



Managing for Growth and Cash

Wacker Chemie AG, October / November 2017

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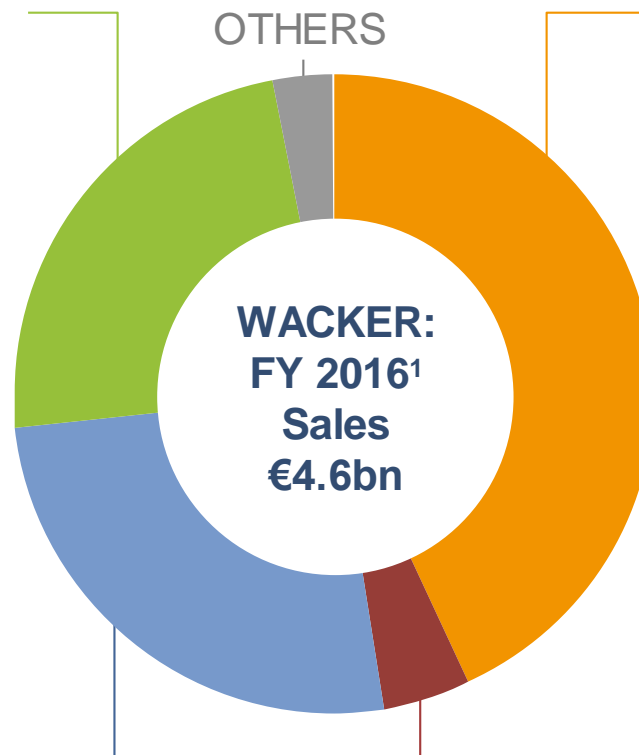
A Foundation for Growth – Our Business Portfolio

WACKER POLYSILICON

- ▶ Merchant market leader
- ▶ Cost and quality leader
- ▶ Enabling industry growth

WACKER POLYMERS

- ▶ No. 1 in VAE dispersions
- ▶ No. 1 in dispersible polymer powders
- ▶ Global footprint



OTHERS

WACKER SILICONES

- ▶ No. 2 with global footprint
- ▶ Leading positions in key growth segments
- ▶ Combining cost leadership with specialty orientation

WACKER BIOSOLUTIONS

- ▶ High potential for future development

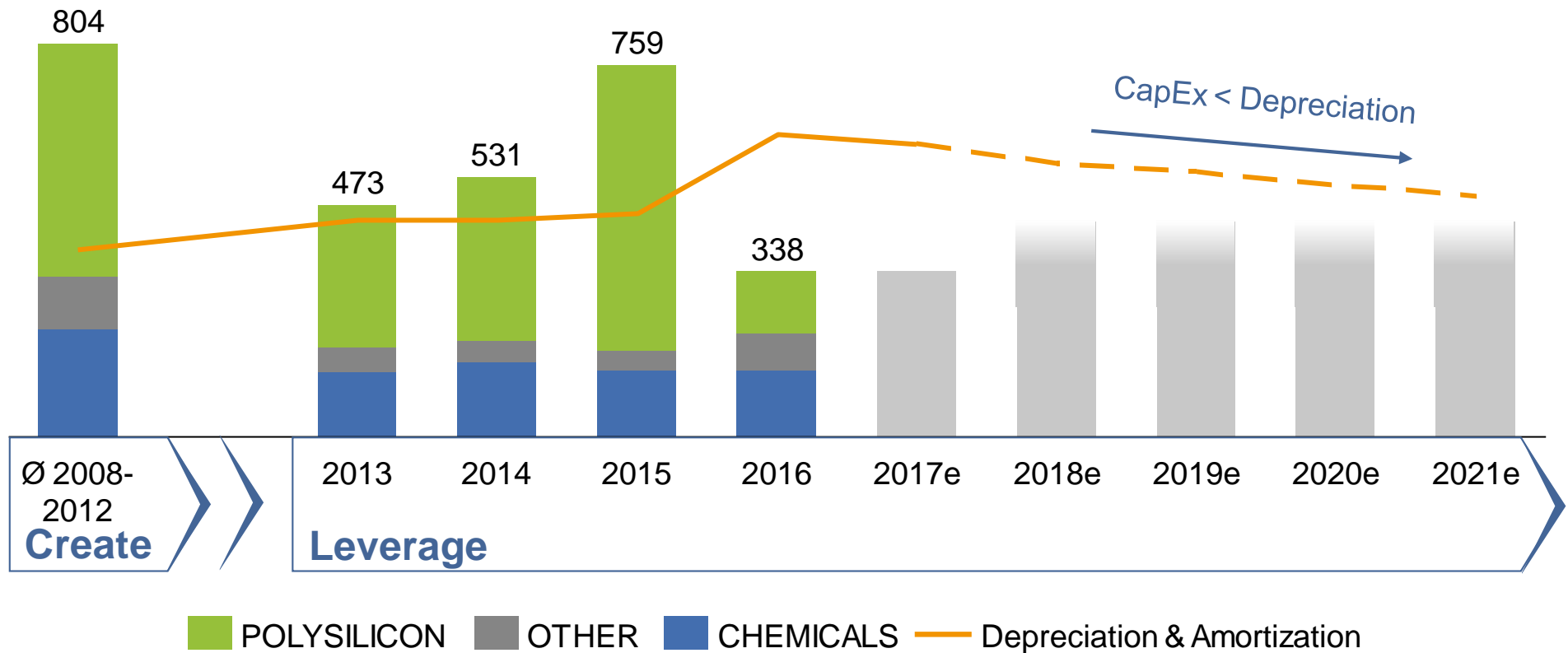
¹ Adjusted according to IFRS 5

Targets for the Next Years – Growth and Cash

- 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

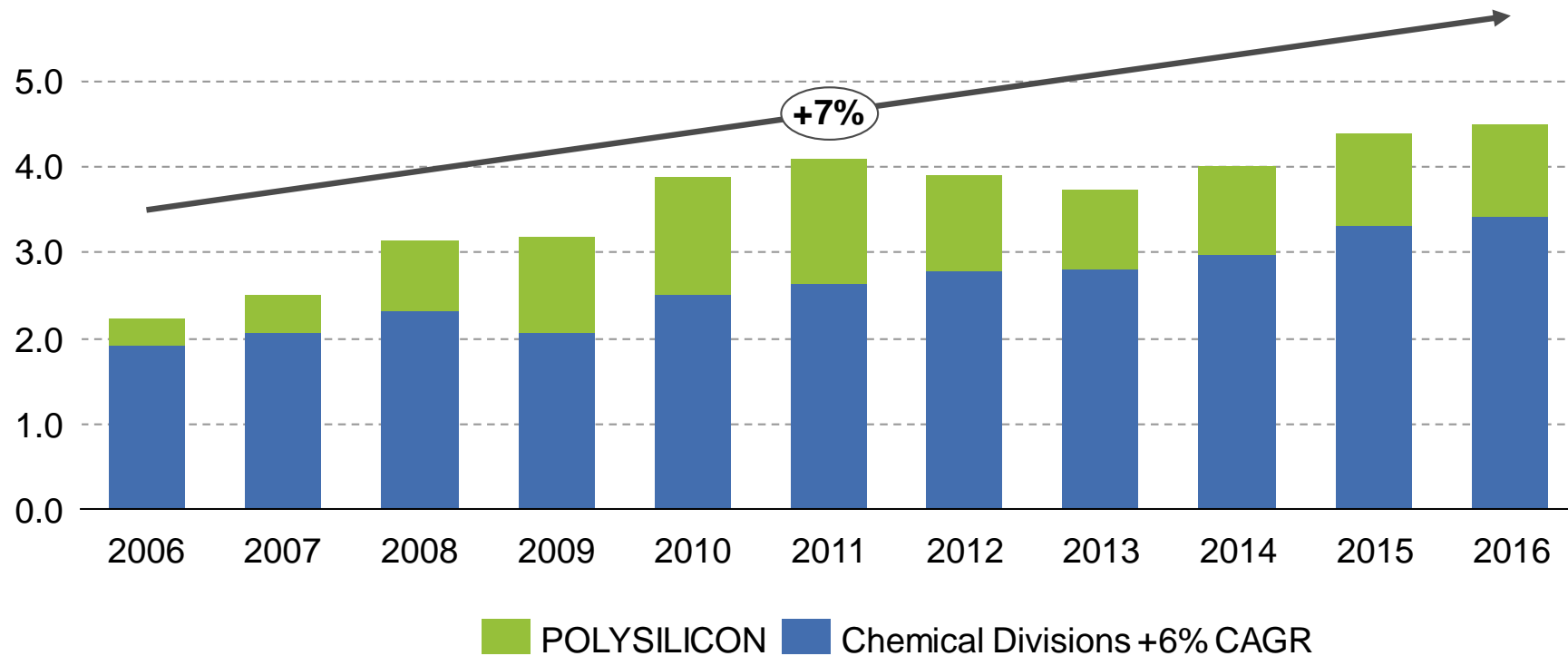
CapEx vs. Depreciation Expense WACKER Group w/o Siltronic (€m)



▶ Investment focus on CHEMICALS

Target: Continue to Grow Above Chemical Production

Development of WACKER Group Revenue (€bn)



► Solid growth driven by CHEMICALS

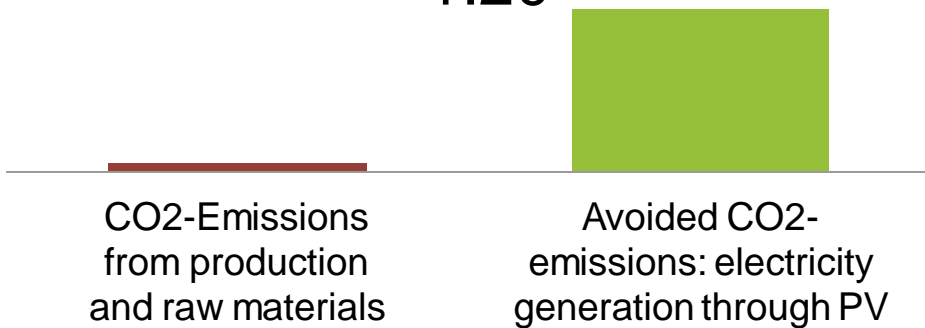
Target: Focus on Sustainability

Polysilicon for Photovoltaics (PV)



Avoided Emissions Compared to Coal

1:20

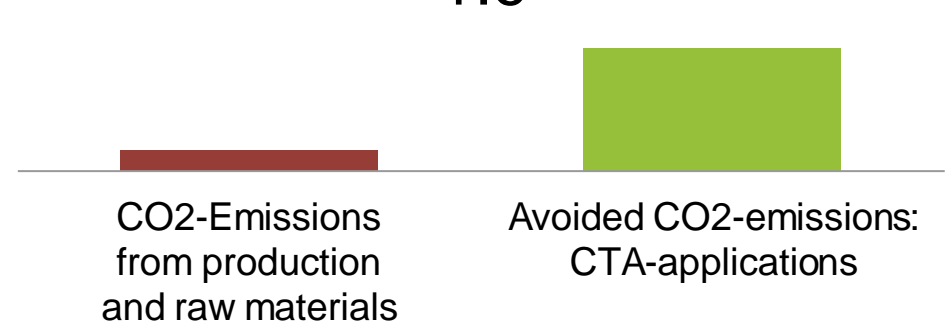


DPP¹ for Thin-Bed CTA-Applications



Reduced Cement Usage Lowers CO₂ Intensity

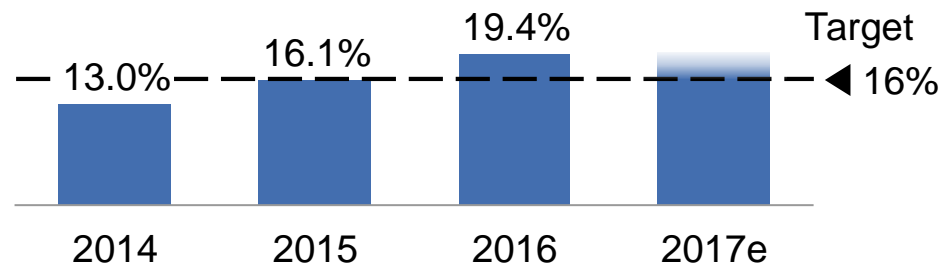
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¹⁾ DPP = Dispersible Polymer Powder, CTA = Ceramic Tile Adhesives; Source: WACKER Estimate

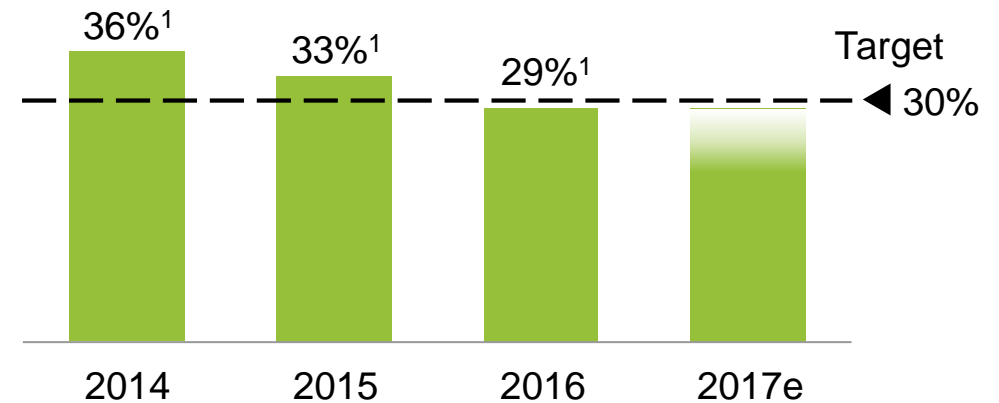
Target: Sustain Attractive Margins Throughout the Cycle

Chemicals – EBITDA Margin (%)



- ▶ Internal drivers
 - ▶ Product mix – Specialties
 - ▶ Cost reduction – WOS
- ▶ External drivers
 - ▶ Supply and Demand
 - ▶ Short term impact from raw material prices

POLYSILICON – EBITDA Margin (%)

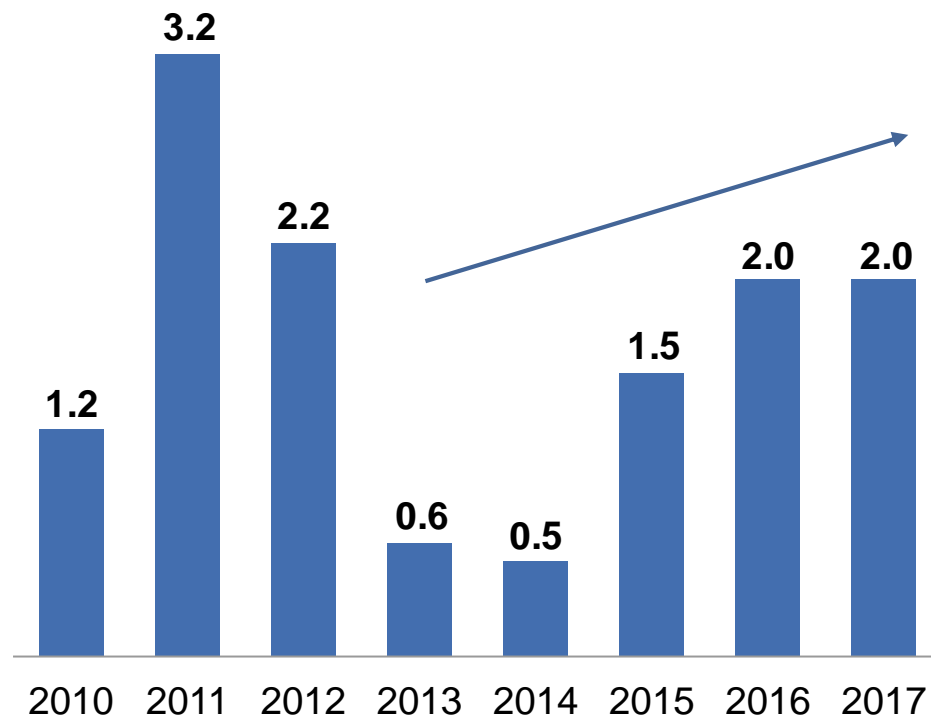


- ▶ Internal drivers
 - ▶ Cost reduction (Productivity, Technical developments)
- ▶ External drivers
 - ▶ Supply and Demand
 - ▶ Regulatory changes

¹⁾ Operating Margin: (EBITDA - Special Income - Pre Operational Costs - Ramp Costs) / Sales

Target: Generate Cash

Dividend per share* (€)



Dividend policy

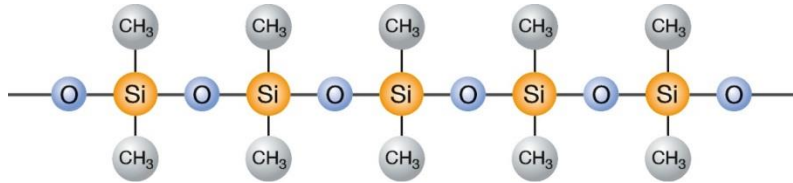
- ▶ Dividend target:
50% payout of net income from continuing operations
- ▶ Temporary deviations possible, in particular, to reflect new leverage target range of 0.5 - 1x EBITDA
- ▶ Boundary conditions:
 - ▶ Overall business conditions
 - ▶ Financial status
 - ▶ Approval of AGM

*Payout for previous year

SILICONES

Customized Products with Unique Properties

Silicones - A Highly Flexible Elementary Building Block



Typical structure of a linear silicone polymer

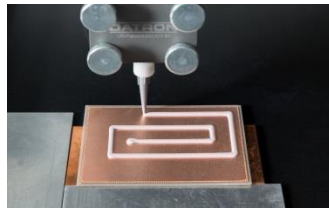
Broad spectrum of adjustable properties

Hydrophilic



Hydrophobic

Form stable



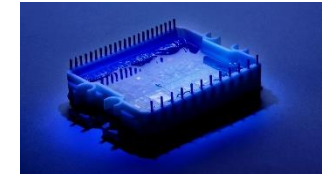
Formable

Key Market Growth Trends

► Mobility



► Digitization



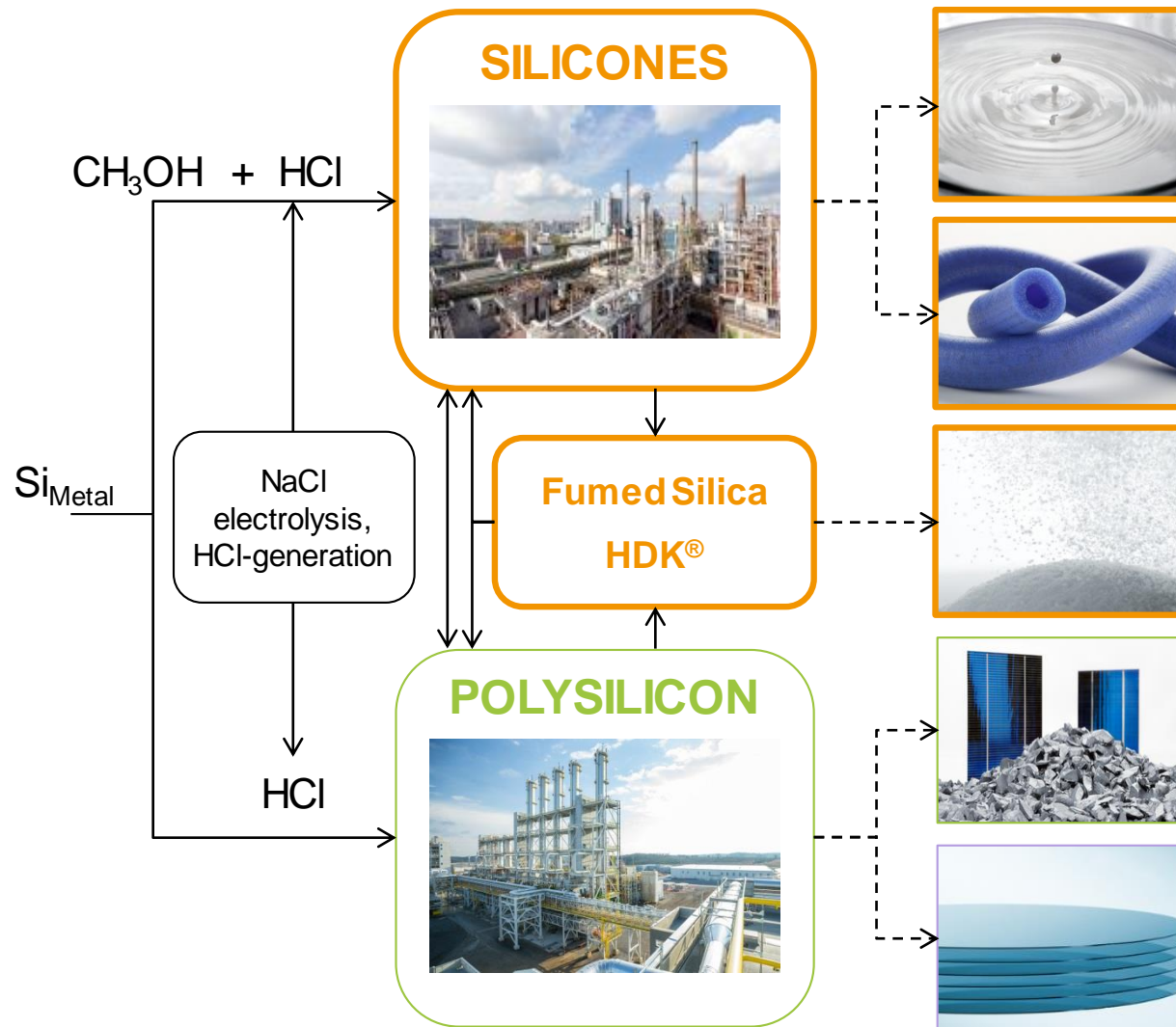
► Medical



► High performance products for future growth markets

SILICONES

“Verbund” Enables Highly Competitive Cost Position



Key Competitive Advantages and Strengths

- ▶ WACKER Silicon Verbund
 - ▶ Two world-scale upstream sites in Burghausen & Nünchritz
 - ▶ Operating a third fully integrated upstream site in China in a JV
 - ▶ Highest level of integration in the industry with own fumed silica – a valuable by-product
- ▶ Global footprint in downstream operations
- ▶ Strong focus on production technology & productivity

SILICONES

Key Trends and World Class Efficiency Drive Growth

Full portfolio provider
with benchmark costs



Growth with focus
on specialties

WACKER
SILICONES

„Full portfolio“

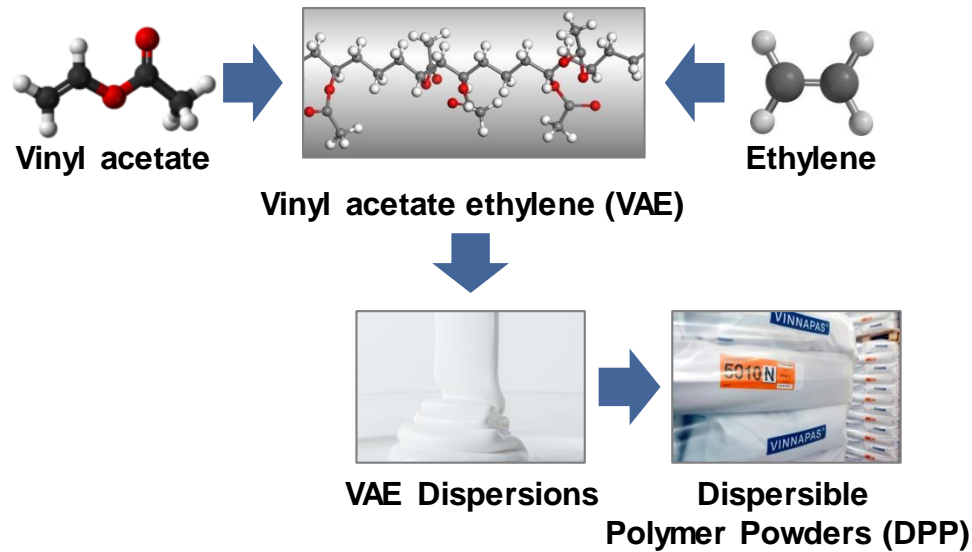


- ▶ Backward integrated
- ▶ Cost leadership
- ▶ Focus on innovation, customers and technical service
- ▶ Relying on know-how and experience

POLYMERS

Creating Added Value in a Wide Variety of Applications

Vinyl Acetate Ethylene (VAE) – Enabling Tailor-Made Formulations



- ▶ With ethylene functioning as the internal plasticizer, VAE polymers are waterborne and free of additional solvents

Key Market Growth Trends

▶ Building Standards



▶ Refurbishment



▶ Sustainability



▶ **Environmentally friendly solutions with high functionality and versatility**

POLYMERS

VAE – Successfully Outperforming Alternative Systems

VAE Dispersions

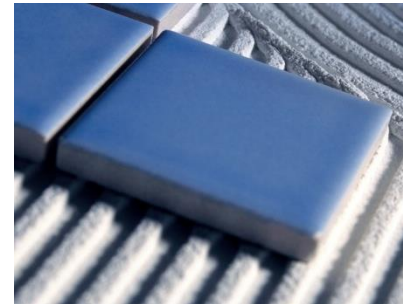
Adhesives



- ▶ Broad adhesion
- ▶ Bonding to a wide range of different substrates
- ▶ Fast setting and wet tack

VAE Powders

Ceramic Tile Adhesives



- ▶ High Bonding Strength
- ▶ Longer open time
- ▶ Fast tile setting

Paints



- ▶ No plasticizers needed
- ▶ Low-odor, low VOC*
- ▶ Excellent scrub resistance and hiding

Flooring



- ▶ Adhesion to all substrates
- ▶ Good flexibility
- ▶ Harden without cracking

▶ **High performance, attractive cost-in-use ratio and environmental benefits**

* volatile organic compounds

POLYMERS

Growth with Customer Focus, Substitution and Innovation

Push transformation in construction towards higher building standards



Replacement of non-VAE technologies based on value offering

Success Story: Combination of Dispersions and Powders

World Class setup
POLYMERS with 1 Million Tons of VAE globally



► POLYMERS with *Tandem Approach* – #1 in dispersions and in powders

BIOSOLUTIONS

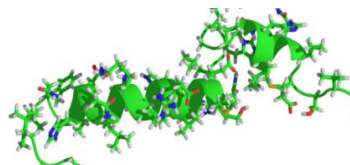
Innovation and Growth

Microbial Production

- ▶ Technology improves productivity and simplifies the purification process
- ▶ Global customer base and a track record of over 125 Projects
- ▶ Largest dedicated microbial CMO* in Europe

ESETEC®

FOLDTEC®



Metabolic Engineering

- ▶ Undisputed market leader in the cysteine food market
- ▶ Compliant with all major food and pharmaceutical standards
- ▶ Vegetarian production process by fermentation with *E.coli*



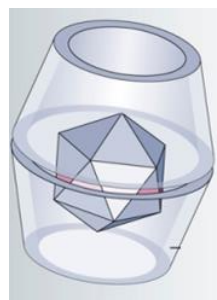
Cyclodextrin Technology

- ▶ Opening up new product properties that are otherwise unreachable:
 - ▶ Protect and Carry
 - ▶ Remove, Diminish
 - ▶ Delayed Release

CAVACURMIN®

CAVASOL®

CAVAMAX®



Gumbase Solutions

- ▶ #1 supplier of resins to the global chewing gum industry
- ▶ Novel technology opens new opportunities for flavors and ingredients

VINNAPAS®

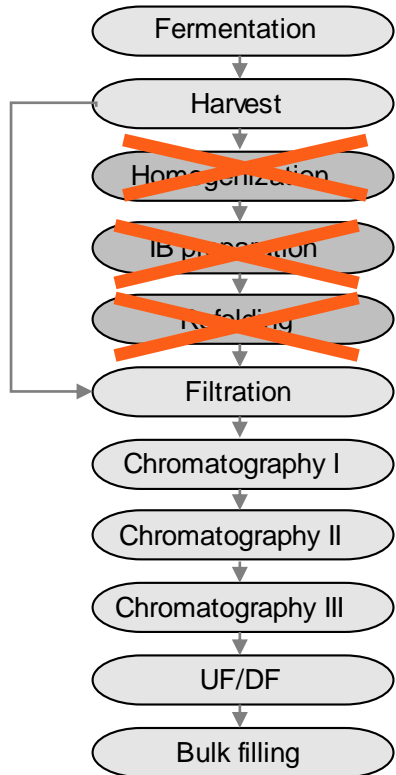
candy 2 gum®

CAPIVA®

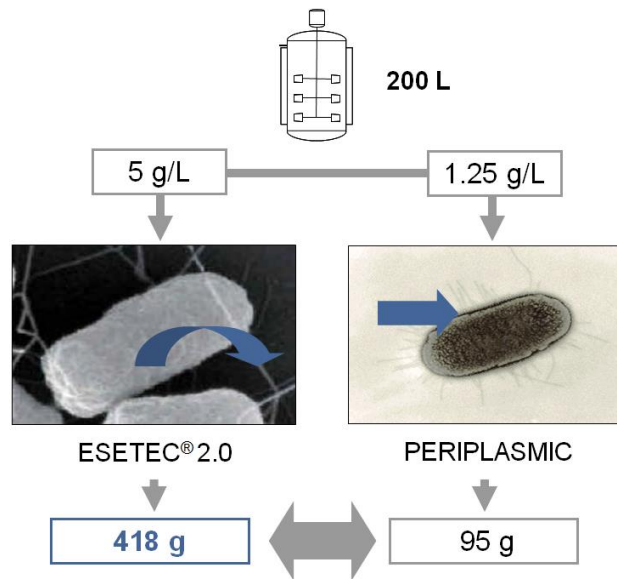


CMO = Contract Manufacturing Organization

ESETEC® (*E.coli* secretion technology)

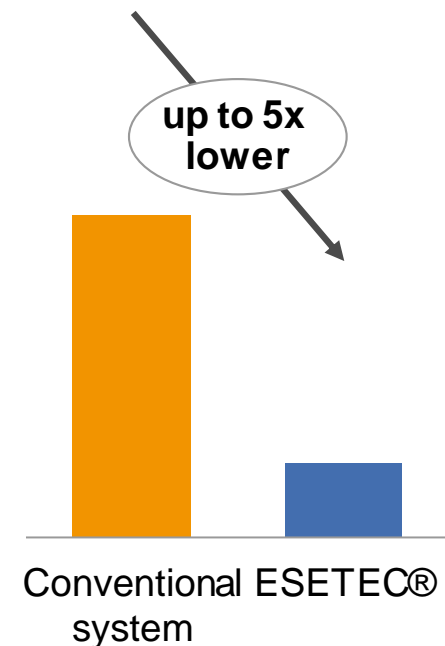


▶ ESETEC® reduces the number of **process steps**



Example:
Antibody Fragments

▶ ESETEC® significantly **increases yields**



▶ ESETEC® reduces production **costs**

Well Positioned for Further Growth

Focus on development of
biotechnology businesses



Leveraging our
know-how, experience
and assets

Continuous Investments in Innovation and Growth

Biopharmaceuticals 2014:
Acquisition of Scil Proteins
Production in Halle



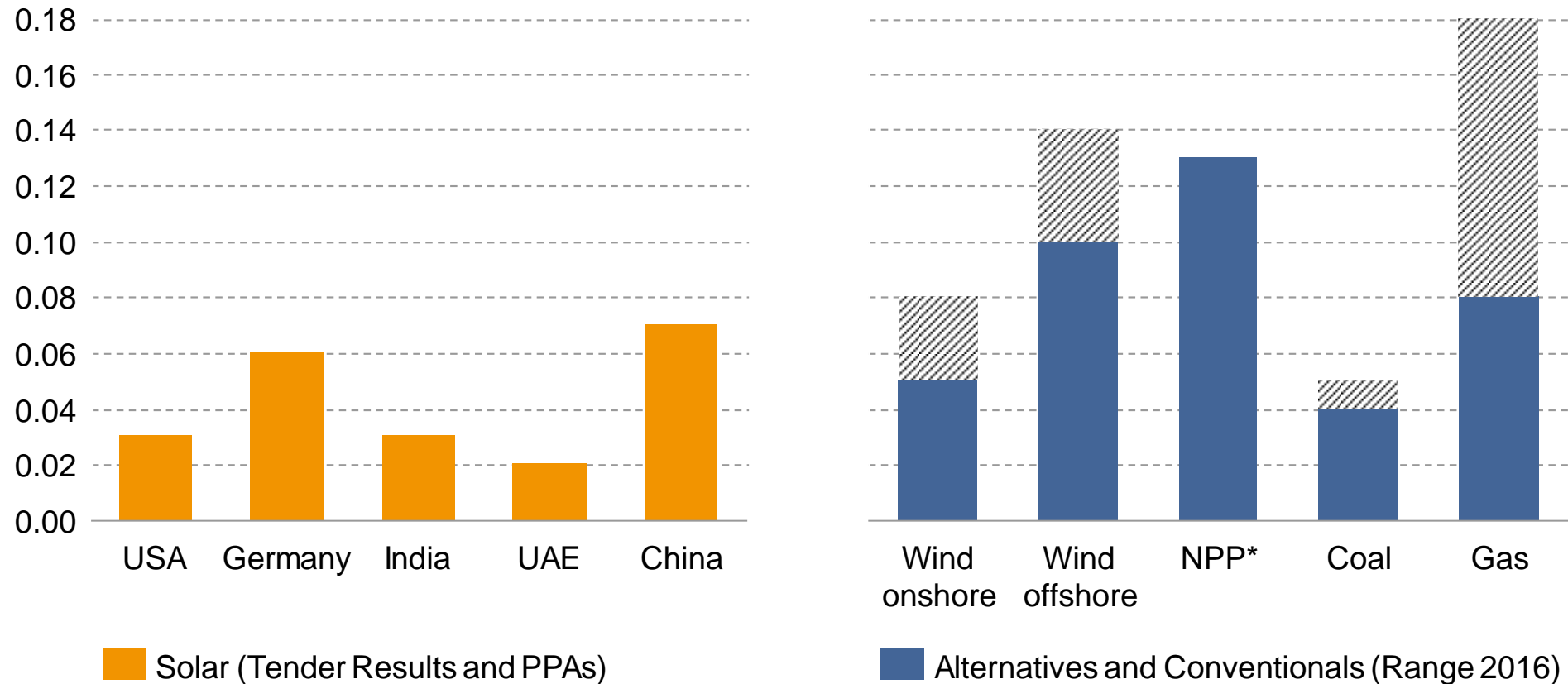
**Biotransformation
2016 onwards:**
Investments and
debottlenecking of
Cyclodextrin plant



Fermentation 2016:
Acquisition of
fermentation assets from
Antibioticos de León

Competitive PV Power Rates Fuel Growth in Solar

Power Rates (€/kWh)

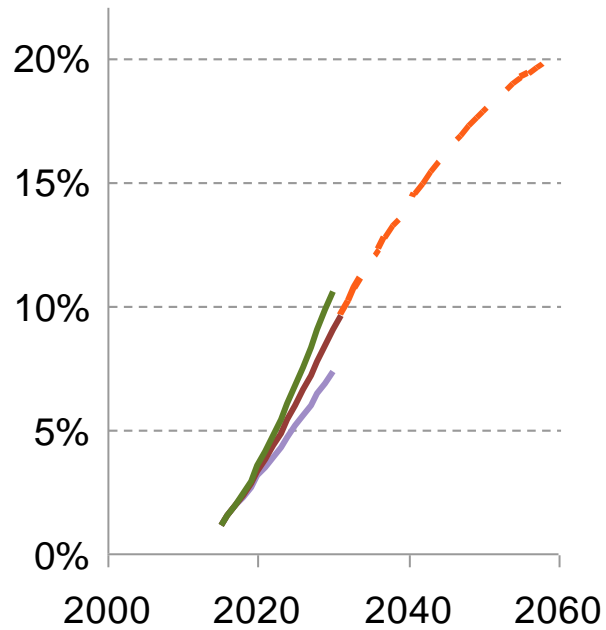


*Nuclear Power Plant Hinkley Point C UK; Source: SeeNews Renewables, Industry Announcements

POLYSILICON

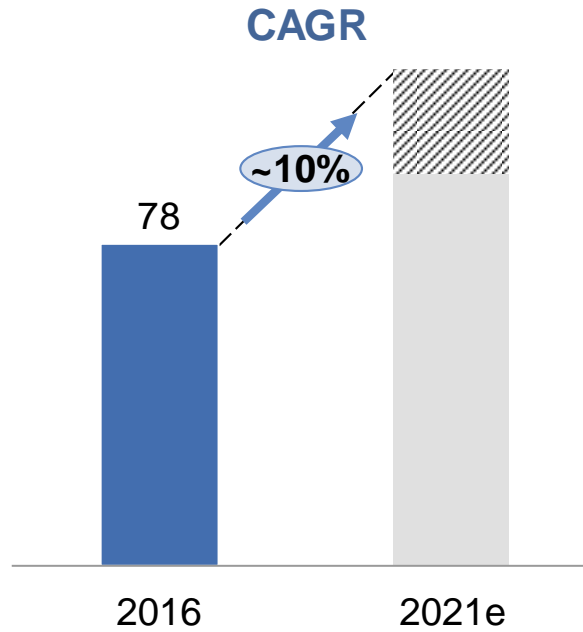
High Quality Polysilicon Required for Mono Growth Trend

PV Share of Electricity Demand

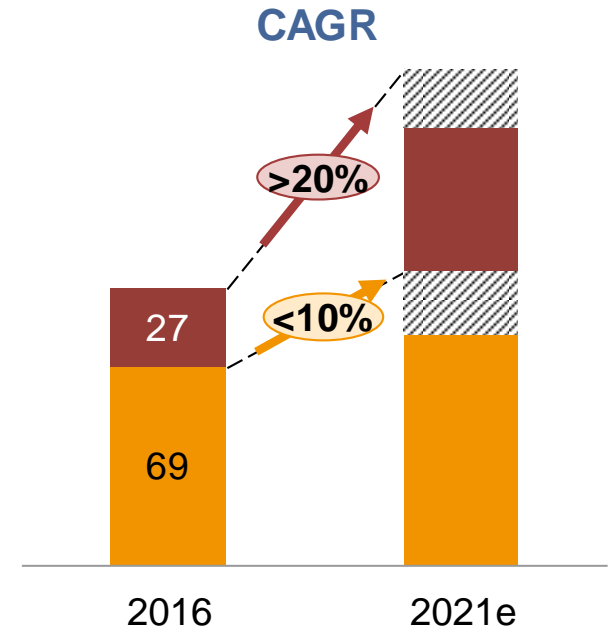


--- 20% Scenario — Base Case
— Low Case — High Case

PV Installation Growth (in GW per year)



Development of Solar Wafer Capacities (in GW per year)



■ Mono ■ Multi

Source: IEA, BNEF, Market Studies, WACKER Estimate

POLYSILICON

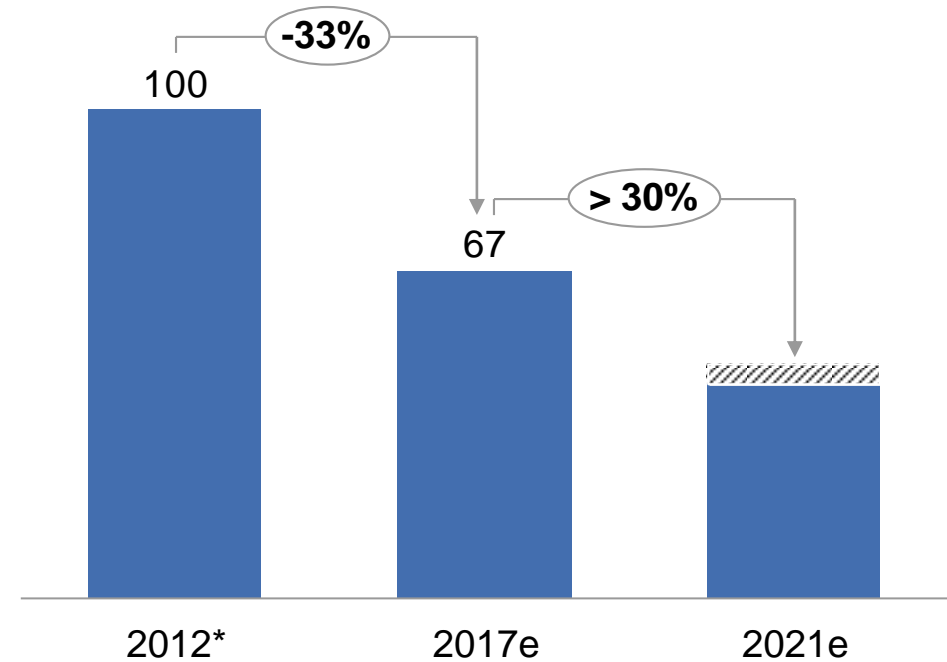
Generate Cash Flow from Strong Assets

Focus on cost and quality



Leveraging our assets

Aggressive Cost Reduction Targets Cash-Cost (Index = 100)



► Continued cost leadership in high quality polysilicon

Highlights Q3 2017

Strong Demand and High Utilization Rates

Strong Results in Q3 – FY17 EBITDA Guidance increased to €1bn

Financials

Sales of €1.3bn (+14% yoy)

EBITDA at €298m (+13% yoy, +18% qoq)

Net Cash Flow clearly positive at €205m

Operations

Good **operational performance** in Chemicals

FX headwinds and **higher raw material prices** yoy

Improving sales in POLYSILICON, slowed by Tennessee incident

Q3 Reporting: Higher Guidance on Results and Cash Flow





	2016*	Outlook 2017	
Sales (€m)	4,634	Mid-single-digit % increase	→
EBITDA excl. prepayment effects (€m)	935	1,000	↗
EBITDA margin (%)	20.6	At last year's level	↗
Net cash flow (€m)	361	Somewhat lower than last year	↗
CapEx (€m)	338	At last year's level	→
Net financial debt (€m)	993	Around 500	↘
Depreciation (€m)	618	Around 600	→
ROCE (%)	5.6	Slightly above last year's level	↗
Tax Rate (continuing operations) (%)	30.9	Around 25%	↘

* Adjusted according to IFRS 5

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WACKER Group Segment Guidance FY 2017

	2016			Outlook 2017
In €m / %	SALES	EBITDA	EBITDA Margin	
SILICONES	2,001	361	18.1%	High-single-digit % growth in sales with an EBITDA margin at about 20% 
POLYMERS	1,195	261	21.8%	Mid-single-digit % increase in sales; Expect FY EBITDA decrease from raw material inflation, but margin over 16% target levels for Chemicals 
BIOSOLUTIONS	206	37	17.9%	Sales at prior year level due to FX impact; Q4 EBITDA below prior year following integration costs from acquisition in Spain 
POLYSILICON	1,096	286	26.1%	Sales at prior year level, FY EBITDA (ex specials from prepayment contracts) around 10% higher than in 2016* 

* Adjusted EBITDA for 2016, excluding special income, amounted to €266 million.

Q3 Results 2017 and Pro-Forma FY 2016

P&L

in €m	Q3 2017	Q3 2016*	% YoY	Q2 2017	% QoQ	FY 2016*
Sales	1,312	1,151	14%	1,218	8%	4,634
EBITDA	298	264	13%	253	18%	956
EBITDA margin	22.7%	22.9%	-	20.8%	-	20.6%
EBIT	155	108	44%	102	52%	338
EBIT margin	11.8%	9.4%	-	8.4%	-	7.3%
Net income for the period	104	68	54%	61	72%	189
- From continuing operations	104	63	65%	61	72%	178
- From discontinued operations	0	4.3	n.a.	0	-	11
EPS in €	2.04	1.29	58%	1.17	74%	3.61
Net cash flow¹	205	209	-2%	94	>100%	361

* Adjusted according to IFRS 5

¹ Sum of CF from op. activities (excl. changes in advanced payments) and CF from long-term investing activities (bef. securities), incl. additions due to finance leases

WACKER Group Q3 2017 and Pro Forma FY 2016 Results – Breakdown by Business

	Q3 2017			FY 2016*		
In €m / %	SALES	EBITDA	EBITDA Margin	SALES	EBITDA	EBITDA Margin
CHEMICALS	930	195	21.0%	3,402	659	19.4%
SILICONES	559	128	22.9%	2,001	361	18.1%
POLYMERS	318	57	17.9%	1,195	261	21.8%
BIOSOLUTIONS	53	10	19.4%	206	37	17.9%
POLYSILICON	342	85	24.9%	1,096	286	26.1%
Others	45	18	40.7%	163	10	6.3%
Consolidation	-6	-1	-	-26	0	-
WACKER Group	1,312	298	22.7%	4,634	956	20.6%

* Adjusted according to IFRS 5

Special EBITDA Effects No Special Income in Q3

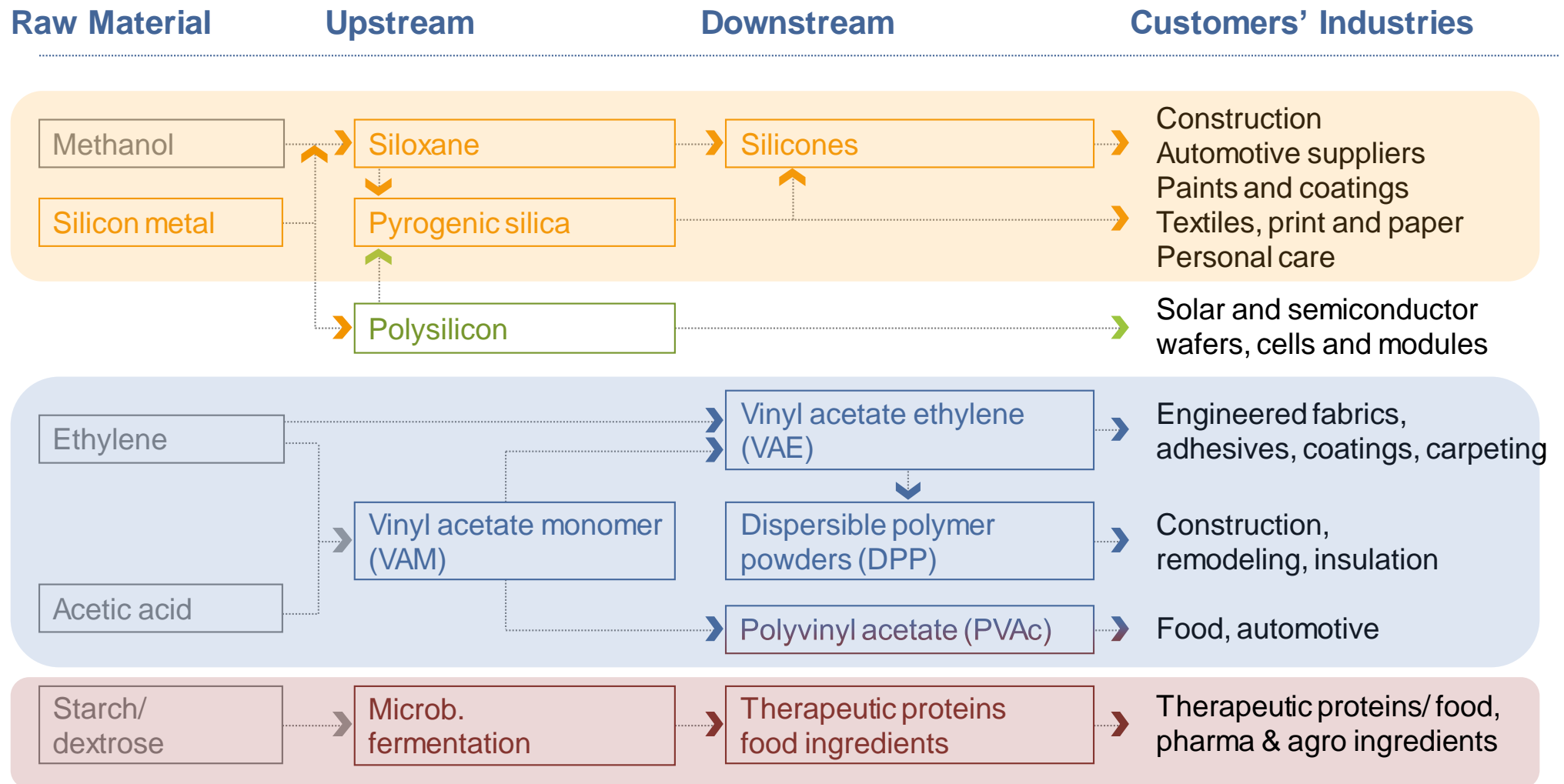
Special income (in €m)	2015	2016				2017			
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3
POLYSILICON: Retained prepayments & damages from cancelled contracts	137.6	-	7.0	-	13.3	20.3	-	-	-

Global PV Market Surging Again in 2017

Country	2013	2014	2015	2016	2017e
France	0.6	0.9	0.9	0.6	0.8 – 1.0
Germany	3.3	1.9	1.5	1.5	1.8 – 2.0
Europe other	6.9	4.6	6.2	4.3	4.2 – 4.6
Europe total	10.8	7.4	8.6	6.4	6.8 – 7.6
Australia	0.9	1.0	0.9	0.8	1.2 – 1.5
China*	12.9	13.2	16.5	32.5	44.0 – 47.0
India	1.0	1.0	2.1	4.3	9.0 – 10.0
Japan	6.8	9.3	10.8	8.6	6.5 – 7.0
South Korea	0.5	0.9	1.0	0.9	1.0 – 1.2
USA	4.8	6.2	7.3	14.8	11.5 – 12.5
Rest of World	2.3	5.1	9.0	9.8	12.0 – 13.5
Total	40 GW	44 GW	56 GW	78 GW	~92 – 100 GW

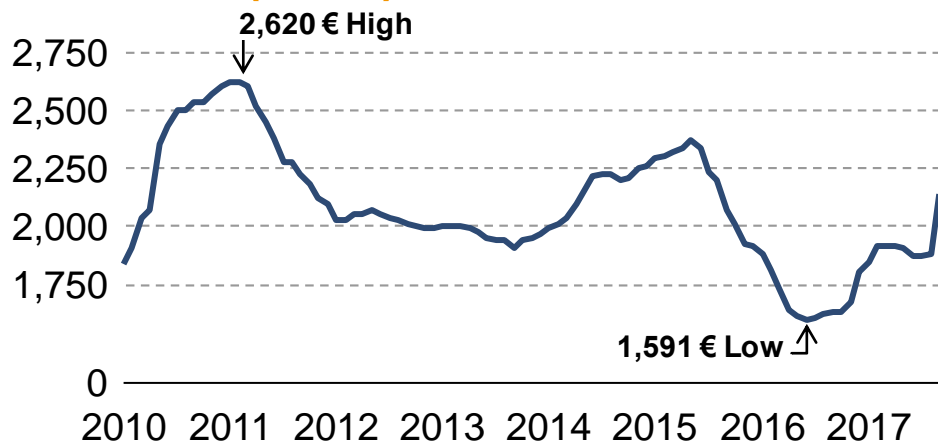
Sources: SPE, IHS, Industry announcements, WACKER estimates; *China official data adjusted for installed/not connected capacity

Highly-Integrated Operations Based on Five Key Raw Materials



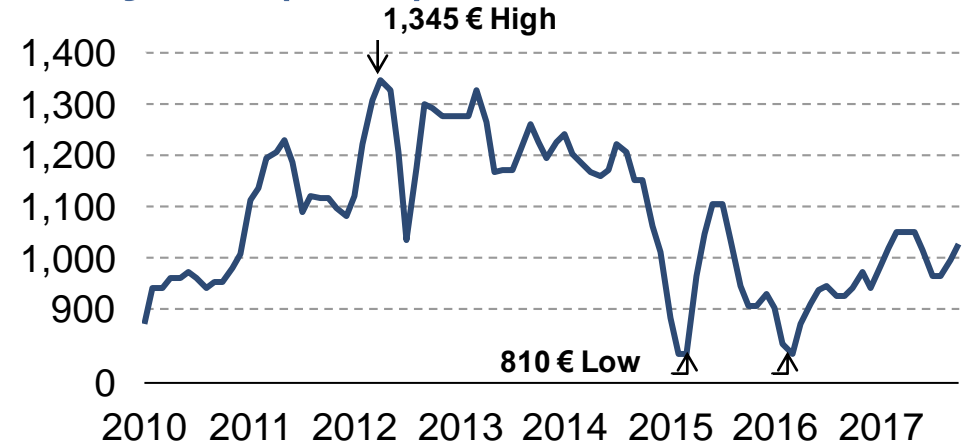
Raw Material Prices With Volatile Development

Si-Metal (€/MT)



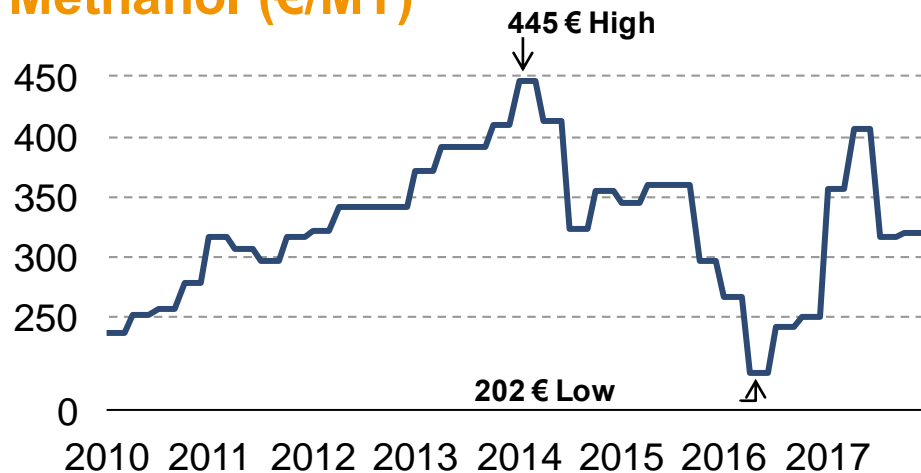
Source: CRU, Si-Metal Spot FD Europe

Ethylene (€/MT)



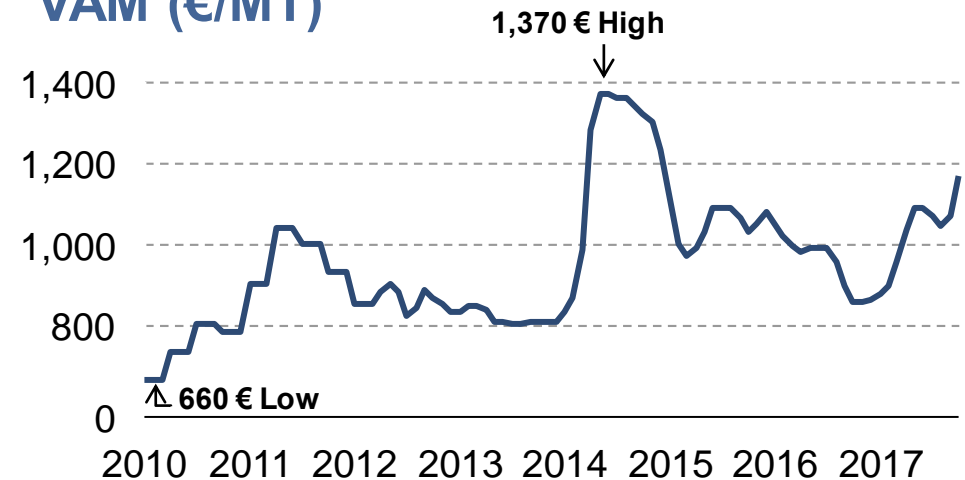
Source: ICIS, EN Contract FD NWE

Methanol (€/MT)



Source: ICIS, MeOH Contract, FOB RDM

VAM (€/MT)

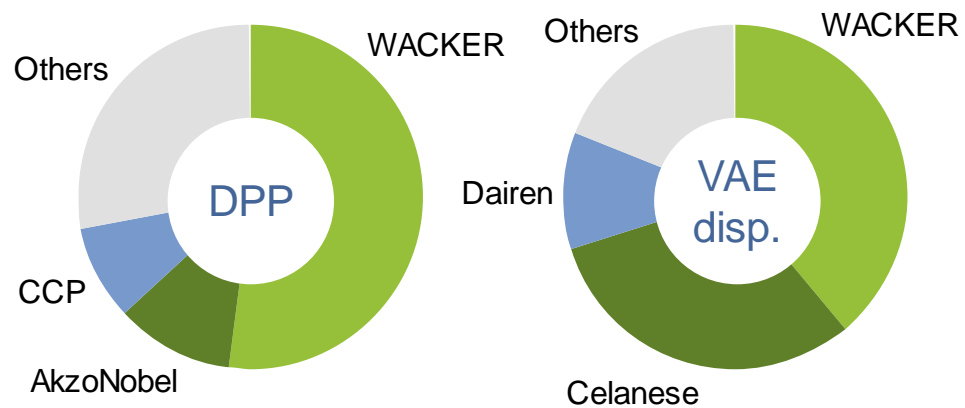


Source: ICIS, VAM Contract FD NWE

Market Leading Positions

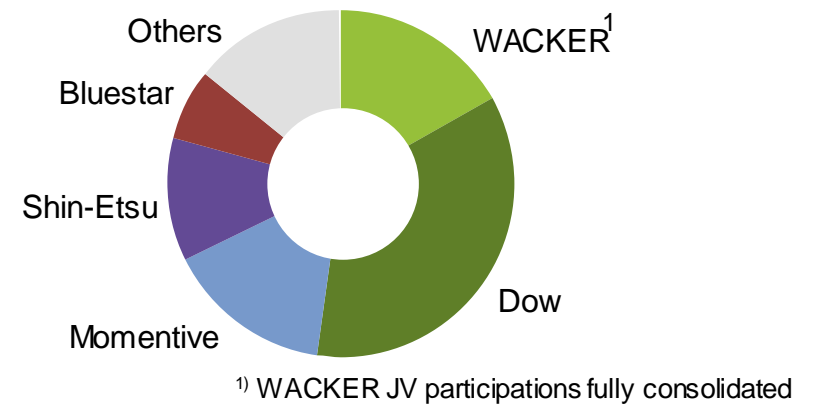
POLYMERS

Global DPP and VAE Market

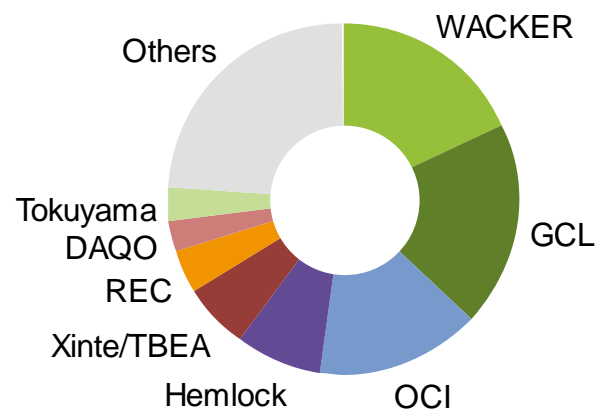


SILICONES

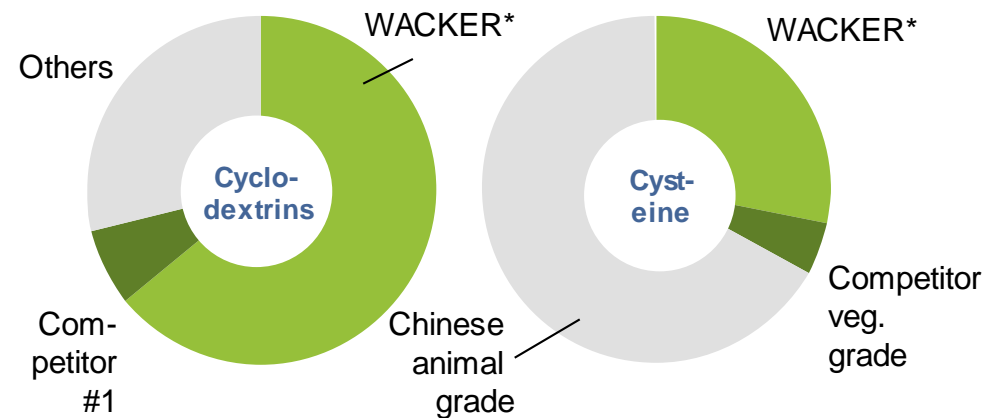
Silane/Siloxane backward integrated suppliers



POLYSILICON



BIOSOLUTIONS



* Food only; Source: Industry Announcements; WACKER; Year: 2016

WACKER: Issuer, Contact and Additional Information

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Financial Calendar

03/13/18 – FY 2017 Results
04/26/18 – Q1 Results 2018
05/09/18 – Annual Shareholders' Meeting
07/26/18 – Q2 Results 2018
10/25/18 – Q3 Results 2018

Additional Information

ISIN: DE000WCH8881

WKN: WCH888

Deutsche Börse: WCH



WACKER Factbook 2017

