



**Wacker Chemie AG
Conference Call
Q1 2012**

May 4th, 2012

Dr Staudigl, CEO
Dr Rauhut, CFO
Hoffmann, IR

Hoffmann:

Welcome to the Q1 2012 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, an excel-file detailing our data and a short presentation to accompany this call. 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 Staudigl?

Dr Staudigl:

Ladies and Gentlemen,

We came successfully out of a difficult fourth quarter 2011. For the first quarter 2012 we reported today sales of 1.2 billion Euros, with an EBITDA of 212 million Euros. All segments report sequential improvements over Q4.

Most notably was the improvement in **POLYSILICON**. Although operating rates in the beginning of the first quarter were still not high, they rose substantially over time. Customer demand for our product was so strong that we even have depleted inventories. We continue to see very strong demand, as some underlying trends are shaping this industry positively.

The speed and magnitude of the polysilicon price correction in Q4 resulted in a more concentrated market. Effectively, a large part of current actual capacity was taken offline as smaller suppliers experienced cash losses. In addition, some overambitious expansion plans have also been delayed or cancelled.

This removes a capacity overhang in the making. Given the speed of the price declines only a handful competitors were able to follow the price down. All this

has led to a significant increase in the level of concentration in this capital intensive industry. Today the number five producer has less than half the capacity of number four. In an industry where scale matters this is a significant development.

Looking at the solar end markets the drive to reduce costs per watt continues. This trend requires fast improvement of module cost and efficiencies, which over the whole value chain requires more high quality polysilicon.

Last week we have inaugurated our new polysilicon facility in Nünchritz. This facility now has a capacity of 15kt and will contribute significantly to our shipments this year. The facility is the largest single polysilicon expansion step we have made so far, drawing on a similar technology as our Poly 8 facility. We are well on track to achieve a year-ending capacity of 52 kilotons of polysilicon capacity.

Since we expect solar energy demand in the world to continue to grow, we see no reason to slow down the well advanced project in Tennessee. It develops as planned and will provide us with an additional capacity of around 18 kilotons of polysilicon with room to grow.

Siltronic has seen steadily improving utilization rates since the beginning of the year, as the customers have reduced their inventories and resumed wafer purchases at a more normal level. In April, we ceased production at our Hikari facility in Japan, with the volumes largely being transferred to Singapore. We are making good progress in our restructuring moves in Burghausen and Portland. Demand for silicon wafers appears to strengthen month by month. 300mm demand in particular appears strong going forward, with the trend towards mobile computing leading to increasing demands in NAND and the processor level. Thus, in line with most industry analysts we also expect a stronger second half.

The last quarter marks a watershed event. For the first time, we report higher sales in Asia than in any other region. We follow the growth of our markets into the regions and are well on the way to harvest the benefits from a broader, global footprint with leading market positions also in our chemical businesses. Looking into the full year, at this time, we keep our guidance unchanged. We still expect full year sales at 5 billion Euros with an EBITDA markedly lower than last year.

Joachim will give you more specifics about our businesses and will provide you with an outlook for Q2.

Dr Rauhut

SILICONES reported Q1 sales at 401 million Euros, just 2.5% below the record levels achieved last year. EBITDA fell to 49.4 million Euros, following significant price pressure and lower utilization rates than in Q1 last year. When we look at the comparison, please bear in mind that last year's Q1 still benefitted from prior lower raw material costs. The first quarter this year saw good demand from Asia and the Americas, but a weak environment in Europe. Looking into Q2, we expect to see further growth and some improvement in earnings. However, this segment is more dependent on overall GDP development than others, especially in Europe.

POLYMERS saw strong growth driven by substitution primarily in North American markets. Q1 sales came in at 234 million Euros, about 14 per cent higher than last year. EBITDA increased by 31 per cent to 34.1 million Euros, as the segment successfully raised prices to recoup higher raw material costs. Driven by seasonally strong demand from the construction industry and the substitution of styrene butadiene dispersions we saw strong growth. We expect this dynamic to continue well into the second quarter. Currently, markets outside of North America are beginning to look at VAE as an environmentally friendly waterborne substitution for other binders. In addition, we have announced further price increases, aiming to adjust prices for past raw material increases.

BIOSOLUTIONS reported sales of 41 million Euros and an EBITDA of 7.9 million Euros on the back of stronger agro products, gumbase and specialty sales.

POLYSILICON reported Q1 sales of 367 million Euros, about 12 per cent lower than last year despite about 50 per cent higher shipments, but 44 per cent better than Q4. Q1 EBITDA came in at 150.1 million Euros, helped by 36.6 million Euros of retained prepayments and damage payments from terminated long term contracts. Excluding these effects, we report a margin for the segment of 31 per cent. With production volumes increasing to high levels month by month during Q1, we did not fully benefit from improving operating leverage in this quarter.

Given the accelerating consolidation of the industry we expect to see further contributions from retained prepayments, potentially recurring every other quarter. Forecasting these effects, however, is very difficult.

Demand for our product continues to be very strong. Our prices have largely stayed unchanged since the end of Q4. Volume development in Q1 was very good, as all our units were fully loaded at the end of Q1 and we even drew on

inventory. Q2 should continue to see very high shipments with some softer pricing. Looking into Q2 and with very high utilization we expect a clean EBITDA margin over 30 per cent as in the first quarter.

Siltronic saw a difficult first quarter. After restructuring costs of 15 million Euros, the segment reported sales of 201 million Euros and an EBITDA loss of 25.7 million Euros. As previously reported, Siltronic will restructure its 150mm activities in Portland and Burghausen at a cost of about 15 million Euros booked in Q1. Throughout the first quarter utilization rates steadily improved from month to month, but prices were significantly lower than in Q4 2011. At the end of the month the consolidated units ran at about 70 per cent utilization, while the Samsung JV was fully loaded. Looking into Q2 we expect a positive EBITDA in the segment due to rising volumes and our cost reduction efforts.

In the course of February **WACKER** placed four promissory notes or German Schuldscheins for a total of 300 million Euros. As a result, **liquidity** rose to 1.12 billion Euros and our overall indebtedness increased in the quarter by 319 million Euros to 1.1 billion Euros. Despite this our net financial receivables position was still positive at 19 million Euros. In Q2 we expect to see a negative net cash flow of about 200 million Euros due to investments, mainly in polysilicon facilities as well as the payout for the Siltronic Hikari restructuring and bonus payments to our employees. In addition, the dividend pay out to shareholders will reduce our liquidity by 109 million Euros.

As indicated on our last call we reported a high **tax rate** at 41.8 per cent in Q1. The main drivers for this were losses in foreign subsidiaries, not tax deductible expenses and losses in at equity consolidated companies. You should expect a similarly high tax rate in Q2. Tax optimization efforts are in our focus, but need time for analysis and to become effective.

Looking at Q2 from today's perspective, we expect sales slightly higher than in Q1 with improvements in EBITDA over Q1 excluding the effects of cancelled prepayments.