



## Q2 2019 – Conference Call Note

Dr. Rudolf Staudigl (CEO), Dr. Tobias Ohler (CFO)  
August 1, 2019

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The logo for WACKER, featuring the word "WACKER" in a bold, black, sans-serif font, enclosed within a black rectangular border with rounded corners.

# Highlights Q2 2019

## Solid Performance in Chemicals, but POLYSILICON Challenging

### FY 2019 Guidance Unchanged – EBITDA at the Lower End of Range

#### Financials

**Sales** of €1.27bn (-5% yoy, +3% qoq)

**EBITDA** at €211m (-19% yoy, +48% qoq) on lower polysilicon and standard silicones prices

**Net financial debt** at €989m after €124m dividend payout in Q2

#### Operations

**Chemical business with strong volumes**, especially in POLYMERS

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

**Significantly lower ASPs** and **higher energy costs** in POLYSILICON

# Profit & Loss Statement

## EBITDA at €211m

### WACKER P&L Q2 2019 (€m)

€m	Q2 2019	Q2 2018
Sales	1,268.5	1,329.9
<b>Gross profit from sales</b>	<b>189.1</b>	<b>251.5</b>
<i>Gross profit margin (in %)</i>	<i>14.9%</i>	<i>18.9%</i>
S,G&A and R&D	-164.0	-156.7
Other operating income	47.3	24.7
Other operating expenses	-16.5	-18.4
<b>Operating result</b>	<b>55.9</b>	<b>101.1</b>
Result from investments in joint ventures and associates	14.8	23.9
<b>EBIT</b>	<b>70.7</b>	<b>125.0</b>
Interest result	-3.4	-4.1
Other financial result	-14.6	-13.5
<b>Profit before tax</b>	<b>52.7</b>	<b>107.4</b>
Income taxes	-15.5	-23.9
<b>Net income for the period</b>	<b>37.2</b>	<b>83.5</b>
<b>EPS (in €)</b>	<b>0.68</b>	<b>1.59</b>
<b>EBITDA</b>	<b>210.7</b>	<b>260.5</b>
Depreciation/amortization	140.0	135.5
<b>EBIT</b>	<b>70.7</b>	<b>125.0</b>

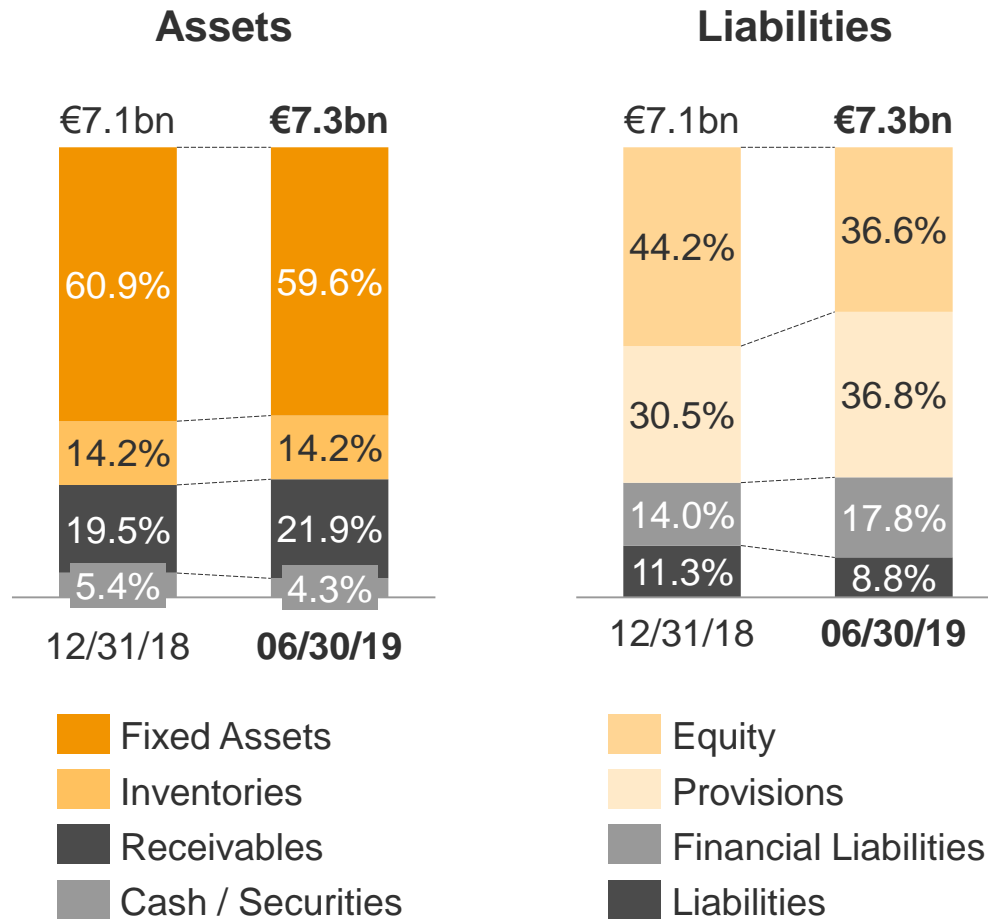
### Comments

- ▶ Sales -4.6% yoy:  
Volume/Mix -0.2%, Price -5.7%, FX +1.4%
- ▶ Gross profit decreased by -25% yoy primarily due to much lower average selling prices in POLYSILICON and standards in SILICONES
- ▶ Other operating income: €19m special income from non-performing prepayment contracts (2018: €0)
- ▶ Tax rate of 26.6% (6M 2018: 23.1%)
- ▶ Depreciation at €140m, +3.3% yoy
- ▶ EPS at €0.68

# Balance Sheet Composition

## Low Interest Rates Inflate Pension Liabilities

### Balance sheet (%)



### Characteristics 06/30/19

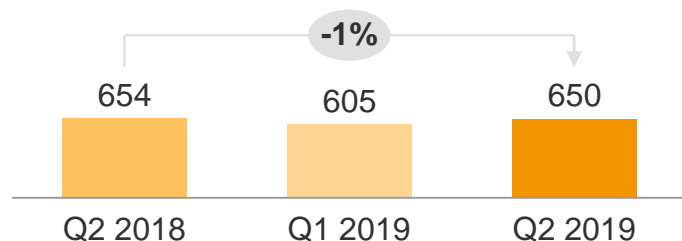
- ▶ Provisions for pensions: €2,311m (Dec 31, 2018: €1,795m)
- ▶ Discount rate in Germany at 1.30% (Dec 31, 2018: 1.98%)
- ▶ DTA\* relating to pensions about €498m
- ▶ Equity: €2,667m (Dec 31, 2018: €3,146m)

\* Deferred tax asset

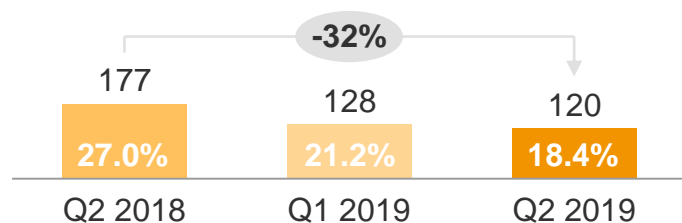
# SILICONES

## Normalizing Operations After 2018 Tightness

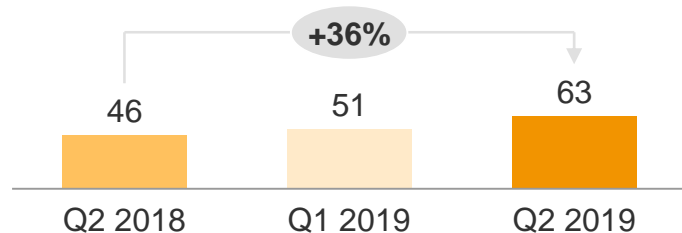
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q2

- ▶ Lower prices in standards, supportive FX
- ▶ Strong in electronics, home- and personal care, but soft in auto, plastics and textiles
- ▶ Normalizing operations: Inventory control in value chain (customers, WACKER) resulting in lower utilization and some EBITDA effect

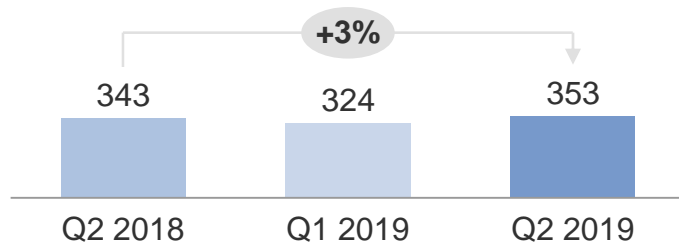
### Outlook 2019

- ▶ Sales growth at low-single-digits %
- ▶ Good volume growth and pricing in specialties
- ▶ FY EBITDA margin at around 20% with negative effects from standards pricing

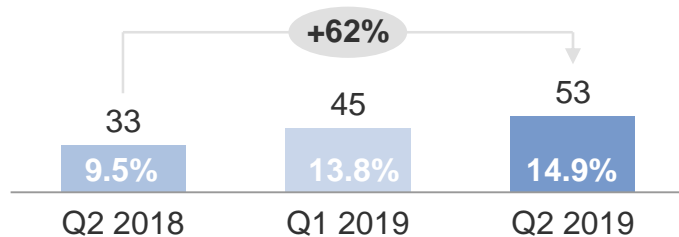
# POLYMERS

## Continuing Volume Growth

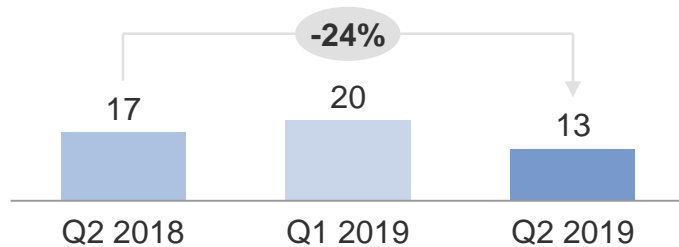
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q2

- ▶ Solid pricing, volume growth
- ▶ Strong growth in Europe and China
- ▶ Cost savings and efficiency gains support results
- ▶ Turnaround in Q2 2018

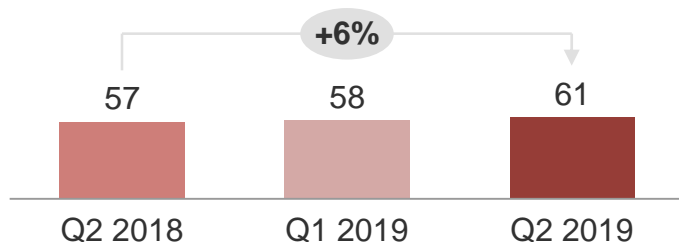
### Outlook 2019

- ▶ Mid-single-digit % sales growth
- ▶ Volume growth and lower raw material costs yoy
- ▶ Full year EBITDA margin expected to improve to around 14% (2018: 11.5%)

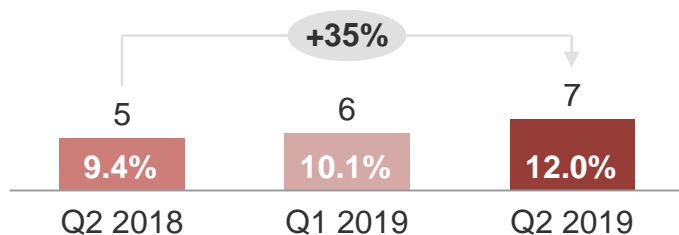
# BIOSOLUTIONS

## Positive Volume Effects

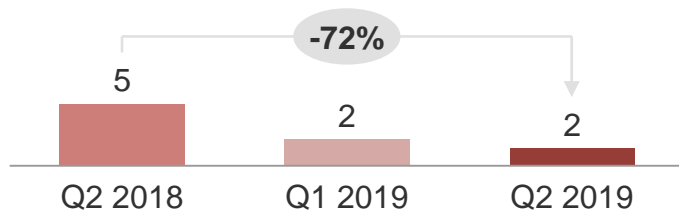
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q2

- ▶ Strong performance in Pharma & Agro
- ▶ Biopharmaceuticals with growing order book
- ▶ Lower integration costs support EBITDA

### Outlook 2019

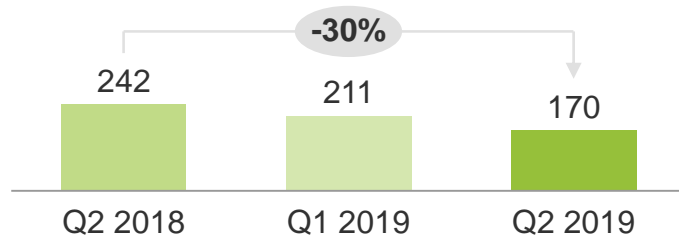
- ▶ Mid-single-digit % sales growth
- ▶ EBITDA at about €30m as new capacities ramp up



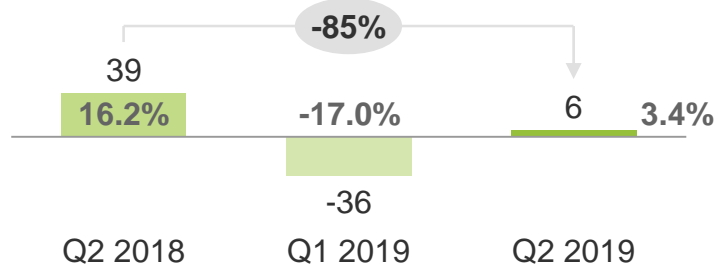
# POLYSILICON

## Further Improved Cost Performance, but Weaker Pricing

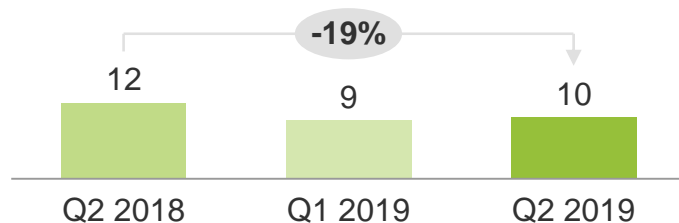
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q2

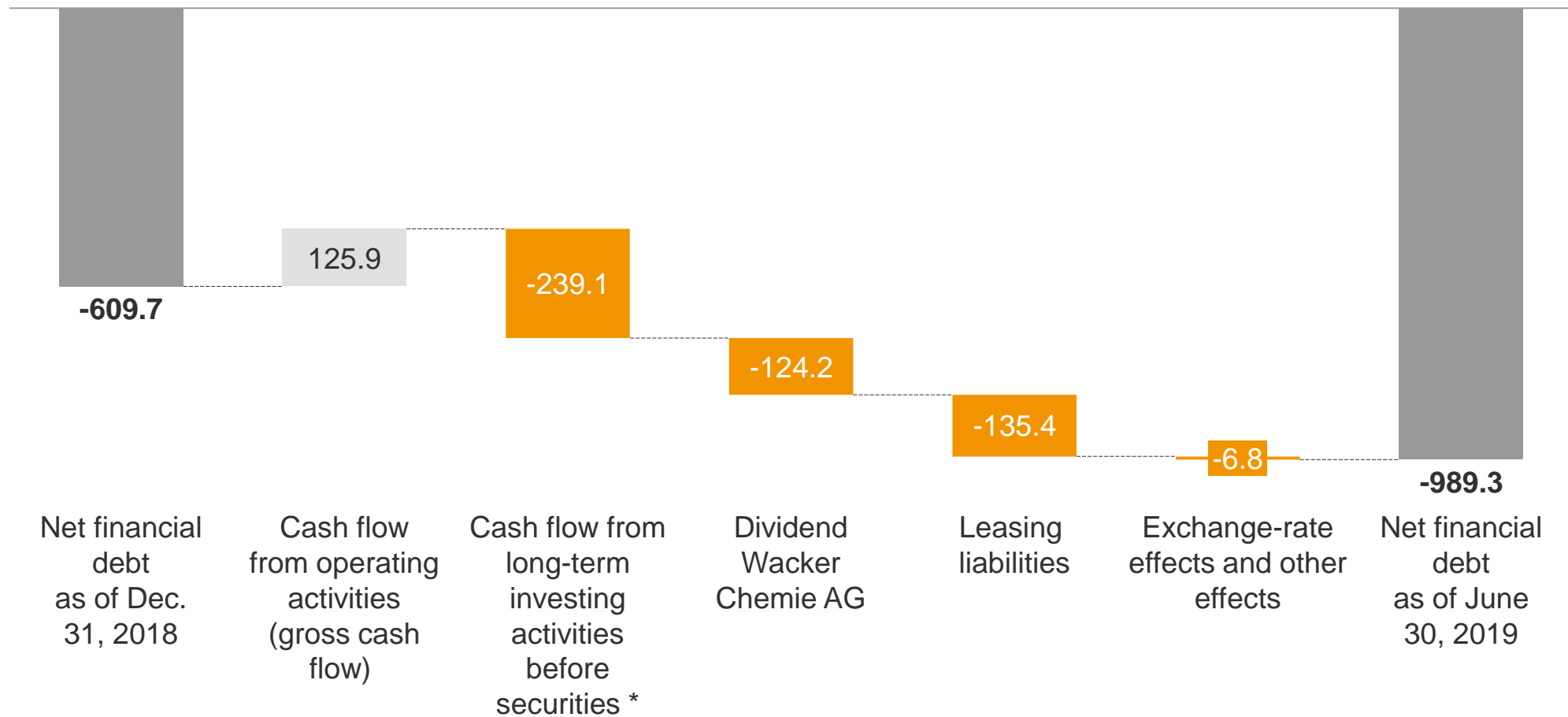
- ▶ Full production in Q2
- ▶ Improved cost performance, but still weaker pricing
- ▶ Inventory valuation effects negative
- ▶ Special income €19m (retained prepayments)

### Outlook 2019

- ▶ Stronger PV installations and sequentially higher prices expected in H2
- ▶ Sales with low-double-digit % increase
- ▶ FY EBITDA expected neutral – excluding insurance compensation

# Net Financial Debt Dividend Payment in Q2

## Net Financial Debt Bridge per 06/30/2019 (€m)



\*) includes financial investments

# Guidance FY 2019

## Outlook Unchanged – EBITDA at Lower End of Range

In €m	FY 2018	Outlook 2019
Sales	4,979	Mid-single-digit % increase
EBITDA	930	10 to 20% lower than a year ago
EBITDA margin (%)	18.7	Substantially lower than a year ago
Net cash flow	125	Clearly positive, substantially higher than last year
CapEx	461	Around 400
Net financial debt	610	Higher than last year due to IFRS16 effects
Net income for the period	260	Substantially lower than last year
Depreciation	540	Around 550 (Before: Around 525)
ROCE (%)	5.9	Substantially below the prior-year level
Tax Rate (%)	19.8	Around 25% (Before: Below 20%)

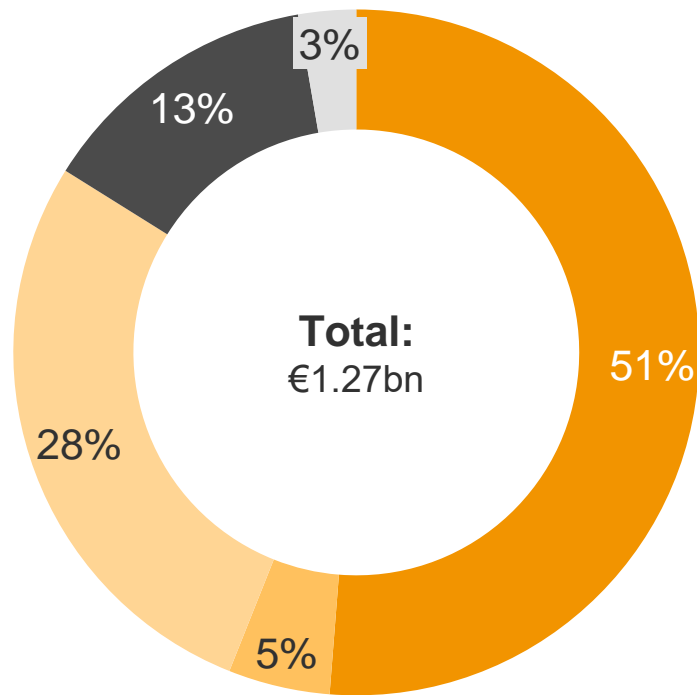


## **Q2 2019 – Conference Call: Q&A Session**

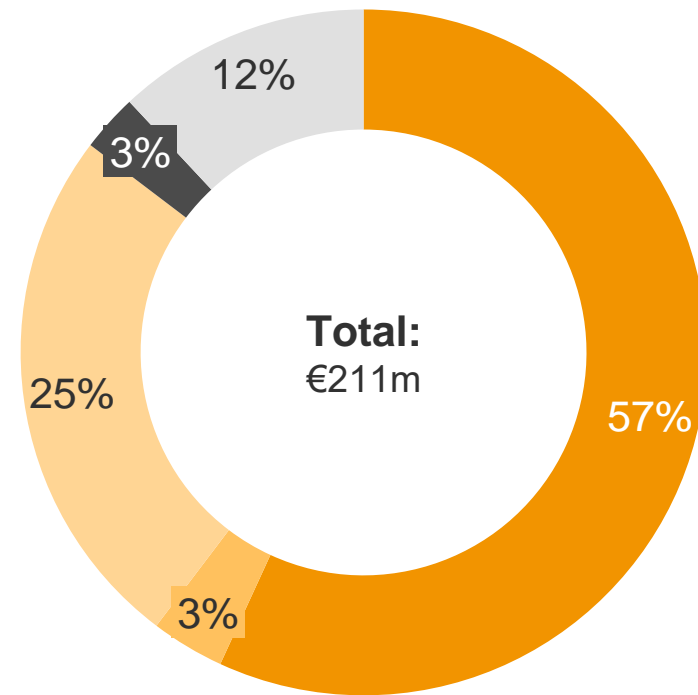
Dr. Rudolf Staudigl (CEO), Dr. Tobias Ohler (CFO)  
August 1, 2019

# Q2 2019 Results – Sales and EBITDA Breakdown

## Q2 2019 Sales



## Q2 2019 EBITDA



**SILICONES** **BIOSOLUTIONS** **POLYMERS** **POLYSILICON** **OTHERS / CONSOLID.**

## Q2 2019 Results – P&L

In €m	Q2 2019	Q2 2018	% YoY	Q1 2019	% QoQ
Sales	1,268.5	1,329.9	-4.6	1,235.7	+2.7
EBITDA	210.7	260.5	-19.1	142.0	+48.4
EBITDA margin	16.6%	19.6%	-	11.5%	-
EBIT	70.7	125.0	-43.4	0.1	>100
EBIT margin	5.6%	9.4%	-	0.0%	-
Net income for the period	37.2	83.5	-55.4	-5.5	n.a.
EPS in €	0.68	1.59	-57.2	-0.16	n.a.
Capital expenditures	104.7	97.7	+7.2	97.7	+7.2
Depreciation / amortization	140.0	135.5	+3.3	141.9	-1.3
Net cash flow	21.8	-97.7	n.a.	-135.0	n.a.

# Q2 2019 Results – Breakdown by Business

In €m / %	Sales					EBITDA				
	Q2 2019	Q2 2018	% YoY	Q1 2019	% QoQ	Q2 2019	Q2 2018	% YoY	Q1 2019	% QoQ
<b>Chemicals</b>	<b>1,064</b>	1,054	+1	987	+8	<b>180</b>	215	-16	179	+1
SILICONES	<b>650</b>	654	-1	605	+7	<b>120</b>	177	-32	128	-6
POLYMERS	<b>353</b>	343	+3	324	+9	<b>53</b>	33	+62	45	+18
BIOSOLUTIONS	<b>61</b>	57	+6	58	+4	<b>7</b>	5	+35	6	+24
POLYSILICON	<b>170</b>	242	-30	211	-20	<b>6</b>	39	-85	-36	n.a.
Others	<b>40</b>	39	+3	43	-6	<b>25</b>	7	>100	0	>100
Consolidation	<b>-6</b>	-6	+4	-5	+9	<b>0</b>	-1	-80	-1	-90
<b>WACKER Group</b>	<b>1,269</b>	<b>1,330</b>	<b>-5</b>	<b>1,236</b>	<b>+3</b>	<b>211</b>	<b>261</b>	<b>-19</b>	<b>142</b>	<b>+48</b>

# PV Growth Expectation for 2019

Country	2015	2016	2017	2018	2019e
Germany	0.9	1.5	1.8	3.0	3.5 – 4.5
France	1.5	0.6	0.9	0.9	1.4 – 1.7
Spain	0.0	0.1	0.1	0.4	3.0 – 4.0
Europe other	6.2	4.2	4.0	7.2	8.1 – 10.3
<b>Europe total</b>	<b>8.6</b>	<b>6.4</b>	<b>6.8</b>	<b>11.5</b>	<b>16.0 – 20.5</b>
Australia	0.9	0.8	1.3	3.8	3.5 – 4.5
China*	16.5	32.5	52.8	44.3	40.0 – 45.0
India	2.1	4.3	9.6	8.5	11.0 – 12.0
Japan	10.8	8.4	7.4	7.0	6.0 – 7.0
USA	7.3	14.8	10.6	10.6	11.0 – 14.0
Rest of World	10.0	10.7	11.7	19.5	22.0 – 27.0
<b>Total</b>	<b>56 GW</b>	<b>78 GW</b>	<b>100 GW</b>	<b>105 GW</b>	<b>110 – 130 GW</b>

Sources: SPE, IHS, industry announcements, WACKER estimates; \*China official data adjusted for installed/not connected capacity

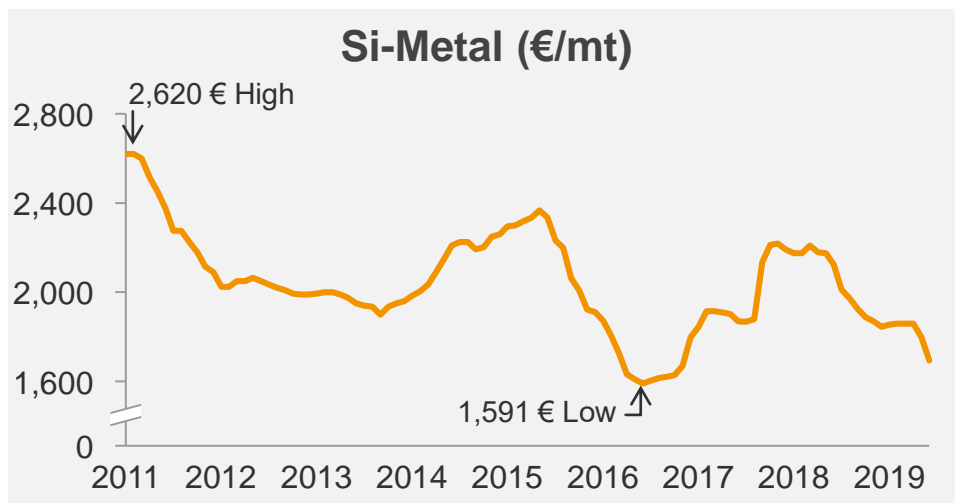


# Special EBITDA Effects

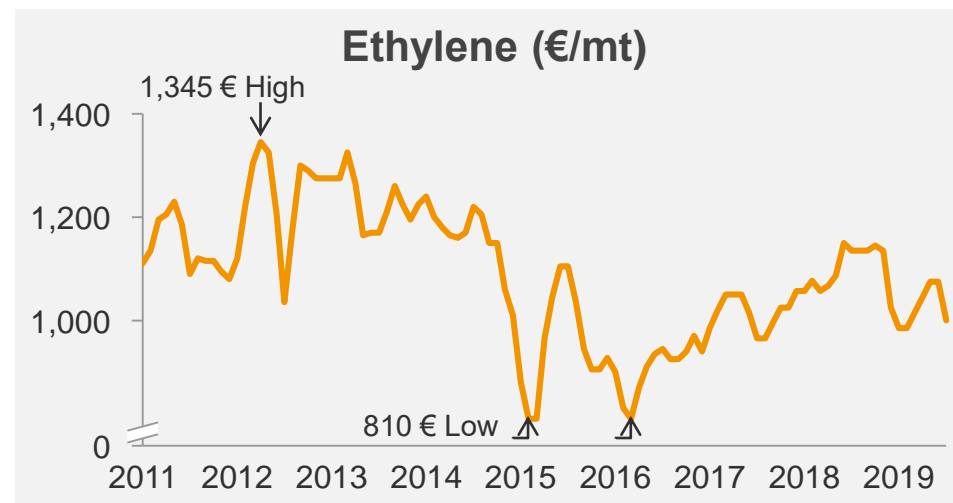
## €19m Special Income in Q2

Special income (in €m)	2015	2016	2017	2018	2019
POLYSILICON: Retained prepayments & damages from cancelled contracts	137.6	20.3	0	0	19.0

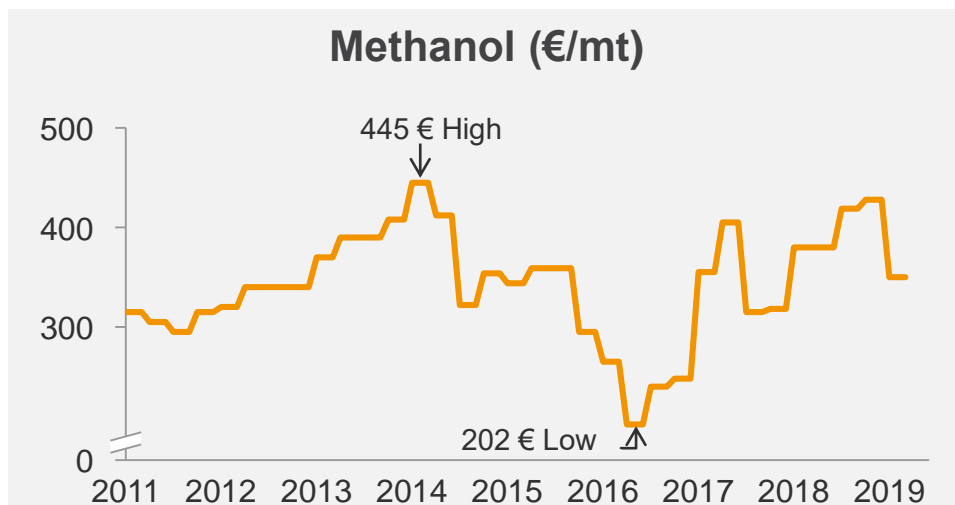
# Raw Material Prices With Volatile Development



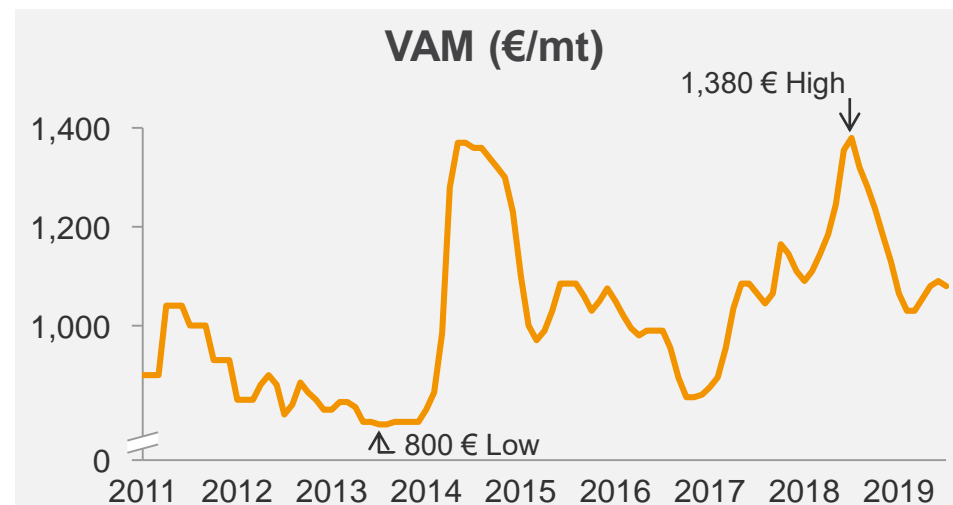
Source: CRU, Si-Metal Spot FD Europe



Source: ICIS, EN Contract FD NWE



Source: ICIS, MeOH Contract, FOB RDM



Source: ICIS, VAM Contract FD NWE

# SILICONES Innovation: NEXIPAL® Silicone Laminates

## Pioneering Technology for Actuators & Sensors

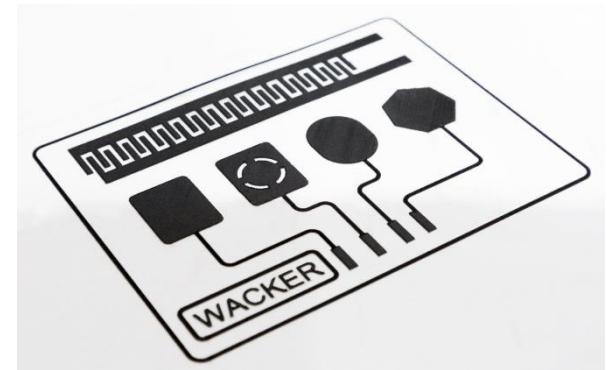


- ▶ NEXIPAL®: multi-layered structure of ultrathin precision films made of silicone rubber coated with special electrodes
- ▶ Used as actuators to create movements or as sensors to measure mechanical deformations

## Key Benefits

- ▶ Extremely Energy Saving
- ▶ Flexible & Elastic
- ▶ High Actuation Speed
- ▶ Light Weight
- ▶ Silent Operation
- ▶ Freedom of Design
- ▶ Wear-free

## Enabling Haptic Touch Screen Devices



- ▶ Applying voltage, the electroactive laminate creates haptic feedback
- ▶ Enables simulating the shape of keys or control panels on a flat screen that can be operated blindly by touch

# WACKER: Issuer, Contact and Additional Information

## Issuer and Contact

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## Financial Calendar

**10/24/19**

Q3 Results 2019

## Additional Information

**ISIN**

DE000WCH8881

**Deutsche Börse**

WCH

**WKN**

WCH888

## Publications



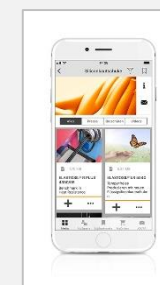
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FACTBOOK



SUSTAINABILITY  
REPORT



SQUARE  
APP