



CREATING TOMORROW'S SOLUTIONS

## **Managing for Growth and Cash**

Wacker Chemie AG  
November 2016

# Disclaimer

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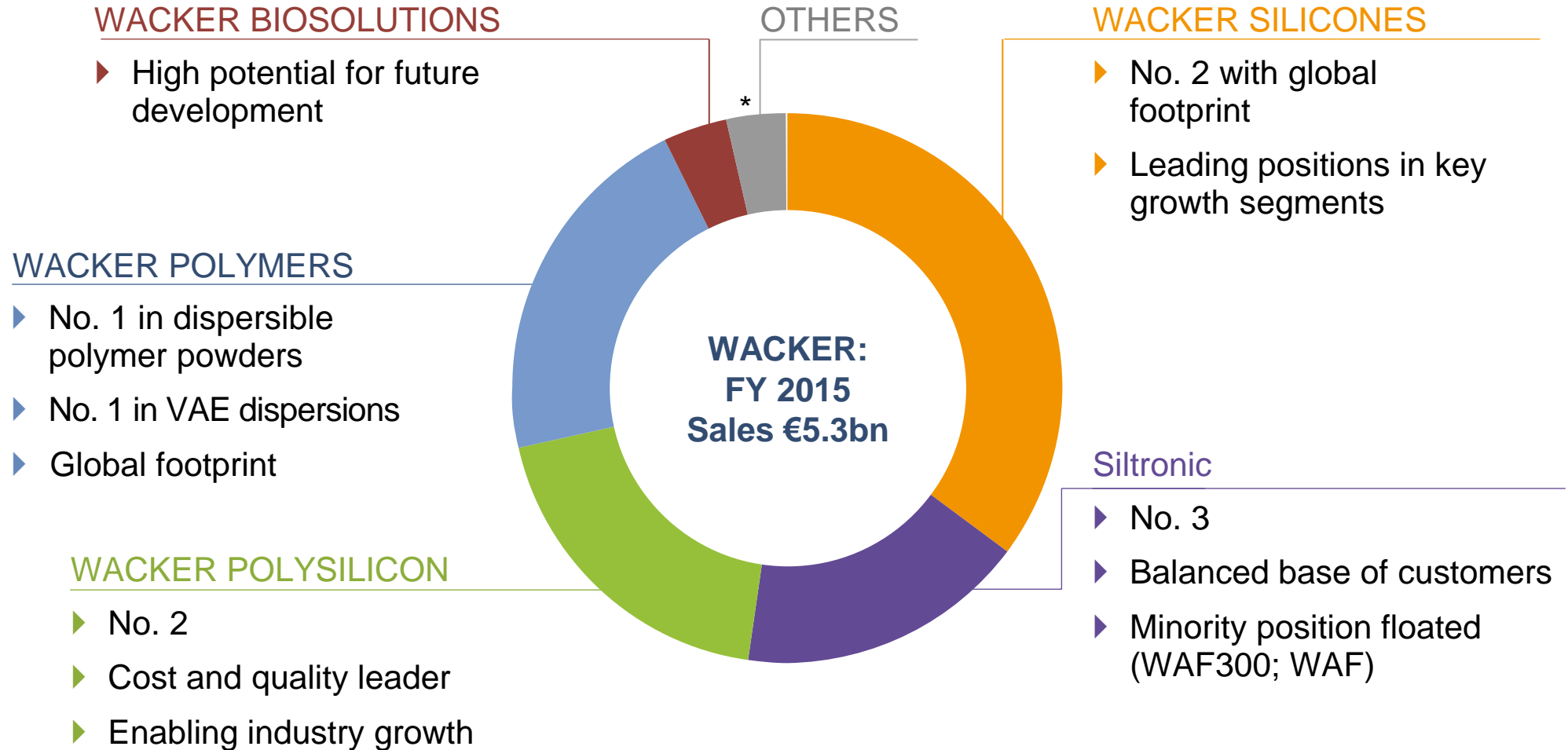
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# Agenda

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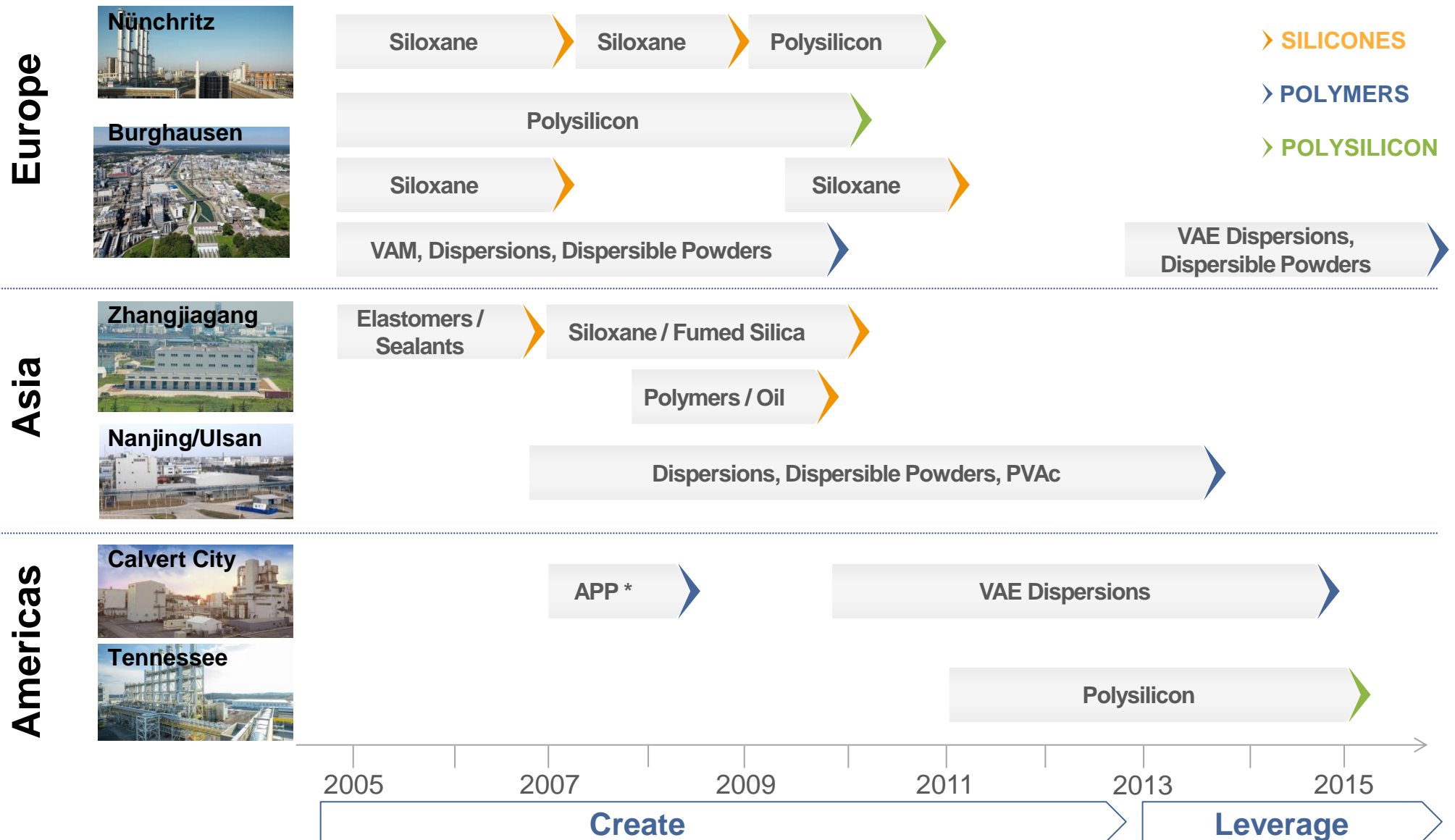
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# A Foundation For Growth – Our Business Portfolio



\*Sales FY 2015

# A Foundation For Growth – Our Global Asset Base



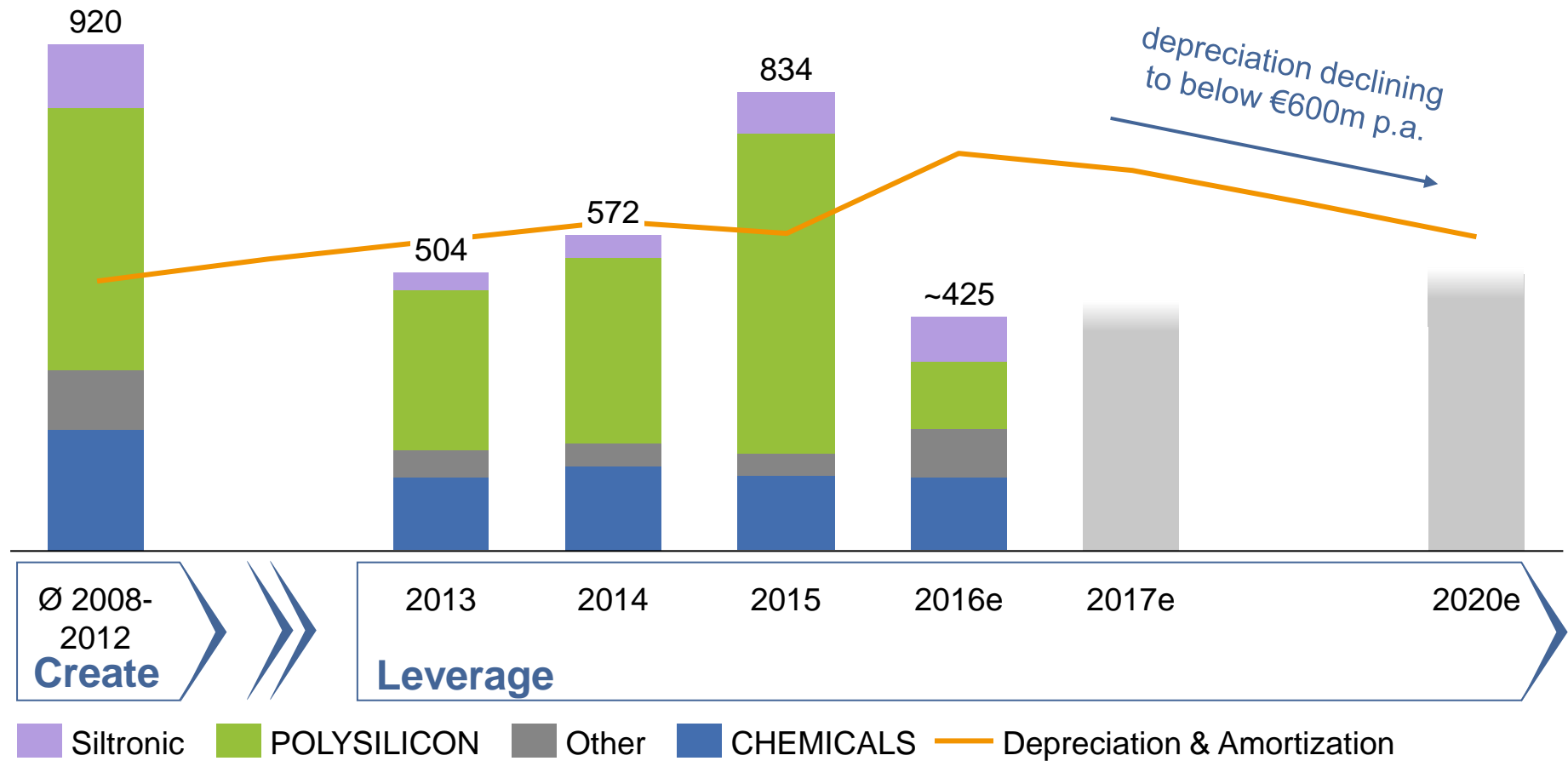
# Targets For The Next Years – Growth And Cash

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- 1 Extend Leverage Phase
- 2 Continue to Grow Above Chemical Production
- 3 Focus on Sustainability
- 4 Sustain Attractive Margins Throughout the Cycle
- 5 Generate Cash

# Target: Leverage Phase Extended to at Least 2020

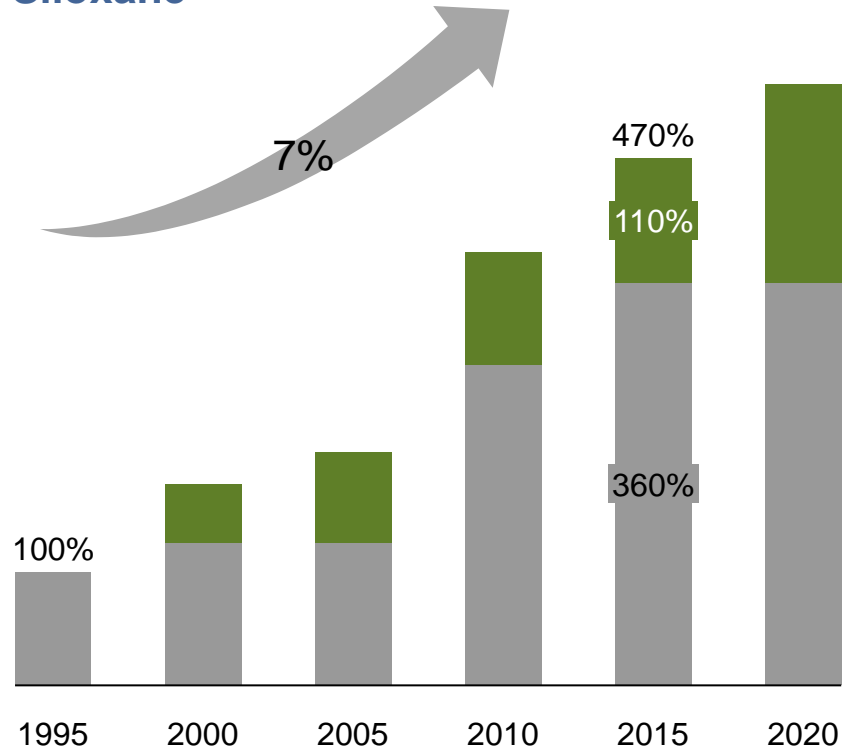
## CapEx vs. Depreciation Expense WACKER Group (€m)



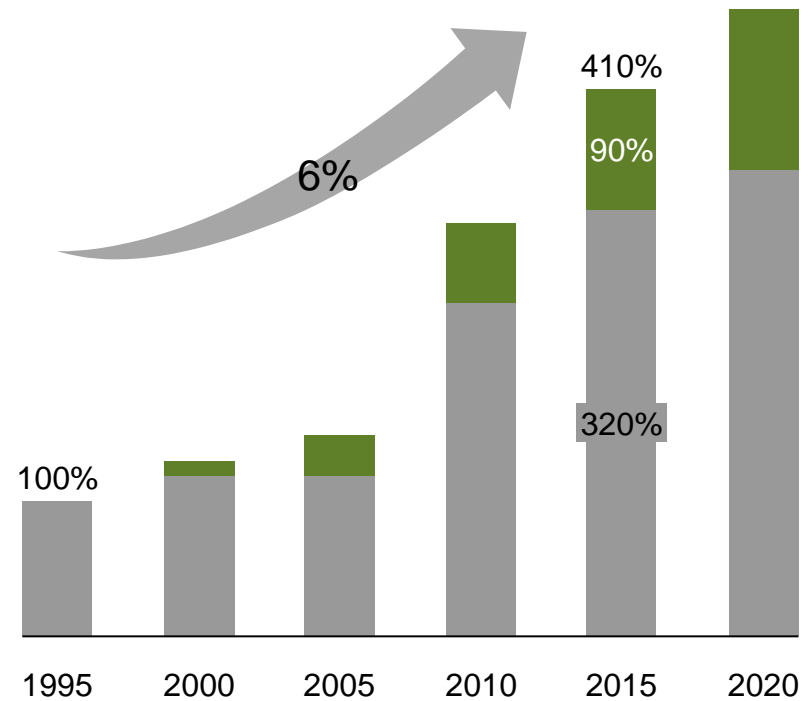
# Low Capital Intensity is Supported by Asset Optimization

## Capacity Growth of Selective Products (1995 = 100%)

### Siloxane



### VAE



Installed Capacity (CapEx and Acquisitions)
  Process optimization, Productivity gain, Debottlenecking



# Target: Continue to Grow Above Chemical Production

## WACKER

### Customer Focus

- ▶ Close to customers with strong customer support

### Innovation

- ▶ Driven by megatrends
- ▶ Creating tomorrow's solutions today

### Specialties

- ▶ Tech-based products ranging from standard to high value added

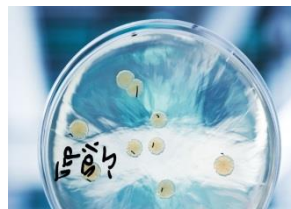
## Operational Excellence



**SILICONES**



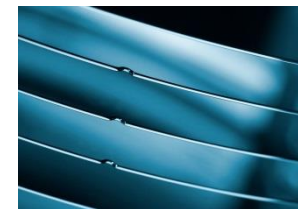
**POLYMERS**



**BIOSOLUTIONS**



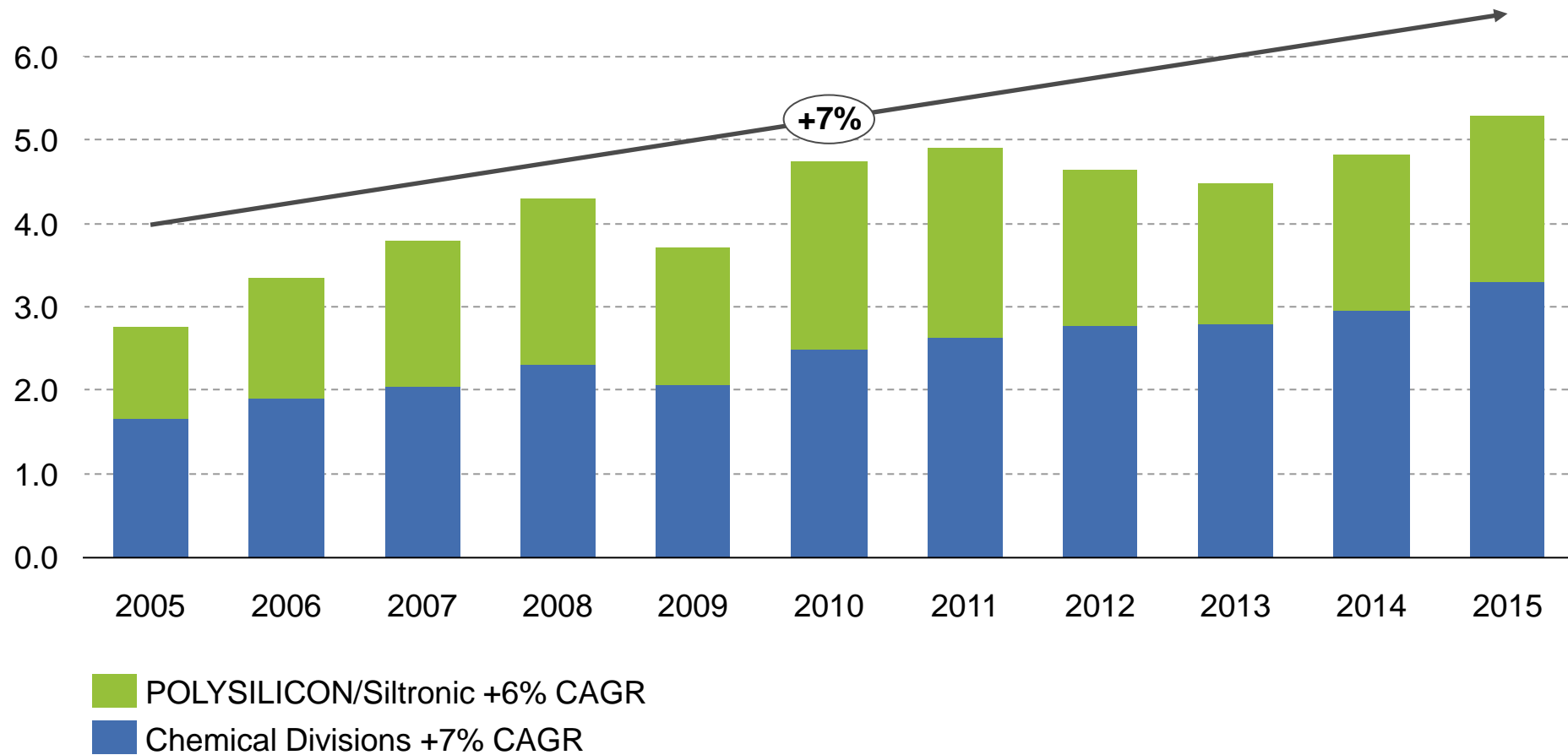
**POLYSILICON**



**Siltronic**

# WACKER Historically With Strong Growth Driven by Chemicals

## Development of WACKER Revenue (€bn)



# Target: Focus on Sustainability

## Processes



- ▶ WACKER's integrated production system
  - ▶ saves energy and raws
  - ▶ enables recycling within production
  - ▶ reduces environmental impact
- ▶ Renewable sources feasible

## Products



- WACKER products support global trends
- ▶ Solar and wind
  - ▶ Thermal insulation
  - ▶ E-mobility

## Energy efficiency



- Until 2022, WACKER has a clear roadmap to reduce
- ▶ Specific energy consumption by 50% <sup>1</sup>
  - ▶ CO<sub>2</sub> emissions by 15% <sup>2</sup>
  - ▶ Dust emissions by 50% <sup>2</sup>
  - ▶ NMVOC<sup>3</sup> emissions by 25% <sup>2</sup>

<sup>1</sup> Base year: 2007 <sup>2</sup> Base year: 2012 <sup>3</sup> Non-methane volatile organic compound

# Lever Opportunities – Adding Value With Sustainable Products



## Energy from the Sun

Polysilicon for photovoltaics

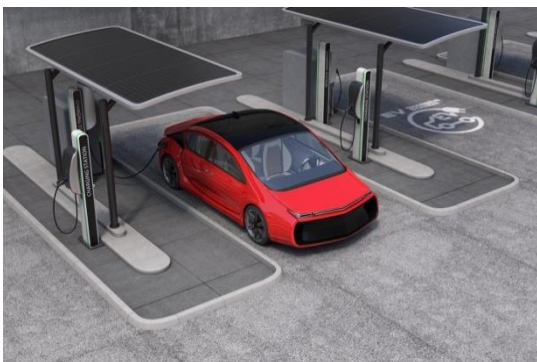
Heat-transfer fluids for solar power plants



## Energy from Wind and Water

Additives for more durable wind turbine blades

Electroactive polymers for wave power stations



## Energy Storage and Conservation

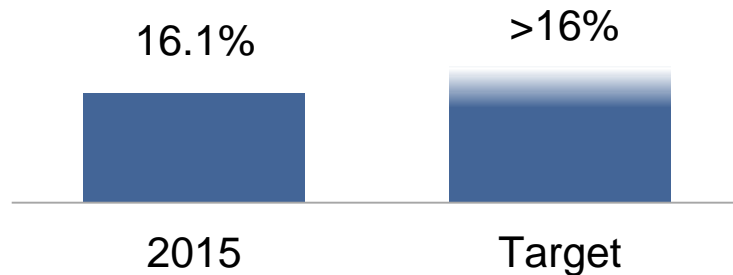
Active materials for lithium-ion batteries

Thermal insulation materials for residential construction



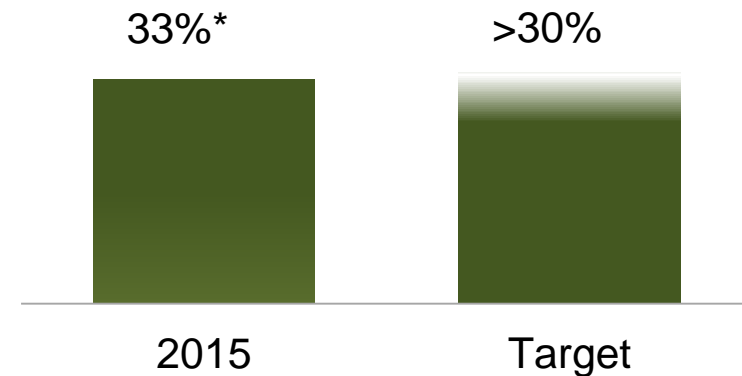
# Target: Sustain Attractive Margins Through Economic Cycle

## Chemicals



- ▶ Ongoing Focus on Operational Excellence
- ▶ Increasing Share of Specialties
- ▶ Some variation from F/X

## POLYSILICON



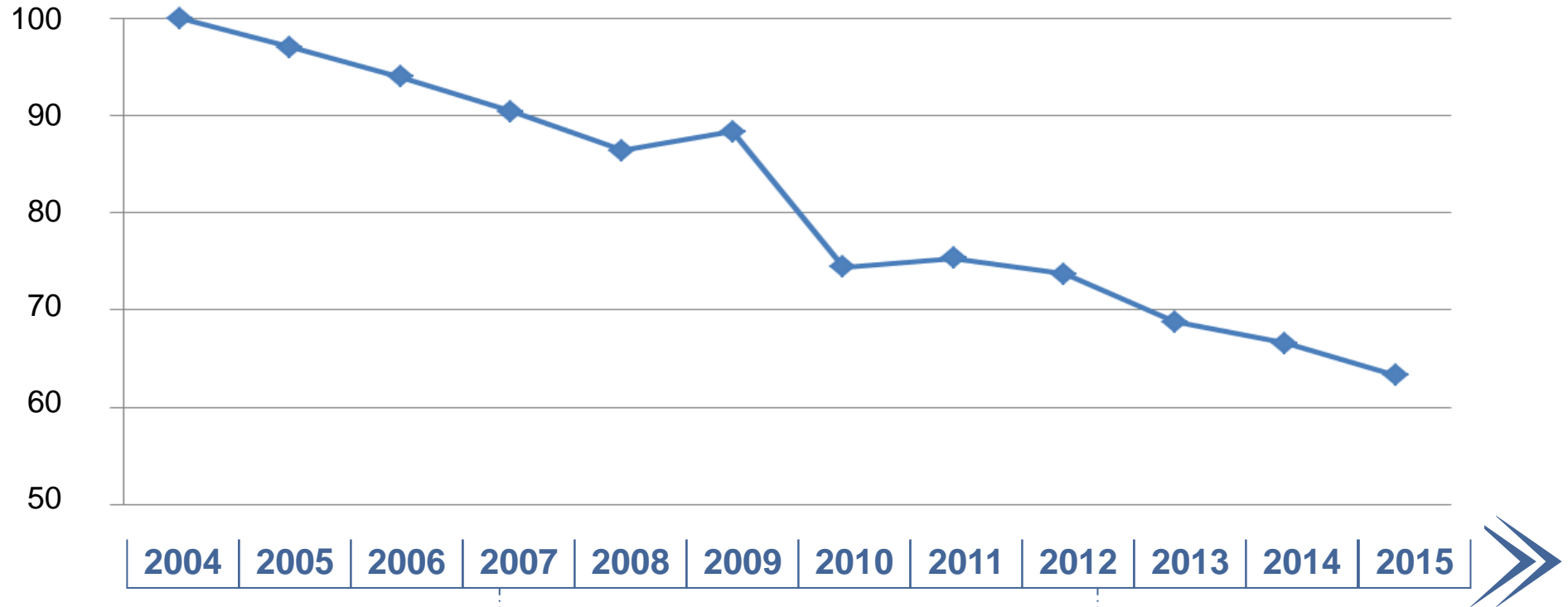
- ▶ Cost road map driving cost down
- ▶ ASP recovery to reinvestment level
- ▶ Investment depending on
  - ▶ Technology
  - ▶ Type of capacity expansion (brownfield vs. debottlenecking)
  - ▶ Price stability

\* Operating Margin: (EBITDA - Special Income - Pre Operational Costs - Ramp Costs) / Sales

# Operational Excellence

## Supply Chains With Significant Improvement

### Continuous Reduction of Specific OPEX (AVG of relevant plants)



#### ▶ WOS 1.0

Reduce spec. OPEX  
30% in 3 years

WACKER German Plants

#### ▶ WOS 2.0

Reduce spec. OPEX  
10% p.a.

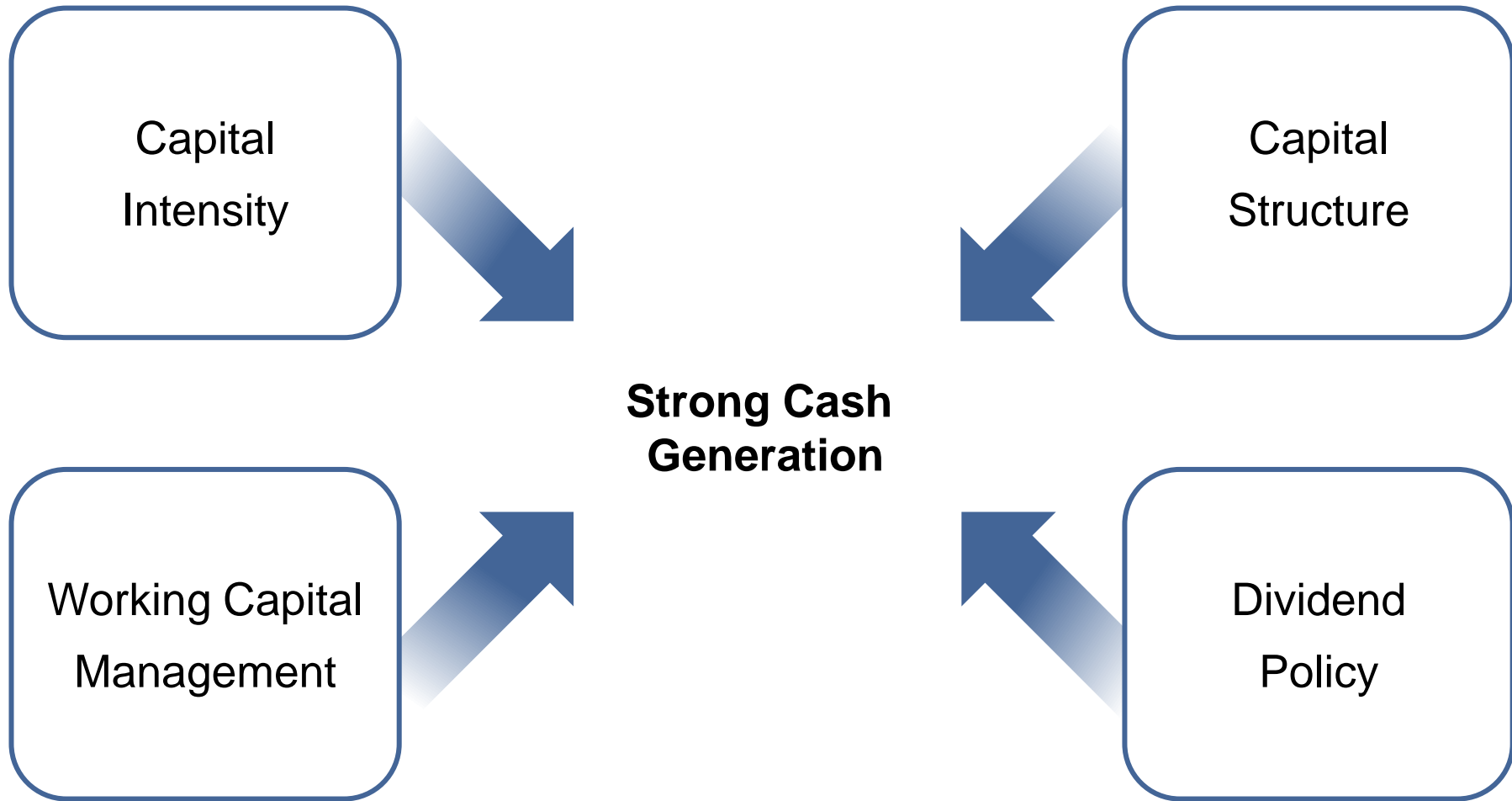
WACKER Group Plants,  
Corporate Services

#### ▶ WOS 3.0

Individual plant targets

WACKER Group Plants,  
Corporate Services

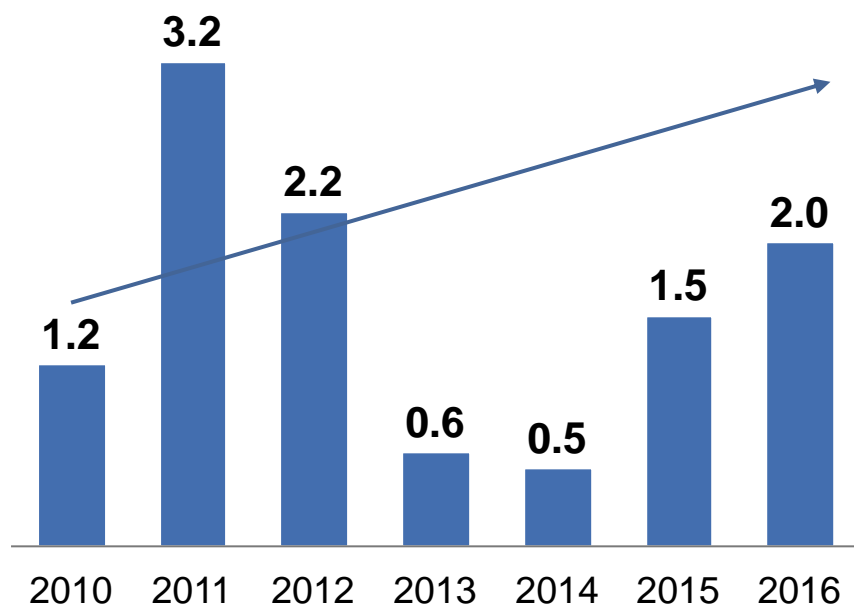
# Target: Generate Cash



▶ **Dividend target: 50% of net income (raised from minimum of 25%)**

# Dividend Target Raised to 50% of Net Income

## Dividend per share (€)



**Total actual payout 2010-2016:  
€565m based on average payout ratio 36%**

## New dividend policy

Basic dividend policy:

- ▶ Dividend Target:  
**50%** payout of net income  
(raised from 25% minimum)
- ▶ Temporary deviations possible
- ▶ Boundary conditions:
  - ▶ Overall business conditions
  - ▶ Financial status
  - ▶ Approval of AGM

**Total simulated payout 2010-2016:  
€705m based on target of 50%**



# Agenda

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# Highlights Q3 2016

## Good Performance in Chemicals And Strong Cash Flow

### Efficiency Gains support EBITDA

#### Financials

**Sales** of €1.35bn (-0.9% yoy)

**EBITDA excl. special income** of €301m (+22% yoy)

**Net Cash Flow** at € 229m substantially higher than in Q2 and last year

#### Operations

**Chemical business** with volume growth

Technical ramp of new polysilicon plant in **Charleston, Tennessee** completed

Very good **cost and efficiency performance** across all segments

# Guidance Update FY 2016

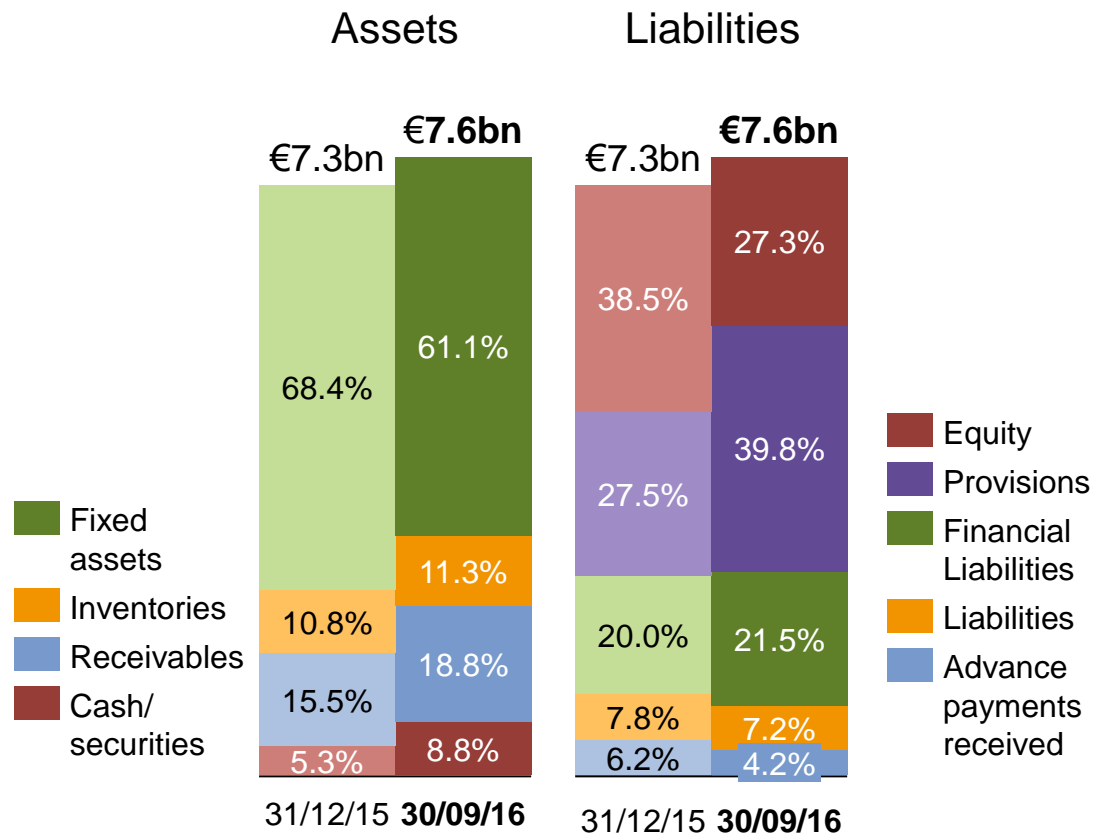
## Targeting Upper End of EBITDA Guidance Range

	2015	Outlook 2016
Sales (€m)	5,296	Slight increase
EBITDA (€m)	1,049	Expecting FY 5-10% higher excl. special income
EBITDA excl. special income (€m)	911	
EBITDA margin (%)	19.8	Somewhat lower
Group net income (€m)	242	Below 2015
Net cash flow (€m)	22.5	Significantly positive
CapEx (€m)	834	About 425
Net financial debt (€m)	1,074	Slightly below prior-year level
Depreciation (€m)	575	About 720
ROCE (%)	8.1	Substantially lower
Tax Rate (%)	40.5	Close to 30%

# Balance Sheet Composition

## Low Interest Rates Inflate Pension Liabilities

### Balance Sheet (%)



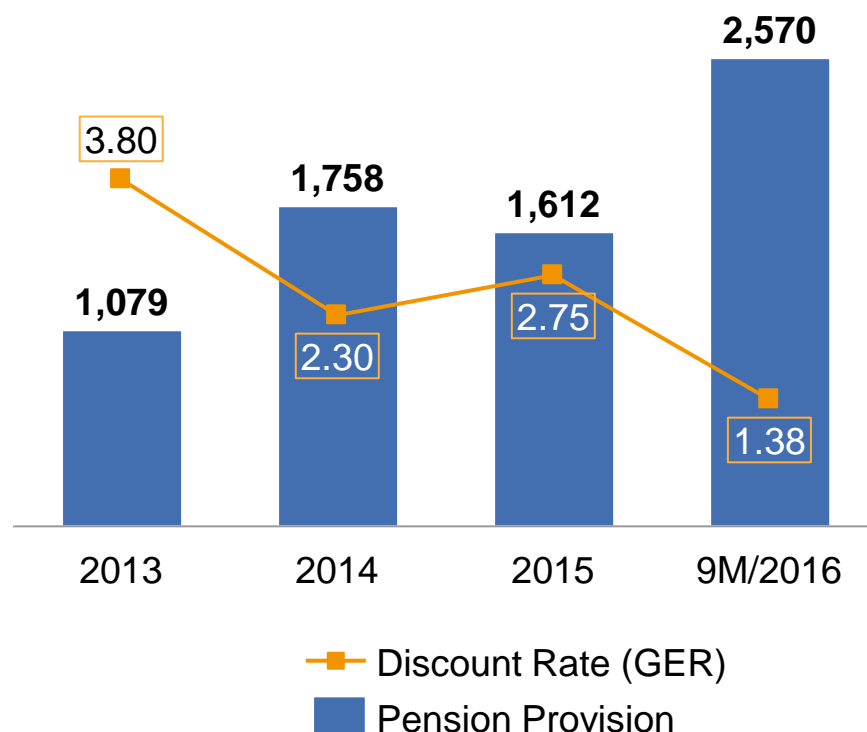
### Characteristics 09/30/16

- ▶ Non current assets: €5,273m
- ▶ Securities, cash and cash equivalents: €668m
- ▶ Provisions for pensions: €2,570m
  - ▶ Discount rate for defined benefit plans in Germany reduced to 1.38%
  - ▶ DTA\* relating to pensions about €440m
- ▶ Net financial debt: €968m
- ▶ Equity: €2,074m
- ▶ Prepayments: €322m

\* Deferred tax asset

# WACKER Pension Funds: One-time Funding Considered, No Legal Obligation

## Provisions for Pensions (€m) and Discount Rate (%)



## WACKER defined benefit plans

- ▶ Pension provision = defined benefit obligation less plan assets of pension funds
- ▶ Defined benefit obligation:
  - ▶ WACKER defined benefit plans closed for new employees in 2003 and 2004
  - ▶ Obligation will be paid out by company pension funds over several decades
  - ▶ Main payouts funded by annual cash contribution and return on plan assets
- ▶ Annual P&L- and cash-effect (€m):

	2014	2015
Current service costs:	63.0	87.5
Interest expenses:	40.2	41.5
<b>Total expenses:</b>	<b>103.3</b>	<b>129.0</b>
Cash contribution WACKER:	48.2	44.2

- ▶ Sensitivity current service costs:  
Discount rate -0.5% = +9.4 €m

# Agenda

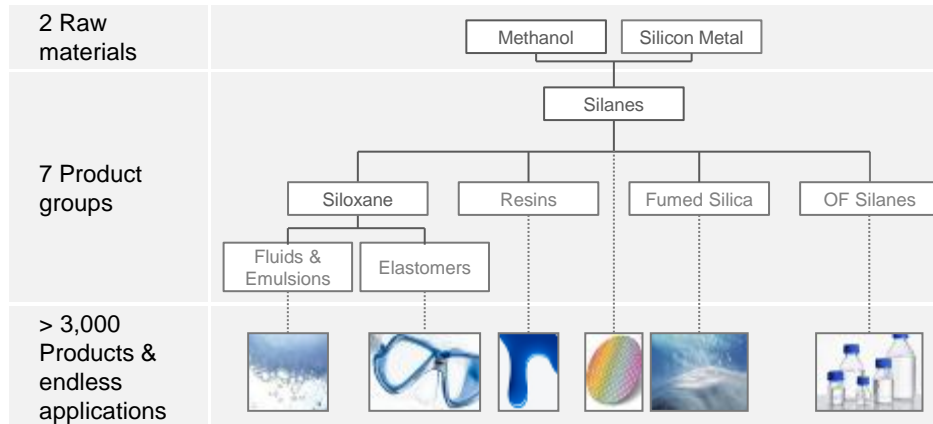
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# SILICONES

## An Integrated Global Player With a Leading Market Position

### Value Chain

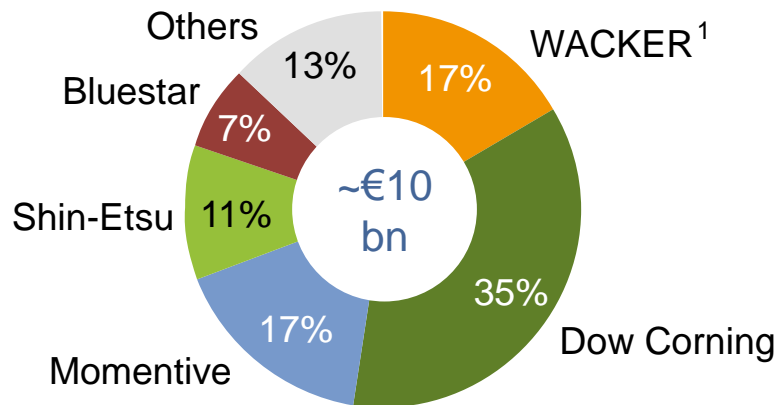


### Global Footprint



### Competitive Landscape 2015

Silane/Siloxane backward integrated suppliers



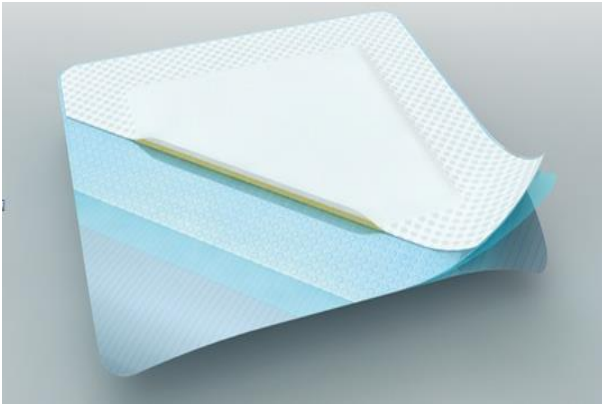
### Market Characteristics

- ▶ Historic growth above GDP
- ▶ High entry barriers (capital and technology)
- ▶ Serving diversified end markets through broad market penetration and wide customer base
- ▶ Innovation broadens scope of applications

1) WACKER JV participations fully consolidated

## Grow Specialties With Break-Through Innovations

### Wound Care Dressings



- ▶ Advanced wound care: Skin friendly, no-trauma replacement
- ▶ Traditional wound care: novel high-adhering product line
- ▶ SILPURAN® - Dedicated brand for medical grade Silicones

### Optical Bonding in Automotive Displays



- ▶ Anti-reflection effect
- ▶ High transparent bonding
- ▶ Solutions for the connected car of the future



# SILICONES

## 3D-Printing as Prime Example For Creating a New Market Entry

### ACEO® 3D-Printing

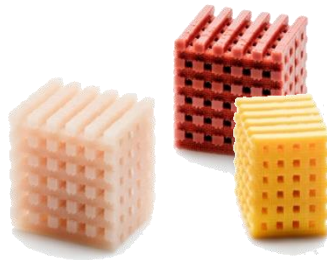
#### Print Fab



#### Examples



Automotive Gasket



Net Cubes "Impossible Products"



Ear Epithesis

### ACEO® Technology

- ▶ Direct way from digital model to final part
- ▶ No tools or molds necessary
- ▶ Parts are built up layer by layer

### Advantages

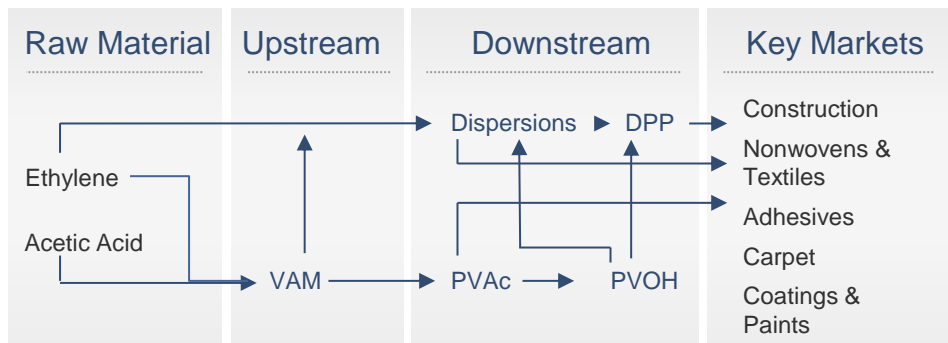
- ▶ Short development cycles (hours to days)
- ▶ Low costs for prototyping and small series
- ▶ Individual geometries, complex structures
- ▶ Integration of functionality

▶ Additive Manufacturing: Easy-to-use, Flexible and Cost-effective

# POLYMERS

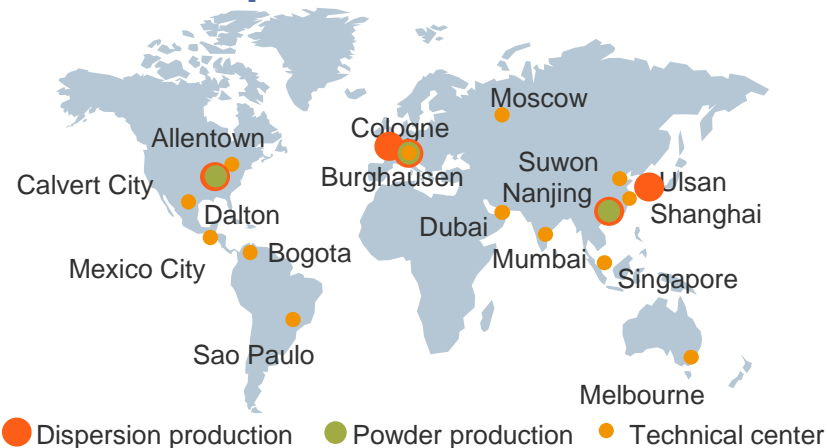
## Global Leader in High Growth Markets

### Value Chain



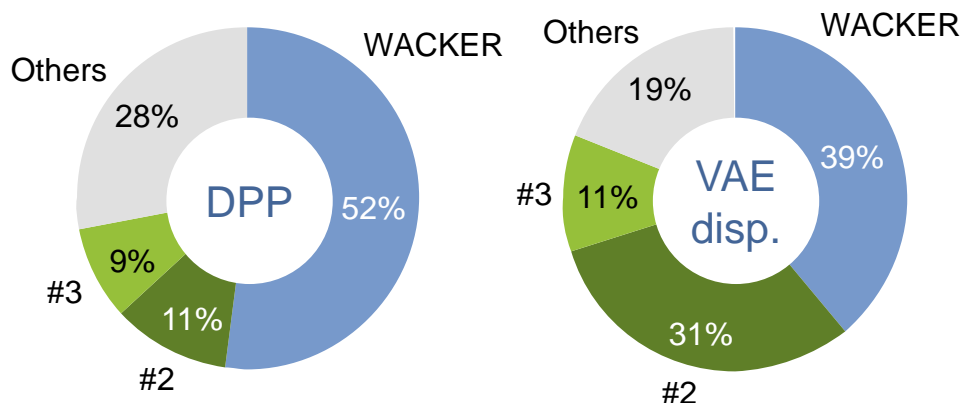
VAE = Vinyl acetate ethylene, VAM = Vinylacetate monomer, PVAc = Polyvinyl acetate, PVOH = Polyvinyl alcohol, DPP = Dispersible Polymer Powders

### Global Footprint



### Competitive Landscape 2015

#### Global DPP and VAE Market 2015



### Market Characteristics

- ▶ Historic growth above GDP
- ▶ High technology barriers in most segments
- ▶ Diverse market and customer base
- ▶ Innovation and in-depth formulating expertise broaden scope of applications

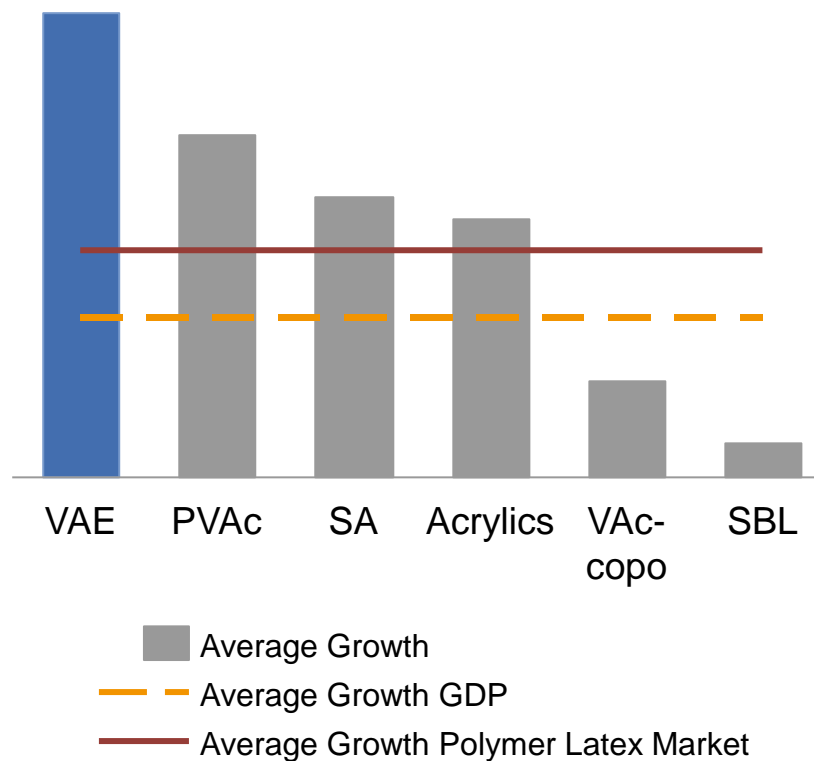
# POLYMERS

## Growth of VAE Dispersions Above Alternative Systems

### Vinylacetate Ethylene (VAE)



### Polymer Latex Market Growth Rates 2009-2014<sup>1</sup>



1) Source: Kline Studies 2015

# POLYMERS

## Creating Value Add Through Market Specific Developments

### Dispersible Polymer Powder (DPP)

Tile Adhesives



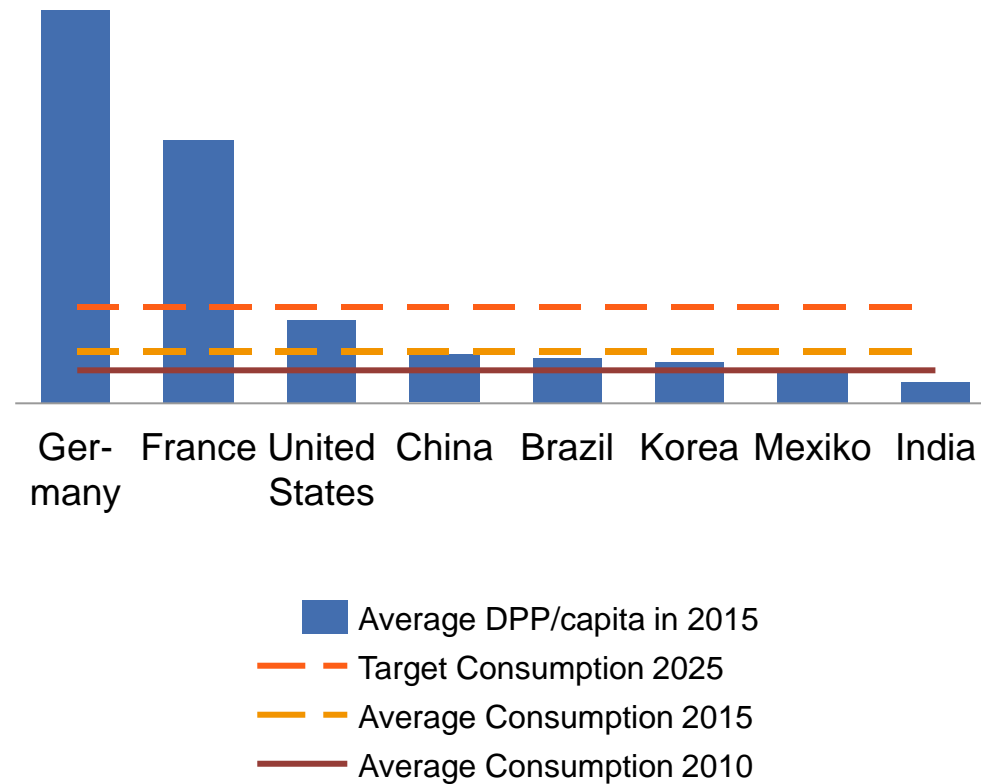
Waterproofing Membranes



External Thermal Insulation



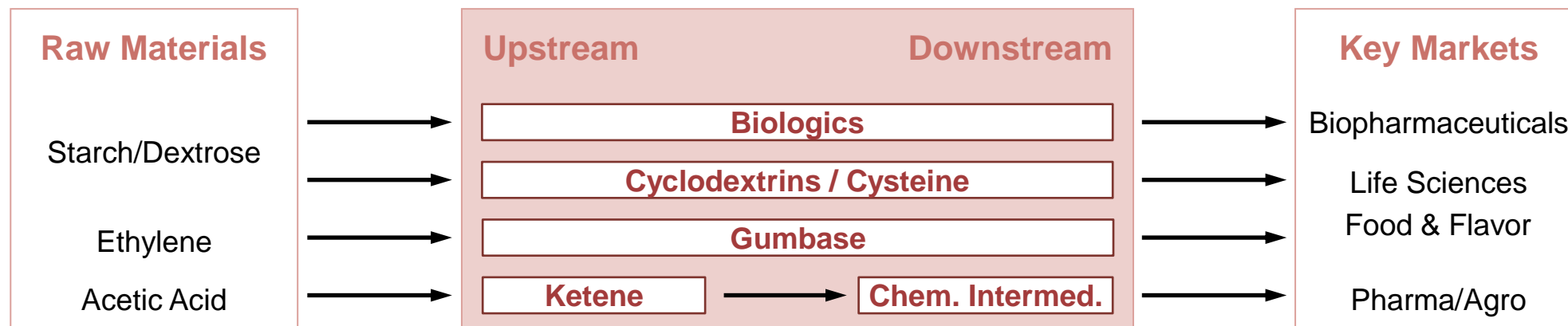
Ø DPP/capita in 2015



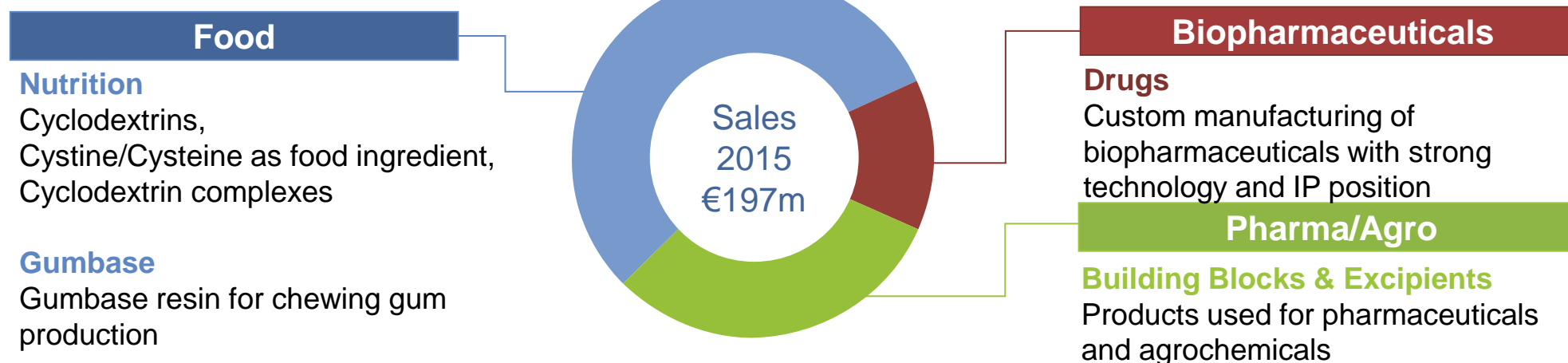
# BIOSOLUTIONS

## The Life Science Division

### Value Chain



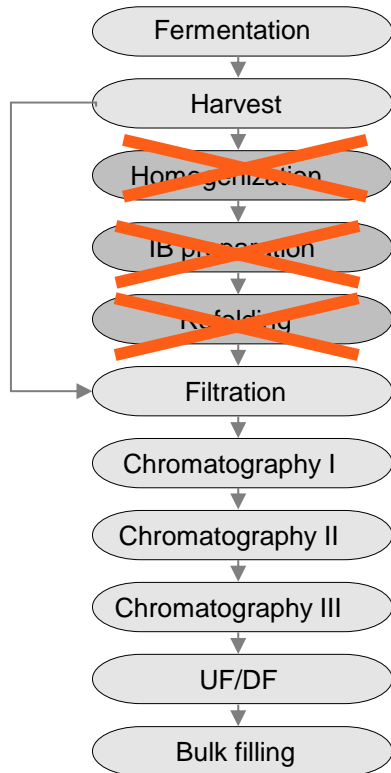
### Business Structure



## Time- And Cost-Efficient Manufacturing of Biopharmaceuticals

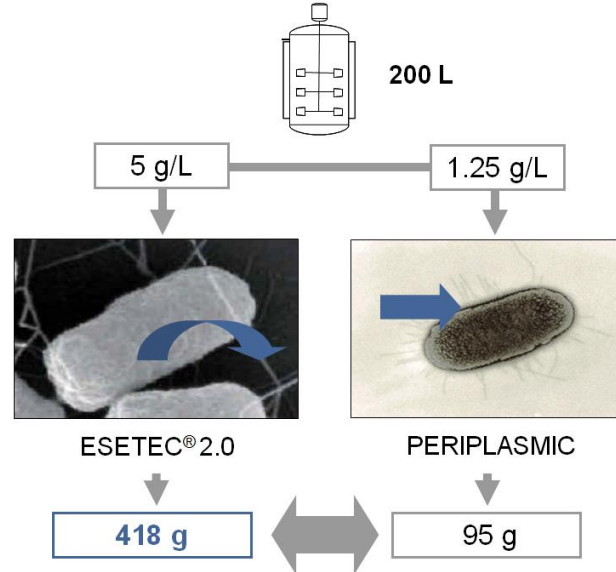
### ESETEC® (*E.coli* secretion technology)

#### Simplified Process



- ▶ ESETEC® reduces the number of **process steps**

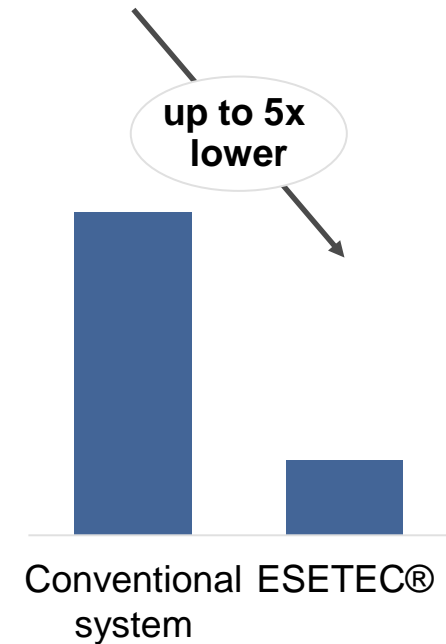
#### Superior Yields



**Example:**  
Antibody Fragments

- ▶ ESETEC® significantly **increases yields**

#### Lower Cost of Goods

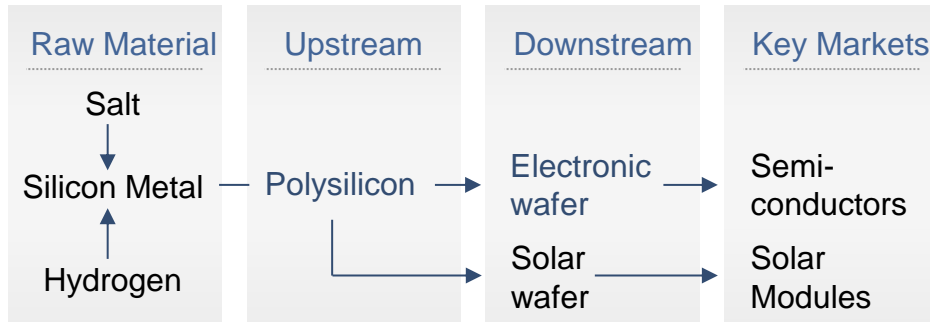


- ▶ ESETEC® **reduces production costs**

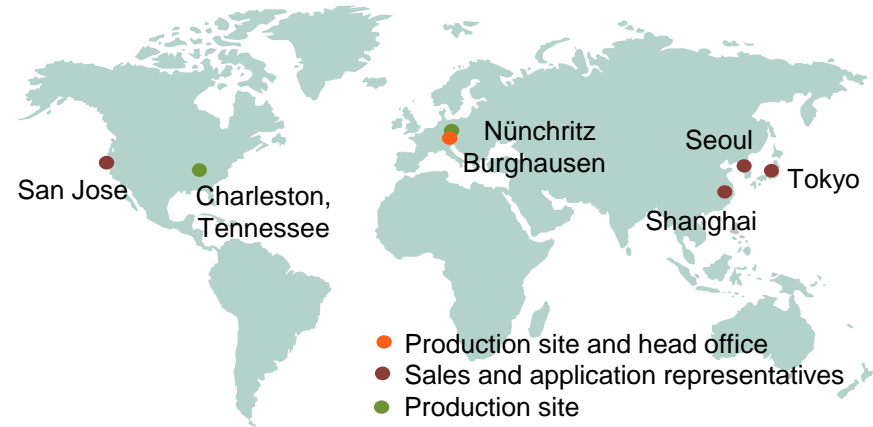
# POLYSILICON

## Leading in Cost And Quality

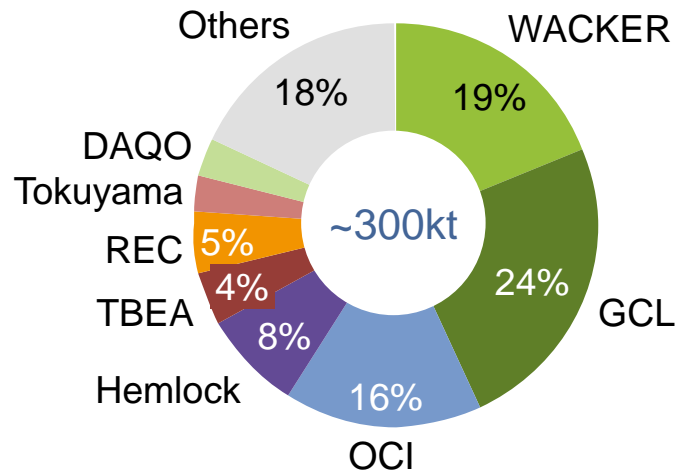
### Value Chain



### Global Footprint



### Competitive Landscape 2015



### Market Characteristics

- ▶ PV market growth driven by increasing competitiveness of PV electricity, despite declining subsidies
- ▶ Excellent product quality is key to highest conversion efficiencies in solar
- ▶ Cost and quality are decisive for market success
- ▶ Intense competition further drives industry consolidation

Source: Industry announcements; WACKER estimate

## **Hyper Pure Feedstock Enables Full Flexibility For Processing**

### **Four Key Benefits of Hyper Pure Silicon Feedstock:**

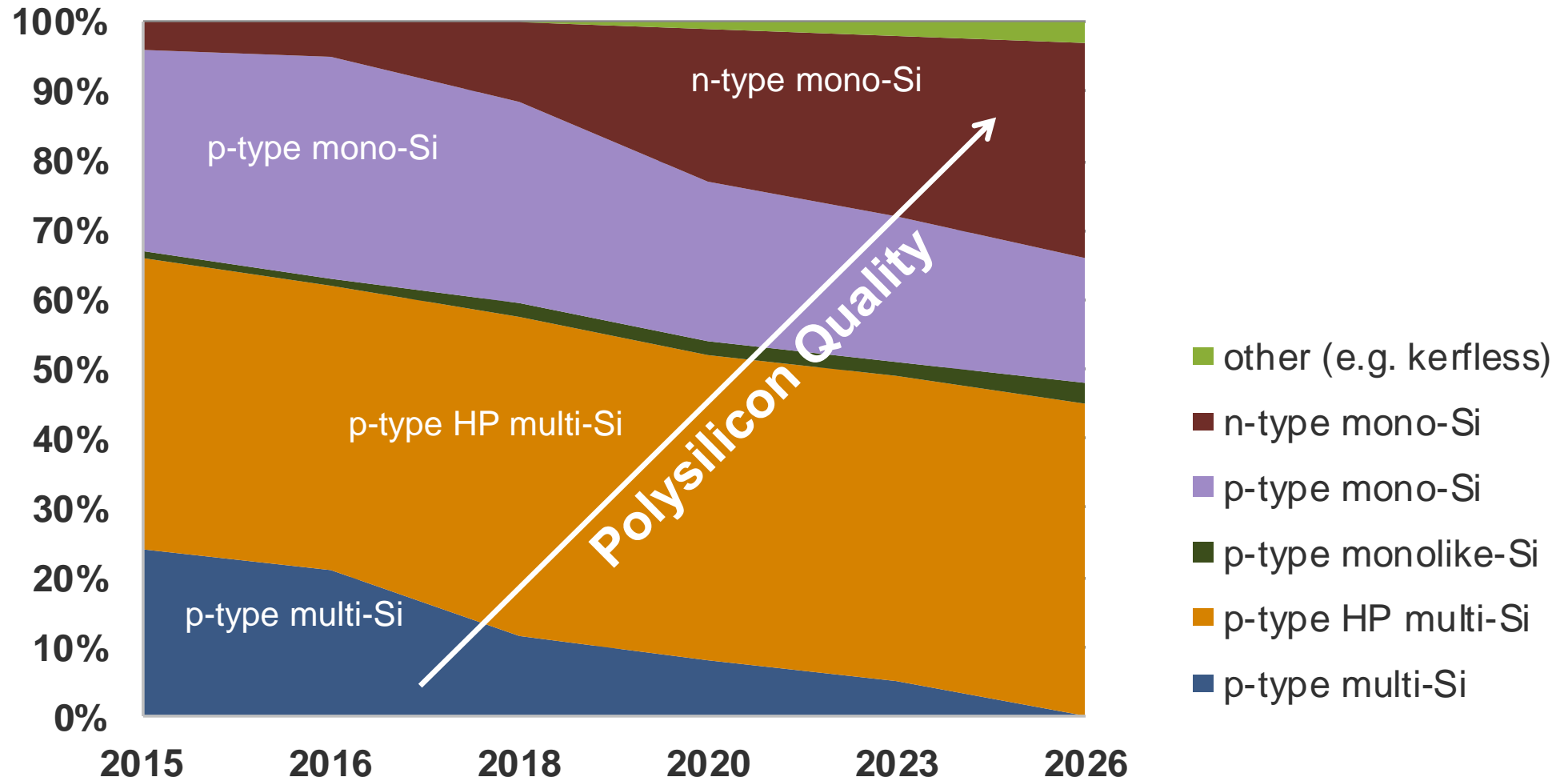
1. Polysilicon purity is relevant for high efficiency approaches:
  - ▶ n-type in Czochralski (CZ)
  - ▶ High Performance Multi (HPM) in block casting
2. Highest charge carrier lifetimes accessible under any later process conditions
3. Highest yields accessible for crystallization processes
4. Most efficient recycling strategies applicable

**Hyper Pure Feedstock Leads to Higher PV Efficiency & Lower Costs/Watt**



# POLYSILICON

## High Quality Polysilicon Required For High Cell Efficiency Trend



Source: ITRPV = International Technology Roadmap for PV Initiative of Semi, [www.itrpv.net](http://www.itrpv.net)  
HP = High Performance

# POLYSILICON

## Global Installations Further Broaden And Grow

Country	2013	2014	2015	2016e	2017e
France	0.6	0.9	0.9	0.9 – 1.1	1.3 – 1.5
Germany	3.3	1.9	1.5	1.0 – 1.2	1.2 – 1.4
Italy	1.1	0.6	0.3	0.4 – 0.5	0.4 – 0.5
Europe other	5.8	4.0	5.9	4.5 – 5.0	4.6 – 5.6
<b>Europe total</b>	<b>10.8</b>	<b>7.4</b>	<b>8.6</b>	<b>6.8 – 7.8</b>	<b>7.5 – 9.0</b>
Australia	0.9	1.0	0.9	0.9 – 1.1	1.0 – 1.2
China	12.9	13.2*	16.5*	18.0 – 22.0	16.0 – 23.0
India	1.0	1.0	2.1	4.5 – 5.0	8.0 – 9.0
Japan	6.8	9.3	10.8	8.0 – 8.5	8.0 – 9.0
USA	4.8	6.2	7.3	11.0 – 13.5	10.0 – 13.0
Rest of World	2.8	6.0	10.0	11.0 – 12.5	14.0 – 16.0
<b>Total</b>	<b>40 GW</b>	<b>44 GW</b>	<b>~56 GW</b>	<b>~60 – 70 GW</b>	<b>~65 – 80 GW</b>

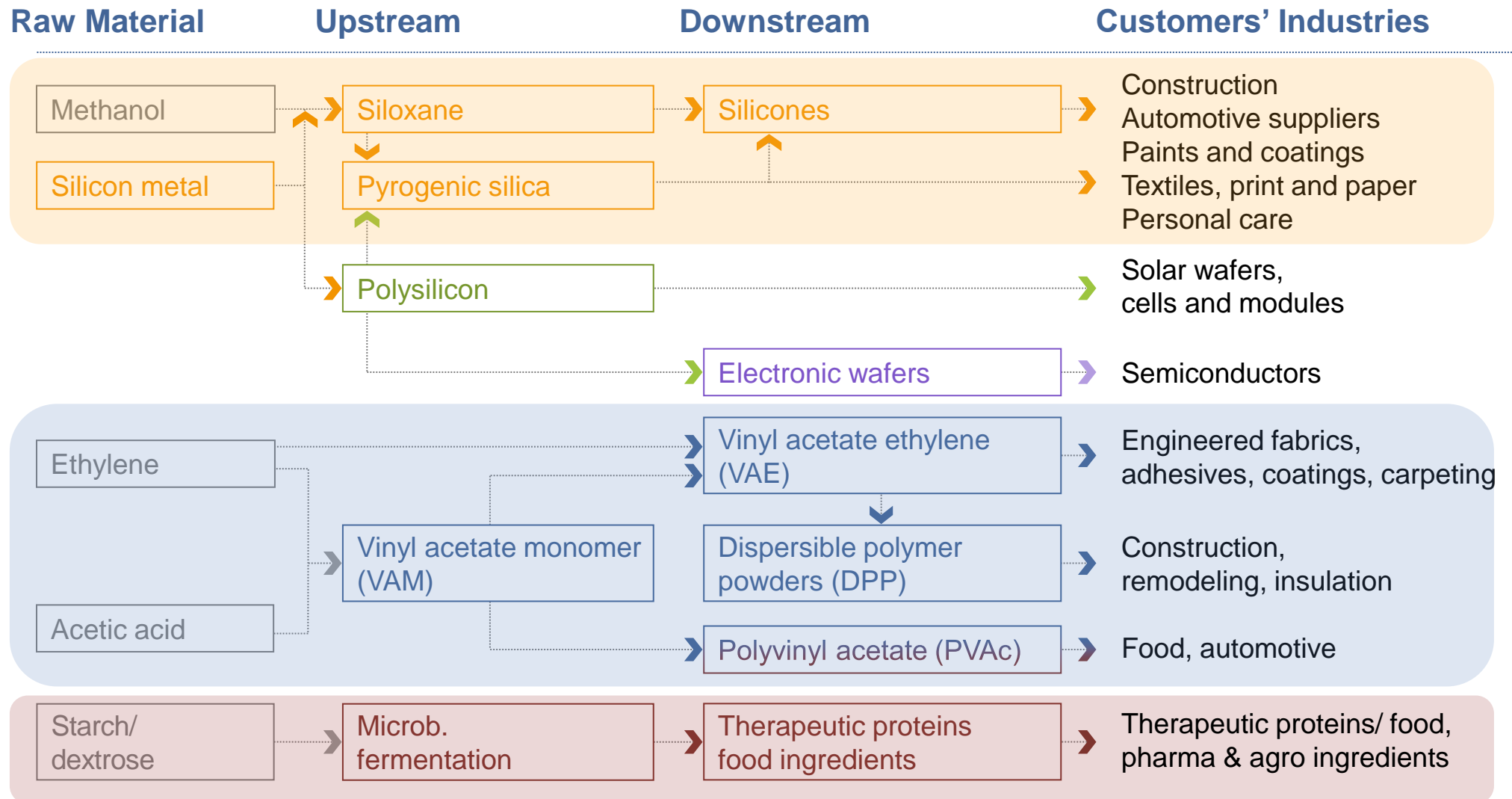
Sources: SPE, IHS, Industry announcements, WACKER estimates; \*2.6 GW allocated from 2015 to 2014, ~4 GW from 2016 to 2015 (installed and not connected capacity)

# Appendix:

## Results FY 2015 / 9M 2016 – Breakdown by Business

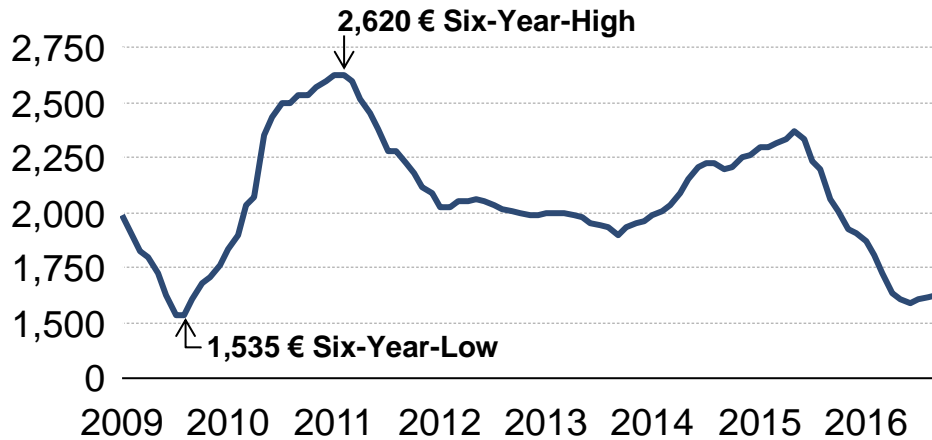
In €m / %	FY 2015				9M 2016			
	SALES	EBITDA	EBITDA Margin	Capex	SALES	EBITDA	EBITDA Margin	Capex
<b>CHEMICALS</b>	<b>3,325.9</b>	<b>530.6</b>	<b>16.0%</b>	<b>135.6</b>	<b>2,585.4</b>	<b>528.0</b>	<b>20.4%</b>	<b>73.6</b>
<b>WACKER SILICONES</b>	<b>1,943.3</b>	<b>276.2</b>	<b>14.2%</b>	<b>82.0</b>	<b>1,508.8</b>	<b>282.3</b>	<b>18.7%</b>	<b>50.5</b>
<b>WACKER POLYMERS</b>	<b>1,185.5</b>	<b>222.2</b>	<b>18.7%</b>	<b>47.4</b>	<b>919.8</b>	<b>215.8</b>	<b>23.5%</b>	<b>17.1</b>
<b>WACKER BIOSOLUTIONS</b>	<b>197.1</b>	<b>32.2</b>	<b>16.3%</b>	<b>6.2</b>	<b>156.8</b>	<b>29.9</b>	<b>19.1%</b>	<b>6.0</b>
<b>WACKER POLYSILICON</b>	<b>1,063.6</b>	<b>402.4</b>	<b>37.8%</b>	<b>581.8</b>	<b>798.3</b>	<b>199.4</b>	<b>25.0%</b>	<b>114.8</b>
<b>Siltronic</b>	<b>931.3</b>	<b>124.0</b>	<b>13.3%</b>	<b>75.1</b>	<b>687.1</b>	<b>95.5</b>	<b>13.9%</b>	<b>65.4</b>
<b>Others</b>	<b>197.5</b>	<b>-8.9</b>	<b>-4.5%</b>	<b>41.5</b>	<b>119.9</b>	<b>6.4</b>	<b>5.3%</b>	<b>44.3</b>
<b>Consolidation</b>	<b>-222.1</b>	<b>0.7</b>	<b>-0.3%</b>	<b>-</b>	<b>-144.1</b>	<b>0.5</b>	<b>-0.3%</b>	<b>-</b>
<b>WACKER Group</b>	<b>5,296.2</b>	<b>1,048.8</b>	<b>19.8%</b>	<b>834.0</b>	<b>4,046.6</b>	<b>829.8</b>	<b>20.5%</b>	<b>298.1</b>

# Appendix: Highly-Integrated Operations Based on Five Key Raw Materials



# Appendix: Raw Material Prices With Volatile Development – Current Trough Has Been Passed

## Si-Metal (€/MT)



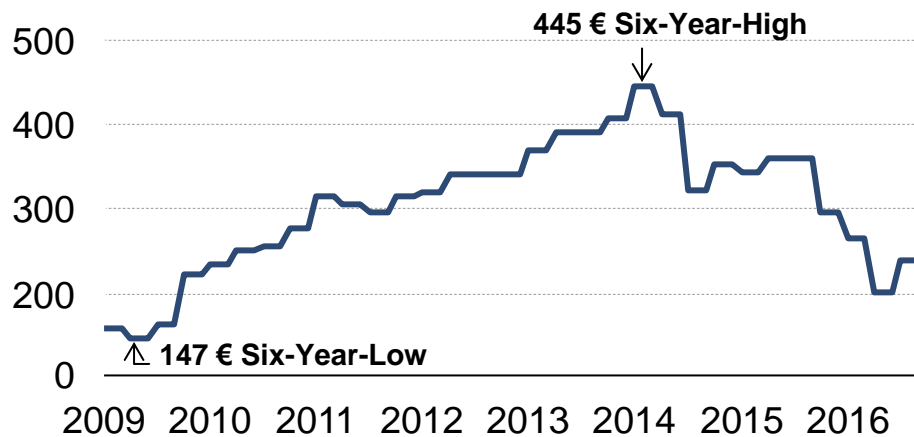
Source: CRU, Si-Metal Contract FD Europe

## Ethylene (€/MT)



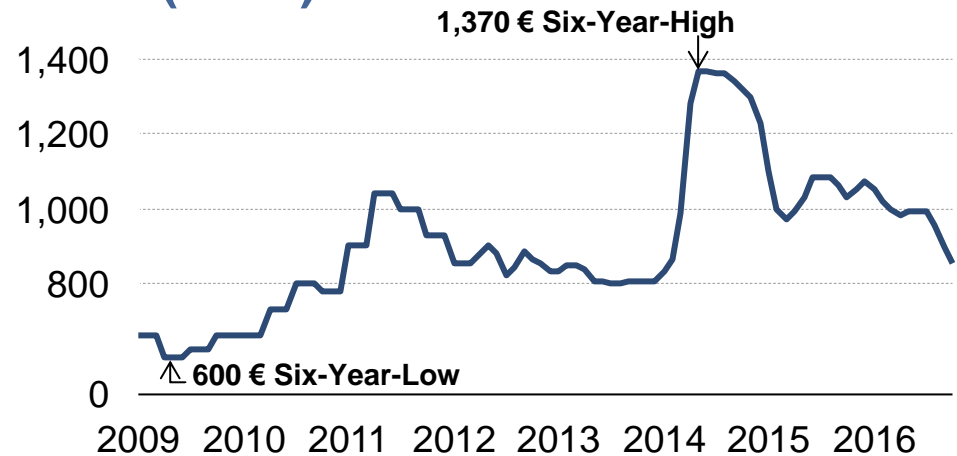
Source: ICIS, EN Contract FD NWE

## Methanol (€/MT)



Source: ICIS, MeOH Contract, FOB RDM

## VAM (€/MT)



Source: ICIS, VAM Contract FD NWE

# WACKER: Issuer, Contact and Additional Information

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## Financial Calendar

03/14/17 – FY Results 2016  
04/27/17 – Q1 Results 2017  
05/19/17 – Annual Shareholders' Meeting  
07/28/17 – Q2 Results 2017  
10/26/17 – Q3 Results 2017

## Additional Information

ISIN:	DE000WCH8881
WKN:	WCH888
Deutsche Börse:	WCH
Ticker Bloomberg:	CHM/WCH:GR
Ticker Reuters:	CHE/WCHG.DE
Listing:	Frankfurt Stock Exchange Prime Standard



