



**Wacker Chemie AG  
Conference Call  
Q1 2013**

**April 30<sup>th</sup>, 2013**

Final

Dr Staudigl, CEO  
Dr Rauhut, CFO  
Hoffmann, IR

**Hoffmann:**

Welcome to the First Quarter 2013 conference call on Wacker Chemie AG. My name is Joerg Hoffmann, Head of Investor Relations. As usual, we have Dr. Rudolf Staudigl, our CEO and Dr. Joachim Rauhut, our CFO with us on the call today.

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. Please note that the implementation of Standard IAS 19 Revised triggered changes to our 2012 numbers. The excel file has the corrected data for all quarters.

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](http://www.wacker.com) under the caption Investor Relations.

**Dr Staudigl:**

Ladies and Gentlemen,

Welcome to our first quarter conference call. We reported sales of 1.08 billion Euros in Q1 with an EBITDA of 164.5 million Euros. Our net income at 5 million Euros was supported by cost savings across the divisions and results of the restructuring activities in **Siltronic**.

Our **Chemicals** business developed quite well, considering the fact that the winter especially in Europe was strong and extended unusually long into March, hampering especially the construction business in **SILICONES** and **POLYMERS**. The world economic environment has not been and still is not very favorable. Political uncertainties, again predominantly in Europe, take their toll on the business environment, resulting in slow growth or even recessionary

tendencies in some parts of the continent. These effects as well as increased competition in emerging markets explain the price pressure in most of the chemical markets. Despite all of this, our **Chemicals** business provides a very reliable basis for our company's future growth.

In **Siltronic**, price pressure comes from slow demand, due to the change in the electronic market moving from PCs to tablets and smartphones with reduced specific silicon area usage. In addition, the depreciation of the Japanese Yen against the other western currencies adds to the price pressure. Nevertheless, total 300mm area demand will continue to grow.

All of this requires continuous cost reduction efforts across all divisions. I think it is fair to say that we have made significant progress in this respect. And we will continue to push for further improvements. The importance of this is underlined by the fact that in this quarter alone we have experienced a price decline of 115 million Euros compared to Q1 of last year.

The major contributor to that number of course is **POLYSILICON**. IN this business, volume demand has certainly increased very much in the second half of the quarter, leading to very high utilization rates of the production plants. Prices, however, have not developed in parallel yet. As we already said last time, we certainly expect the solar market to grow from around 32 GW of new installations last year to 35 to 40 GW this year.

The major subject in **POLYSILICON**, however, is the question, how the trade conflict will be resolved and what the implications will be on the different companies and competitors.

At the very beginning of this, long before a discussion on potential tariffs on so called "European" polysilicon started, we have clearly voiced our opinion that trade wars will lead to losers only through reduced market demand. Our present position is unchanged. This is what we are trying to convince all involved parties of, from customers to competitors, from Beijing to Brussels and Munich to Berlin. What the ultimate outcome will be, I assume, we will know in June. However, no matter what the outcome will be, our efforts to reduce costs across the board and to improve cash flow through reduced capex this year especially to only half the level of 2012 are the right answers.

Under the current unchanged environment, our expectation for 2013 remains the same. We still expect 2013 sales at about the level of last year and EBITDA below last year's level, but resulting in a positive net income for the year. As I said last time, the biggest potential change factor is the pricing of polysilicon, which we have kept at year-ending price levels in our assumptions.

Joachim will now discuss segment results.

### **Dr Rauhut**

I am going to discuss our quarterly results and will provide some additional information.

Before we begin, let me point you to that we reorganized several organizational units within our segments.

For one, we are no longer reporting our salt and internal silica activities in the **POLYSILICON** segment, which together account for about 100 million Euros in sales. Salt is now accounted for in **Others** and silica is now in **SILICONES**. This leads to a reduction in internal sales of the **POLYSILICON** segment and a corresponding increase in **Others**. The remaining internal sales in **POLYSILICON** relate to **Siltronic**. For the previous year 2012 no adjustment was made.

The implementation of IAS 19 (revised) has had many effects on last year's numbers. Under the new standard, pension provisions are now calculated as the present value of the defined benefit obligation less plan assets at fair value. Actuarial gains and losses, as well as the difference between expected and actual returns on plan assets are now posted as "remeasurements of defined benefit plans" and "other equity items" in the "Other Comprehensive Income" section of Equity. We now assess the net pension obligations per each closing date. With the implementation of the new standard, we had to adjust 2012 EBITDA.

In total, this resulted in an increase in our 2012 full year Group EBITDA by 9 to 796 million Euros. Q1 2012 Group EBITDA increased by 1.5 to 213 million Euros, while Q4 improved by nearly 4 to 134 million Euros. All of these effects are accounted for in the segment

“Others” and have no impact on the EBITDA of the operational segments.

During this call I will be using the updated figures for 2012 in references to prior quarters. You will find detailed restated numbers for 2012 in an excel file published this morning on our website and in our quarterly report.

Now, let's begin with the operational report.

On a Group level, **WACKER** reported in Q1 sales of 1.08 billion Euros about 6 per cent higher sequentially, but also 10 per cent below last year despite higher volumes. EBITDA came in at 165 million Euros, some 23 per cent below last year, but 31 million Euros higher than in Q4. During the quarter we recorded retained prepayments and damages from contract cancellations of 32 million Euros in **POLYSILICON**. Price declines of about 115 million Euros were the prime driver for change over Q1 2012.

Q1 sales in **Chemicals** were above the level of Q4 and close to prior year. This resulted mainly from seasonal weakness from a prolonged winter season and soft economic conditions in Europe. As you know, more than 30 per cent of our sales in **Chemicals** are to the construction industry. This industry suffered from adverse weather conditions in Q1 in northern Europe and saw less workable days than in the last quarter, resulting in a drag on sales.

Earnings in the quarter in **Chemicals** benefitted from cost reductions and the refinancing of our Chinese siloxane activities, improving EBITDA to 96 million Euros, 5 per cent over last year and significantly better than in Q4.

**SILICONES** reported year over year a small increase of sales in the quarter, with strong growth in Asia, but lower sales in Germany. EBITDA at **SILICONES** was at 54 million Euros about 9 per cent over last year and better than in Q4. Major contributors to profitability improvements were the refinancing of the Chinese Siloxane activities, high utilization rates as well as cost reductions. We see volumes growing, especially in Asia, but with continuous price pressure. While lower silicon metal costs provide some relief, Methanol prices have increased.

**POLYMERS** reported sales of 227 million Euros, 3 per cent over prior quarter and 3 per cent below last year's Q1. Seasonal effects, as well

as temporary weakness due to one market segment held earnings back. Growth trends in the segments remain strong. We just added 40 kt for a total of 90 kt of VAE dispersions capacity in Ulsan/Korea and will add another 90kt in Nanjing, China and Calvert city, Kentucky. As **POLYMERS** benefits from market growth and substitution trends in VAE dispersions, we expect volume growth both in powders and dispersions for the full year.

**BIOSOLUTIONS** reported sales of 41 million Euros and an EBITDA of 7 million Euros.

**POLYSILICON** sales came in at 235 million Euros, 36 per cent below last year, but 10 per cent above Q4. Shipments of product accelerated in this quarter. EBITDA came in at nearly 53 million Euros, including retained prepayments and damages from cancelled contracts of 32 million Euros. We shifted from low utilization, short-term work and inventory drawdowns in the first half of the quarter to above 90 per cent utilization during March. As a result, earnings during these three months improved continuously. Pricing in Q1 was below last year's ASP and recovered during the quarter only slightly. The segment reports good progress on its cost roadmaps and implements further cost reductions. As Rudy said, uncertainty on tariffs persists and the beginning of import registration for Chinese Modules has reduced supply in Europe. Due to the growth in other markets we continue to see the market for installations growing to 35 to 40 gigawatts in 2013.

**Siltronic** reported sales of 171 million Euros, down sequentially by seven per cent. With positive effects from restructuring and a good development of shipments and costs in 300mm, EBITDA was just positive. Average plant utilization was around 70 per cent, not counting higher load with our Joint Venture with Samsung. Our outlook in this business is unchanged. The market digests slower sales of PCs that use larger amounts of silicon to the benefit of smartphones and tablets, which are less silicon intensive. A weak Yen may lead to increasing price pressure. We expect shipments to increase in Q2, with no major improvements in EBITDA.

**Others** reports sales of 47 million Euros and EBITDA of 15 million Euros, following positive results on currency hedging and the allocation of the salt business to this segment.

**Net cash flow** was negative about 39 million Euros, excluding 58 million related to the amortization of prepayments. Cash outflow for investment activities in the quarter was 175 million Euros, of which 124 related to asset additions and the remainder related to prior periods. Going forward we expect the quarterly investment level to decline, resulting in full year investments of between 550 million and 600 million Euros.

At 991 million Euros, **working capital** in the quarter was 6 per cent over Q4. Within this, inventories decreased by 6 per cent mainly in POLYSILICON, while the strong sales in March resulted in about 10 per cent higher account receivables.

Our **debt** level increased to 800 million Euros. At the end of the quarter of liquidity stood at 394 million Euros. After the quarter we successfully finalized a private placement of 400 million US-Dollars with maturities of up to ten years for our investments in the US. For the whole year we still target net debt to be not over one billion Euros.

All our businesses reported pricing pressure in the quarter under review over last year. In summary, economic pressure on the chemical industry persists in Europe with only small growth opportunities. In **POLYSILICON**, the regulatory environment remains unsupportive. We expect to get better clarity here in the course of the month of June. While semiconductor markets performed in volumes better than Q4 2012, our outlook in this segment for EBITDA remains unchanged. As a result, we continue to stay with our previous guidance. For the full year we continue to expect sales at about the level of last year and EBITDA lower than 2012.

**Net income** is expected in positive territory for the full year; however it will be fairly small.

So in summary this is a challenging year due to market but we will manage and focus on improvement of our operational performance.