Wacker Chemie AG
Conference Call
Q3 2015

October 29th, 2015

Dr Rauhut, CFO
Dr Ohler, Member of the Executive Board
Hoffmann, IR

Hoffmann:
Welcome to the **Q3 2015** conference call on Wacker Chemie AG.
My name is Joerg Hoffmann, Head of Investor Relations.
As our CEO is travelling, we have today with us Dr. Joachim Rauhut, our CFO on his last **WACKER CHEMIE** conference call, and his successor, Dr Tobias Ohler.

Please note that during this call we may make statements which contain predictions, estimates or other information which are forward-looking statements. These statements are based on current expectations and certain assumptions and are therefore subject to certain risks and uncertainties. Some of these risks and uncertainties are beyond WACKER's control and could cause the actual results to differ materially from results, performances or achievements that may be expressed or implied in such forward-looking statements. WACKER may not update those risk factors or the forward-looking statements made during this call, nor does it assume any obligation to do so.

We published today our quarterly report, a press release on our numbers, and an excel-file detailing our data.
A written version of today's prepared speeches will be posted on our website about half an hour after this call. You will find all of this on our website www.wacker.com under the caption Investor Relations.

Dr Rauhut:

Ladies and Gentlemen,
Welcome to our third quarter 2015 conference call.

Today we report on a good third quarter. With sales at 1.36 billion Euros, we achieved an increase of 10 percent over last year. EBITDA in the quarter reached 264 million Euros, resulting in an EBITDA Margin of 19.5 percent, supported by 17.8 million Euros in special effects. Excluding these effects, we reached an EBITDA margin of 18.2 percent.

Our Chemicals business showed a very strong performance in the quarter under review. Together these three segments accounted for more than half of the EBITDA generated in the Group. Sales in Chemicals were up 11 percent year over year while EBITDA increased over the same time by almost 25 percent. While we benefitted from currency and to a degree from raw materials, a major driver for sales was new products and market development. Here, key to our success are our academies, technical centers and responsive product development.

Our POLYSILICON business saw an excellent operational performance in the third quarter.
Cost reductions and volume increases in a difficult market environment helped results. The segment achieved essentially the targeted 25 million Euros per month in EBITDA excluding special effects despite rising ramp costs and weaker pricing. End demand for solar modules is strong, especially from the US, China and India. While module makers report high utilization, some PV wafer producers have announced price increases as their product has become tighter. In polysilicon there is still inventory which weighs on the market until it gets absorbed by growing demand. In line with industry observers we expect further growth in solar in 2016, as you can see on page 12 of our call note.

We are finishing the polysilicon plant at our new site in Tennessee. At an overall cost of about 2.5 billion dollars, the site will provide WACKER with a new infrastructure for growth in the US over the next few decades. Today the infrastructure is up, running, and we are ready to focus now on chlorosilane synthesis and distillation. We plan to begin the deposition of polysilicon towards the end of the year and look towards qualifying material with customers in Q1.

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Tennessee operations will initially weigh on POLYSILICON results as we increase production month by month but already have the full fixed cost base in place. Ideally, the new plant reaches its full production capability in Q3 next year. But let me make one thing clear: our focus here is on quality, not on speed. We will further update you as our visibility on next year improves.

As pre-operational and ramp costs in Tennessee reduce our profit before tax, we suffer from high tax rates that depress our dividend base. We are now working on a tax structure that should result in lower tax rates at Group level once we produce and ship material from Poly11.

Many of you have asked on how overall Group depreciation will develop as we begin operations at the new site. We expect FY 2015 depreciation at group level now at 600 million Euros. For the full year 2016, we are looking at a depreciation level of about 700 million Euros. Group depreciation should peak in the year 2016 and then decline given the depreciation structure for our German polysilicon assets.

Siltronic showed a strong performance in the third quarter despite softer market conditions and lower industry utilization.
The management team at Siltronic continues to pursue cost reductions ambitiously. Siltronic is well positioned in its industry and is a capable competitor to the leading companies in the sector. We look to further reduce our ownership in Siltronic, but no decisions have been taken.

Our overall guidance for the full year is unchanged following the strong performance of our Chemicals businesses. We expect to see sales about 10 percent higher than last year, over 5 billion Euros for the first time. EBITDA excluding special effects should come in slightly higher than last year, despite higher ramp costs and a more difficult market environment.

As I hand over to Tobias, my successor, please allow me a personal statement. Through the last 10 years, it has been a pleasure interacting with you. I would like to thank you for your trust in Wacker Chemie and in me, and I hope that you will provide the same amount of trust to Tobias.

Dr. Ohler

Thank you. Joachim.

Ladies and Gentlemen, let me quickly introduce myself. I joined Wacker Chemie in 2004. After previous leadership roles in controlling, procurement and Siltronic, I am on the executive board of WACKER since 2013.
I am looking forward to meeting many of you in person over the next couple of months.

Back to our Q3 results, I will now discuss the quarterly performance of our segments and provide some more detail on guidance.

Supported by currency and good demand for our products, Chemicals Q3 sales of 865 million Euros came in 11 percent over last year and essentially at the level of Q2. EBITDA at 154 million Euros for the three Chemicals segments was 25 percent better than last year and 7 percent over Q2. Margins also improved by about 130 basis points quarter over quarter to 17.7 percent. A weaker Euro, price stability, positive developments in some raw materials and volume gains were the main drivers for this performance.

SILICONES saw again quarterly sales over 500 million Euros, staying at historically high levels. At 502 million Euros, sales were 12 percent over last year and at the level of Q2 despite a short summer lull in August. Currency effects and good growth in shipments year over year supported this result. Margins improved slightly in Q3 on currency and strong demand for our silicones in personal care and electronics. EBITDA in Q3 reached 82 million Euros, resulting in a margin of 16.3 percent despite rising costs for silicon metal.
Growth in specialty products continues to be stronger than standards. Margin effects from the underlying mix transition however are small as we also successfully lower costs by debottlenecking our precursor product operations. Our siloxane and silica capacities operated at capacity limits during the quarter.

Q4 in SILICONES is going to be seasonally weaker. Our guidance for the full year remains unchanged. We expect sales growth of about 10 percent with substantially better EBITDA than last year.

At 313 million Euros, POLYMERS reported Q3 sales 9 percent over last year and at the level of Q2. Positive currency effects and increased shipments supported this result.
The highlight in POLYMERS is the strong demand for redispersible powders with both good growth in mature markets and excellent growth in some emerging markets like India and South East Asia. We strongly support a sustained transformation around the globe towards polymer modified construction applications. The segment achieved a record EBITDA of 65 million Euros in the quarter, 34 percent higher than last year and 14 percent better than last quarter. Positive effects from currency and volume improvements benefitted the result. In addition, raw materials provided some relief in POLYMERS, as cost declined back to historical levels from a peak after a significant cost escalation last year.

Demand for our products remains strong, so we are increasing capacities accordingly. The new VAE copolymer plant in Calvert City, US, has begun its operations giving relief to our tight capacity situation, which has held us back year-to-date in the US.

For POLYMERS Q4, we see the typical seasonal effects on sales. Following the strong performance of POLYMERS year to date, we now expect an about 10 per cent increase in sales for the full year 2015 with margins in the high teens.

BIOSOLUTIONS reports sales of 50 million Euros in the quarter, 12 percent better than last year and below Q2. Volume and currency benefits supported this increase. At 7 million Euros, EBITDA improved against last year but fell short of last quarter. For the full year, we expect sales of nearly 200 million Euros in the segment, with an EBITDA of about 30 million Euros.

Shipments in POLYSILICON picked up after a slower second quarter and were strongly up against last year. While inventories still impact the overall value chain, our product remains in good demand with overall pricing mildly softer than in Q2. During the quarter, WACKER POLYSILICON continued to operate and sell at capacity.

Sales in the quarter came in at 271 million Euros. EBITDA was 92 million Euros, including retained prepayments and damages of 18 million Euros. Excluding special effects, EBITDA stayed at about the same level quarter over quarter with about 25 million Euros per month. While pre-operational costs for the new site have increasingly burdened our performance, we made further progress in cost reductions and productivity improvements.

For the full year, our POLYSILICON volume outlook remains solid. Due to ramp costs and lower pricing, however, EBITDA excluding special effects should stay clearly below prior year level. We continue to expect about 100 million Euros of ramp cash costs for the full year. The fourth quarter will bear the peak of these costs, as we begin chlorosilane generation, start the distillation system and later move on to deposition.

Siltronic reported its Q3 results today. The segment reported sales of 231 million Euros supported by year on year volume and currency effects. Quarterly EBITDA came in at 29 million Euros. Excluding hedging effects of 15 million Euros, this translates into a margin of about 19 percent despite the expected lower plant loading. This is a result of the ongoing successful cost reductions in the segment.

Given a softer fourth quarter, Siltronic expects a full year 2015 EBITDA at the prior year level. For more detail, I suggest to refer to the Siltronic documents and conference call.

Q3 sales in OTHERS amounted to 47 million Euros, with an EBITDA loss of 9 million Euros mainly from negative hedging results for the Chemicals businesses.

Net cash flow in Q3, which excludes changes to prepayment levels, amounted to 36 million Euros. This reflects quarterly capex of 221 million Euros. Net financial debt at the end of the quarter was 970 million Euros, up slightly from 939 million Euros at the last quarter end due to prepayment effects.

2015 capex should reach now about 800 million Euros, and as Joachim said, we expect full year depreciation at 600 million Euros. Given the capex in Q4, we continue to see a slightly positive full year net cash flow and year-end net financial debt at the level of prior year.

The reported tax rate of 43 percent reflects a combination of non-tax-deductible pre-operational costs at the new site in Tennessee, losses in the overseas subsidiaries and income from special effects taxable in Germany. For the full year, we expect to show a 50 percent tax rate.

Following a minor increase in interest rates, our pension benefit obligation was unchanged versus the end of Q2 at 1.6 billion Euros. In Q3, we discounted our German obligation at 2.8 percent, this compares to 2.7 percent in Q2.

Net income for the quarter was 58 million Euros lower than Q2, following lower retained prepayments and damages received during the quarter. Earnings per share amounted to 1.21 Euros, about half the level of last year, which also benefitted from very high special effects.

As Joachim has said, our guidance for the full year remains unchanged. We expect to report a sales increase of some 10 percent to over 5 billion Euros in 2015. EBITDA excluding special effects should come in slightly over last year.
Including special effects, we believe that we can reach one billion Euros in reported EBITDA for 2015.