy, healthcare and consumer products industries

Summary Financials

(\$ in millions)

	<u>Q413</u>	<u>Q414</u>	<u>Δ</u>
Net sales	\$614	\$603	(2)%
Segment EBITDA			
Silicones	55	67	22%
Quartz	10	6	(40)%
Other	<u>(13)</u>	<u>(12)</u>	<u>8%</u>
Total Segment EBITDA	<u>\$52</u>	<u>\$61</u>	<u>17%</u>
Segment EBITDA margin	8.5%	10.1%	160bps



Solid Silicones Performance Partially Offset by Cyclicalities in Quartz

(1) The results of operations data provided herein has been calculated by adding the relevant results of the "Predecessor Company" for the period prior to and including October 24, 2014 to the relevant results of the "Successor Company" for the period October 25, 2014 through December 31, 2014.

(2) Segment EBITDA is a non-GAAP financial measure. The closest GAAP financial measure is Net Income (Loss). A table that reconciles Segment EBITDA is at the end of this presentation. Segment EBITDA is defined as EBITDA (earnings before interest, income taxes, depreciation and amortization) adjusted for certain non-cash and other income and expenses. Segment EBITDA is an important measure used by the Company's senior management and board of directors to evaluate operating results and allocate capital resources among businesses.

Overview Fiscal Year 2014 Results

Commentary ⁽¹⁾

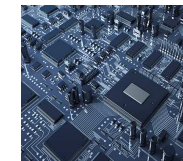
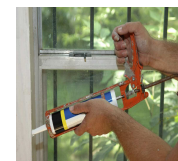
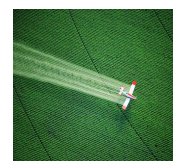
- Net sales increased 3% YoY to \$2.48 billion
 - Increase driven primarily by 3% YoY increase in silicones volume

- Segment EBITDA flat vs. 2013 at \$238 million
 - Solid performance in silicones portfolio
 - Demand cyclical for semiconductor-related quartz products
 - Increase in corporate expense due to year-over-year EH&S, IT security and incentive compensation variance

Summary Financials

(\$ in millions)

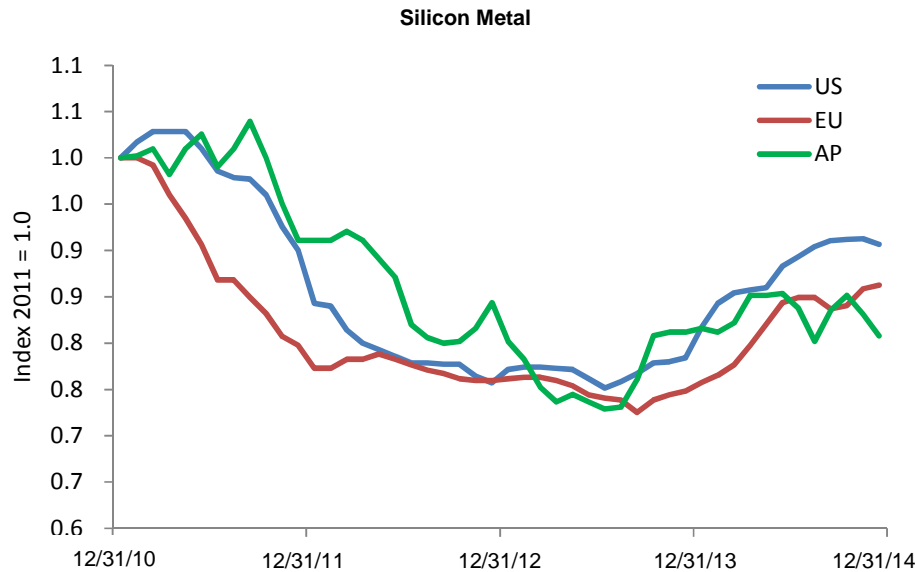
	<u>FY'13</u>	<u>FY'14</u>	<u>Δ</u>
Net sales	\$2,398	\$2,476	3%
Segment EBITDA			
Silicones	248	273	10%
Quartz	37	25	(32)%
Other	<u>(47)</u>	<u>(60)</u>	<u>(28)%</u>
Total Segment EBITDA	<u>\$238</u>	<u>\$238</u>	<u>–</u>
Segment EBITDA margin	9.9%	9.6%	(30)bps



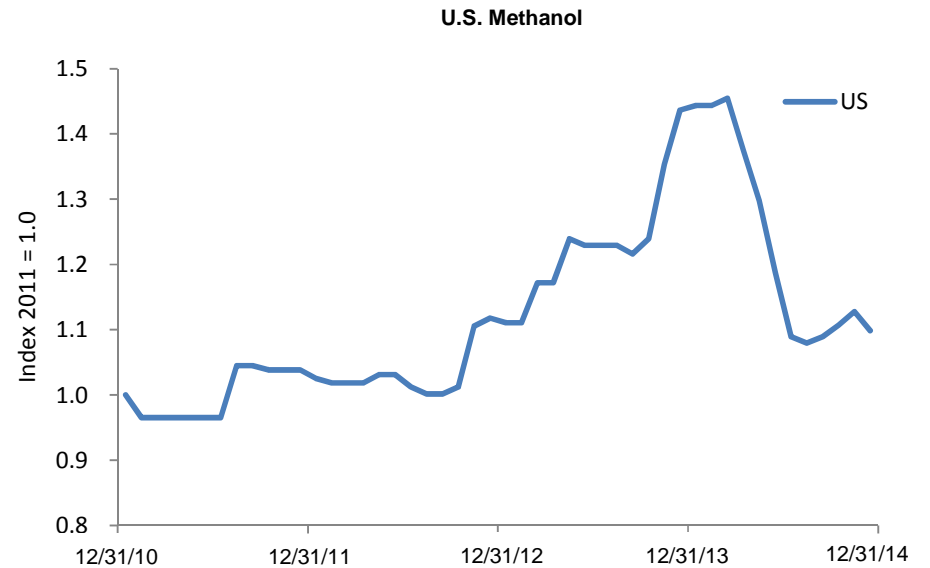
Silicones Results have Stabilized and Demonstrated Recent Improvement

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Update on Raw Materials Environment



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Summary

- Global silicon metal prices rose 22% in FY 2014 versus the prior year; sequentially rose slightly during the fourth quarter of 2014
- Global methanol pricing declined 7% in FY 2014 in conjunction with a fall in natural gas prices
- While MPM expects a positive impact on silicones profitability from recent oil declines, more than 70% of raw material inputs are not petroleum-based

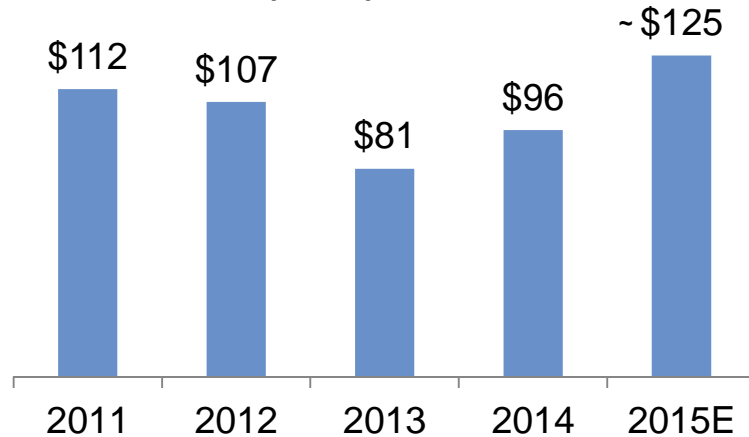
Strategically Investing in Operations and Growth of Specialty Portfolio



Capital Program

(\$ in millions)

Capital Expenditures⁽¹⁾



Summary

- New balance sheet and significant liquidity provides meaningful financial flexibility
- Focusing capital investments on operations and growth of specialty portfolio
- Recent investments position Momentive for continued growth
 - LSR and Coatings expansion in Rayong, Thailand (4Q'14)
 - Automotive Glazing Pilot Facility in Leverkusen, Germany (2Q'14)

NXT* Expansion

Summary

- NXT* Silanes is a proprietary Momentive silicones product that helps reduce rolling resistance of automotive tires without loss of wet traction
 - Delivers improved coupling of silica into tire tread, which improves manufacturing processes
 - Improves fuel economy and tire durability
 - Aligned with European and US regulations regarding tire rolling resistance, wet grip and noise ratings
- Investing \$36 million to double current manufacturing capacity; expansion is expected to be completed in 2016



(1) Includes capitalized interest.

* NXT is a trademark of Momentive Performance Materials Inc.



Momentive Performance Materials Inc.

Financial Review

Brian D. Berger
Interim Chief Financial Officer

Silicones

Fourth Quarter 2014 Segment Results

(\$ in millions)	4Q Quarter Ended		
	2013	2014	Δ
Net Sales	\$ 561	\$ 561	--
Segment EBITDA	55	67	22%
Segment EBITDA Margin	9.8%	11.9%	210 bps

4Q'14 Net Sales Comparison YoY			
Volume	Price/Mix	Foreign Exchange	Total
(1)%	4%	(3)%	--

Summary

- Sales were flat year-over-year as price and mix gains were offset by foreign exchange translation
 - Constant currency net sales gains of 3%
- Segment EBITDA gains and margin improvement reflect positive momentum in specialty silicones, such as NXT* silanes, liquid silicone rubber (LSR) and silicone coatings, as well as the impact of lower processing costs

Quartz

Fourth Quarter 2014 Segment Results

(\$ in millions)	4Q Quarter Ended		
	2013	2014	Δ
Net Sales	\$ 53	\$ 42	(21)%
Segment EBITDA	10	6	(40)%
Segment EBITDA Margin	18.9%	14.3%	(460) bps

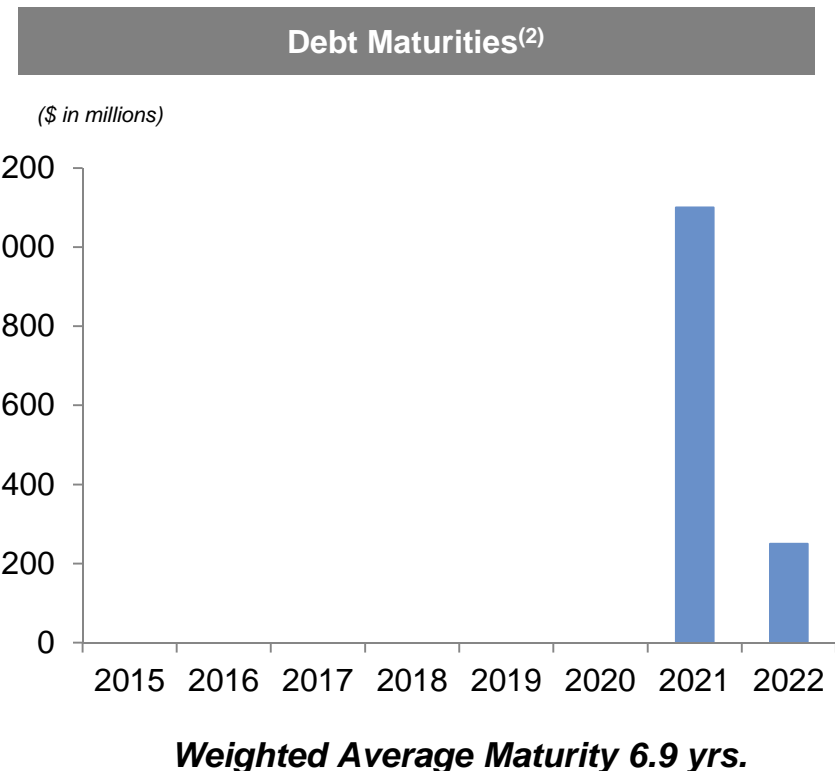
Summary

- Cyclicity in semiconductor-related demand and weaker solar markets continued to negatively impact 4Q'14 results
- Overall trends have stabilized on a sequential basis

4Q'14 Net Sales Comparison YoY			
Volume	Price	Foreign Exchange	Total
(17)%	---	(2)%	(19)%

Balance Sheet Update & Financial Summary

- Liquidity: cash plus borrowing availability of \$421 million at 12/31/14 with no significant maturities until 2021
- Continuing to aggressively optimize working capital and position inventories in 2015
 - Increase in net working capital of \$63 million from Dec. 31, 2013 due primarily to higher inventory levels to meet increased volumes and a reduction in payables due to the balance sheet restructuring
 - Expect decrease in net working capital during FY 2015
- Net debt of ~ \$1.2 billion as of December 31, 2014
 - No financial maintenance covenants currently in effect ⁽¹⁾
- Enhanced financial flexibility to drive operational initiatives, innovation and growth



MPM Benefits from Long Dated Maturity Profile and Significant Liquidity

(1) Our ABL Facility requires us to maintain a fixed charge coverage ratio of 1.0 to 1.0 at any time when the 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 million.

(2) Excludes \$38 million of foreign local debt.

Closing Remarks

Closing Remarks

- Continued solid performance in silicones business in both Q4 and FY 2014 driven by specialty portfolio
- Demand cyclical for semiconductor related quartz products has stabilized and MPM has witnessed improving order rates in early FY 2015; non-semiconductor portfolio continues to demonstrate solid growth
- Making strategic investments in operations and growth silicone technologies in FY 2015 that will drive both top-line growth and cost structure enhancements in 2016 and beyond
- Balance sheet restructuring provides MPM with the solid financial foundation from which to continue to drive innovation across the portfolio while providing value-added and differentiated products and services



**Leading Global Specialty Silicones and Advanced Materials Platform
with Well-Capitalized Balance Sheet**

Appendices

Reconciliation of Non-GAAP Financial Measures

	Successor	Predecessor	
	Period from October 25, 2014 through December 31, 2014	Period from October 1, 2014 through October 24, 2014	Three Months Ended December 31, 2013
(In millions)			
Segment EBITDA:			
Silicones	\$ 45	\$ 22	\$ 55
Quartz	6	—	10
Other	(5)	(7)	(13)
Total	\$ 46	\$ 15	\$ 52
Reconciliation:			
Items not included in Segment EBITDA:			
Non-cash charges	\$ (46)	\$ 2	\$ (8)
Unrealized loss on pension and postretirement benefits	(15)	—	—
Restructuring and other costs	(5)	—	(4)
Reorganization items, net	(3)	2,086	—
Total adjustments	(69)	2,088	(12)
Interest expense, net	(15)	(9)	(160)
Income tax expense	—	(38)	(104)
Depreciation and amortization	(22)	(10)	(42)
Net (loss) income	\$ (60)	\$ 2,046	\$ (266)

- (1) This presentation contains non-GAAP financial information. Adjusted EBITDA is a non-GAAP financial measure as defined by SEC rules. Adjusted EBITDA is not intended to represent any measure of earnings or cash flow in accordance with US GAAP and the calculation and use of this measure may differ from other companies. Adjusted EBITDA should not be used in isolation or as a substitute for measures of performance or liquidity. Adjusted EBITDA should not be considered an alternative to operating income or net income (loss) under US GAAP to evaluate results of operations or as an alternative to cash flows as a measure of liquidity. Adjusted EBITDA excludes the EBITDA of our subsidiaries that are designated as Unrestricted Subsidiaries under our debt documents. Adjusted EBITDA includes pro forma cost savings.
- (2) The Company believes that Adjusted EBITDA provides additional information to investors about the Company's ability to comply with its financial covenant and to obtain additional debt in the future.

Reconciliation of Non-GAAP Financial Measures

	Successor	Predecessor	
	Period from October 25, 2014 through December 31, 2014	Period from January 1, 2014 through October 24, 2014	Year ended December 31, 2013
<u>(In millions)</u>			
Segment EBITDA:			
Silicones	\$ 45	\$ 228	\$ 248
Quartz	6	19	37
Other	(5)	(55)	(47)
Total	\$ 46	\$ 192	\$ 238
Reconciliation:			
Items not included in Segment EBITDA:			
Non-cash charges and other income and expense	\$ (46)	\$ (114)	\$ (12)
Unrealized losses on pension and postretirement benefits	(15)	—	—
Restructuring and other costs	(5)	(20)	(21)
Reorganization items, net	(3)	1,972	—
Total adjustments	(69)	1,838	(33)
Interest expense, net	(15)	(162)	(394)
Income tax expense	—	(36)	(104)
Depreciation and amortization	(22)	(147)	(171)
Loss on extinguishment and exchange of debt	—	—	—
Net (loss) income	\$ (60)	\$ 1,685	\$ (464)

Reconciliation of Non-GAAP Financial Measures

<u>(In millions)</u>	<u>Year Ended</u> <u>December 31, 2014</u>
Net income	\$ 1,625
Interest expense, net	177
Income tax expense	36
Depreciation and amortization	169
EBITDA	<u>2,007</u>
Adjustments to EBITDA:	
Restructuring and other costs ^(a)	25
Reorganization items, net ^(b)	(1,969)
Unrealized loss on pension and postretirement benefits ^(c)	15
Non-cash charges and other income and expense ^(d)	162
Exclusion of Unrestricted Subsidiary results ^(e)	(19)
Adjusted EBITDA	<u>\$ 221</u>
Pro forma fixed charges ^(f)	<u>\$ 58</u>
Ratio of Adjusted EBITDA to Fixed Charges ^(g)	<u>3.81</u>

Footnotes for Reconciliation of Non-GAAP Financial Measures

- (a) Relates primarily to one-time payments for services and integration expenses, as well as costs related to restructuring our capital structure incurred prior to the Bankruptcy Filing.
- (b) Represents incremental costs incurred directly as a result of the Bankruptcy Filing, including certain professional fees, the Backstop Commitment Agreement (BCA) Commitment Premium and financing fees related to the debtor-in-possession (DIP) Facilities. Also includes the impact of the Reorganization Adjustments and the Fresh Start Adjustments.
- (c) Represents non-cash actuarial losses resulting from pension and postretirement liability remeasurements.
- (d) Non-cash charges and other income and expense includes the effects of unrealized foreign exchange transaction losses related to certain intercompany arrangements, stock-based compensation expense, unrealized derivative gains and losses and asset disposals.
- (e) Reflects the exclusion of the EBITDA of our subsidiaries that are designated as Unrestricted Subsidiaries under the ABL Facility.
- (f) Reflects pro forma interest expense based on outstanding indebtedness and interest rates at December 31, 2014.
- (g) The Company's ability to incur additional indebtedness, among other actions, is restricted under the indentures governing our notes, unless the Company has an Adjusted EBITDA to Fixed Charges ratio of 2.0 to 1.0. As of December 31, 2014, we were able to satisfy this test and incur additional indebtedness under these indentures.

Momentive Performance Materials Debt at 12/31/2014

	Successor		Predecessor	
	2014		2013	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Senior Secured Credit Facilities:				
ABL Facility	\$ —	\$ —	\$ —	\$ —
Old ABL Facility	—	—	—	135
Cash Flow Facility	—	—	—	—
Secured Notes:				
3.88% First Lien Notes due 2021 (includes \$140 of unamortized debt discount at December 31, 2014)	960	—	—	—
4.69% Second Lien Notes due 2022 (includes \$47 of unamortized debt discount at December 31, 2014)	203	—	—	—
8.875% First Lien Notes due 2020	—	—	—	1,100
10.00% Senior Secured Notes due 2020	—	—	—	250
9.00% Springing Lien Dollar Notes due 2021	—	—	—	1,161
9.50% Springing Lien Euro Notes due 2021	—	—	—	183
Other Borrowings:				
11.50% Senior Subordinated Notes due 2016 (includes \$2 of unamortized debt discount at December 31, 2013)	—	—	—	382
China bank loans at 5.0% and 5.9% at December 31, 2014 and 2013, respectively	—	32	7	33
Other at 6.6% and 11.5% at December 31, 2014 and 2013, respectively	—	6	—	6
Total debt	\$ 1,163	\$ 38	\$ 7	\$ 3,250

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