

# PRESS RELEASE

Number 68

## WACKER ENDS Q3 2016 WITH GOOD RESULTS

- ◆ AT €1.35 BILLION, GROUP SALES FOR Q3 2016 DECLINE BY CLOSE TO 1 PERCENT YEAR OVER YEAR DUE TO PRICES AND BY 3 PERCENT QUARTER OVER QUARTER AMID LOWER VOLUMES
- ◆ EBITDA OF €301 MILLION UP 14 PERCENT VERSUS LAST YEAR DUE TO GOOD COST LEVELS, AND ON A PAR WITH THE PRECEDING QUARTER
- ◆ NET INCOME FOR Q3 AMOUNTS TO €68 MILLION
- ◆ AT €229 MILLION, NET CASH FLOW FOR Q3 2016 SUBSTANTIALLY HIGHER THAN A YEAR AGO
- ◆ FORECAST UNCHANGED: EBITDA FOR FULL-YEAR 2016 – WHEN ADJUSTED FOR SPECIAL INCOME – SHOULD REACH THE UPPER END OF THE PROJECTED RANGE OF 5 TO 10 PERCENT, WHILE GROUP SALES ARE EXPECTED TO GROW BY A LOW SINGLE-DIGIT PERCENTAGE

Munich, October 27, 2016 – Wacker Chemie AG's Q3 2016 sales were slightly lower year over year, while its earnings before interest, taxes, depreciation and amortization (EBITDA) were substantially higher than last year. The Munich-based chemical group posted sales of €1,346.1 million in the reporting quarter (Q3 2015: €1,357.9 million), down 1 percent. This slight decrease was chiefly due to lower year-over-year prices for solar silicon, semiconductor wafers and some chemical products. Generally higher volumes did not fully offset these price

effects. Relative to the preceding quarter (€1,386.2 million), sales were down by 3 percent, primarily due to a decline in volumes for polysilicon and some chemical products.

WACKER achieved EBITDA of €300.9 million in Q3 2016, 14 percent more than a year ago (€264.3 million) and on a par with the preceding quarter (€300.0 million). The Group's EBITDA margin for July through September 2016 was 22.4 percent, compared with 19.5 percent a year ago and 21.6 percent in the prior quarter. The substantial year-over-year increase in EBITDA was primarily attributable to the good cost level.

Group earnings before interest and taxes (EBIT) amounted to €115.2 million in Q3 2016 (Q3 2015: €125.5 million). That was a year-over-year decrease of 8 percent and yielded an EBIT margin of 8.6 percent, compared with 9.2 percent a year ago. Substantially higher depreciation contributed to the year-over-year decline in EBIT. Net income for the reporting quarter amounted to €67.5 million (Q3 2015: €58.2 million) and earnings per share came in at €1.29 (Q3 2015: €1.21).

The full-year 2016 forecast remains unchanged. The company continues to expect a low single-digit percentage increase in Group sales. EBITDA on a comparable basis – i.e. adjusted to exclude special income from damages received and from terminated contractual and delivery relationships with solar customers – is expected to be between 5 and 10 percent higher than last year. After the positive business performance in the first half of the year, WACKER already announced at the end of July that it expected adjusted EBITDA to come in at the upper end of this range.

“Although the underlying conditions were not always easy, WACKER performed well from July through September,” said CEO Rudolf Staudigl in Munich on Thursday. “EBITDA at the chemical divisions and at Siltronic continued to grow both year over year and quarter over quarter. The market environment for our polysilicon business was more difficult, with solar customers ordering substantially less material in September than in the preceding months. Since then, however, there have been increasing indications that demand for solar silicon is picking up again.”

**Regions**

In Q3 2016, sales were subdued in every region except Germany. Group sales in Asia amounted to €571.5 million in the reporting quarter, down by around 1 percent from last year’s figure of €575.8 million. In Europe (excluding Germany), WACKER achieved sales of €302.0 million in Q3 2016 (Q3 2015: €316.5 million), some 5 percent below the year-earlier figure. The business trend in Germany was positive, with sales totaling €182.9 million in the reporting quarter, compared with €173.6 million a year earlier, a rise of about 5 percent. In the Americas, sales of €238.6 million were on a par with Q3 2015 (€238.9 million).

**Capital Expenditures and Net Cash Flow**

In Q3 2016, the Group’s capital expenditures amounted to €98.9 million (Q3 2015: €220.5 million), down 55 percent. The funds were invested, among other things, in expanding capacities for downstream silicone products and in the further automation of production at Siltronic. Commissioning of the production facilities at WACKER’s new polysilicon site in Charleston, Tennessee (USA), was completed as planned in the reporting quarter.

The Group's net cash flow was €229.9 million in Q3 2016, after €36.2 million in Q3 2015. This marked increase was chiefly due to a combination of higher gross cash flow and substantially lower capital expenditures.

### **Employees**

Relative to the preceding quarter, the number of WACKER employees worldwide remained virtually unchanged in Q3 2016. As of September 30, the Group had 17,136 employees (June 30, 2016: 17,081). As of the end of the reporting quarter, WACKER had 12,179 employees in Germany (June 30, 2016: 12,230) and 4,957 at its international sites (June 30, 2016: 4,851).

### **Business Divisions**

In Q3 2016, **WACKER SILICONES** posted total sales of €503.1 million, on a par with the year-earlier level (€501.9 million). While volumes were somewhat higher than a year ago, prices for a number of product groups edged lower. Negative exchange-rate effects also decreased sales marginally. The division's sales were some 2 percent below the preceding quarter (€514.4 million) due to price and volume effects. EBITDA at WACKER SILICONES reached €100.7 million in the reporting quarter, around 23 percent higher than a year ago (€81.6 million). Compared with the preceding quarter (€93.7 million), it was up 8 percent. Earnings were lifted by high plant utilization – over 90 percent on average – and by low costs. The EBITDA margin improved to 20.0 percent in Q3 2016, after 16.3 percent a year ago and 18.2 percent in the preceding quarter.

At **WACKER POLYMERS**, total sales of €308.2 million in the reporting quarter were 2 percent lower than a year ago (€313.0 million) and

5 percent below the preceding quarter (€325.7 million). Noticeably higher dispersion volumes year over year did not fully compensate for somewhat lower prices in a number of product groups. Negative exchange-rate effects, too, weighed slightly on the sales trend. Compared with Q2 2016, average prices were virtually unchanged, while volumes were lower on balance. The division's EBITDA grew to €73.2 million in the reporting quarter, compared with €64.7 million a year earlier – up 13 percent. This gain was essentially due to the low cost level, which in turn benefited from high plant utilization of almost 90 percent. Relative to the preceding quarter (€78.2 million), EBITDA decreased by around 6 percent. The decline stemmed not only from lower sales, but also from a quarter-over-quarter increase in the price of ethylene, a base material. The EBITDA margin came in at 23.8 percent in the reporting quarter, after 20.7 percent last year and 24.0 percent in the preceding quarter.

**WACKER BIOSOLUTIONS** generated total sales of €54.0 million from July through September 2016. That was 7 percent more than a year ago (€50.4 million) and 2 percent more than in Q2 2016 (€53.2 million). Higher volumes in a number of segments were the main growth driver. On the other hand, sales were slowed by a slight decline in prices for some products, both year over year and quarter over quarter. EBITDA at WACKER BIOSOLUTIONS reached €11.3 million in the reporting quarter, markedly above both last year (€7.2 million) and the preceding quarter (€9.0 million). This strong growth was fueled by higher sales, by positive product-mix effects and by the division's good cost situation, which in turn was partly due to high plant utilization. The EBITDA margin came in at 20.9 percent, after 14.3 percent a year ago and 16.9 percent in Q2 2016.

**WACKER POLYSILICON** generated sales totaling €253.0 million in the reporting quarter, down 7 percent over both last year (€271.4 million) and the preceding quarter (€272.2 million). Volumes remained almost unchanged versus last year, while average prices for solar silicon were lower. Compared with the preceding quarter, volumes slowed substantially because customers ordered less solar silicon toward the end of the reporting quarter. WACKER POLYSILICON's EBITDA totaled €82.3 million from July through September (Q3 2015: €91.8 million). The main reason for this 10-percent decline was that €17.8 million in advance payments retained and damages received were recorded in Q3 2015, whereas no special income of this kind was posted in the reporting quarter. Adjusted for this income, the division's EBITDA grew by 11 percent year over year. Relative to the preceding quarter (€77.7 million), EBITDA was up 6 percent. This increase reflected the fact that no further start-up costs for the new Charleston site were incurred in the reporting quarter. WACKER POLYSILICON's July-through-September EBITDA margin was 32.5 percent, after 33.8 percent in Q3 2015 and 28.5 percent in Q2 2016.

**Siltronic** generated total sales of €236.7 million in Q3 2016, up some 3 percent from last year's €230.6 million. A year-over-year increase in volumes, including inventory sales, compensated for lower average prices. Favorable exchange rates also had a positive impact on the sales trend. Compared with the preceding quarter (€229.8 million), sales were also up 3 percent. This rise was due to somewhat higher volumes than in Q2 2016 and positive exchange-rate effects, with average prices remaining virtually unchanged. Reporting-quarter EBITDA at Siltronic reached €36.9 million, after €29.4 million a year earlier, an increase of 26 percent. In Q3 2015, currency-hedging losses had reduced EBITDA by €15.5 million, while the corresponding

reporting-quarter figure was only €6.8 million. Relative to the preceding quarter (€35.0 million), EBITDA was up by around 5 percent, with higher sales and a good cost situation lifting earnings. Siltronic's EBITDA margin was 15.6 percent in the reporting quarter, after 12.7 percent in Q3 2015 and 15.2 percent in Q2 2016.

**Outlook**

WACKER expects its chemical-business sales to increase slightly for full-year 2016, whereas sales at Siltronic and WACKER POLYSILICON are likely to edge down.

EBITDA at WACKER SILICONES should be markedly above last year's figure. WACKER POLYMERS also expects to post a noticeable increase compared with last year. WACKER BIOSOLUTIONS projects its EBITDA margin to remain more or less unchanged year over year. WACKER POLYSILICON anticipates that its EBITDA will decline significantly year over year, since less special income from advance payments retained and damages received will be posted in 2016 than last year. Full-year EBITDA will also be reduced by start-up costs at the new polysilicon production site in Charleston, Tennessee. Siltronic continues to anticipate a slight improvement in its EBITDA margin compared with last year.

Overall, WACKER continues to expect Group sales to rise by a low single-digit percentage in fiscal 2016. EBITDA should climb by between 5 and 10 percent on a comparable basis, i.e. when adjusted to exclude special income. As already announced at the end of July following the company's positive business performance in the first half of the year, WACKER continues to expect adjusted EBITDA to come in at the upper end of this range. The EBITDA margin, on the other hand, will be somewhat lower, since no major special-income items are

expected. Capital expenditures will come to about €425 million, substantially lower than a year ago. Depreciation will amount to around €720 million, significantly above last year's level. Group net income should be markedly lower year over year. WACKER expects net cash flow to be clearly positive. Net financial debt at year-end 2016 is anticipated to be slightly lower than last year.

***Information for editorial offices: The Q3 2016 report is available for download on the WACKER website ([www.wacker.com](http://www.wacker.com)) under Investor Relations.***

**Key Figures of the WACKER Group**

€ million			Change in %			Change in %
	Q3 2016	Q3 2015		9M 2016	9M 2015	
Sales	1,346.1	1,357.9	-0.9	4,046.6	4,063.3	-0.4
EBITDA <sup>1</sup>	300.9	264.3	13.8	829.8	860.4	-3.6
EBITDA margin <sup>2</sup> (%)	22.4	19.5	-	20.5	21.2	-
EBIT <sup>3</sup>	115.2	125.5	-8.2	285.0	439.7	-35.2
EBIT margin <sup>2</sup> (%)	8.6	9.2	-	7.0	10.8	-
Financial result	-25.8	-23.5	9.8	-78.8	-50.4	56.3
Income before income taxes	89.4	102.0	-12.4	206.2	389.3	-47.0
Net income for the period	67.5	58.2	16.0	142.5	237.0	-39.9
Earnings per share (€)	1.29	1.21	6.7	2.85	4.84	-41.1
Capital expenditures	98.9	220.5	-55.1	298.1	609.6	-51.1
Depreciation	185.7	138.8	33.8	544.8	420.7	29.5
Net cash flow <sup>4</sup>	229.2	36.2	>100	343.2	74.6	>100

€ million	Sept. 30, 2016	Sept. 30, 2015	Dec. 31, 2015
Total assets	7,606.6	7,322.0	7,264.4
Equity	2,073.8	2,752.7	2,795.1
Equity ratio (%)	27.3	37.6	38.5
Financial liabilities	1,635.7	1,446.9	1,455.4
Net financial debt <sup>5</sup>	967.8	970.2	1,074.0
Employees (number at end of period)	17,136	17,021	16,972

<sup>1</sup> EBITDA is EBIT before depreciation and amortization.

<sup>2</sup> Margins are calculated based on sales.

<sup>3</sup> EBIT is the result from continuing operations for the period before interest and other financial results, and income taxes.

<sup>4</sup> 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.

<sup>5</sup> Sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.

*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, among other things, 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 the 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 17,000 employees and annual sales of around €5.3 billion (2015). WACKER has a global network of 25 production sites, 22 technical competence centers and 50 sales offices.

**WACKER SILICONES**

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

**WACKER POLYMERS**

Polyvinyl acetates and vinyl acetate copolymers 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

**Siltronic**

Hyperpure silicon wafers and monocrystals for semiconductor components