



Wacker Chemie AG
Conference Call
on the Third Quarter 2009

November 5th, 2009

Dr Staudigl, CEO

Dr Rauhut, CFO

Hoffmann, IR

Hoffmann:

Welcome to the third quarter 2009 conference call on Wacker Chemie AG. My name is Joerg Hoffmann, Head of Investor Relations. It is a pleasure to have with me today on the call Dr. Rudolf Staudigl, our CEO and Dr. Joachim Rauhut, our CFO.

As a reminder, let me state that during this call we may make forward-looking statements based on current assumptions and estimates of WACKER's Executive Board. Although we assume that the expectations in these forward-looking statements are realistic, we cannot guarantee that they will prove to be correct. These assumptions may harbor risks and uncertainties that could cause actual results to differ considerably from the 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 a quarterly report, a press release, an Excel file detailing our quarterly data and a short presentation to accompany this call. In addition, you can also find our recently presented new Fact Book on Wacker Chemie 2009 on our website www.wacker.com under the caption Investor Relations.

Now let me hand the call over to Dr Staudigl.

Dr Staudigl:

Thank you, Joerg, and thank you all for joining us on this call.

WACKER Chemie displayed again a strong performance last quarter. Helped by the economic recovery we achieved sales of 987 million Euros in Q3, 7 per cent above the second quarter, and 15 per cent below last year. Reported EBITDA for the group was 184 million Euros, 8 per cent above prior quarter, but 44 per cent below last year.

Adjusting for the effects of the exit from the JV with **SCHOTT Solar**, EBITDA would have been 236 million Euros, translating into an EBITDA margin of 24 per cent in Q3. This shows a strong sequential improvement in underlying profitability of our businesses.

Strong improvements in mix and volume supported sales in Q3 versus Q2. The most pronounced improvements came from our **SILICONES, POLYSILICON** and **Siltronic** segments. Price declines, however, reduced group sales overall by about 5 per cent over Q2.

Sales volumes are still below last year, however have improved in volumes across the board compared to Q2. Our margins are almost back to pre-crisis levels. This is the result of a lot of hard work, namely our continuous pursuit of cost and productivity improvements and help from mix effects and raw materials.

We saw sales improvements quarter over quarter in all regions, with the Americas and Asia recovering faster than Europe, particularly with the help of **Siltronic**.

As already mentioned, we have found a solution with our partner **SCHOTT** for the solar wafer joint venture. Since the inception of the joint venture, the wafer market dynamics have changed considerably. With more polysilicon available in the market, solar wafers have become a throughput product, with less room to

generate margins on its own. In addition, considering the benefits of vertical integration, **SCHOTT Solar** is much better positioned to leverage an integrated value chain.

Therefore, **WACKER** has exited the solar wafer joint venture. This leads to a charge in EBITDA of 52 million Euros in Q3 in the **POLYSILICON** segment with a corresponding cash outflow of about 64 million Euros in Q4. Under the terms of our agreement, we will continue to support **SCHOTT Solar** with large volumes of hyper-pure polysilicon.

Our polysilicon expansions, in particular our new Poly 8 plant, continue better than scheduled. The new plant has already started to contribute production volumes in Q3 and will deliver more product in Q4. We now expect to have Poly 8 fully ramped towards the end of Q2 of 2010, half a year ahead of schedule. Overall, we expect to produce more than 18,000 tons in 2009 and about 25,000 tons in 2010.

We continue to sell all we make amid an improving demand from semiconductors and a strong market for solar. In general, the market has seen polysilicon supply behind earlier expectations, as some of our competitors did not meet their expansion targets on time. Our strategic direction in **POLYSILICON** remains unchanged; we continue to focus on cost and quality leadership and expect to grow with the market.

Overall in Q3, volume improvements, benefits from restructuring, raw material and energy cost declines helped our business. Looking into the remainder of the year, with some support from an improving economic environment, we expect the recovery in our businesses to continue with the usual seasonal dampening effects in Q4.

WACKER Chemie is well positioned in its markets and despite the crisis we are making good progress towards our strategic targets.

Our strong balance sheet and the underlying cash generation of our businesses enable us to spend around 800 million Euros in capex. The trends that support our growth strategy remain intact and some of them are even more powerful than before. Therefore, providing the economic environment continues to improve, we expect healthy growth in sales and earnings in 2010.

Now, I would like to hand over to Joachim, who is going to touch on our segment performance in the third quarter. He will also give you more detail on current trading conditions.

Dr Rauhut:

Thank you, Rudy.

I am going to walk you through the development of our segments in more detail.

At sales of 344 million Euros **WACKER SILICONES** saw a 13 per cent increase over the second quarter, just 7 per cent below prior year. **SILICONES** EBITDA almost doubled over Q2 to 69 million Euros and exceeded last year's result by 14 per cent. This result includes an 8 million Euro one time payment from an equipment supplier for services in China. We have seen volume increases in all the industries we serve. Lower raw material costs, as well as benefits from productivity improvements and cost reductions supported our profitability. In addition, consumer stimulus packages, mainly in Asia, helped sales. EBIT results of the segment include the costs of the closure of a small site in the US, in line with our communicated restructuring program. For Q4, as Rudy already said, demand for **SILICONES'** products continues to be solid, but we expect the usual seasonality in this segment.

Sales at **WACKER POLYMERS** at 200 million Euros came in at about the same level as in Q2, still 16 per cent below prior year. Sales continued to benefit from a strong development in exterior insulation and finish systems in Europe and Asia. EBITDA in Q3 reached 43 million Euros, unchanged compared to Q2 and 45 per cent above last year. This strong performance compared to prior year is a function of lower costs for raw materials and restructuring benefits in the dispersion business. Volumes in Q3 reached prior year levels. As in **SILICONES**, we expect this positive trend to continue into the fourth quarter, with seasonal dampening especially in construction.

FINE CHEMICALS reported sales of 33 million Euros in Q3, following the inclusion of the gum base business, as we had discussed last time. The business maintained its margin level in Q3, resulting in EBITDA of 4 million Euros. Ingredients and Biologics are showing good and sustainable demand, while the economic crisis still weighs on the chemicals.

Sales in **POLYSILICON** stayed at last quarter's level, despite a slight decline in the short-term pricing towards the level of contract prices. We were sold out in Q3 following higher volumes into semiconductors and continued strong PV demand.

Compared to last year, **POLYSILICON** sales were with 269 million Euros 12 per cent higher. After a 52 million Euro impact from the solar wafer joint venture exit, reported EBITDA came in at 84 million Euros.

Since the effects of the exit from the solar wafering venture cloud our reported numbers somewhat, let me explain them in detail.

Please have a look into the call note for the detailed effects on sales and EBITDA for Q1 and Q2. In Q3, the exit from the ventures reduced sales by 7 million Euros and EBITDA and EBIT by 52 million Euros. This charge includes 37 million Euros relating to an equity contribution into the joint venture. It also included in

the overall charge in Q3 is a 14 million Euro adjustment of the remaining book equity values for the ventures to zero. Q4 will see the cash outflow for the equity contribution of 37 million Euros and a return of 27 million Euros for a non-deductible prepayment at the start of the joint venture. This prepayment was shown previously as a liability in our balance sheet and not booked into profits. In total, our cash flow for Q4 is impacted by 64 million Euros at the closing of the transaction, which has already happened. Please note that the 64 million Euros are already recorded in our Q3 accounts as financial liabilities. Please also note that the reported group tax rate was distorted by the effects of this transaction. Our adjusted tax rate for the quarter was 32 per cent.

Excluding the effects of the WSS exit on both sales and earnings in Q3, **POLYSILICON** would have shown sales of 263 million Euros with an EBITDA result of 139 million Euros. This is an adjusted EBITDA-Margin of 53 per cent for Q3.

Based on a recovering semiconductor wafer market and a strong solar market – in particular in Germany – we continue to see good demand for polysilicon. We are sold out through the end of the year. Some customers tell us that they have low visibility for winter and spring. We are optimistic for **POLYSILICON** and see business continuing strong into Q4. And we continue to supply our contract customers as planned.

As already said in our last conference call, we see EBITDA margins in **POLYSILICON** going below 50 per cent. For the full year 2009 we see an adjusted EBITDA margin above 50 per cent.

In **Siltronic**, utilization levels improved further. 300 mm volumes have now reached the previous peak level. The market appears to be at some kind of inflection point in pricing. Some specialties saw price increases in Q3. Our competitors are also talking about

price increases, necessary to support reinvestment. We support their view.

Overall, **Siltronic** closed the last quarter with sales of 174 million Euros, up 14 per cent sequentially at about half the level of last year. As a reminder, last year's quarterly performance included more than 100 million Euros in sales of solar ingots and other materials. On a semi-by-semi comparison, sales are some 30 per cent short of last year's Q3, due to price and volumes. Our joint venture with **Samsung** has increased sales in 300 mm compared to prior year following the ramp to 200,000 wafers per month. Given the at-equity accounting, this performance is not reflected in **Siltronic's** topline. In line with our cost savings measures and better utilization levels, EBITDA in the quarter improved to a negative 22 million Euros, sharply up from Q2.

We are receiving positive signals in semiconductors from our customers. For Q4 we expect volumes to go up sequentially on 300 mm. As Q4 in total shapes out similar to Q3 including the effects of the holiday season, we now expect **Siltronic** to perform under a weaker US-Dollar on a comparable level to Q3.

On a Group level, our **Cash Flow** development is very satisfactory. We have ended the first 9 months of 2009 with a positive net cash flow of 53 million Euros, although we invested 543 million Euros in a difficult economic environment. With 468 million Euros in cash, our net debt position resulted in 50 million Euros. As you can see in our working capital development, we focus in our operations very much on cash generation capability. Whenever we see that impaired, we take firm action, as you have seen with the wafer joint venture exit.

In summary: our chemical businesses have improved ahead of the usual year-end seasonal downturn. **POLYSILICON** remains

sold out and **Siltronic's** business is recovering in volumes. We therefore expect a solid sales performance in Q4, with a less pronounced seasonal decline compared to prior year. While the final financial result for the year may include some non-cash adjustments, the good trend in operating results will continue in Q4.

As Rudy already said, we see positive signals for all our segments in 2010.

Now, we are looking forward to your questions.