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Wacker Chemie AG
Conference Call
Q1 2014

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Dr Staudigl, CEO
Dr Rauhut, CFO
Hoffmann, CFA, IR

Hoffmann:
Welcome everybody to the **Q1 2014** 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.
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.

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Dr Staudigl:

Ladies and Gentlemen,

Welcome to our first quarter 2014 conference call. We achieved sales of 1.16 billion Euros and an EBITDA of 285 million Euros in the first quarter. All segments saw volume improvements. The mild winter conditions in Europe, an improving macro environment and strong demand for solar products supported our results. Given the strong demand for our products and our current order levels, we stay optimistic for the coming months.

At 285 million Euros, EBITDA for the quarter was 73 per cent higher than last year and about 80 per cent higher than in Q4. Q1 benefitted from a large special effect, as we concluded the restructuring of a major polysilicon supply contract. This event supported our quarterly result by 114 million Euros.

Our chemicals segments experienced unfavourable exchange-rate effects and somewhat higher raw material costs. **SILICONES** is facing increasing costs for Methanol, while **POLYMERS** saw rising levels of cost for acetic acid and late in the quarter increases in VAM.

POLYSILICON enjoyed high shipments in Q1. During the quarter and into Q2 prices for polysilicon were moving up. Our units run under full utilization. A growing amount of installations based on the improving competitiveness of solar power generation support this trend. We maintain the global solar installation target of 43 to 52 Gigawatts for 2014. We realize the fact that many of our customers actually expect higher numbers than that.

We continue to plan the ramp of our new plant in Tennessee for the second half of 2015. We are now awarding the remaining subcontracting jobs. Following the shale gas boom in the US the competitive situation for construction services has intensified; this will lead to some cost inflation for the plant. We had previously assumed that the total project costs would amount to US$ 2.2 billion.

On the basis of the bids received, we now expect that the total investment volume will reach US$ 2.3 billion –2.4 billion. On the other hand, we are working hard and successfully to further improve the technology, so that a large part of the higher construction cost for the plant can be compensated by better yield output and productivity, thus lower production cost.

Given the strong demand of the solar industry and the resulting increase in shipments, our expansion in Tennessee may not be sufficient to maintain our market share going forward. We are therefore working on additional debottlenecking opportunities with small investment expense.

Siltronic reported EBITDA of 15 million Euros as a result of the initial full consolidation of the Singapore 300 mm operations amid higher volumes but weaker pricing. At **Siltronic**, the integration in Singapore between our 300 mm and 200 mm operations is seeing good progress. This and other synergistic effects should support **Siltronic** competitiveness going forward.
Despite a difficult environment with further price declines, **Siltronic** maintains its focus on quality and customer service.

Siltronic has received again the prestigious Intel PQS or preferred quality supplier award in 2013. This represents the third time in a row that Intel recognized Siltronic as an industry leading quality supplier.

When we presented our annual report six weeks ago, we mentioned two major risk factors that affected our outlook. Both of them are now essentially gone. One of them, potential tariffs on

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polysilicon into China, was removed when we successfully found an amicable resolution with the Chinese Ministry for Commerce.

The other remaining major potential risk was the redesign of the EEG or German Renewable Energy act, which could have led to potentially negative results for **WACKER**. During our last conference call, we pointed to a potential amount of between 10 and 50 million Euros higher costs for electricity following the EEG revamp. The current bill now keeps energy intensive companies competing in international markets largely exempt from the EEG surcharges. As a result, we now expect higher charges close to the lower end of our expected range at about 10 million Euros from 2015 onwards.

With higher volumes than in 2013, some positive price trends, ongoing cost reductions and reduced risks my optimism has increased that our key KPI’s for 2014 will show a much more successful year 2014 than last year.

Dr Rauhut

I will discuss our performance in Q1 in more detail.

Our Chemicals businesses reported sales of 705 million Euros, up 5 per cent over last year and 7 per cent over Q4 despite headwinds from a strong Euro. EBITDA in the Chemicals segments in aggregate improved from Q4 by 12 per cent to 89 million Euros, however with higher personnel cost they lagged last year’s Q1 results by 8 per cent.

SILICONES saw good global volume growth in construction sealants, adhesives and textiles, benefitting from an improving macro environment. Q1 sales came in at 425 million Euros, 6 per cent over Q1 and 5 per cent better than Q4. EBITDA in the quarter was at 49 million Euros however below last year and Q4. While high

utilization rates for our siloxane units supported the business, currency effects, price declines, increasing raw material costs for Methanol and higher personnel costs reduced results. Our strategy for the business continues to unfold; we maintain high utilization in our precursor stages and expand our network of technical centers in growth regions to address regional and local market needs.
For the remainder of the year we continue to see volume growth, with the focus on specialties. Efforts to increase prices in Europe are also ongoing. China on the other hand remains a competitive market environment with price pressure for standard materials. For full year 2014, we expect a mid-single digits sales growth in line with our targets and a full year EBITDA slightly below last year.

POLYMERS reported sales of 239 million Euros, about 5 per cent better than last year and significantly better than Q4. Q1 saw better volumes in dispersions, mainly driven by adhesives and coatings, while powders volume benefitted from mild winter conditions in Europe. Pricing, however, was year over year weaker in both businesses. In addition, higher raw material especially for acetic acid and VAM and higher personnel costs put additional pressure on margins. Q1 EBITDA was at 34 million Euros better than Q4 but just below Q1 as volume improvements did not offset cost and price pressures. For the full year, we expect significant volume increases in both powders and dispersions and we continue with our efforts to increase prices. As a result, full year sales should grow substantially. Q2 should see some cost pressure from VAM, as in late March some suppliers declared force majeure situations while at the same time capacities in Europe were shut down. We expect full year EBITDA here slightly over last year.

BIOSOLUTIONS reported Q1 sales of 41 million Euros and an EBITDA of 5.4 million Euros, following higher personnel costs and currency effects. The quarter saw good volumes in nutrition and in pharmaceutical proteins following the acquisition of SCIL Proteins

Production. For the full year, we expect some sales growth with an EBITDA at the level of last year.

Sales in **POLYSILICON** reached 262 million Euros in Q1, 11 percent higher than Q1 last year and 5 percent over previous quarter, following strong demand for high purity solar-silicon. Volumes were higher year over year, but on about the same level as in Q4. 114 million Euros in special effects from a major contract restructuring supported EBITDA in the quarter. Excluding special effects, EBITDA increased to 66 million Euros compared to 20 million Euros in Q1 last year and was 6 per cent over Q4. Pricing for solar grade silicon was higher than last year’s average sales price. Earnings quality in **POLYSILICON** has improved quarter over quarter. In Q4, our adjusted EBITDA performance was about 25 per cent margin, which had some tailwind from favourable cost distribution from our infrastructure unit accounted for in Others. This is the main reason for the unchanged clean EBITDA margin in Q1 despite the positive price trend.

Construction at the site in Tennessee proceeded as planned; capex in the first quarter was 53 million Euros. For the full year, we expect growth in sales and EBITDA with nearly full utilization. We continue to work hard to increase output to satisfy our customer’s demand and expect further results from the execution of our cost roadmap to materialize.

Siltronic Q1 results came in significantly better than last year, essentially because of the first-time consolidation of the Singapore 300 mm activities. Overall volumes improved by 13 per cent. Sales on a fully consolidated basis came in at 204 million Euros, with an EBITDA of 15 million Euros. This includes a charge of 6 million Euros from the first-time consolidation. Good progress on cost reductions and an improving utilization quarter over quarter were positive effects on the result. Substantial price decreases year over year, particularly in 300 mm and the stronger Euro were negative

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effects. For the remaining quarters, we expect pricing pressure to get lower and the positive volume effects to continue.

For the takeover of the 300 mm operations in Singapore, we effected this with a capital increase to allow us to restructure the external debt of the operation completely. The quarterly report provides ample detail on the transaction on pages 67 and 68. You will note that the transaction shows as a financing activity and as such is not included in our investment activities in net cash flow.

In the segment **OTHERS** EBITDA amounted to 3.5 million Euros, which is considerably lower than last year. The mild winter in Germany led to significantly lower sales for de-icing salt. This should lead to an overall lower result in **OTHERS** than last year.

Q1 saw positive **net cash flow** at 105 million Euros, substantially up from Q1 last year, when NCF was 39 million negative. A large contributing factor here was the settlement with a large polysilicon customer that led to cash inflows from damages and further prepayments. In addition, we received prepayments for the delivery of 300mm wafers and other contributions in the course of the takeover of the Singapore 300 mm operations. **Prepayments** increased by a net of 34 million Euros this quarter from 847 million to 881 million Euros.

Cash flow from Financing Activities was -144 million Euros, as we assumed the 300 mm venture's external debt. **Net financial debt** rose to 900 million Euros following the refinancing of the Singapore operations, an increase of 100 million Euros over year-end 2013.

For the remainder of the year we expect a further increase between 200 and 300 million Euros with a target closer to 200. This translates into a slightly positive net cash flow for the full year.

Our **tax rate** in the period declined to 41.7 per cent, still affected by non-tax deductible start-up costs and losses at overseas operations. The contribution from the adjusted polysilicon contract, which contributed to higher earnings in Germany, had a positive effect. For the full year, we continue to expect a tax rate over 50 per cent, as the drivers distorting our tax rate persist.

In summary, you will realize that we have not changed our guidance, which we gave six weeks ago. With some risks removed and a positive price trend in **POLYSILICON**, we have more comfort to be optimistic. I think this is a good message to our investors.