Managing for Growth and Cash
Tobias Ohler, CFO, Wacker Chemie AG
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WACKER: Well Positioned for Future Growth

- **POLYSILICON**
  - No. 1 in merchant market

- **SILICONES**
  - No. 2
  - Sales 2017: €4.9bn

- **POLYMERS**
  - No. 1

- **BIOSOLUTIONS**
  - Leading in niches

- **OTHERS**
Effects of Siltronic Deconsolidation: Chemicals with Higher Share

FY 2016 Sales: Total: €5.4bn (63%)

FY 2017 Sales: Total: €4.9bn (74%)

H1 2018 Sales: Total: €2.5bn (79%)
Solid and Steady Growth Driven By Chemicals

Development of WACKER Sales (€bn)

CAGR

+7%
POLYSILICON on Top of it with Expanded Capacities

Development of WACKER Sales (€bn)

CAGR +7%
Target: Leverage Phase Extended with Investment Focus on Chemicals

CapEx vs. Depreciation Expense WACKER Group w/o Siltronic (€m)

Leverage Phase:
- Group CapEx < Depreciation
- Clear investment focus on Chemicals
The “Magic of Silicon Chemistry” – Structural Variety as a Formula for Success

Silicone Fundamentals

Non organic silicon-oxygen (Si-O) backbone chain with organic side groups (CH₃)

Extremely Stable
- Si-O molecule with very high bonding energy

Extremely Versatile
- Multiple ways to modify structure, side groups and chain length

Building Blocks

Silicone Examples

Fluids

Resins

Textile finishes

Antifoam agents

Masonry protection agents
Silicon Chemistry – A Basis for Unlimited Applications

**Broad Spectrum of Adjustable Properties**

- Hydrophilic
- Adhesive
- Electrically conducting
- Form stable

<table>
<thead>
<tr>
<th>Hydrophobic</th>
<th>Release</th>
<th>Insulating</th>
<th>Formable</th>
</tr>
</thead>
</table>

**Customized Products with Unique Properties**

- UV stability
- Long-term elasticity
- Surface tension
- Softening
- Heat stability / resistance
- Best-in-class lubrication
- Water-vapor permeable
- Release properties
- Chemical resistant
- Microbial resistant
- Water repellent
- Weather resistant
Silicones Create Value in Many Industries

Market Structure by Application

- **Health Care**: 32%
- **Advanced Processing & Performance Additives**: 9%
- **Manufacturing Machinery**: 5%
- **Coatings**: 5%
- **Energy & Electronics**: 10%
- **Construction**: 15%
- **Automotive**: 14%
- **Consumer Care**: 10%
- **Total 2017**: ~ €12.6bn

Sources:
- Freedonia, Company Reports, WACKER Estimate

E.g.
- Defoamers for household, food or process industry
- Release agents for plastics
- Binders for fabrics or textiles
- Impregnating resins
Improved Performance Opens Up Broader Markets for Specialties

- New skin adhesives with high adhesion strength
- Successfully replacing traditional adhesives for wound care (e.g. acrylates)

**Advanced woundcare based on Silicones**
- Skin friendly
- No-trauma
- Anti-allergic

**Traditional woundcare based on Silicones**
- Skin friendly
- No-trauma
- Anti-allergic

**Traditional woundcare based on PU/Hydrocolloids or Acrylics**

Skin Sensitivity

Adhesion Strength
Break-Through Innovations Create New Markets for Specialties

**Thermal Interface Materials**
- Electronics
- Batteries
- Sensors

**Novel Silicone Resins**
- Electrical Insulation
- High-Toughness Resins
- Binders for Composites

**Adhesives**
- Medical Adhesives
- Pressure Sensitive Adhesives for Electronics
- UV-Cure

**New Business Fields**
- 3D Printing
- Electroactive Silicones
- Reinforced Concrete
Open Loop Silicones & Poly Production

Standard Processes

- Si
- HCl

CS-Synthesis

- HCl
- Polysilicon
- Waste

Müller-Rochow

- Si
- MeCl

- Waste
- Siloxane
- HCl

Unique Silane-Silicone-Silica Loop

- Si
- NaCl
- HCl

CS-Synthesis

- Polysilicon
- Chlorosilane

HCl Makeup

- Fumed Silica

MeCl Synthesis

- Organosilane

Müller-Rochow

- Siloxane

WACKER with Highest Level of Integration in the Industry
“WACKER Silicon Verbund” Enables Highly Competitive Cost Position

- Charleston (TN, USA)
  - Polysilicon
  - Fumed silica (2019)

- Nürnberg (Germany)
  - Siloxane
  - Polysilicon
  - Fumed silica

- Burghausen (Germany)
  - Siloxane
  - Polysilicon
  - Fumed silica

- Zhangjiagang (China)
  - Joint Venture with DOW:
    - Siloxane
    - Fumed silica

Verbund sites
Other large production sites
Operational Excellence is Key

**Siloxane**
Index 2012 = 100%

![Graph showing Siloxane's Operational Excellence growth from 2012 to 2017.](image)

**Fumed Silica**
Index 2012 = 100%

![Graph showing Fumed Silica's Operational Excellence growth from 2012 to 2017.](image)
## SILICONES: Strong Chemistry, Innovation Potential and Set Up

<table>
<thead>
<tr>
<th><strong>A World of Unlimited Potential</strong></th>
<th><strong>Innovative Specialty Portfolio</strong></th>
<th><strong>Unique Silicon Verbund</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>High performance products for future growth markets</td>
<td>Growth with focus on specialties</td>
<td>Full portfolio provider with benchmark costs</td>
</tr>
</tbody>
</table>
SILICONES: Strong Growth Trajectory

Development of WACKER SILICONES Revenue (€bn)

CAGR +6%
SILICONES: Investing Into the Future

WACKER Group CapEx (€m)  

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>338</td>
<td>327</td>
<td>~450</td>
</tr>
</tbody>
</table>

Group D&A (€m)  

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>618</td>
<td>590</td>
<td>~550</td>
</tr>
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Challenges:  
Payback <5 years  
Complex engineering
**WACKER Group Highlights H1 2018**

### Financials
- **€2.5bn** Sales (+5% yoy)
- **€515m** EBITDA (+7% yoy)
- **€640m** Net financial debt after €224m dividend payout in Q2

### Operations
- **Good Performance**
  - Price and product mix drive earnings growth, but FX headwinds and higher raw material prices yoy

- **Strong Operations**
  - High utilization across all segments, POLYSILICON US plant ramping

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**Solid performance in H1 2018.**

**Strong growth in SILICONES continues.**
WACKER Segments H1 2018

**SILICONES**

- **H1 2017:** Sales €1,104m, EBITDA margin 19.8%
- **H1 2018:** Sales €1,260m, EBITDA margin 25.8%
  - **Change:** +14%

**BIOSOLUTIONS**

- **H1 2017:** Sales €103m, EBITDA margin 19.2%
- **H1 2018:** Sales €112m, EBITDA margin 13.9%
  - **Change:** +8%

**POLYMERS**

- **H1 2017:** Sales €642m, EBITDA margin 17.9%
- **H1 2018:** Sales €645m, EBITDA margin 11.6%
  - **Change:** 0%

**POLYSILICON**

- **H1 2017:** Sales €515m, EBITDA margin 27.5%
- **H1 2018:** Sales €461m, EBITDA margin 18.9%
  - **Change:** -10%
### WACKER Group Guidance FY 2018

<table>
<thead>
<tr>
<th>In €m</th>
<th>FY 2017</th>
<th>Outlook 2018</th>
</tr>
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<tbody>
<tr>
<td>Sales</td>
<td>4,924</td>
<td>Low-single-digit % increase</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,014</td>
<td>Mid-single-digit % increase</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>20.6</td>
<td>Slightly higher than a year ago</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>358</td>
<td>Clearly positive, substantially below last year’s figure</td>
</tr>
<tr>
<td>CapEx</td>
<td>327</td>
<td>Around 450</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>454</td>
<td>About 500</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>250</td>
<td>Substantially higher than last year</td>
</tr>
<tr>
<td>Depreciation</td>
<td>590</td>
<td>Around 550</td>
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<tr>
<td>ROCE (%)</td>
<td>7.5</td>
<td>Substantially above the prior-year level</td>
</tr>
<tr>
<td>Tax Rate (cont. operations) (%)</td>
<td>25.3</td>
<td>Stable</td>
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WACKER: Issuer, Contact and Additional Information

Issuer and Contact

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Publications

10/25/18
Q3 Results 2018

04/30/19
Capital Market Day

13,04

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