WACKER

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PRESS RELEASE

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After First Nine Months, WACKER Confirms Forecast of Higher Sales and EBITDA for Full-Year 2018

- CHEMICAL SALES PERFORM STRONGLY IN THE THIRD QUARTER, UP 11 PERCENT VERSUS LAST YEAR, WHILE POLYSILICON SALES DECLINE 49 PERCENT AMID LOWER VOLUMES AND PRICES
- AS A RESULT, GROUP SALES FOR Q3 2018 COME IN AT €1.24 BILLION, DOWN 5 PERCENT YEAR OVER YEAR AND 7 PERCENT QUARTER OVER QUARTER
- AT €242 MILLION, EBITDA DECREASES 19 PERCENT VERSUS LAST YEAR AND 7 PERCENT VERSUS A QUARTER AGO
- NET INCOME FOR Q3 AMOUNTS TO €69 MILLION
- FULL-YEAR FORECAST CONFIRMED: GROUP SALES FOR 2018 EXPECTED TO GROW BY A LOW-SINGLE-DIGIT PERCENTAGE, WITH EBITDA LIKELY TO RISE BY A MID-SINGLE-DIGIT PERCENTAGE

Munich, October 25, 2018 – In Q3 2018, Wacker Chemie AG increased sales and EBITDA year over year in its chemical business. Group sales and EBITDA, though, were lower on balance than last year, given the challenging market environment for solar silicon. The Munich-based chemical company posted sales of €1,242.7 million for the quarter (Q3 2017: €1,311.6 million). That was a decline of 5 per-cent compared with a year ago, mainly due to markedly lower volumes and lower average prices for solar silicon. The decrease was not fully offset by chemical business, which achieved better prices, positive product-mix effects and higher silicone volumes for specialties. Changes in exchange rates had only a marginal impact on the year-over-year sales trend. WACKER generated EBITDA of €241.7 million in Q3 2018. That was 19 percent below last year (€298.0 million). Alongside lower sales, one of the main factors slowing earnings was the marked rise in raw-material costs.

Relative to a quarter ago (€1,329.9 million), sales were down 7 percent amid lower volumes, due especially to the current market weakness for solar business. EBITDA also fell 7 percent versus a quarter ago (€260.5 million). WACKER's EBITDA margin from July through September 2018 was 19.4 percent (Q3 2017: 22.7 percent). In the preceding quarter, it was 19.6 percent.

In Q3 2018, Group earnings before interest and taxes (EBIT) amounted to €106.5 million (Q3 2017: €155.3 million), yielding an EBIT margin of 8.6 percent (Q3 2017: 11.8 percent). Net income for the quarter amounted to €68.9 million (Q3 2017: €104.2 million) and earnings per share came in at €1.31 (Q3 2017: €2.04).

WACKER confirmed its sales and EBITDA guidance for full-year 2018. The company continues to expect Group sales for 2018 to grow by a low-single-digit percentage versus the same period last year (€4,924.2 million). EBITDA is likely to rise by a mid-single-digit percentage compared with last year (€1,014.1 million). WACKER expects net income from continuing operations to rise markedly.

"Our performance in Q3 reflected different trends," said CEO Rudolf Staudigl in Munich on Thursday. "On the one hand, our chemical divisions delivered strong overall growth, increasing their total sales and EBITDA year over year. WACKER POLYSILICON, on the other hand, experienced far more difficult market conditions. Overall, WACKER's prospects remain positive for this year and beyond. Our chemical business is developing strongly and photovoltaics, despite the market's temporary weakness, is as promising as ever – not least because of the global climate-policy challenges. As a result, we continue to expect full-year Group sales and EBITDA to grow in 2018."

Regions

In Q3 2018, WACKER continued expanding its sales in every region except for Asia. Sales there declined 24 percent to €407.8 million (Q3 2017: €536.4 million) due to lower polysilicon volumes. Sales in Europe reached €542.4 million, up 6 percent versus last year's €511.5 million. In the Americas, sales climbed to €232.0 million (Q3 2017: €207.0 million), an increase of 12 percent.

Capital Expenditures and Net Cash Flow

In Q3 2018, the Group's capital expenditures came in at €121.6 million (Q3 2017: €74.9 million), a year-over-year increase of 62 percent. The funds went mainly toward expanding capacity for silicone and polymer products.

At €13.2 million, net cash flow was slightly positive in Q3 2018 (Q3 2017: €205.3 million). This substantial year-over-year decline was mainly prompted by markedly higher cash outflows for capital expenditures, the repair and ramp-up costs at WACKER's Charleston site, and an increase in working capital.

Employees

WACKER's global workforce edged up in the reporting quarter. The Group had 14,407 employees on September 30, 2018 (June 30, 2018: 14,270). At the end of the reporting quarter, 10,232 employees (June

30, 2018: 10,156) worked at WACKER sites in Germany and 4,175 (June 30, 2018: 4,114) at international locations.

Business Divisions

In Q3 2018, **WACKER SILICONES** generated total sales of €634.9 million (Q3 2017: €559.3 million), an increase of 14 percent. That growth was driven not only by better prices, but also by higher volumes for specialties and, thus, an enhanced product mix. Compared with a quarter ago (€653.8 million), sales were down 3 percent, partly due to seasonal factors. The division's EBITDA reached €173.4 million in the reporting quarter, 36 percent higher than last year (€128.0 million). Relative to a quarter ago (€176.6 million), EBITDA fell 2 percent amid slower sales. The EBITDA margin for Q3 2018 improved to 27.3 percent, from 22.9 percent in Q3 2017 and 27.0 percent a quarter ago.

Sales at **WACKER POLYMERS** totaled €338.8 million in the reporting quarter, 7 percent higher than a year ago (€317.9 million). The increase stemmed from volume growth and better prices. Relative to the preceding quarter (€343.1 million), sales were down 1 percent. This slight decline was mainly due to somewhat lower volumes amid seasonally weaker demand. EBITDA at WACKER POLYMERS amounted to €46.9 million in Q3 2018 (Q3 2017: €57.0 million). This 18 percent decline stemmed mainly from substantially higher raw-material costs. To counter this development, the division is raising the prices of its products. Compared with a quarter ago (€32.6 million), EBITDA climbed 44 percent. The preceding quarter's EBITDA was dampened by the effects of a scheduled plant shutdown. In addition, somewhat better prices overall and high plant utilization rates had a positive effect on reporting-quarter EBITDA. The EBITDA margin was 13.8 percent in Q3 2018, after 17.9 percent a year ago and 9.5 percent in the preceding quarter.

WACKER BIOSOLUTIONS reported total sales of €57.3 million in Q3 2018. That was 8 percent higher than a year ago (€53.2 million) and on par with a quarter ago (€57.2 million). The year-over-year gain mainly reflected volume growth and better prices for some products. WACKER BIOSOLUTIONS' reporting-quarter EBITDA was €6.0 million, 42 percent below a year earlier (€10.3 million). Reasons for the decrease included not only higher raw-material costs, but also integration costs at the new Dutch biologics plant and the currently low utilization rates there. Versus a quarter ago (€5.4 million), though, EBITDA was up 11 percent. The EBITDA margin was 10.5 percent, after 19.4 percent a year ago and 9.4 percent in Q2 2018.

WACKER POLYSILICON generated total sales of €173.5 million in the reporting quarter. That was 49 percent below the year-earlier figure (€341.7 million) and 28 percent less than a quarter ago (€242.1 million). This marked decline was due mainly to substantially reduced volumes and lower average prices for polysilicon. China's early-June announcement that it was curbing solar feed-in tariffs and capping the amount of new photovoltaic installations for the current year slowed demand for solar modules. This, in turn, impacted the reporting-quarter price level for solar silicon, which was significantly lower, both year over year and quarter over quarter. WACKER POLYSILICON used the market situation for inventory rebuilding, which will allow it to supply customers promptly once demand and prices have picked up. EBITDA at WACKER POLYSILICON came in at €4.3 million in the quarter, substantially lower than both a year ago (€85.0 million) and a quarter ago (€39.1 million). Alongside the impact of lower sales, earnings were also dampened by the ramp-up costs at Charleston. The division's EBITDA margin for the July-through-September quarter was 2.5 percent, after 24.9 percent in Q3 2017 and 16.2 percent in Q2 2018.

Outlook

On balance, our statements on the Group's full-year outlook made in the Interim Report on the 2nd Quarter have not changed. The company confirms its expectations that both sales and EBITDA will grow year over year.

Our projections for the individual divisions have changed as follows:

Amid robust customer demand and better prices, WACKER SILICONES anticipates lifting its full-year EBITDA somewhat higher than projected on publication of the Interim Report for Q2 2018. Its EBITDA will probably be slightly over €600 million (Q2 2018: around €600 million). Our projections for the division's full-year sales remain in the region of €2.5 billion.

At the start of June, the Chinese government reduced some solar feed-in tariffs and revised grid policies for solar installations. In the short term, that will weigh on solar-silicon volumes and prices at WACKER POLYSILICON, with a likely year-over-year decline of around 25 percent in the division's full-year sales and EBITDA (Q2 2018: low-double-digit percentage decrease in sales, with EBITDA down around 10 percent).

WACKER POLYMERS continues to expect full-year sales to rise by a mid-single-digit percentage, with EBITDA at around €150 million.

We reaffirm the forecasts made in the 2017 Annual Report and the Interim Report for Q2 2018 regarding the Group's key performance indicators. Group sales are projected to rise by a low-single-digit percentage. EBITDA should increase by a mid-single-digit percentage versus last year. WACKER expects its EBITDA margin to be slightly higher than a year ago. At around €550 million, depreciation will be significantly lower than last year's level. WACKER expects Group net income from continuing operations to rise markedly. According to current estimates, the Group's full-year capital expenditures will come in at around €450 million. Net cash flow is forecast to be clearly positive, but substantially below last year's figure, due to higher investment spending. Net financial debt is expected to amount to around €500 million by year-end 2018.

<u>Information for editorial offices:</u> the Q3 2018 report is available for download on the WACKER website (www.wacker.com) under Investor Relations.

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Key Figures of the WACKER Group

€ million	Q3 2018	Q3 2017	Change in %	9M 2018	9M 2017	Change in %
Sales	1,242.7	1,311.3	-5.3	3,790.2	3,748.7	1.1
EBITDA[1]	241.7	298.0	-18.9	756.7	780.7	-3.1
EBITDA margin[2] (%)	19.4	22.7	–	20.0	20.8	–
EBIT[3]	106.5	155.3	-31.4	353.2	330.4	6.9
EBIT margin[2] (%)	8.6	11.8	–	9.3	8.8	–
Financial result	-16.7	-21.3	-21.6	-51.9	-72.1	-28.0
Income from continuing operations before income taxes	89.8	134.0	-33.0	301.3	258.3	16.6
Income from continuing operations	68.9	104.2	-33.9	231.5	195.9	18.2
Income from discontinued operations	–	–	–	–	634.7	-100.0
Net income for the period	68.9	104.2	-33.9	231.5	830.6	-72.1
Earnings per share from continuing operations (€)	1.31	2.04	-35.8	4.42	3.80	16.3
Earnings per share (€)	1.31	2.04	-35.8	4.42	16.40	-73.0
Capital expenditures	121.6	74.9	62.3	288.5	196.4	46.9
Depreciation / amortization	135.2	142.7	-5.3	403.5	450.3	-10.4
Net cash flow[4] from continuing operations	13.2	205.3	-93.6	79.8	352.4	-77.4

€ million	Sept. 30, 2018	Sept. 30, 2017	Dec. 31, 2017
Total assets	6,998.0	7,052.0	6,835.7
Equity	3,142.3	3,204.2	3,169.3
Equity ratio (%)	44.9	45.4	46.4
Financial liabilities	1,018.6	1,264.9	1,001.6
Net financial debt[5]	637.1	463.6	454.4
Employees (number at end of period)	14,407	13,798	13,811

[1] EBITDA is EBIT before depreciation and amortization.
[2] Margins are calculated based on sales.
[3] EBIT is the result from continuing operations for the period before interest result and other financial result, and income taxes.
[4] Sum of cash flow from operating activities (excluding changes in advance payments) and cash flow from long-term investing activities (before securities), including additions due to finance leases.
[5] Sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.

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This press release contains forward-looking statements based on assumptions and estimates of WACKER's Executive Board. Although we assume the expectations in these forward-looking statements are realistic, we cannot guarantee they will prove to be correct. The assumptions may harbor risks and uncertainties that may cause the actual figures to differ considerably from the forward-looking statements. Factors that may cause such discrepancies include changes in the economic and business environment, variations in exchange and interest rates, the introduction of competing products, lack of acceptance for new products or services, and changes in corporate strategy. WACKER does not plan to update its forward-looking statements, nor does it assume the obligation to do so.

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The Company in Brief:
WACKER is a globally-active chemical company with some 13,800 employees and annual sales of around € 4.9 billion (2017).
WACKER has a global network of 23 production sites, 21 technical competence centers and 50 sales offices.

WACKER SILICONES
Silicone fluids, emulsions, rubber grades and resins; silanes; pyrogenic silicas; thermoplastic silicone elastomers

WACKER POLYMERS
Polyvinyl acetates and vinyl acetate copolymers and terpolymers in the form of dispersible polymer powders, dispersions, solid resins and solutions

WACKER BIOSOLUTIONS
Biotech products such as cyclodextrins, cysteine and biologics, as well as fine chemicals and PVAc solid resins

WACKER POLYSILICON
Polysilicon for the semiconductor and photovoltaic industries