WACKER – Managing for Growth and Cash

Warburg Highlights 2018, Hamburg, June 22, 2018
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
- **POLYMERS**: No. 1
- **BIOSOLUTIONS**: Leading in niches

Total: €4.9bn

FY 2017 Sales
Effects of Siltronic Deconsolidation: Chemicals with Higher Share

FY 2016 Sales*

- Total: €5.4bn
- 63% CHEMICALS
- 37% OTHERS

FY 2017 Sales*

- Total: €4.9bn
- 74% CHEMICALS
- 26% OTHERS

Q1 2018 Sales*

- Total: €1.2bn
- 79% CHEMICALS
- 21% OTHERS

*based on external sales / 2016 not adjusted according to IFRS 5
Solid and Steady Growth Driven By Chemicals

Development of WACKER Group Revenue (€bn)

+7%

POLYSILICON
CHEMICALS +6% CAGR
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

Silicones: A Highly Flexible Elementary Building Block

- **Monofunctional units**
- **Difunctional units**
- **Trifunctional units**
- **Tetrafunctional units**

Silicones: a **non organic** silicon(Si)-oxygen(O) backbone chain with **organic side groups** (CH₃)

- The silicon-oxygen molecule has an extremely **high binding energy**
- Structure, side groups and chain length can be **modified in multiple ways**

Typical structure of a linear silicone polymer
Silicon Chemistry – A Basis for Unlimited Applications

Broad Spectrum of Adjustable Properties

Hydrophilic

Adhesive

Electrically conducting

Form stable

Hydrophobic

Release

Insulating

Formable

Customized Products with Unique Properties

UV stability

Longterm elasticity

Surface tension

Water repellant

Heat stability / resistance

Best in class lubrication

Water-vapor permeable

Release properties

Chemical resistant

Microbial resistant

Water repellant

Weather resistant
Silicones are High Performance Products with Outstanding Properties

- **Silicones are heat resistant**
  - Maintaining their properties over a broad temperature range
  - Thermally conductive silicones assist in dissipation of heat / thermal management

- **Silicones protect sensitive electronics**
  - Gel type materials protect against external influences and transmission of mechanical stress

- **Silicones for functional safety**
  - Tight sealing: long-term and resistant
  - Electric insulation over broad temperature and frequency range
  - Excellent vibration damping

- **Silicones help technology to be fast, easy and affordable**
  - Versatile to be adjusted in their properties to different production processes
  - Automated mass production possible
Silicones Create Value in Many Industries

Market Structure by Application

- Automotive: 5%
- Energy & Electronics: 6%
- Mfg. Machinery: 10%
- Coatings: 15%
- Construction: 13%
- Consumer Care: 10%
- Health Care: 31%

Total: ~ €12.6bn

Key Market Growth Trends

- Mobility
- Digitization
- Medical

1 preliminary figures FY 2017, Source: Freedonia, Company Reports, WACKER Estimate
Specialties Meet Increasing Performance Requirements

- **Coatings**
- **Healthcare**
- **Energy Transmission**
Grow Specialties with Break-Through Innovations

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

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

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

**New Business Fields**
- Additive Manufacturing
- Electroactive Silicones
- Reinforced Concrete
WACKER with Highest Level of Integration in the Industry

Open Loop Silicones & Poly Production

Standard Processes

- CS-Synthesis
  - Si → HCl
  - HCl

- Müller-Rochow
  - Si
  - MeCl
  - Waste
  - Siloxane
  - HCl

Unique Silane-Silicone-Silica Loop

- CS-Synthesis
  - Si

- HCl Synthesis
  - Si
  - NaCl
  - Chlorosilane

- MeCl Synthesis
  - MeCl
  - Methanol
  - Fumed Silica

- Müller-Rochow
  - Müller-Rochow
  - Siloxane

- Polysilicon
  - Polysilicon

- Siloxane
  - Siloxane

- Organosilane
  - Organosilane

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“WACKER Silicon Verbund” Enables Highly Competitive Cost Position

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

- Nünchritz (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%

- Output
- Specific OPEX

CAGR
- +5%
- -4%

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<th>2012</th>
<th>2013</th>
<th>2014</th>
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<th>2016</th>
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<td>Specific OPEX</td>
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**Fumed Silica**
Index 2012 = 100%

- Output
- Specific OPEX

CAGR
- +4%
- -3%

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<th>2012</th>
<th>2013</th>
<th>2014</th>
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<th>2016</th>
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SILICONES: Strong Chemistry, Innovation Potential and Set Up

“The King of Plastics”
High performance products for future growth markets

Innovative Specialty Portfolio
Growth with focus on specialties

Unique Silicon Verbund
Full portfolio provider with benchmark costs
SILICONES: Investing Into the Future

SILICONES Sales (€bn) 2008-2018

Group CapEx (€m)  

D&A (€m)

Challenges:

- Payback <5 years
- Complex engineering

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Financials

€1.2bn
Sales (+0% yoy)

€255m
EBITDA (+11% yoy)

€168m
Net cash flow clearly positive

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, without POLYSILICON volumes from US outage

Solid start into 2018.
Strong growth in Chemicals continues
WACKER Segments Q1 2018

**SILICONES**

- **Q1 2017**: 556, EBITDA margin 19.3%
- **Q1 2018**: 606, EBITDA margin 24.5%

**POLYMERS**

- **Q1 2017**: 17.0%, EBITDA margin 13.9%
- **Q1 2018**: -2%, EBITDA margin 17.0%

**BIOSOLUTIONS**

- **Q1 2017**: 51, Sales (€m) 20.6%
- **Q1 2018**: 54, Sales (€m) 18.6%

**POLYSILICON**

- **Q1 2017**: 268, -18%
- **Q1 2018**: 219, 22.0%
### Further PV Growth Expected in 2018

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<td>France</td>
<td>0.9</td>
<td>0.9</td>
<td>0.6</td>
<td>0.9</td>
<td>1.2 – 1.4</td>
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<tr>
<td>Germany</td>
<td>1.9</td>
<td>1.5</td>
<td>1.5</td>
<td>1.8</td>
<td>2.0 – 2.4</td>
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<td>Europe other</td>
<td>4.6</td>
<td>6.2</td>
<td>4.3</td>
<td>~ 4.1</td>
<td>7.2 – 9.0</td>
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<td><strong>Europe total</strong></td>
<td><strong>7.4</strong></td>
<td><strong>8.6</strong></td>
<td><strong>6.4</strong></td>
<td><strong>~ 6.8</strong></td>
<td><strong>10.4 – 12.8</strong></td>
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<td>Australia</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
<td>1.3</td>
<td>2.7 – 3.0</td>
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<td>China*</td>
<td>13.2</td>
<td>16.5</td>
<td>32.5</td>
<td>52.8</td>
<td>40.0 – 45.0</td>
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<tr>
<td>India</td>
<td>1.0</td>
<td>2.1</td>
<td>4.3</td>
<td>9.6</td>
<td>10.0 – 11.0</td>
</tr>
<tr>
<td>Japan</td>
<td>9.3</td>
<td>10.8</td>
<td>8.4</td>
<td>~ 7.4</td>
<td>7.0 – 8.0</td>
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<td>South Korea</td>
<td>0.9</td>
<td>1.0</td>
<td>0.9</td>
<td>1.2</td>
<td>1.5 – 1.7</td>
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<tr>
<td>USA</td>
<td>6.2</td>
<td>7.3</td>
<td>14.8</td>
<td>10.6</td>
<td>10.0 – 13.0</td>
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<tr>
<td>Rest of World</td>
<td>5.1</td>
<td>9.0</td>
<td>9.8</td>
<td>~ 10.5</td>
<td>18.0 – 20.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>44 GW</strong></td>
<td><strong>56 GW</strong></td>
<td><strong>78 GW</strong></td>
<td><strong>~ 100 GW</strong></td>
<td><strong>100 – 115 GW</strong></td>
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Sources: SPE, IHS, industry announcements, WACKER estimates; *China official data adjusted for installed/not connected capacity
## Guidance FY 2018

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<th>2017</th>
<th>Outlook 2018</th>
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<tr>
<td><strong>Sales</strong></td>
<td>4,924</td>
<td>Low-single-digit % increase</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,014</td>
<td>Mid-single-digit % increase</td>
</tr>
<tr>
<td><strong>EBITDA margin (%)</strong></td>
<td>20.6</td>
<td>Slightly higher than a year ago</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td>358</td>
<td>Clearly positive, substantially below last year's figure</td>
</tr>
<tr>
<td><strong>CapEx</strong></td>
<td>327</td>
<td>Around 470</td>
</tr>
<tr>
<td><strong>Net financial debt</strong></td>
<td>454</td>
<td>On par with last year</td>
</tr>
<tr>
<td><strong>Income from continuing operations</strong></td>
<td>250</td>
<td>Substantially higher than last year</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>590</td>
<td>Around 550</td>
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<tr>
<td><strong>ROCE (%)</strong></td>
<td>7.5</td>
<td>Substantially above the prior-year level</td>
</tr>
<tr>
<td><strong>Tax Rate (cont. operations) (%)</strong></td>
<td>25.3</td>
<td>Stable</td>
</tr>
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WACKER: Issuer, Contact and Additional Information

Issuer and Contact

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WCH

WKN
WCH888

Publications

Financial Calendar

07/26/18
Q2 Results 2018

10/25/18
Q3 Results 2018