



**WACKER**

## 3<sup>RD</sup> QUARTER 2012 – CALL NOTE

Dr. Rudolf Staudigl (CEO), Dr. Joachim Rauhut (CFO), October 24, 2012

CREATING TOMORROW'S SOLUTIONS

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# WACKER: SALES AT LEVEL OF PREVIOUS QUARTER

in €m	Q3 2012	Q2 2012	% QoQ	Q3 2011	% YoY
<b>Sales</b>	<b>1,200.9</b>	<b>1,222.5</b>	<b>-1.8</b>	<b>1,280.6</b>	<b>-6.2</b>
<b>EBITDA</b>	<b>204.3</b>	<b>240.5</b>	<b>-15.1</b>	<b>317.6</b>	<b>-35.7</b>
<i>EBITDA margin</i>	<i>17.0%</i>	<i>19.7%</i>	<i>-</i>	<i>24.8%</i>	<i>-</i>
<b>EBIT</b>	<b>70.7</b>	<b>110.3</b>	<b>-35.9</b>	<b>197.2</b>	<b>-64.1</b>
<i>EBIT margin</i>	<i>5.9%</i>	<i>9.0%</i>	<i>-</i>	<i>15.4%</i>	<i>-</i>
<b>Result for the period</b>	<b>26.9</b>	<b>60.6</b>	<b>-55.6</b>	<b>124.9</b>	<b>-78.5</b>
<i>EPS in €</i>	<i>0.50</i>	<i>1.18</i>	<i>-57.6</i>	<i>2.50</i>	<i>-80.0</i>

# STRONG VOLUMES IN CHEMICALS – DIFFICULT PRICING IN POLY

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## Q3 2012 Comments

- High demand for chemicals in America and Asia
- Negative price effects in all businesses
- Positive FX effects
- High utilization rates particularly in chemicals
- Investments of €291m in Q2

## Challenges and Opportunities

- Ongoing challenging environment: transition of solar industry, macroeconomics and sovereign debt crisis
- Sales at €4.6bn - €4.7bn expected
- EBITDA at €750m expected, driven by price decline polysilicon
- Capex 2012 ~€1.1bn
- FY depreciation at around €540m

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Call Note – Q3 2012

Dr. Rudolf Staudigl, CEO / Dr. Joachim Rauhut, CFO, October 24, 2012, Slide 3

# IMPACTS ON EBITDA IN 9M 2012 – SPECIAL EFFECTS €43M

Division	Special Effects	Q3 2012	Q2 2012	Q1 2012
Siltronic	Execution "Lead site strategy"	-	-	-14.8
<b>WACKER POLYSILICON</b>	Retained prepayments & damages from cancelled contracts	2.1	19.4	36.6
Net Effect on EBITDA (€m)		2.1	19.4	21.8

# SOLID VOLUME DEVELOPMENT IN SILICONES

## **WACKER** **SILICONES**

€m	Q3 2012	Q2 2012	% QoQ	Q3 2011	% YoY
<b>Sales</b>	<b>432.1</b>	<b>422.9</b>	<b>2.2</b>	<b>405.2</b>	<b>6.6</b>
<b>EBITDA</b>	<b>57.4</b>	<b>59.9</b>	<b>-4.2</b>	<b>52.0</b>	<b>10.4</b>
<i>EBITDA margin</i>	<i>13.3%</i>	<i>14.2%</i>	<i>-</i>	<i>12.8%</i>	<i>-</i>
<b>EBIT</b>	<b>36.2</b>	<b>39.4</b>	<b>-8.1</b>	<b>32.2</b>	<b>12.4</b>
<i>EBIT margin</i>	<i>8.4%</i>	<i>9.3%</i>	<i>-</i>	<i>7.9%</i>	<i>-</i>
<b>Capex</b>	<b>17.4</b>	<b>17.2</b>	<b>1.2</b>	<b>21.8</b>	<b>-20.2</b>

# INCREASING SHARE OF HIGHER-VALUE PRODUCTS

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**SILICONES**

## Q3 2012 Comments

- Asian and American markets with more dynamic growth than European markets
- Higher volume (yoy/qoq)
- Positive FX-effect (yoy/qoq)
- Price pressure in all regions, most pronounced on bulk materials
- High utilization rate

## Challenges and Opportunities

- Normal seasonality expected for Q4 with influence of weaker macroeconomic growth
- Pricing pressure persists
- Ongoing focus on further innovations

# AN ALTERNATIVE TO THE CRUDE OIL BASED PLASTICS INDUSTRY → TPSE\* / TECTOSIL®



LEDs – substituting epoxy resin

- **LED:** Silicone with better sealing, perfect optical performance and easier customer application  
Strategy: Competence center Korea close to leading OEM's



Sealing – substituting acrylics

- **Sealing:** Superior silicone-performance. WACKER with highest integrated production from basics to customized cartridge.  
Strategy: Regionalized offerings



TPSE\* – higher quality alternative to EVA\*

- **TPSE\*:** Superior silicone-performance with fast and low-cost processing with customer's already existing thermoplastic-equipment  
Strategy: Approach Solar OEM's



# STRONG PERFORMANCE SUPPORTED BY CONSTRUCTION AND SUBSTITUTION OF ALTERNATIVE BINDERS

## **WACKER** **POLYMERS**

€m	Q3 2012	Q2 2012	% QoQ	Q3 2011	% YoY
<b>Sales</b>	<b>274.0</b>	<b>276.1</b>	<b>-0.8</b>	<b>257.9</b>	<b>6.2</b>
<b>EBITDA</b>	<b>50.5</b>	<b>45.3</b>	<b>11.5</b>	<b>39.2</b>	<b>28.8</b>
<i>EBITDA margin</i>	<i>18.4%</i>	<i>16.4%</i>	-	<i>15.2%</i>	-
<b>EBIT</b>	<b>41.3</b>	<b>36.0</b>	<b>14.7</b>	<b>30.3</b>	<b>36.3</b>
<i>EBIT margin</i>	<i>15.1%</i>	<i>13.0%</i>	-	<i>11.7%</i>	-
<b>Capex</b>	<b>16.4</b>	<b>12.5</b>	<b>31.2</b>	<b>8.3</b>	<b>97.6</b>

# STRONG DEMAND IN ASIA AND AMERICAS

## **WACKER** **POLYMERS**

### Q3 2012 Comments

- Good demand in dispersions and dispersible powders
- Raw material costs decreasing moderately on a global basis
- Production of acetic acid in Burghausen terminated

### Challenges and Opportunities

- Strong demand for dispersions in North America, raising capacities
- Substitution of other binder systems continues
- Continuing good performance of construction segment globally
- VAE dispersion capacity increase by 20% in 2013

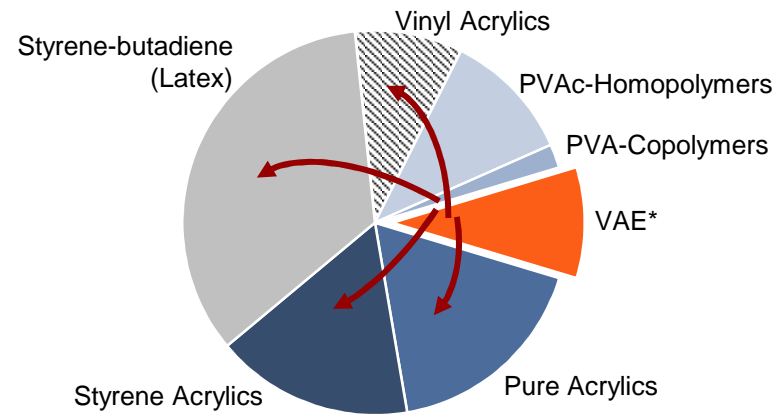
# RAW MATERIAL DYNAMICS TOGETHER WITH CONTINUOUS INNOVATION PROVIDE OPPORTUNITIES FOR VAE



Image: Carpets

## Synthetic latex polymers market

Competing binders 2012 – high substitution potential for VAE



Source: Kline Data, WACKER analysis

## Alternative technology replacement

- Upstream raw material changes (shale gas, lighter cracker feed stocks) are providing momentum for VAE
- Market dynamics and innovation enable expansion Carpet, Paper and Coatings segments
- Good product performance, environmental and cost-in-use advantages favor VAE over other polymer technologies

\*VAE = Vinyl-acetate ethylene

# GOOD PERFORMANCE IN FOOD INGREDIENTS

## WACKER BIOSOLUTIONS

€m	Q3 2012	Q2 2012	% QoQ	Q3 2011	% YoY
<b>Sales</b>	<b>40.1</b>	<b>40.1</b>	<b>0.0</b>	<b>34.1</b>	<b>17.6</b>
<b>EBITDA</b>	<b>5.5</b>	<b>7.1</b>	<b>-22.5</b>	<b>3.1</b>	<b>77.4</b>
<i>EBITDA margin</i>	<i>13.7%</i>	<i>17.7%</i>	-	<i>9.1%</i>	-
<b>EBIT</b>	<b>3.8</b>	<b>5.4</b>	<b>-29.6</b>	<b>1.4</b>	<b>&gt;100</b>
<i>EBIT margin</i>	<i>9.5%</i>	<i>13.5%</i>	-	<i>4.1%</i>	-
<b>Capex</b>	<b>5.5</b>	<b>5.5</b>	<b>0.0</b>	<b>3.1</b>	<b>77.4</b>

# GROWING THE BUSINESS IN FOOD INGREDIENTS AND PHARMACEUTICALS

**WACKER**

**BIOSOLUTIONS**

## Q3 2012 Comments

- Growth driver in Q3: Gumbase
- Good demand for agricultural applications and pharmaceuticals

## Challenges and Opportunities

- Further growth for food applications expected
- Polyvinyl acetate capacity increase in 2013 (Nanjing)

# PV INDUSTRY IN CONSOLIDATION, Q3 PRICES UNDER PRESSURE

## **WACKER** **POLYSILICON**

€m	Q3 2012	Q2 2012	% QoQ	Q3 2011	% YoY
<b>Sales</b>	<b>269.1</b>	<b>286.8</b>	<b>-6.2</b>	<b>378.2</b>	<b>-28.8</b>
<b>EBITDA</b>	<b>78.8</b>	<b>120.4</b>	<b>-34.6</b>	<b>179.4</b>	<b>-56.1</b>
<i>EBITDA margin</i>	<i>29.3%</i>	<i>42.0%</i>	-	<i>47.4%</i>	-
<b>EBIT</b>	<b>21.5</b>	<b>65.1</b>	<b>-67.0</b>	<b>130.1</b>	<b>-83.5</b>
<i>EBIT margin</i>	<i>8.0%</i>	<i>22.7%</i>	-	<i>34.4%</i>	-
<b>Capex</b>	<b>206.6</b>	<b>170.4</b>	<b>21.2</b>	<b>183.8</b>	<b>12.4</b>

# ALIGNING THE TENNESSEE TIMELINE WITH MARKET DEMAND

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**POLYSILICON**

## Q3 2012 Comments

- Sequentially better volumes following the delayed shipments in Q2
- Increased uncertainty due to anti-dumping procedures and potential review of FIT
- High inventories in the supply chain
- About €2m retained prepayments and damages from contract dissolutions (EBITDA-Marge 28.5%)
- Adjusting utilization to market demand

## Challenges and Opportunities

- Ongoing growth of newly installed PV-systems expected: 30 - 35 GW in 2012 and 35 – 40 GW in 2013
- Volume and pricing remain under pressure
- Unclear impact of potential anti-dumping duties in Europe, China and US
- Review of FIT programs in various countries reduces visibility for 2013
- Short-time work in Burghausen to reduce costs and manage inventory
- Rescheduling Tennessee start into 2015 in line with market development

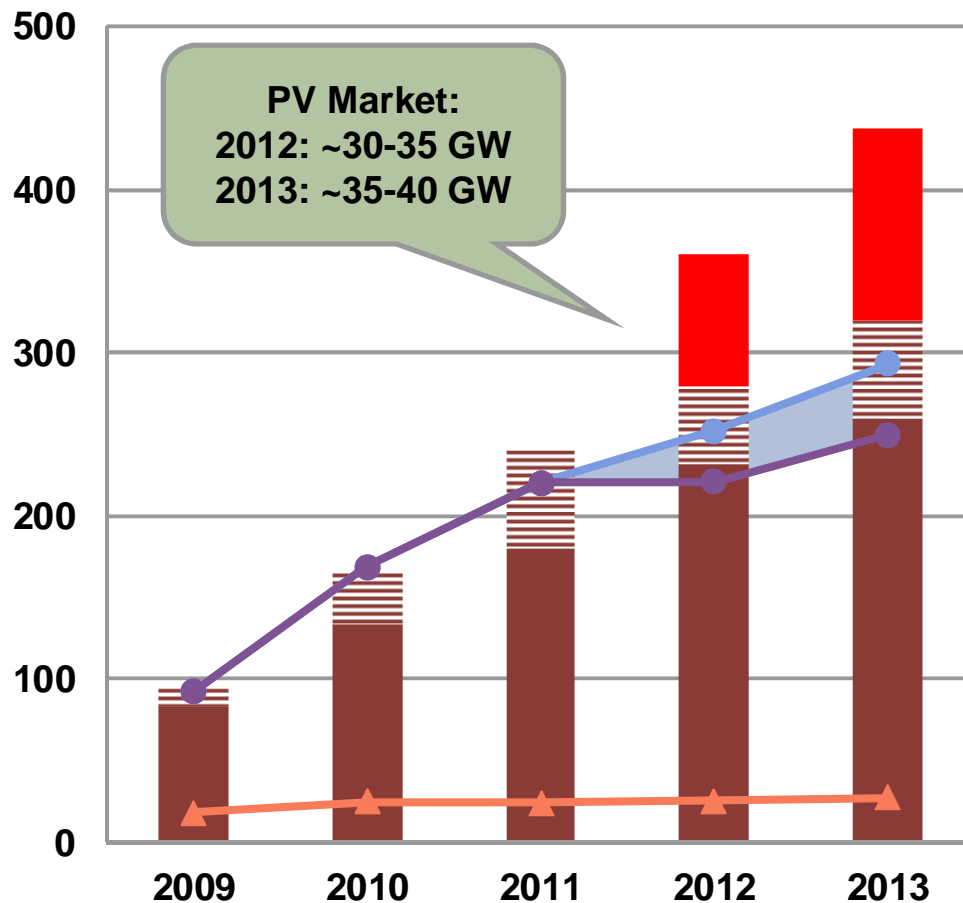
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Call Note – Q3 2012

Dr. Rudolf Staudigl, CEO / Dr. Joachim Rauhut, CFO, October 24, 2012, Slide 14

# POLYSILICON SUPPLY & DEMAND BALANCE: HIGH QUALITY POLYSILICON

## Global Polysilicon Supply and Demand (kt, Electronic and Solar)



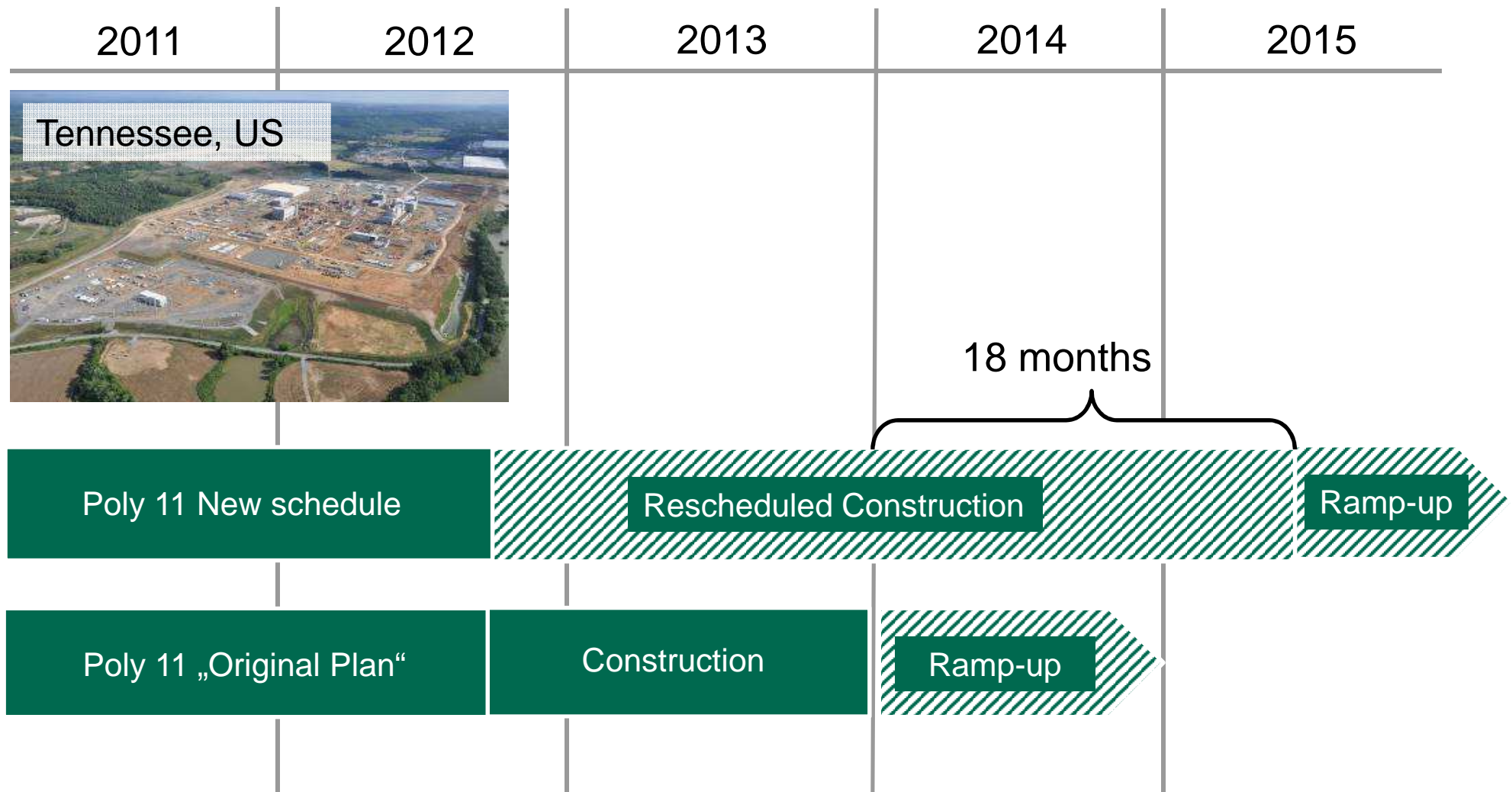
- Future polysilicon demand will be dominated by solar applications
- Quality and cost leaders with sustainable competitive advantage

- Capacity Adjustments since Q3 2011 (all Tier)
- ▨ Expected Capacities (Other)
- Expected Capacities (Tier 1)
- Total Demand (HIGH CASE)\*
- Total Demand (LOW CASE)\*
- ▲ Electronic Demand

Sources: Gartner, market surveys, industry announcements, WACKER estimate  
 \* HIGH CASE: 2013 (40 GW)  
 \* LOW CASE: 2013 (35 GW)



# RESCHEDULING THE TENNESEE PROJECT – ALIGNING CAPACITY GROWTH WITH THE MARKET



# INCREASED 300MM VOLUMES AND LOWER PRICING YOY



€m	Q3 2012	Q2 2012	% QoQ	Q3 2011	% YoY
<b>Sales</b>	<b>234.7</b>	<b>247.4</b>	<b>-5.1</b>	<b>255.3</b>	<b>-8.1</b>
<b>EBITDA</b>	<b>9.9</b>	<b>13.0</b>	<b>-23.8</b>	<b>33.6</b>	<b>-70.5</b>
<i>EBITDA margin</i>	<i>4.2%</i>	<i>5.3%</i>	<i>-</i>	<i>13.2%</i>	<i>-</i>
<b>EBIT</b>	<b>-13.6</b>	<b>-9.8</b>	<b>-38.8</b>	<b>10.9</b>	<b>n.a.</b>
<i>EBIT margin</i>	<i>-5.8%</i>	<i>-4.0%</i>	<i>-</i>	<i>4.3%</i>	<i>-</i>
<b>Capex</b>	<b>32.9</b>	<b>26.1</b>	<b>26.1</b>	<b>34.6</b>	<b>-4.9</b>

# SLOWER END MARKET DEMAND WEIGHS ON VOLUMES IN Q4



## Q3 2012 Comments

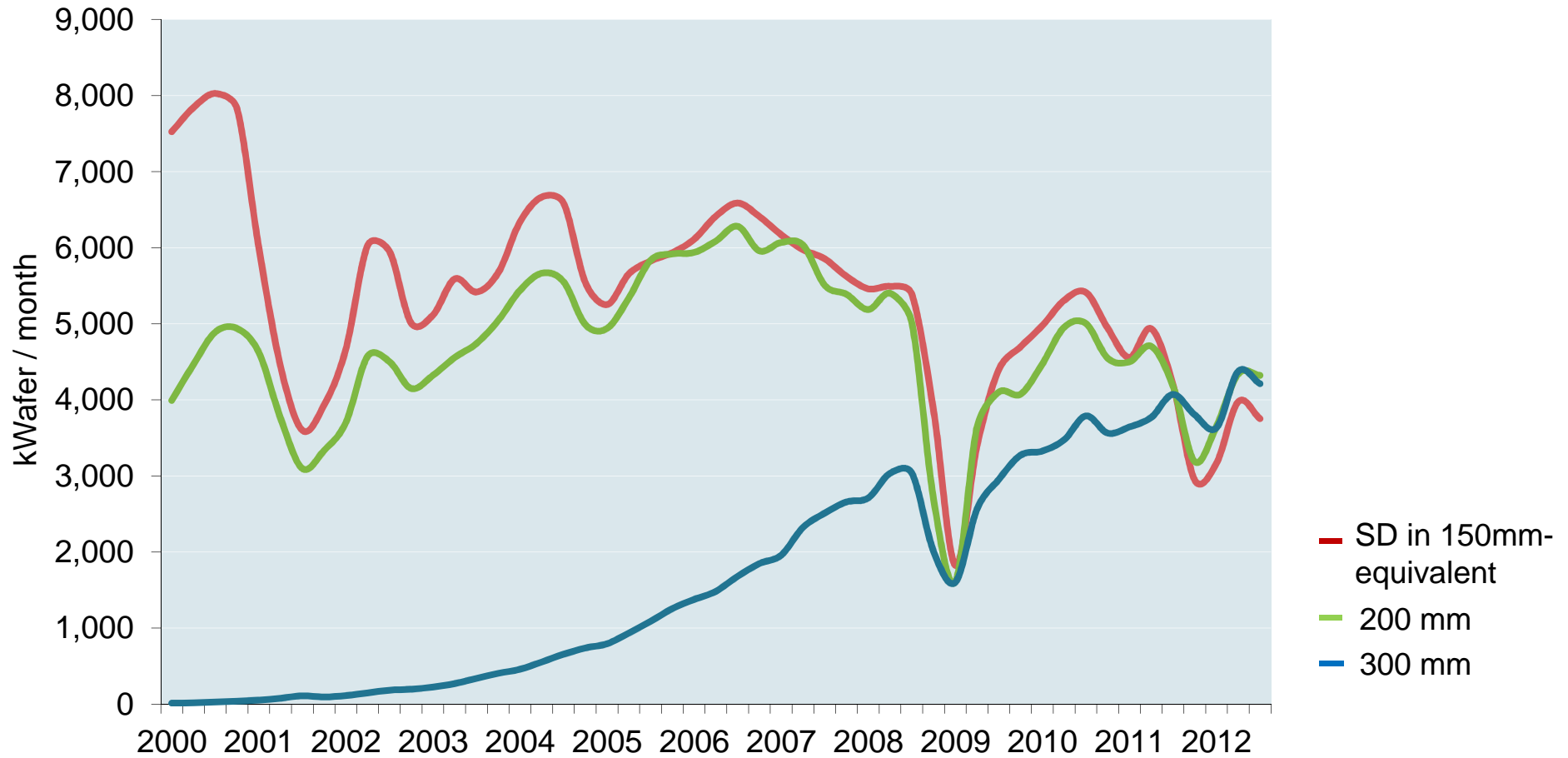
- Weak market largely due to disappointing global PC volumes
- Pricing flat qoq, volumes lower qoq/yoy
- Restructuring measures are effective
- SD shut down in Portland as planned in Q3
- Utilization rate between 70 and 90% depending on diameter
- JV fully utilized

## Challenges and Opportunities

- Lower volume and slightly slower pricing in Q4 compared to Q3
- FY EBITDA break even as target

# ALL DIAMETERS SLIGHTLY DOWN QOQ, BUT LONG-TERM TREND FOR 300MM INTACT

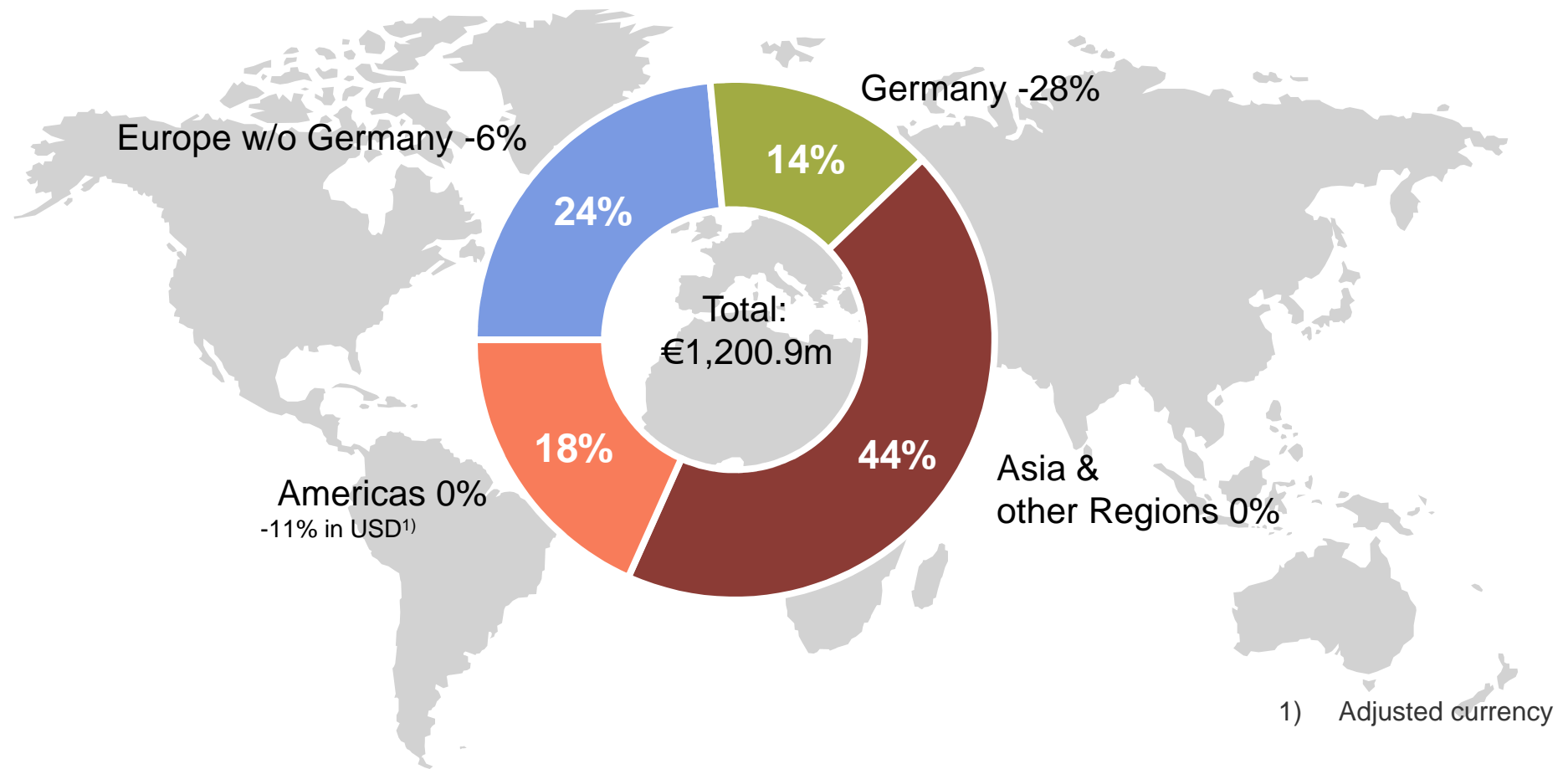
## Market Consumption by Diameter Average by Quarter



Source: SEMI

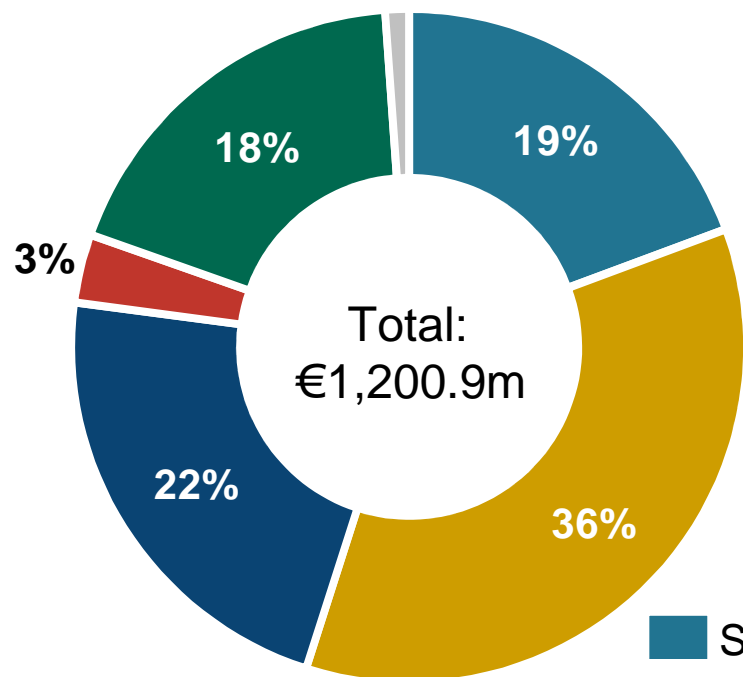
# SLOWER DEMAND IN EUROPE, GERMANY WEAK WITH SOLAR MOVING TO ASIA

## Q3 2012 Sales by Region, Changes YoY (%)

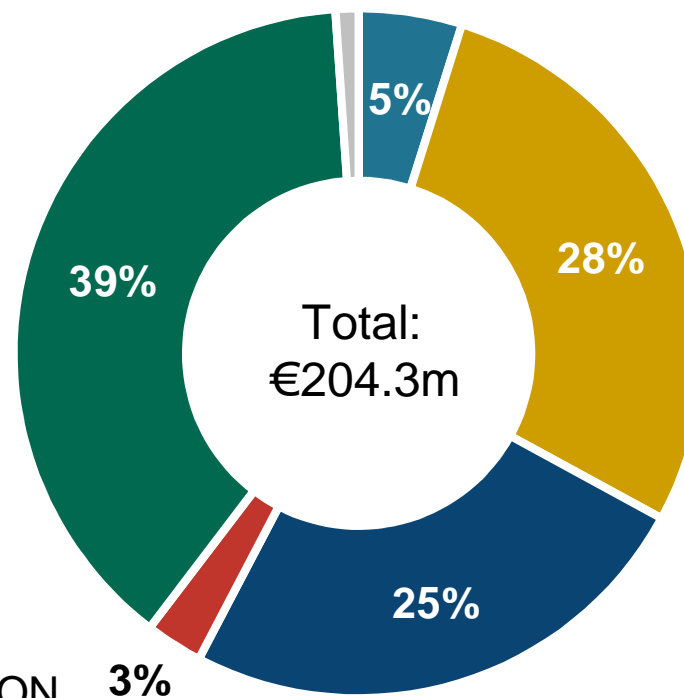


# SOLID PERFORMANCE IN CHEMICALS – POLYSILICON WITH LOWER SHARES OF PROFIT

Q3 2012 Sales\*



Q3 2012 EBITDA

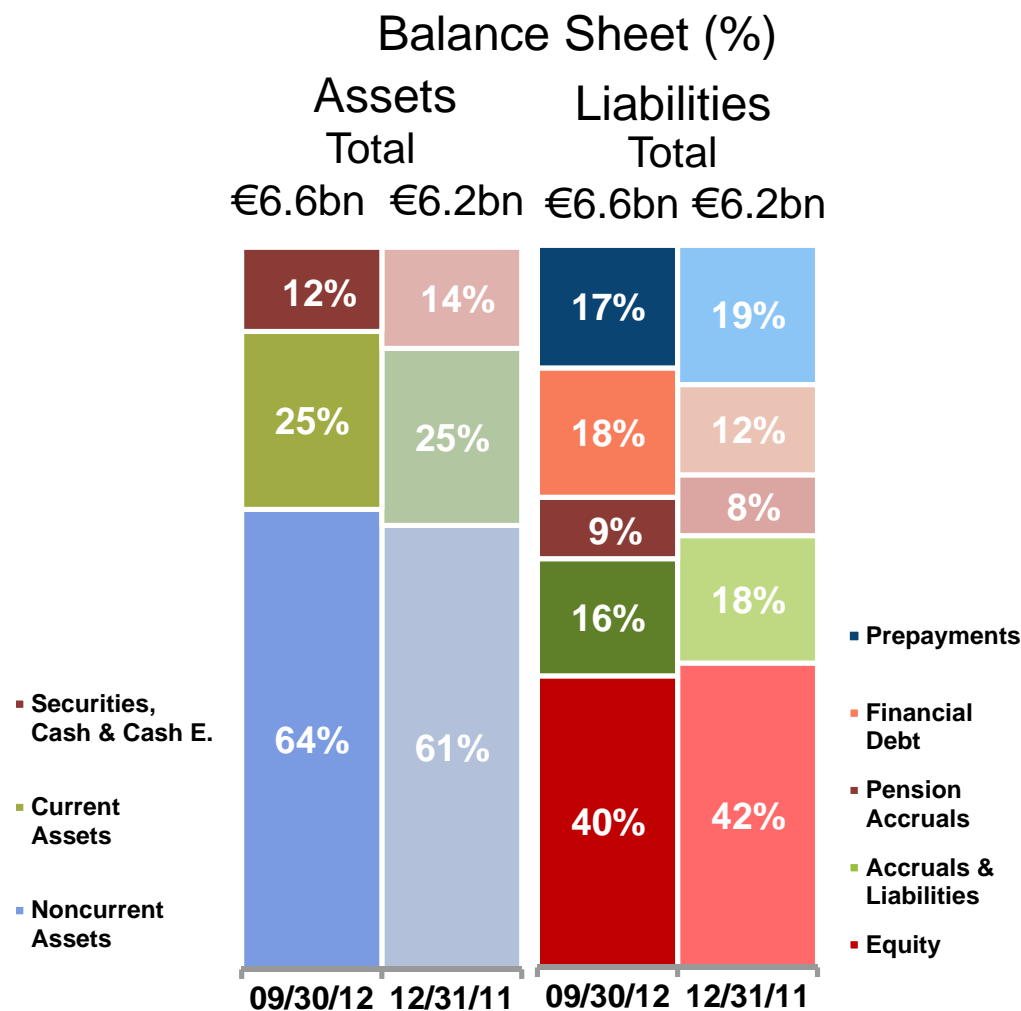


Others/Consolidation

\*based on external sales

- Siltronic
- WACKER POLYSILICON
- WACKER SILICONES
- WACKER BIOSOLUTIONS
- WACKER POLYMERS

# NET DEBT RISING AS PLANNED – FIRM CAPEX AND WORKING CAPITAL CONTROLS IN PLACE



## Characteristics 09/30/12

- Noncurrent assets: €4,277m
- Securities, cash and cash equivalents: €766m
- Provisions for pensions: €559m
- Net financial liabilities: €411m
- Equity: €2,652m
- Prepayments received per 09/30/12: €1,113m
- €300m Promissory notes (German Schuldschein) issued in Feb, 2012
- Capex: €722m (Q3: €291m)

# CASH BRIDGE: FROM EBITDA TO NET CASH FLOW

€m	Q3 2012	Q2 2012	Q1 2012
<b>EBITDA</b>	<b>204.3</b>	<b>240.5</b>	<b>211.8</b>
Interest expense	-15.3	-15.5	-13.7
Tax expenditure	-28.5	-34.2	-28.7
Change in working capital	-15.3	-54.3	-75.7
Change in received payments	-15.6	-40.5	-33.5
Change in provisions	14.3	52.1	51.3
Change in others *	14.3	-105.6	54.9
<b>Cash flow from operating activities</b>	<b>158.2</b>	<b>42.5</b>	<b>166.4</b>
Cash flow from investment activities	-264.2	-239.9	-247.5
Change in received payments	15.6	40.5	33.5
<b>Net cash flow**</b>	<b>-90.4</b>	<b>-156.9</b>	<b>-47.6</b>

\*Others in Q2 -12 includes restructuring costs at Siltronic and bonus payments for 2011

\*\* Sum of cash flow from operating activities (excl. changes in advance payments) and cash flow from noncurrent investment activities (before securities), including additions to finance leases.



# SALES AFFECTED BY POLY PRICING

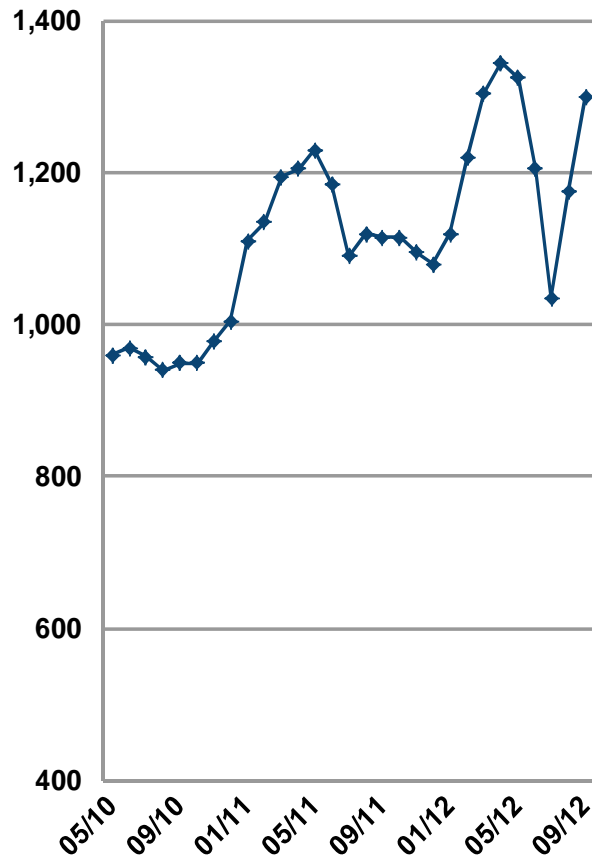
Sales in €m	Q3 2012	Q2 2012	%QoQ	Q3 2011	%YoY
<b>CHEMICALS</b>	<b>746.2</b>	<b>739.1</b>	<b>1.0</b>	<b>697.2</b>	<b>7.0</b>
- WACKER SILICONES	432.1	422.9	2.2	405.2	6.6
- WACKER POLYMERS	274.0	276.1	-0.8	257.9	6.2
- WACKER BIOSOLUTIONS	40.1	40.1	-	34.1	17.6
<b>WACKER POLYSILICON</b>	<b>269.1</b>	<b>286.8</b>	<b>-6.2</b>	<b>378.2</b>	<b>-28.8</b>
<b>Siltronic</b>	<b>234.7</b>	<b>247.4</b>	<b>-5.1</b>	<b>255.3</b>	<b>-8.1</b>
Others	41.1	44.2	-7.0	45.2	-9.1
Consolidation	-90.2	-95.0	-5.1	-95.3	-5.4
<b>WACKER</b>	<b>1,200.9</b>	<b>1,222.5</b>	<b>-1.8</b>	<b>1,280.6</b>	<b>-6.2</b>

# STRONG IMPROVEMENT IN CHEMICALS YOY – PRICE PRESSURE IN POLYSILICON AND SILTRONIC

EBITDA in €m	Q3 2012	Q2 2012	%QoQ	Q3 2011	%YoY
<b>CHEMICALS</b>	<b>113.4</b>	<b>112.3</b>	<b>1.0</b>	<b>94.3</b>	<b>20.3</b>
- WACKER SILICONES	57.4	59.9	-4.2	52.0	10.4
- WACKER POLYMERS	50.5	45.3	11.5	39.2	28.8
- WACKER BIOSOLUTIONS	5.5	7.1	-22.5	3.1	77.4
<b>WACKER POLYSILICON</b>	<b>78.8</b>	<b>120.4</b>	<b>-34.6</b>	<b>179.4</b>	<b>-56.1</b>
<b>Siltronic</b>	<b>9.9</b>	<b>13.0</b>	<b>-23.8</b>	<b>33.6</b>	<b>-70.5</b>
Others	2.8	-4.9	n.a.	12.5	-77.6
Consolidation	-0.6	-0.3	100.0	-2.2	-72.7
<b>WACKER</b>	<b>204.3</b>	<b>240.5</b>	<b>-15.1</b>	<b>317.6</b>	<b>-35.7</b>

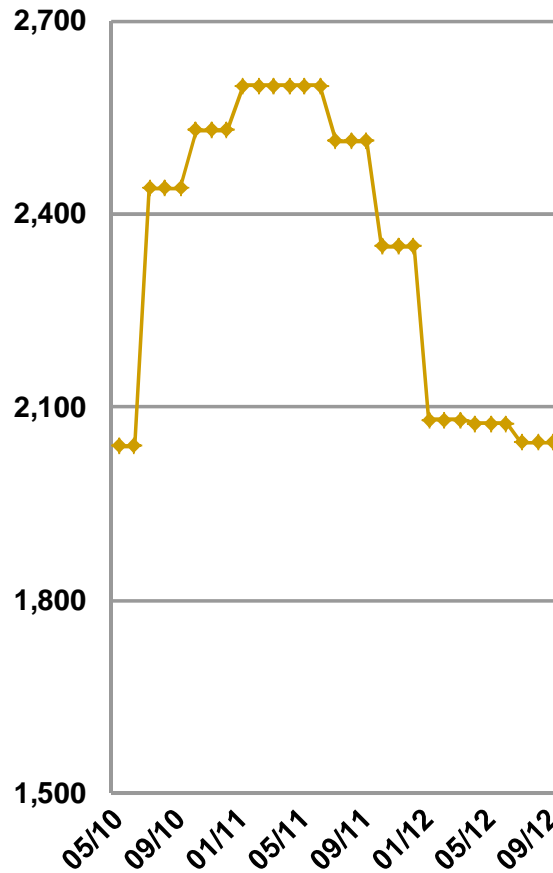
# RAW MATERIALS: SLIGHT RELIEF IN H2 EXPECTED

Ethylene Contract (€/MT)



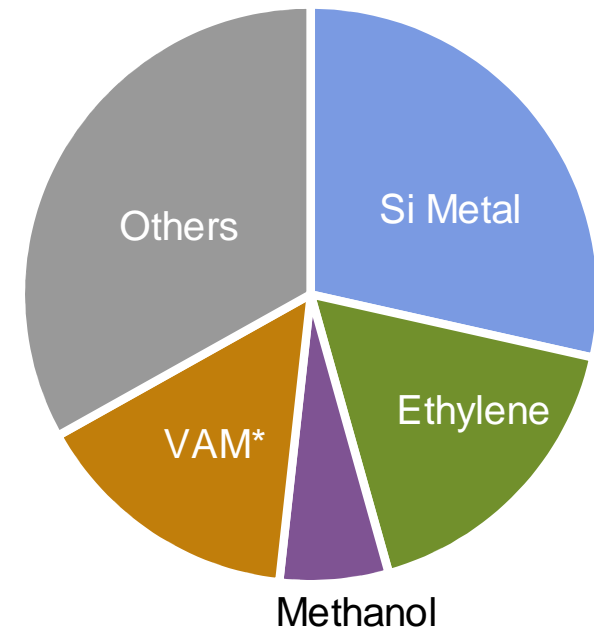
Source: ICIS, Ethylene Market Price Europe, free delivered

Si-Metal Contract (€/MT)



Source: Source: CRU-Provider, Si-Metal Contract Price Europe free delivered

Raw Materials 2011 (€m) Chemicals

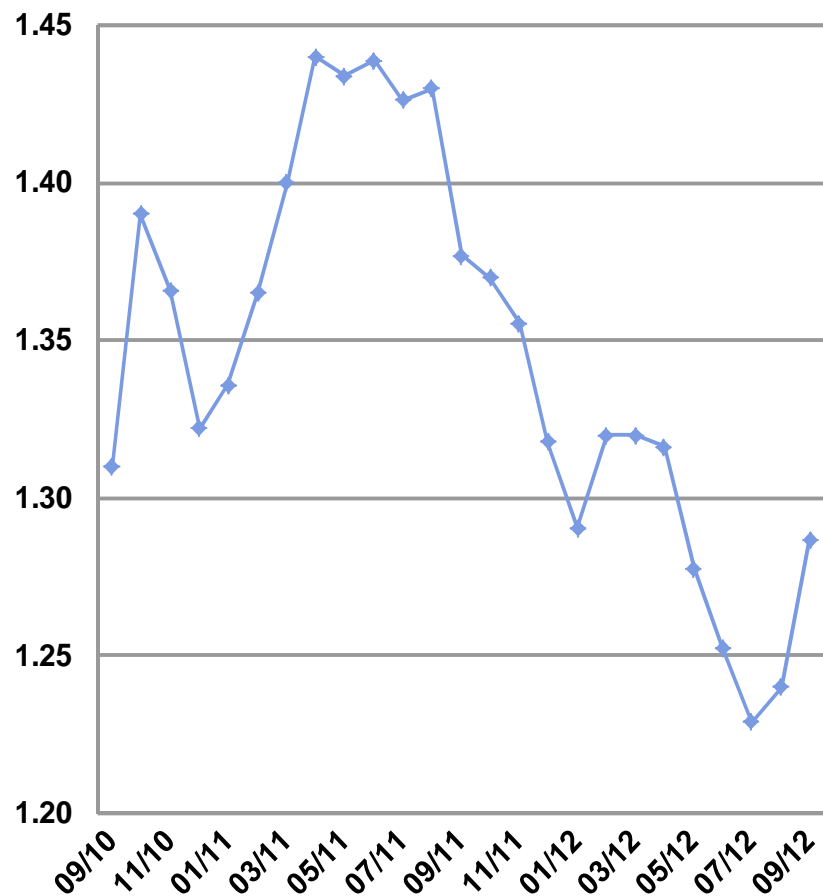


Costs of top 4 raw materials 26% of chemicals segment sales

\*VAM = Vinylacetate monomer

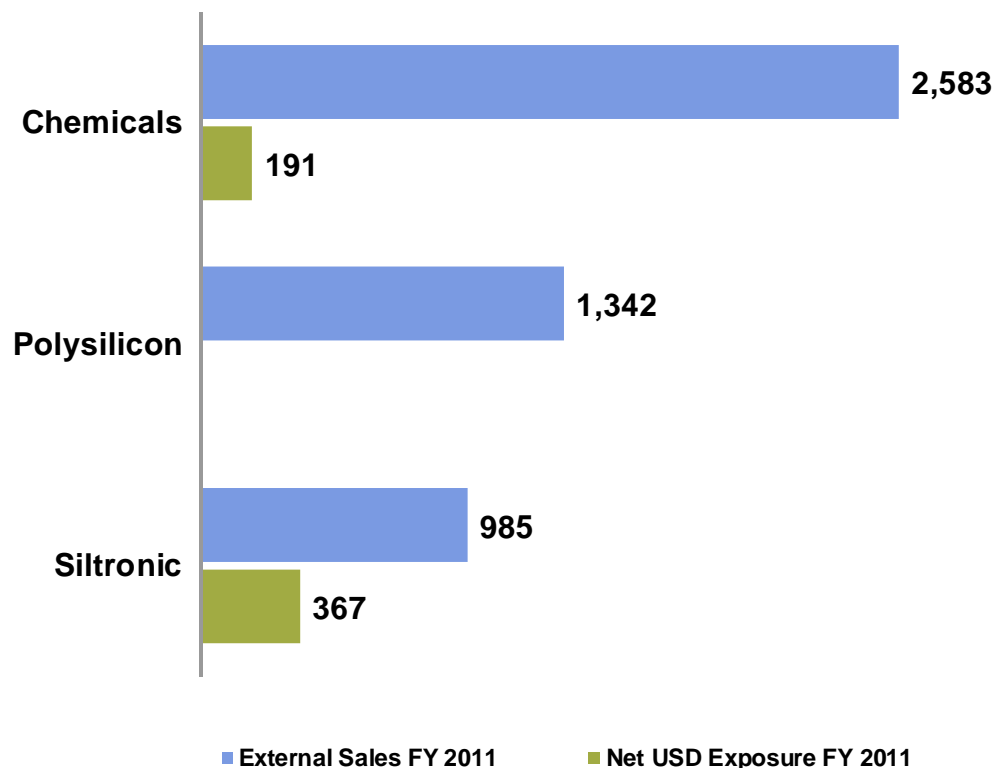
# 1 CENT CHANGE IN USD/€ EXCHANGE RATE HAD AN IMPACT OF €4M ON FY-EBITDA IN 2011, UNHEDGED\*

## USD/EURO development



Source: [www.x-rates.com/d/USD/EUR/hist2012.html](http://www.x-rates.com/d/USD/EUR/hist2012.html)

## External sales and net USD exposure FY 2011 (€m)



\*Standard Hedging policy = 50% of net exposure, 12 months rolling forward

# WACKER: ISSUER, CONTACT AND ADDITIONAL INFORMATION

## ISSUER AND CONTACT

Wacker Chemie AG  
Hanns-Seidel-Platz 4  
D-81737 Munich

Investor Relations contacts  
Mr. Joerg Hoffmann  
Tel. +49 89 6279 1633  
[joerg.hoffmann@wacker.com](mailto:joerg.hoffmann@wacker.com)

Mrs. Judith Distelrath  
Tel. +49 89 6279 1560  
[judith.distelrath@wacker.com](mailto:judith.distelrath@wacker.com)

Mrs. Manuela Ellmerer  
Tel. +49 89 6279 2769  
[manuela.ellmerer@wacker.com](mailto:manuela.ellmerer@wacker.com)

## FINANCIAL CALENDAR

03/14/13 – FY Results 2012  
04/30/13 – Q1 Results 2013  
05/08/13 – Annual Shareholders' Meeting  
07/30/13 – Q2 Results 2013  
10/31/13 – Q3 Results 2013

## ADDITIONAL INFORMATION

ISIN:	DE000WCH8881
WKN:	WCH888
Deutsche Börse:	WCH
Ticker Bloomberg:	CHM/WCH:GR
Ticker Reuters:	CHE/WCHG.DE
Listing:	Frankfurt Stock Exchange Prime Standard



# DECLINING PRICES OPEN UP NEW PV MARKETS – USA AND ASIA WITH HIGH GROWTH POTENTIAL

Country	New Installations (MW)				CAGR '10-'13
	2010	2011	2012e	2013e	
France	700	1,700	1,600 - 1,800	1,800 - 2,000	25-30%
Germany	7,400	7,500	6,500 - 7,500	3,500 - 4,500	-15 / -10%
Italy	4,000	7,400	3,000 - 3,500	1,800 - 2,300	-20 / -15%
Rest of Europe	2,600	3,300	3,800 - 4,300	4,500 - 5,000	15-20%
Australia	400	800	1,000 - 1,200	1,200 - 1,400	30-40%
China	700	2,500	4,000 - 5,500	7,500 - 8,500	80-90%
India	150	400	1,200 - 1,800	1,600 - 2,000	80-90%
Japan	1,000	1,300	2,200 - 2,700	4,000 - 4,300	40-45%
USA	900	1,900	3,500 - 4,500	5,200 - 6,000	55-60%
Rest of World	500	1,300	2,800 - 3,200	3,800 - 4,300	65-70%
<b>TOTAL</b>	<b>~18 GW</b>	<b>28 GW</b>	<b>~30 - 35 GW</b>	<b>~35 - 40 GW</b>	<b>20-25%</b>

Source: EPIA 05/2010 and 02/2012, industry news, WACKER estimate