

Managing for Growth and Cash

Wacker Chemie AG, September / October 2017

Disclaimer

The information contained in this presentation is for background purposes only and is subject to amendment, revision and updating. Certain statements and information contained in this presentation may relate to future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. In addition to statements which are forward-looking by reason of context, including without limitation, statements referring to risk limitations, operational profitability, financial strength, performance targets, profitable growth opportunities, and risk adequate pricing, other words such as "may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, or continue", "potential, future, or further", and similar expressions identify forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changing business or other market conditions and the prospects for growth anticipated by the Company's management. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Company does not undertake any obligation to update or revise any statements contained in this presentation, whether as a result of new information, future events or otherwise. In particular, you should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

Agenda

	page
▶ Managing for Growth and Cash	3 - 12
▶ Segment Overview	13 - 24
▶ Financials	25 - 31
▶ Appendix	32 - 35

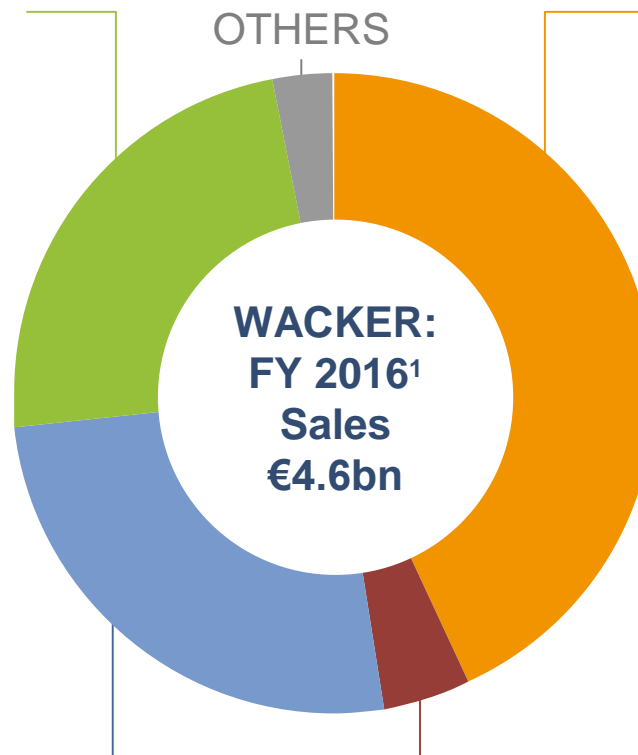
A Foundation for Growth – Our Business Portfolio

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



WACKER:
FY 2016¹
Sales
€4.6bn

WACKER SILICONES

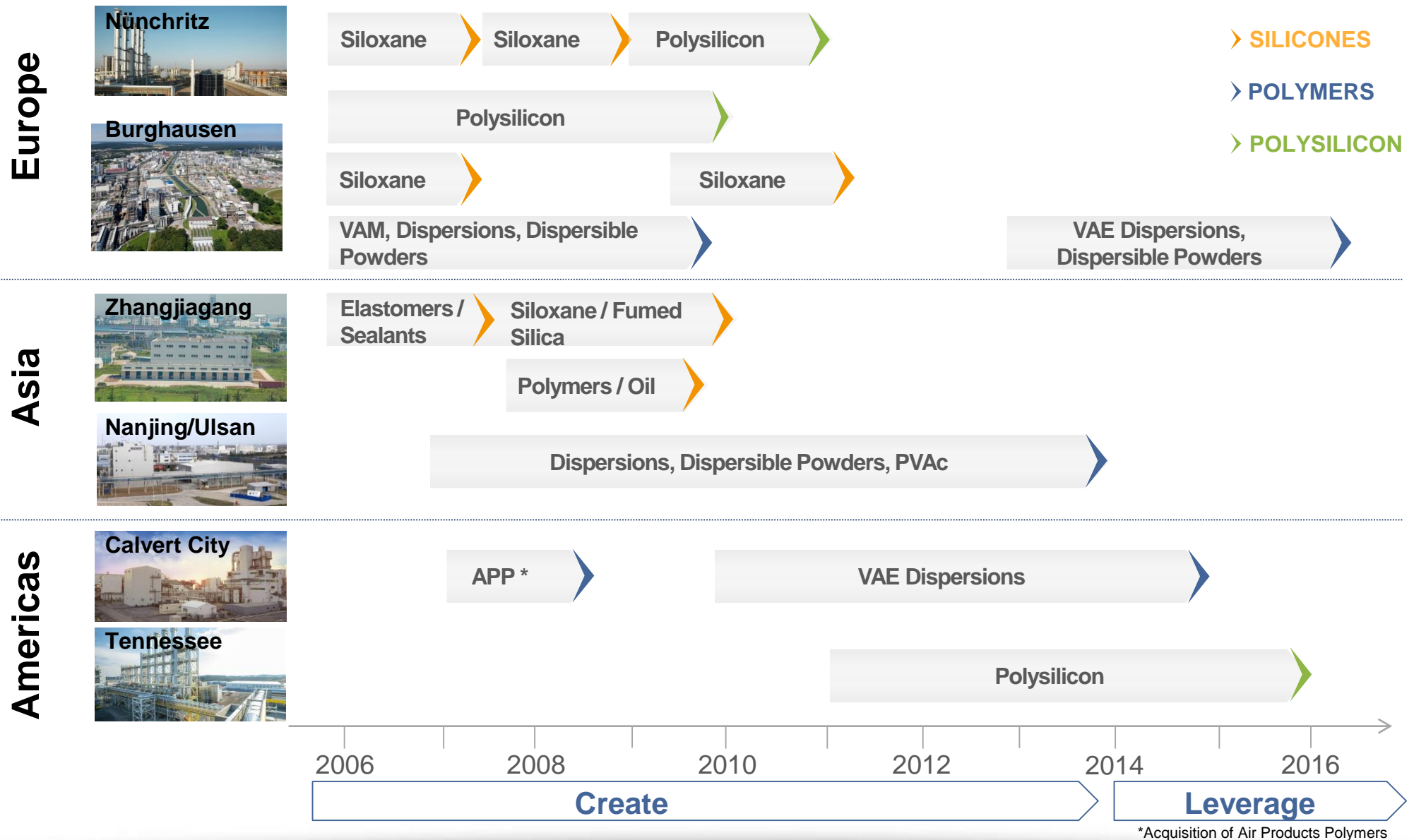
- ▶ No. 2 with global footprint
- ▶ Leading positions in key growth segments
- ▶ Combining cost leadership with specialty orientation

WACKER BIOSOLUTIONS

- ▶ High potential for future development

¹ Adjusted according to IFRS 5

A Foundation for Growth – Our Global Asset Base

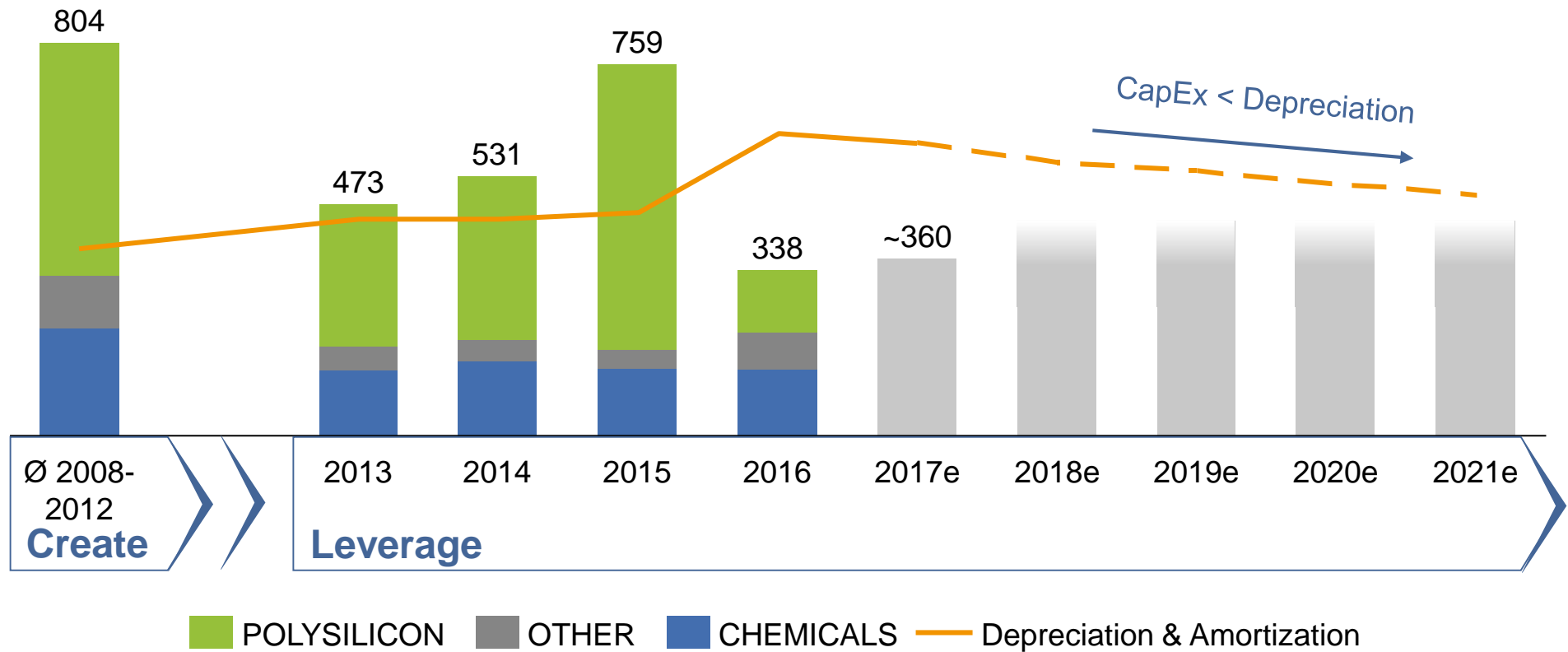


Targets for the Next Years – Growth and Cash

- 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)

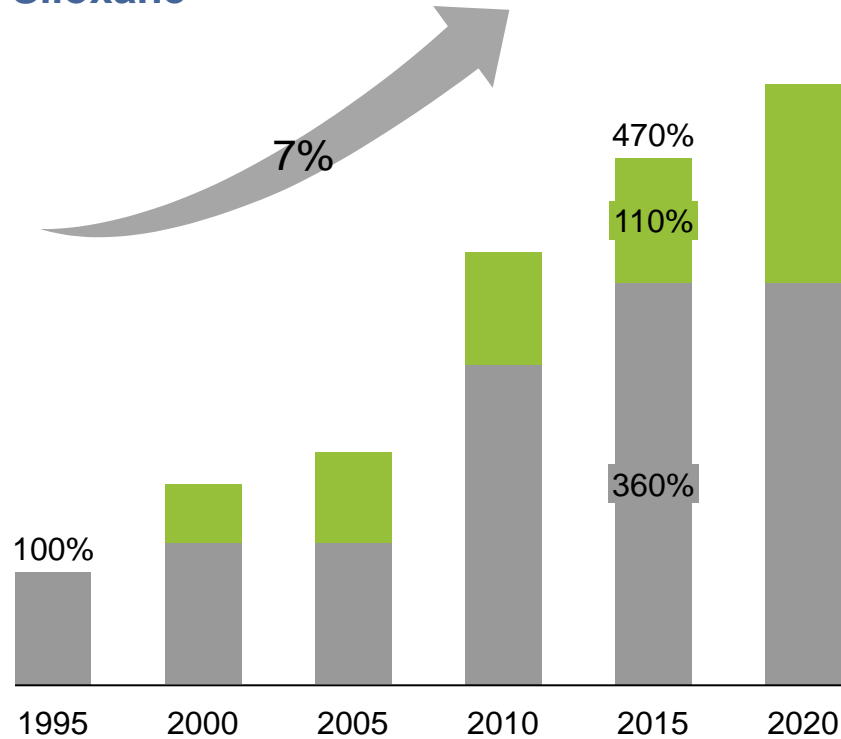


▶ Investment focus on CHEMICALS

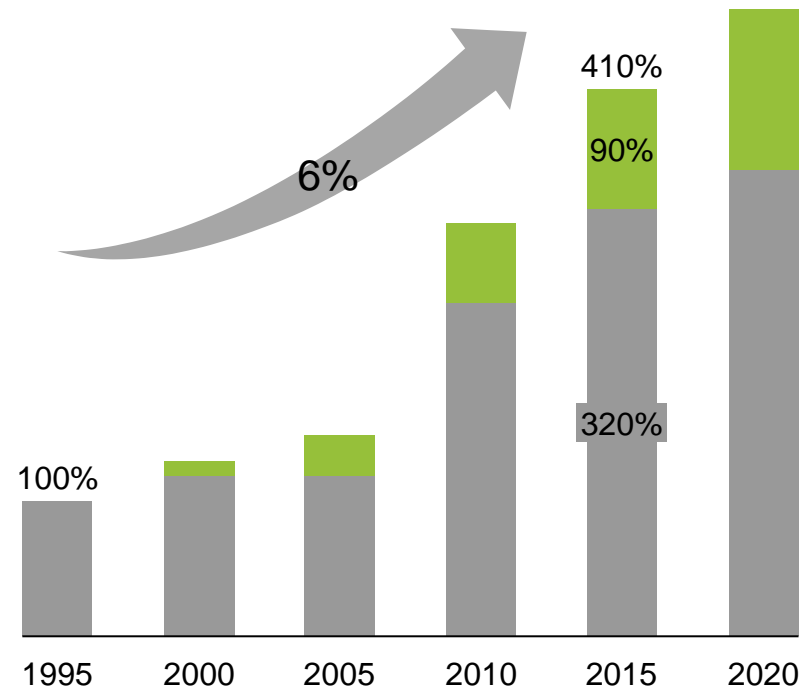
Low Capital Intensity is Supported by Asset Optimization

Capacity Growth of Selective Products (1995 = 100%)

Siloxane



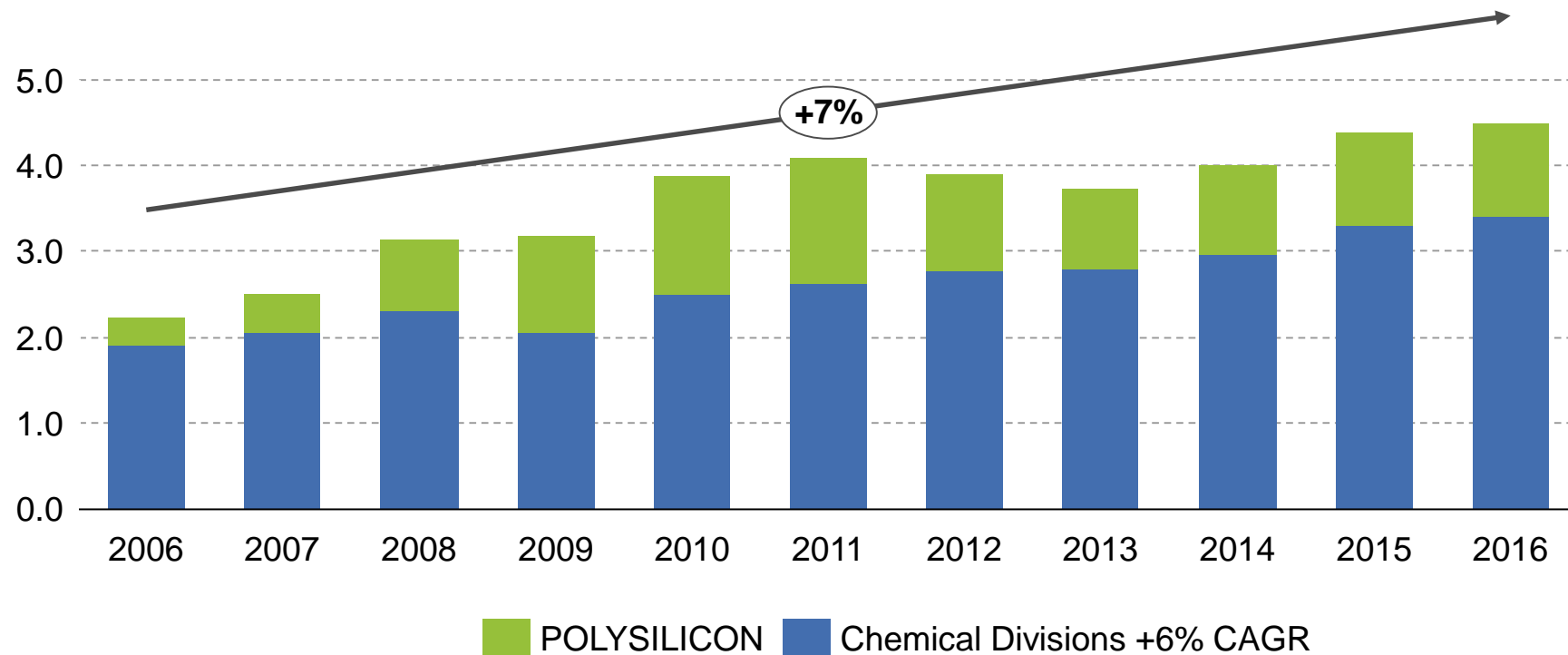
VAE



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

Target: Continue to Grow Above Chemical Production

Development of WACKER Group Revenue (€bn)



► Solid Growth Driven by CHEMICALS

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



WACKER has a clear roadmap to reduce (specific by production volume) until 2022:

- ▶ Energy consumption by 50%¹
- ▶ CO₂ emissions by 15%²
- ▶ Dust emissions by 50%²
- ▶ NMVOC³ emissions by 25%²

¹ Base year: 2007 ² Base year: 2012 ³ Non-methane volatile organic compound

Target: Focus on Sustainability

Our Product Portfolio – Adding Value with Sustainable Products



Polysilicon for photovoltaics

Rheology additives for bonding of wind turbine blades



Heat-transfer fluids for concentrated solar power plants

Very low VOC¹ paints and coatings



Active materials for lithium-ion batteries

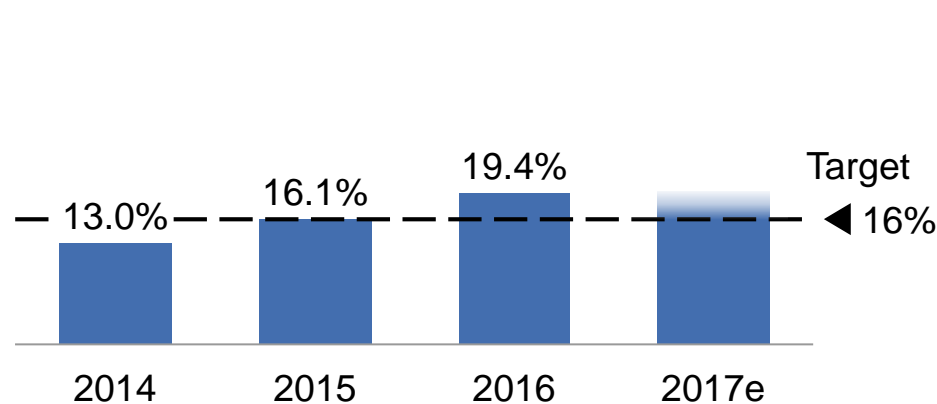
Thermal insulation materials for construction



¹) VOC = Volatile Organic Compounds

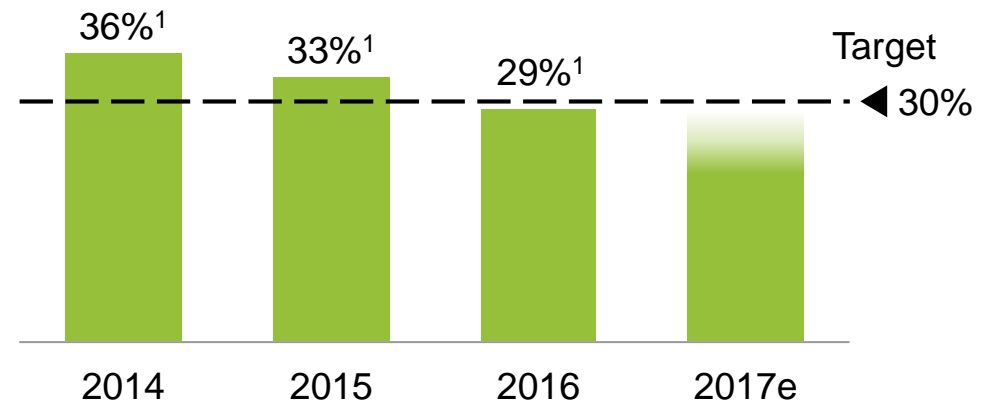
Target: Sustain Attractive Margins Throughout the Cycle

Chemicals – EBITDA Margin (%)



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

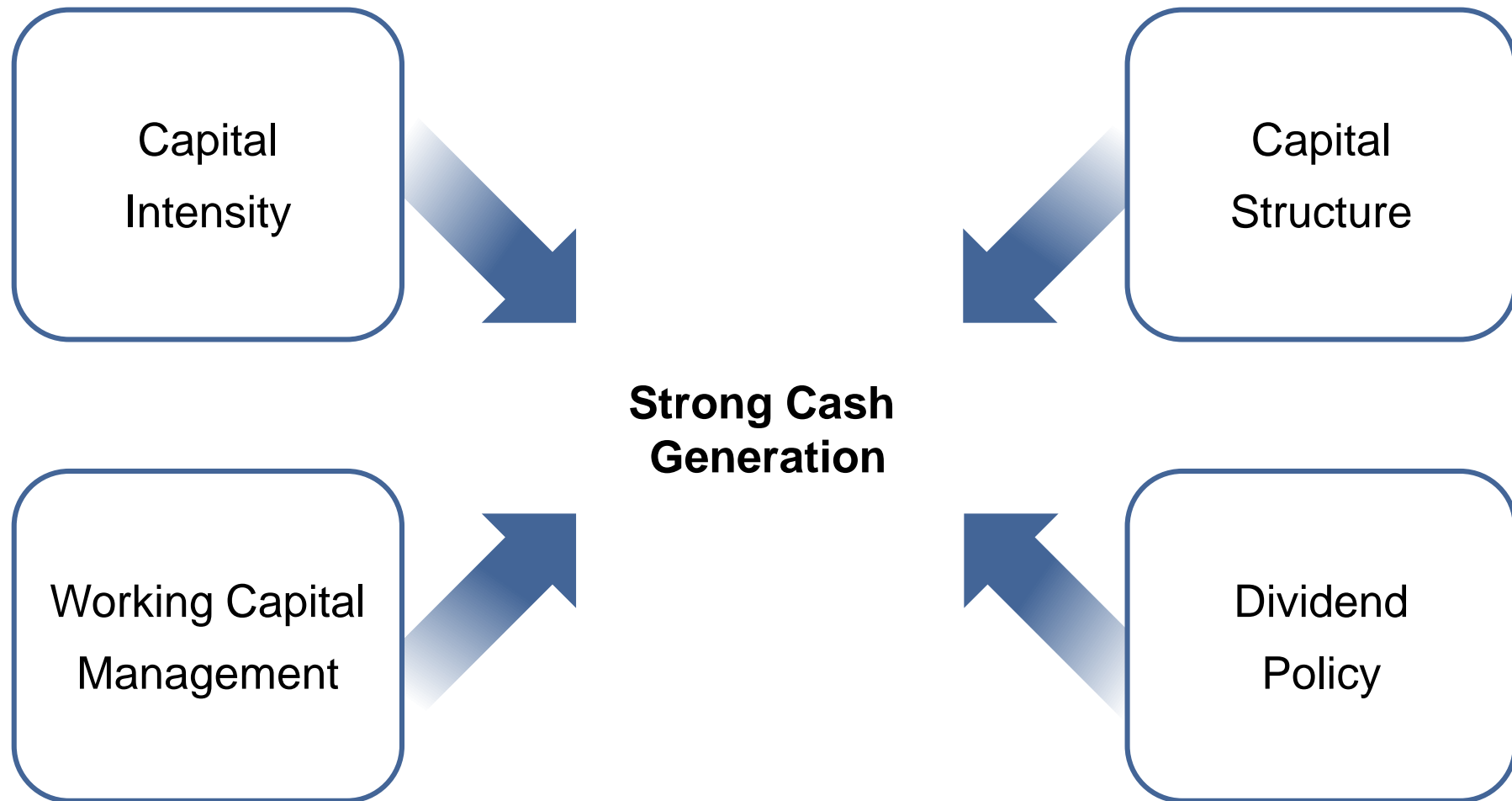
POLYSILICON – EBITDA Margin (%)



- ▶ 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



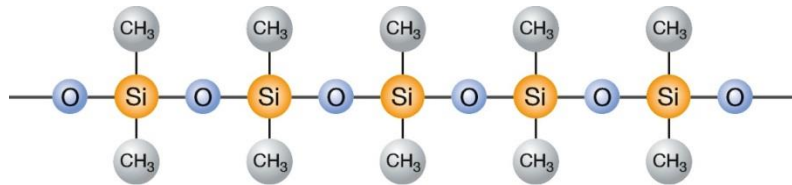
▶ **Dividend target: 50% of net income***

¹⁾ based on continuing operations

SILICONES

Customized Products with Unique Properties

Silicones - A Highly Flexible Elementary Building Block



Typical structure of a linear silicone polymer

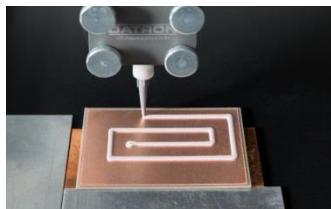
Broad spectrum of adjustable properties

Hydrophilic



Hydrophobic

Form stable



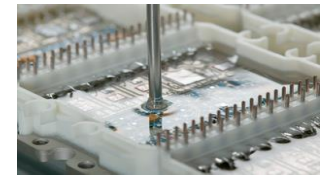
Formable

Key Market Growth Trends

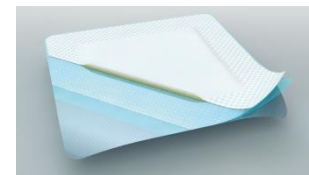
► Mobility



► Digitization



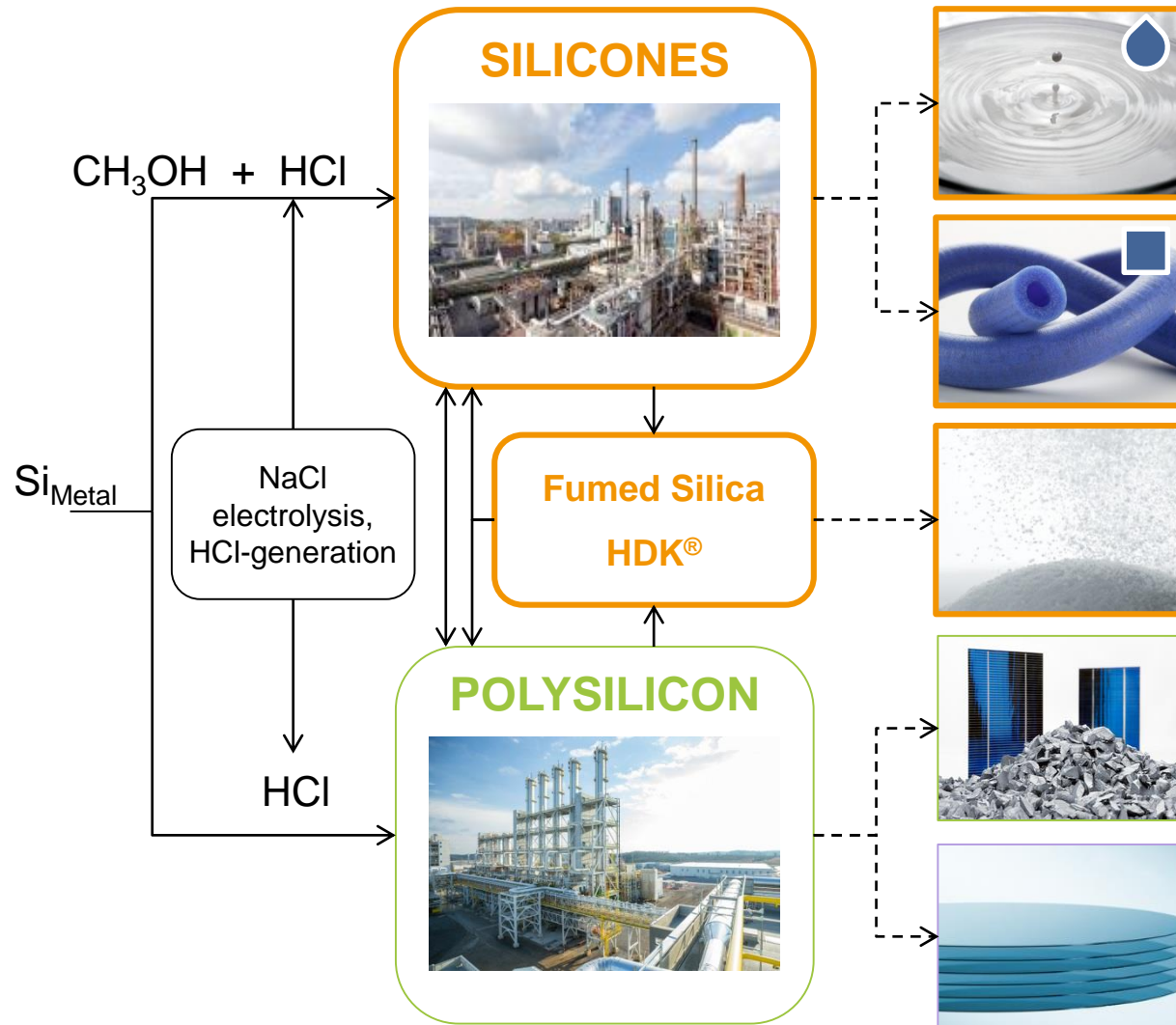
► Medical



► 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

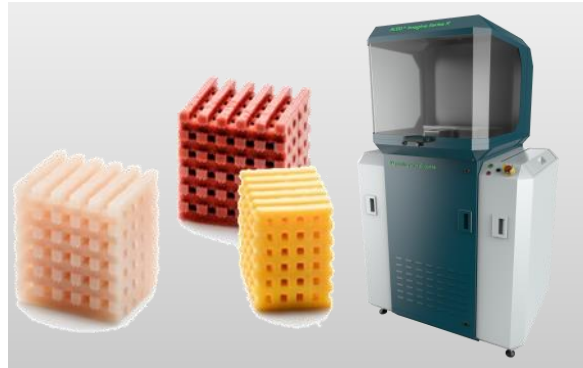
Grow Specialties with Break-Through Innovations

Active Materials for Lithium-Ion Batteries



- ▶ Silicon-based active materials for li-ion battery anodes in advanced development status
- ▶ Significant increases in energy densities
- ▶ Tests at leading cell manufacturers promising

ACEO® 3D-Printing



- ▶ System solution for 3D printing of silicones: materials, printer, software
- ▶ Opening up novel designs and applications
- ▶ Business model: Service provider

Wound Care Dressings

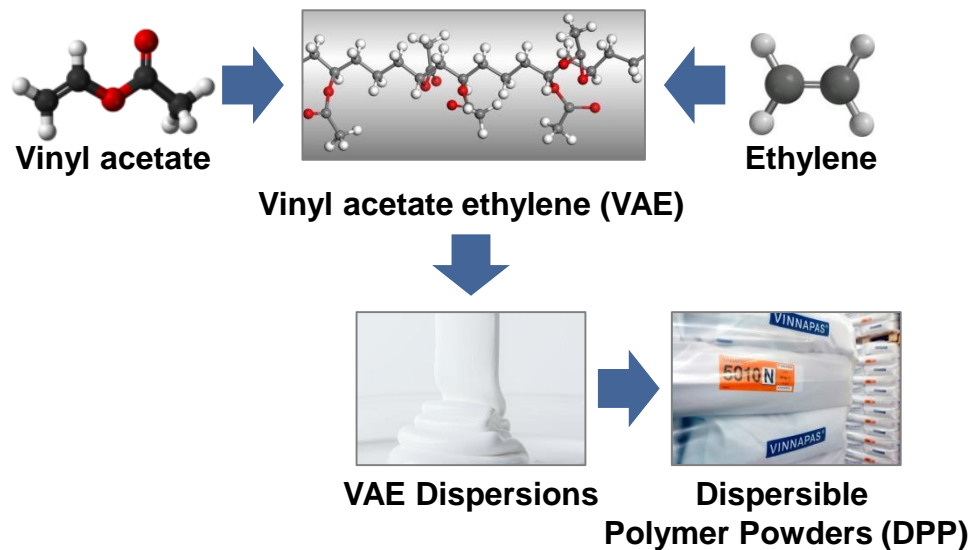


- ▶ Advanced wound care: Skin friendly, no-trauma replacement
- ▶ Traditional wound care: novel high-adhering product line
- ▶ SILPURAN® - Dedicated brand for medical grades

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

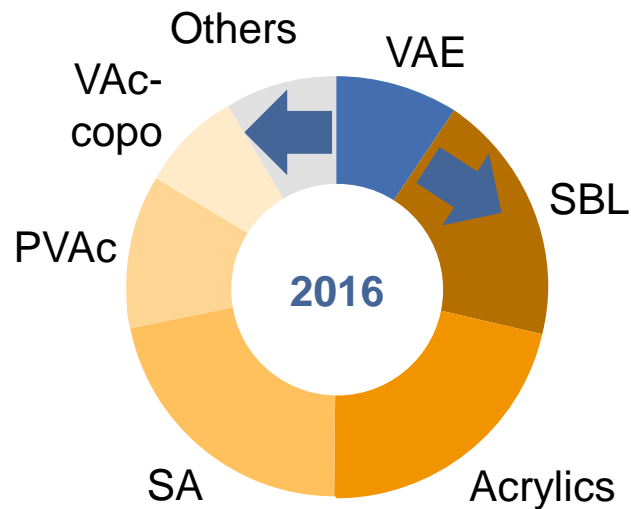
VAE – Successfully Outperforming Alternative Systems

Adhesives



- ▶ Broad adhesion and heat-resistance range
- ▶ Bonding to a wide range of different substrates
- ▶ Fast setting and wet tack
- ▶ Broad formulation latitude
- ▶ Reliable, clean machinability

Synthetic Polymer Latex Market



PVAc = Polyvinylacetate; SA = Styrene Acrylics;
VAc-copo = Vinylacetate copolymer;
SBL = Styrene Butadiene Latex

Interior Paints



- ▶ No plasticizers or additional solvents needed
- ▶ Allows the formulation of low-VOC* and low-odor paints
- ▶ Easy applicability and workability
- ▶ Excellent scrub resistance & good hiding characteristics

▶ **High Performance, Attractive Cost-in-use Ratio and Environmental Benefits**

*volatile organic compounds

POLYMERS

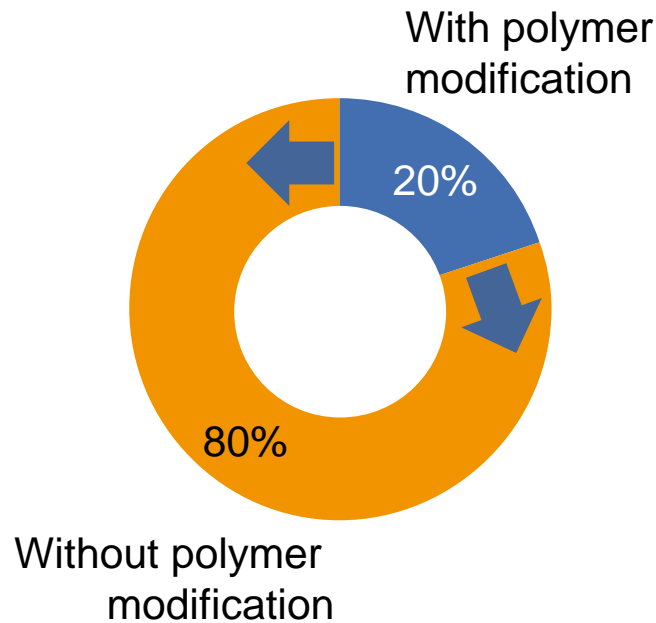
DPP – Successfully Transforming Global Markets

Ceramic Tile Adhesives



- ▶ Excellent adhesion to different substrates
- ▶ Flexibility, e.g. for greater elongation or crack-bridging
- ▶ Easy to process
- ▶ Longer open and adjustment time

Global Dry Mortar Market



Self-Leveling Compounds



- ▶ High compressive, tensile and flexural strength
- ▶ Excellent abrasion resistance
- ▶ Enhanced flow and self-leveling properties
- ▶ Defoaming support
- ▶ Very low VOC* levels

▶ **Global Leader in High Growth Markets**

BIOSOLUTIONS

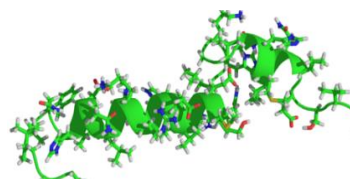
Innovation and Growth

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*



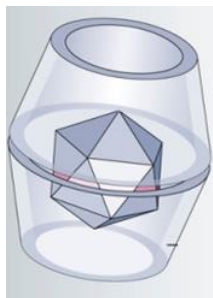
Cyclodextrin Technology

- ▶ 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®

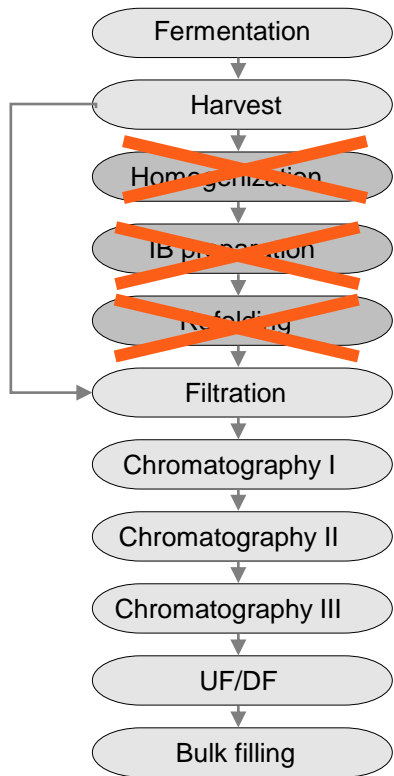
candy 2 gum®

CAPIVA®

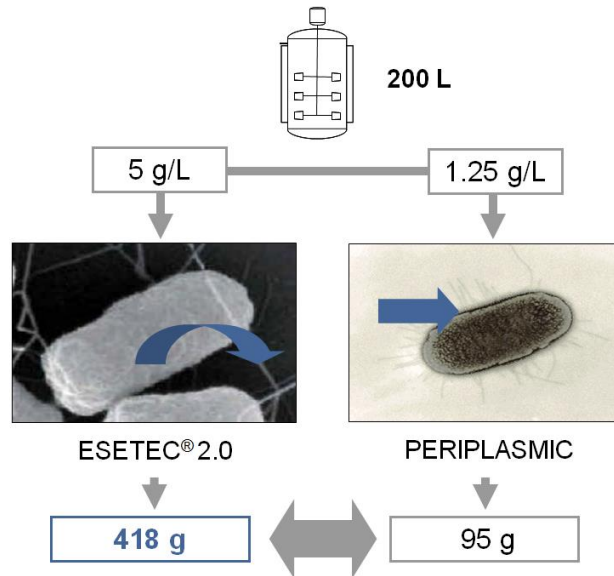


CMO = Contract Manufacturing Organization

ESETEC® (*E.coli* secretion technology)

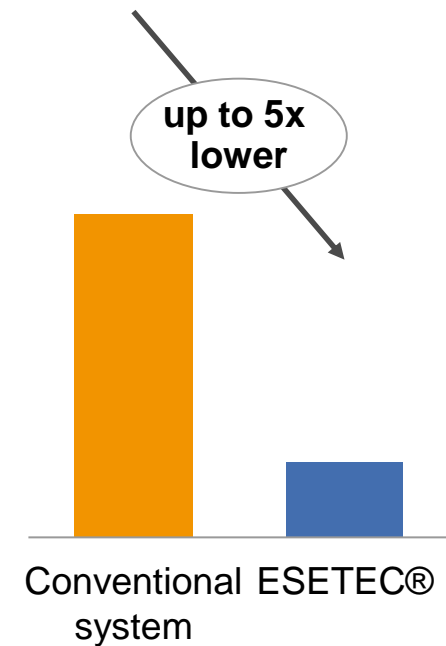


▶ ESETEC® reduces the number of **process steps**



Example:
Antibody Fragments

▶ ESETEC® significantly **increases yields**



▶ ESETEC® **reduces production costs**

POLYSILICON

Competitive Power Rates from PV in Sunny Regions Fuel Growth

Benchmark PV Power Rates (€/kWh)

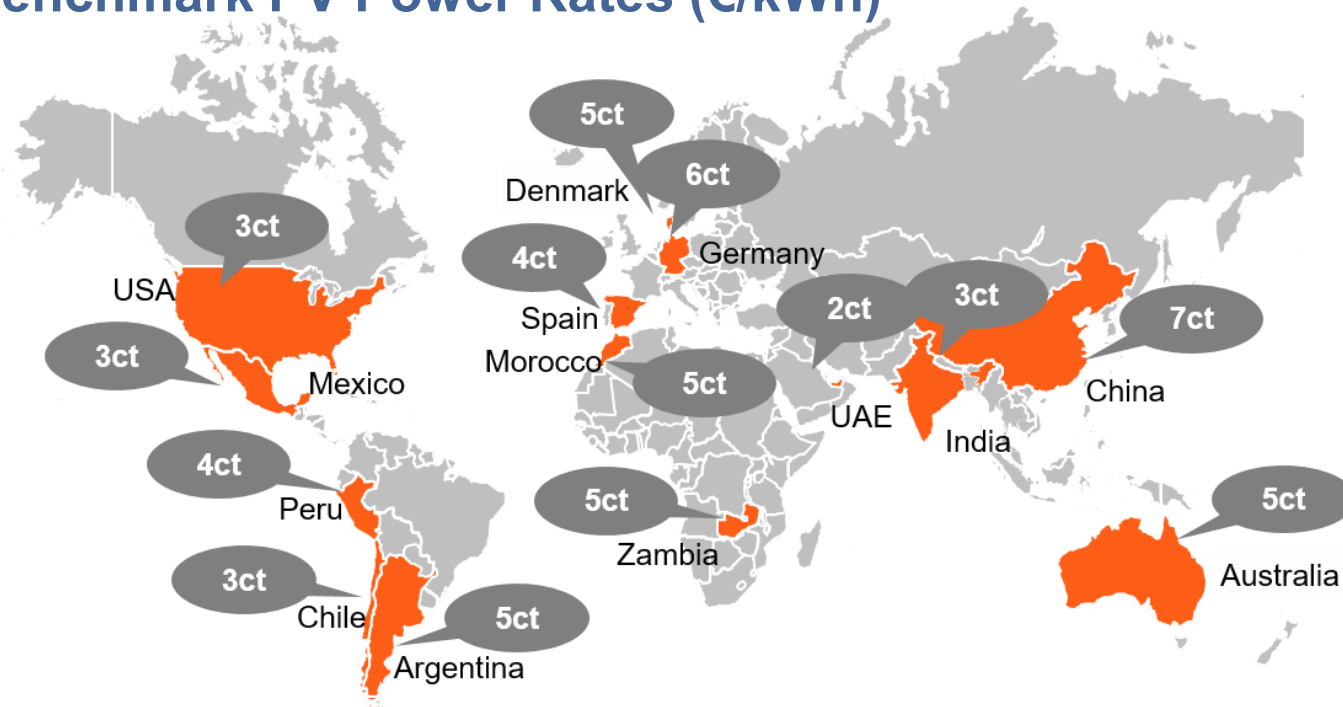
Others 2016 (€/kWh)

Climate-neutral:

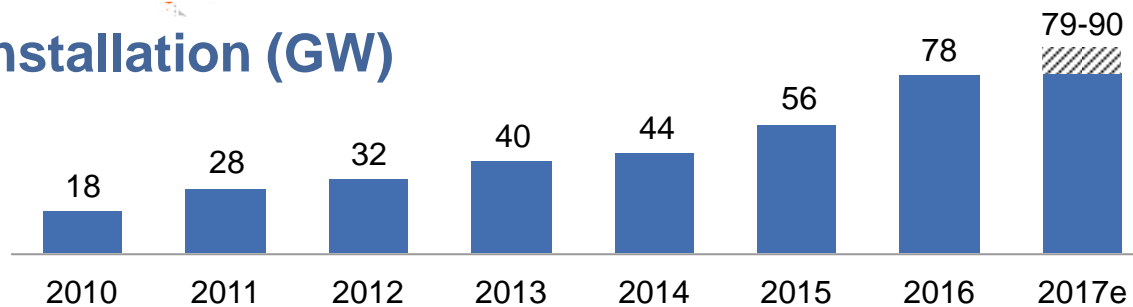
- ▶ Wind: 5-14 ct
- ▶ NPP*: 13 ct

Conventional:

- ▶ Coal: 4-5 ct
- ▶ Gas: 8-10 ct



PV New Installation (GW)

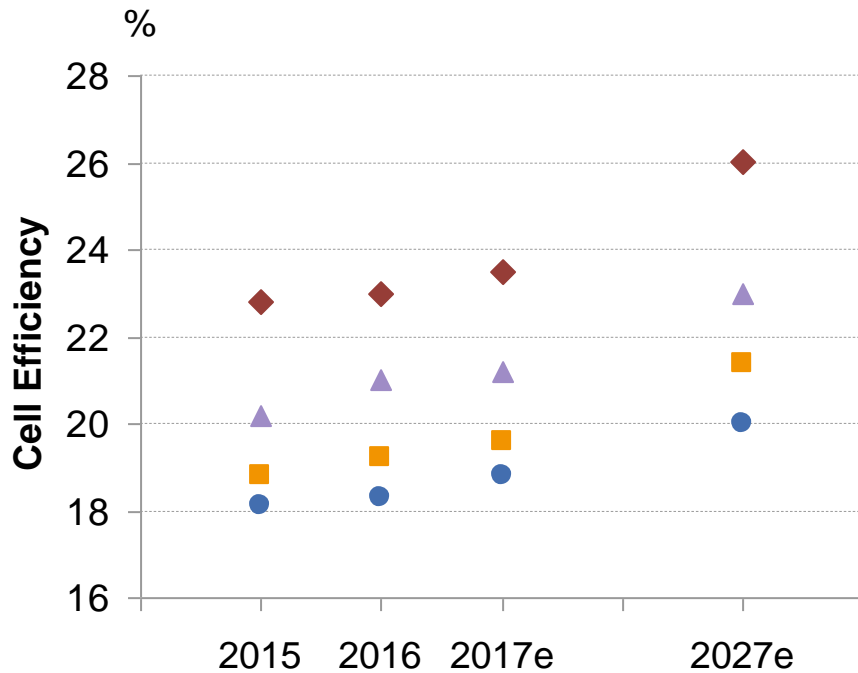


* Nuclear Power Plant Hinkley Point C UK, Sources: SeeNews Renewables, Industry Announcements, WACKER Estimates

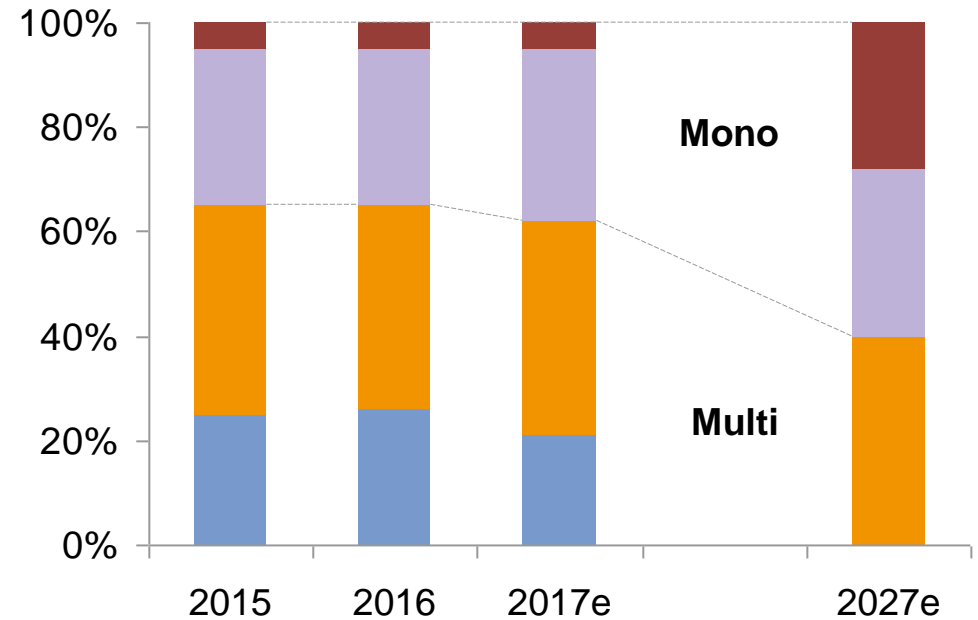
POLYSILICON

High Quality Polysilicon Required for Mono Growth Trend

Mono Yields Highest Power Output



c-Si Technology Roadmap



■ n-type mono
 ■ p-type mono
 ■ p-type HP multi
 ■ p-type multi

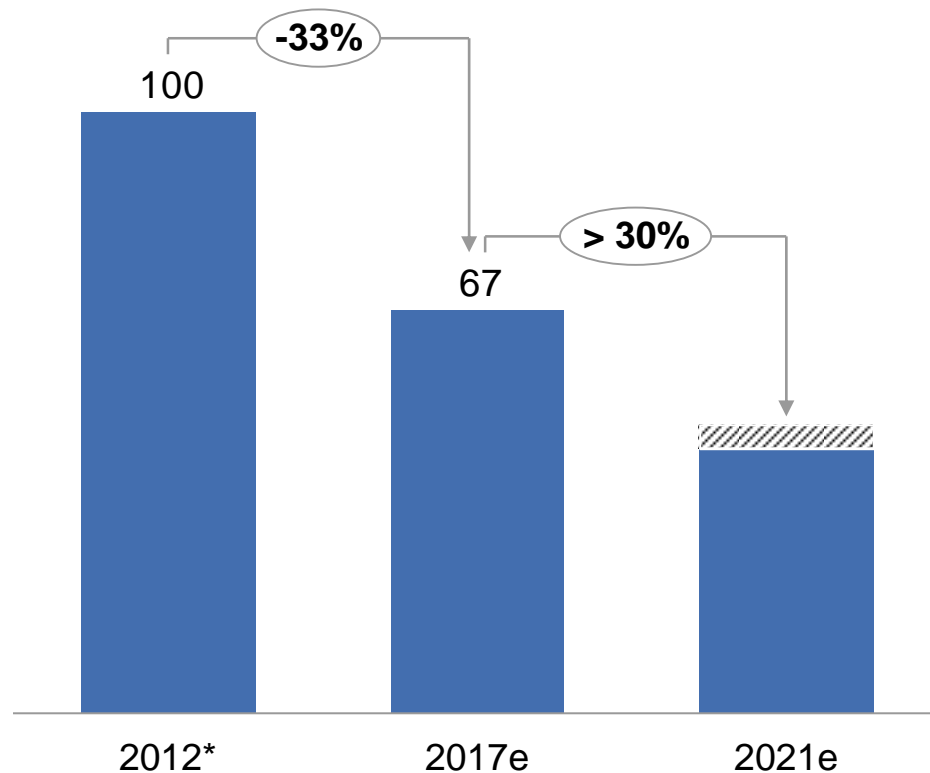
▶ About 2% higher absolute efficiency for mono cells drives growth

▶ Mono-based PV is growing faster than multi-based PV

Source: ITRPV 2017 = International Technology Roadmap for PV Initiative of Semi, www.itrpv.net

Strong Focus on Cost and Productivity

Cash Cost (Index = 100)



Aggressive Cost Reduction Targets

- ▶ Continuous cost reduction at all sites
- ▶ Reducing energy consumption
- ▶ Optimizing raw materials mix and resource efficiency
- ▶ Improving labor productivity
- ▶ Higher volumes by process optimization

*without Tennessee

Global PV Market Growth Continues

Country	2013	2014	2015	2016	2017e
France	0.6	0.9	0.9	0.6	1.1 – 1.3
Germany	3.3	1.9	1.5	1.5	1.5 – 1.7
Europe other	6.9	4.6	6.2	4.3	4.0 – 4.6
Europe total	10.8	7.4	8.6	6.4	6.6 – 7.6
Australia	0.9	1.0	0.9	0.8	1.0 – 1.2
China*	12.9	13.2	16.5	32.5	32.0 – 35.0
India	1.0	1.0	2.1	4.3	9.0 – 10.0
Japan	6.8	9.3	10.8	8.6	7.5 – 8.0
South Korea	0.5	0.9	1.0	0.9	1.0 – 1.2
USA	4.8	6.2	7.3	14.8	10.0 – 13.0
Rest of World	2.3	5.1	9.0	9.8	12.0 – 14.0
Total	40 GW	44 GW	56 GW	~78 GW	~79 – 90 GW

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

Q2 Reporting 2017 – Improved Outlook in EBITDA

	2016*	Outlook 2017
Sales (€m)	4,634	Mid-single-digit % increase
EBITDA excl. special income (€m)	935	Between 900 and 935
EBITDA margin (%)	20.6	Somewhat lower than last year
Net cash flow (€m)	361	Substantially lower than last year
CapEx (€m)	338	Around 360
Net financial debt (€m)	993	Substantially lower than last year
Depreciation (€m)	618	Around 600
ROCE (%)	5.6	Slightly below last year's level
Tax Rate (continuing operations) (%)	30.9	Below 30%

* Adjusted according to IFRS 5

WACKER Group Segment Guidance FY 2017

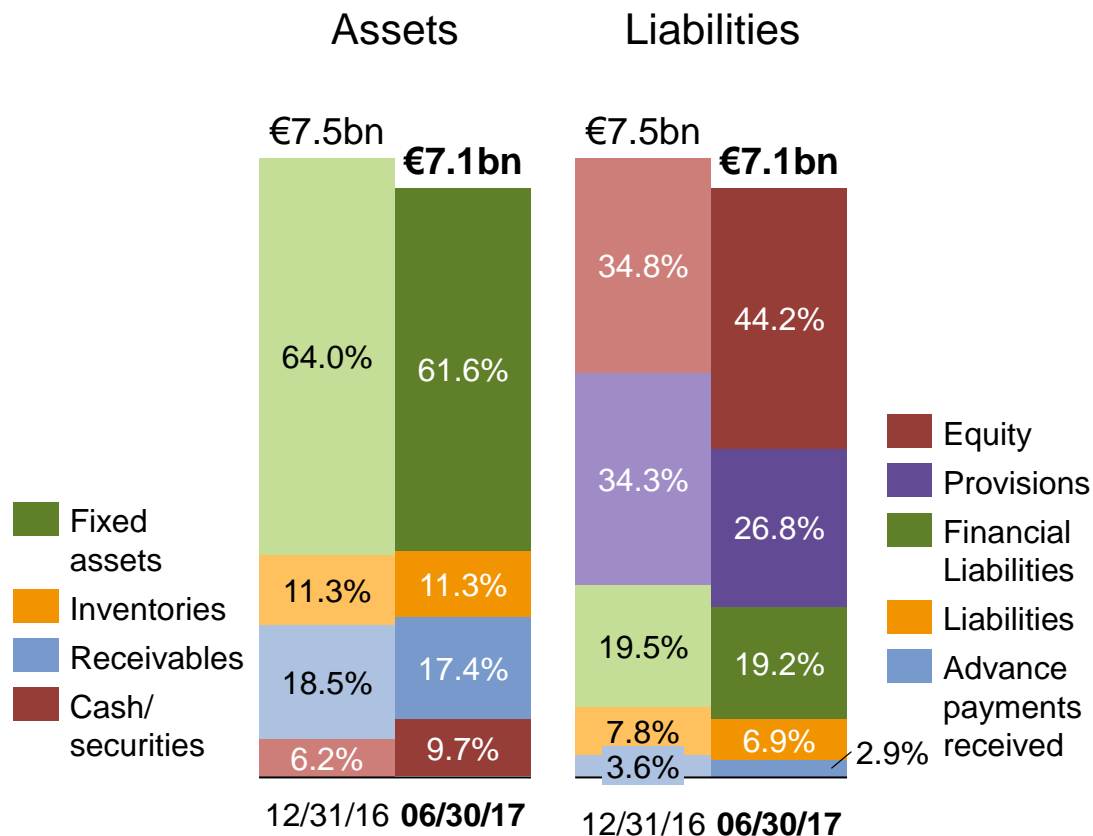
	2016			Outlook 2017
In €m / %	SALES	EBITDA	EBITDA Margin	
SILICONES	2,001	361	18.1%	High-single-digit % increase in sales and a better EBITDA margin despite rising raw material costs
POLYMERS	1,195	261	21.8%	Mid-single-digit % increase in sales, Expect FY EBITDA decrease from raw material inflation, but margin over target levels for Chemicals
BIOSOLUTIONS	206	37	17.9%	Low-single-digit % increase in sales, EBITDA at about €30m due to integration costs from acquisition in Spain
POLYSILICON	1,096	286	26.1%	Sales at prior year level, Volume growth but lower ASP yoy, EBITDA on a comparable basis (excluding special income) somewhat above 2016*

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

Balance Sheet Composition

Equity Ratio Increased to 44%

Balance Sheet (%)



Characteristics 06/30/17

- ▶ Non current assets: €4,814m
- ▶ Securities, cash and cash equivalents: €691m
- ▶ Provisions for pensions: €1,528m (2016: €2,108m)
 - ▶ Discount rate in Germany at 2.19% (2016: 1.94%)
 - ▶ DTA* relating to pensions about €285m
- ▶ Equity: €3,136m (2016: €2,593m)
- ▶ Prepayments: €203m

* Deferred tax asset

Q2 Results 2017 and Pro-Forma FY 2016

P&L

in €m	Q2 2017	Q2 2016*	% YoY	Q1 2017	% QoQ	FY 2016*
Sales	1,218	1,199	2	1,219	0	4,634
EBITDA	253	265	-5	229	11	956
EBITDA margin	20.8%	22.1%	-	18.8%	-	20.6%
EBIT	102	105	-3	73	39	338
EBIT margin	8.4%	8.7%	-	6.0%	-	7.3%
Net income for the period	61	59	3	666	-91	189
- From continuing operations	61	58	5	31	94	178
- From discontinued operations	0	1	-	635	-	11
EPS in €	1.17	1.15	2	13.19	-	3.61

* Adjusted according to IFRS 5

WACKER Group Q2 2017 and Pro Forma FY 2016 Results – Breakdown by Business

	Q2 2017			FY 2016*		
In €m / %	SALES	EBITDA	EBITDA Margin	SALES	EBITDA	EBITDA Margin
CHEMICALS	935	182	19.5%	3,402	659	19.4%
SILICONES	549	111	20.2%	2,001	361	18.1%
POLYMERS	335	62	18.6%	1,195	261	21.8%
BIOSOLUTIONS	51	9	17.7%	206	37	17.9%
POLYSILICON	247	71	28.9%	1,096	286	26.1%
Others	40	-1	-2.0%	163	10	6.3%
Consolidation	-4	1	-	-26	0	-
WACKER Group	1,218	253	20.8%	4,634	956	20.6%

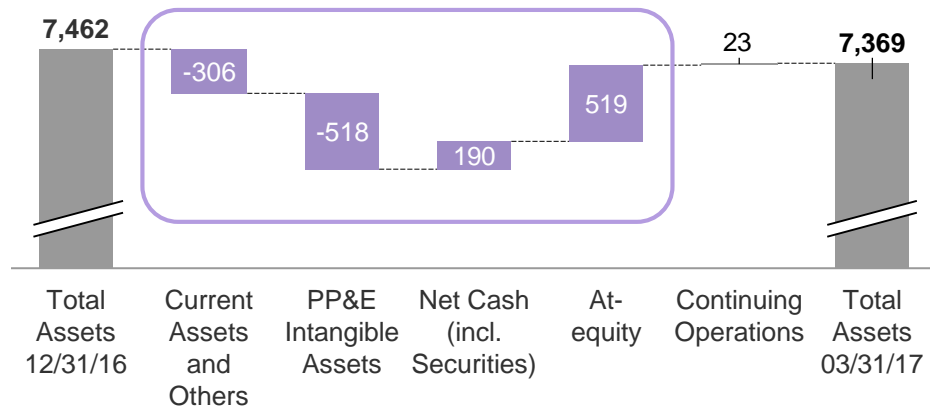
* Adjusted according to IFRS 5

Special EBITDA Effects No Special Income in Q2

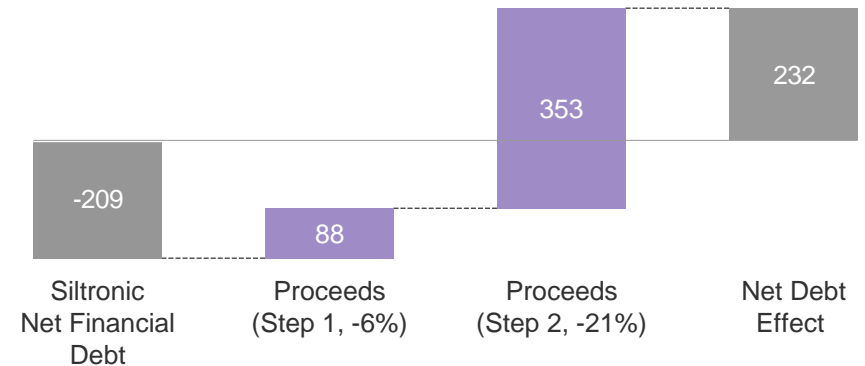
Special income (in €m)	2015	2016				2017		
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
POLYSILICON: Retained prepayments & damages from cancelled contracts	138	-	7	-	13	20	-	-

Siltronic Deconsolidation – Main Effects on Balance Sheet, Net Result and Net Debt

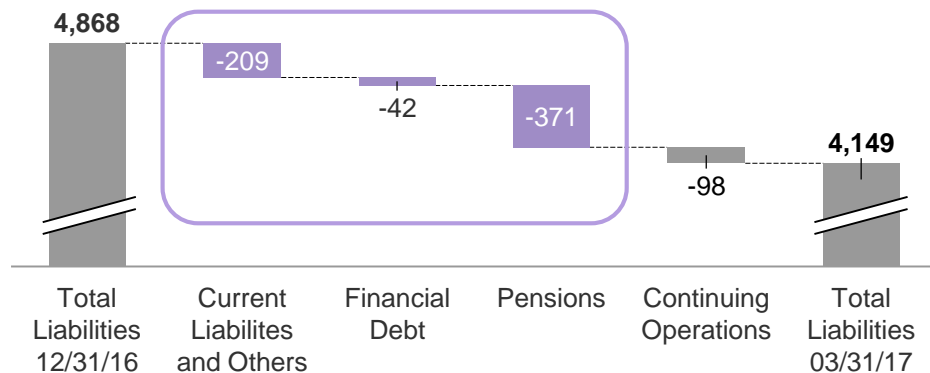
Asset Bridge Q1 2017 (€m)



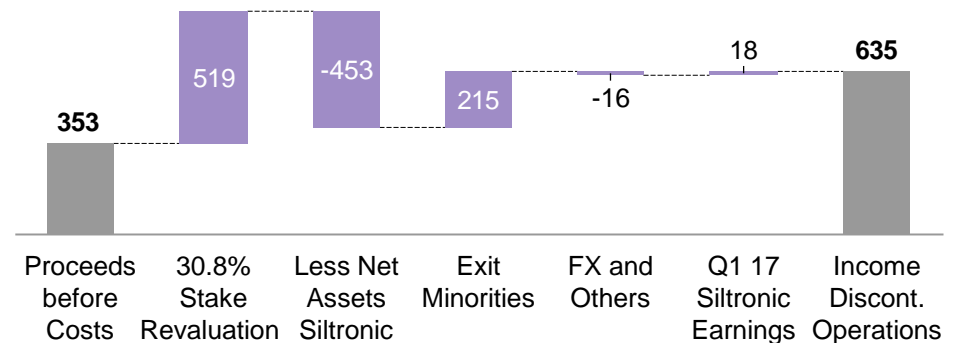
Net Debt Effects (€m)



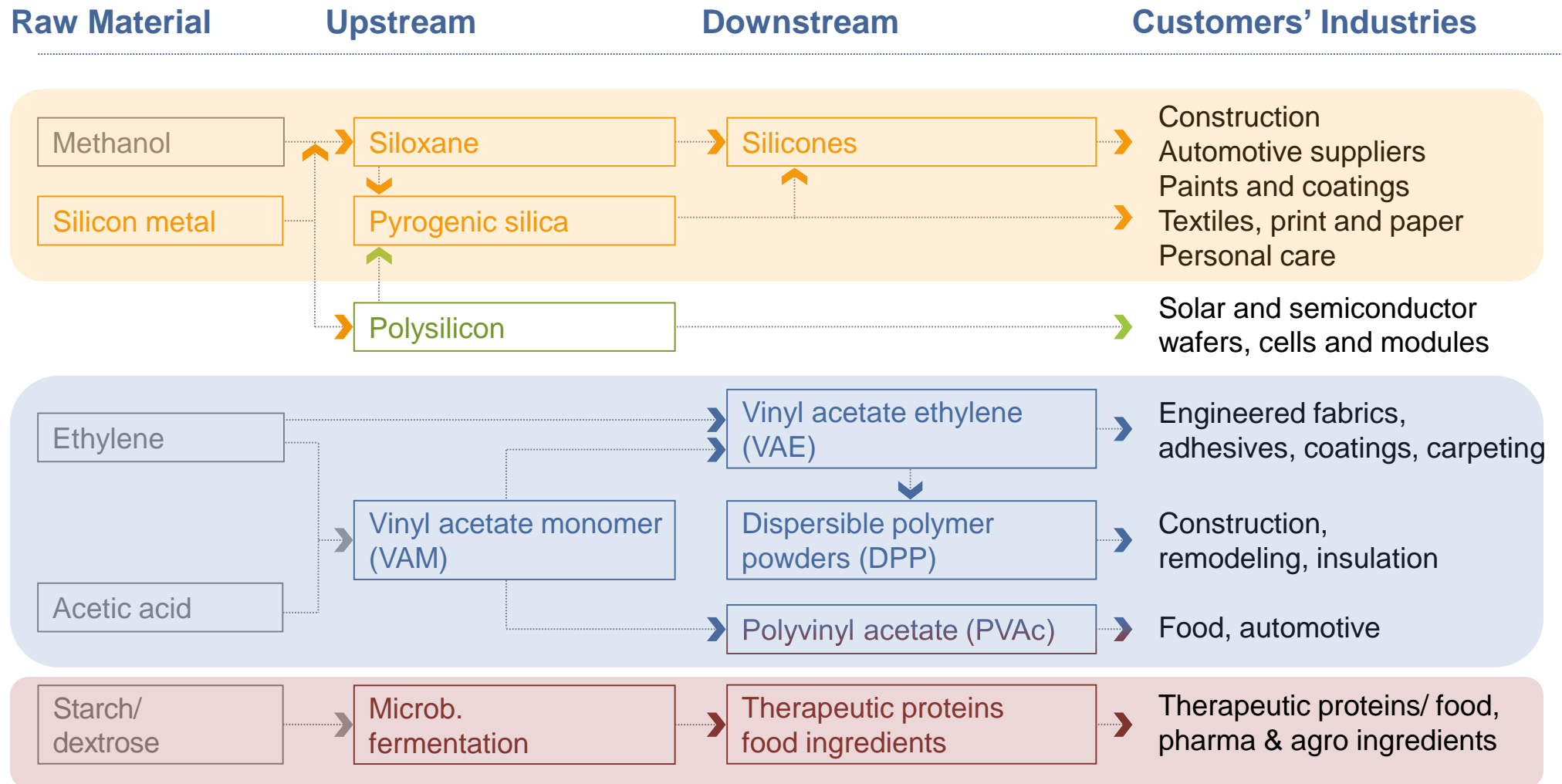
Liability Bridge Q1 2017 (€m)



Income Discont. Operations (€m)

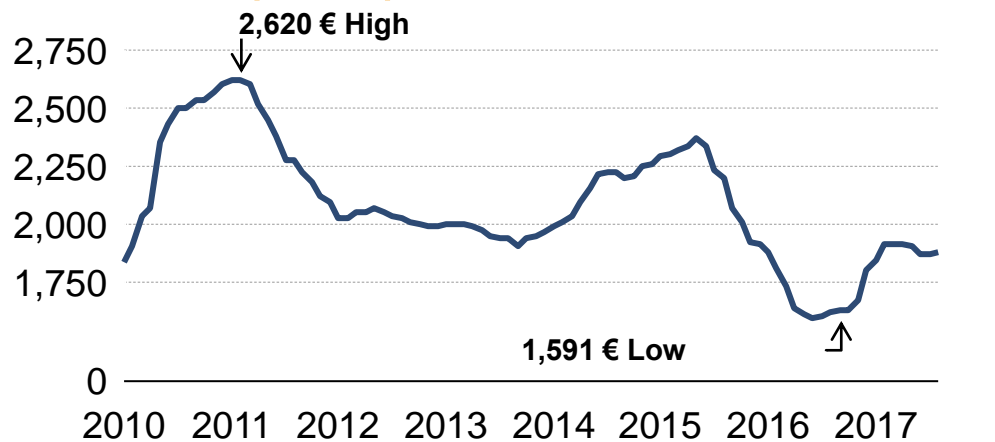


Highly-Integrated Operations Based on Five Key Raw Materials



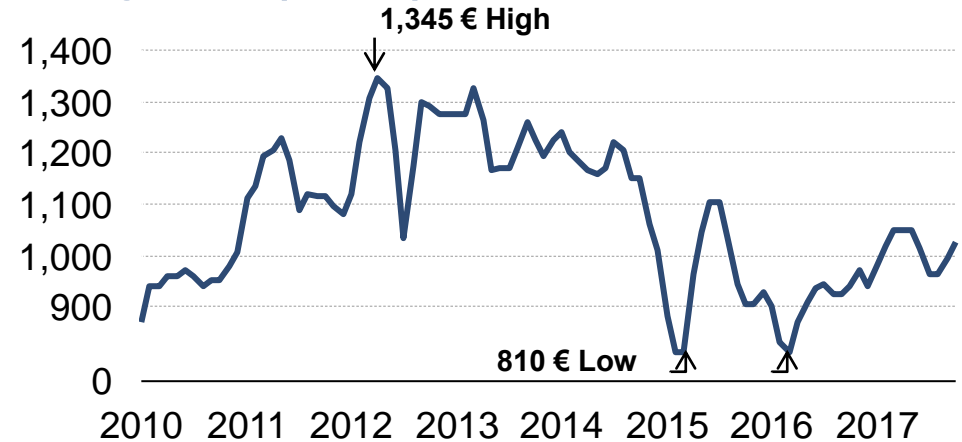
Raw Material Prices With Volatile Development – YoY Prices Trend Upwards

Si-Metal (€/MT)



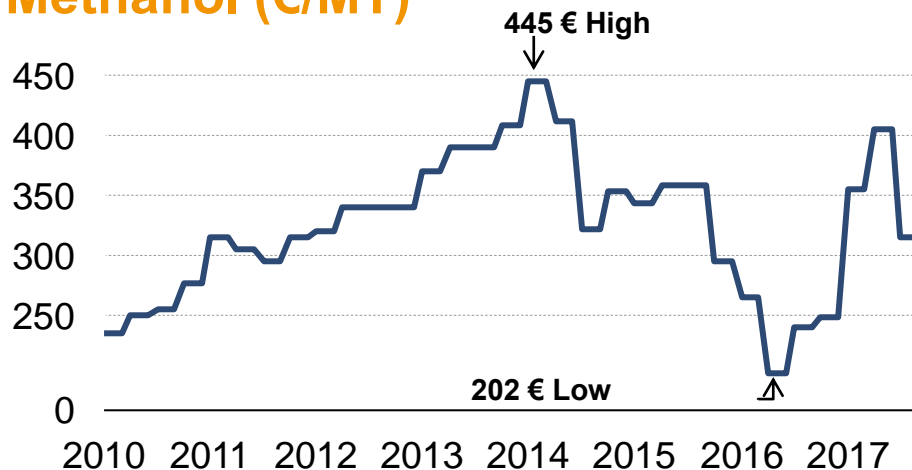
Source: CRU, Si-Metal Spot FD Europe

Ethylene (€/MT)



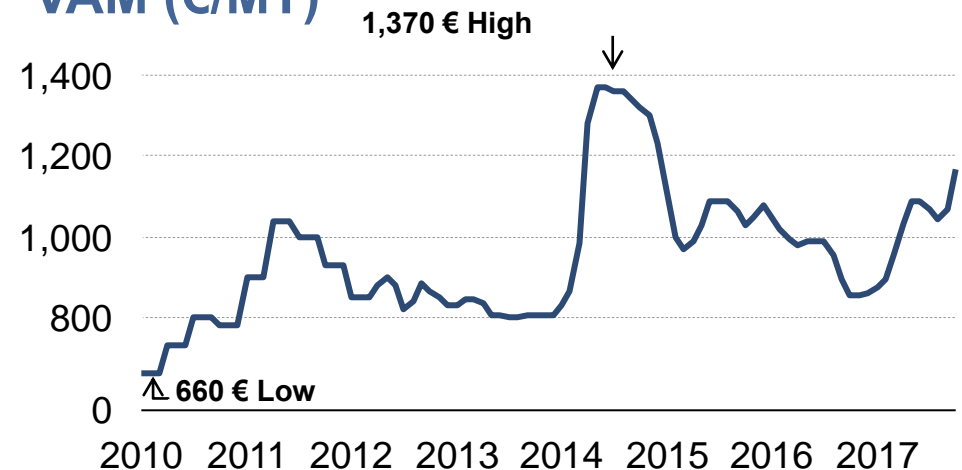
Source: ICIS, EN Contract FD NWE

Methanol (€/MT)



Source: ICIS, MeOH Contract, FOB RDM

VAM (€/MT)

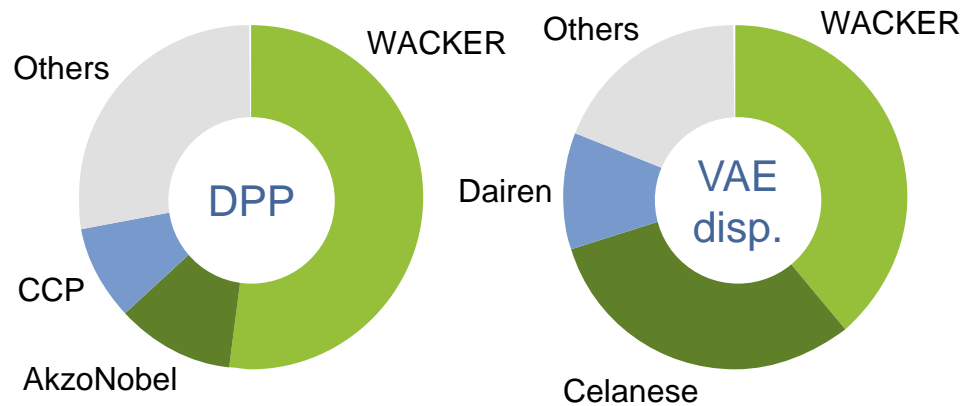


Source: ICIS, VAM Contract FD NWE

Market Leading Positions

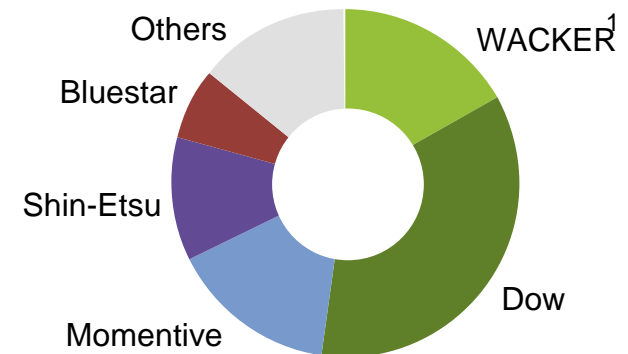
POLYMERS

Global DPP and VAE Market



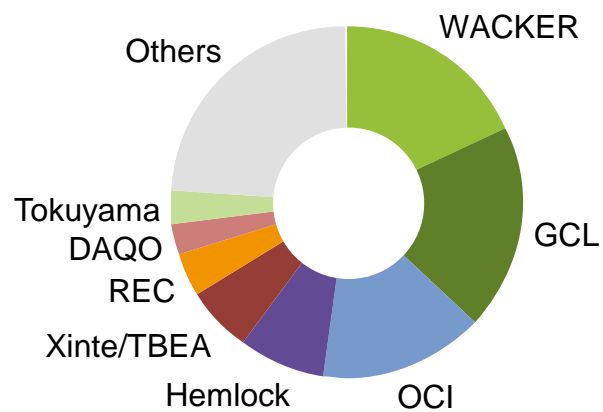
SILICONES

Silane/Siloxane backward integrated suppliers

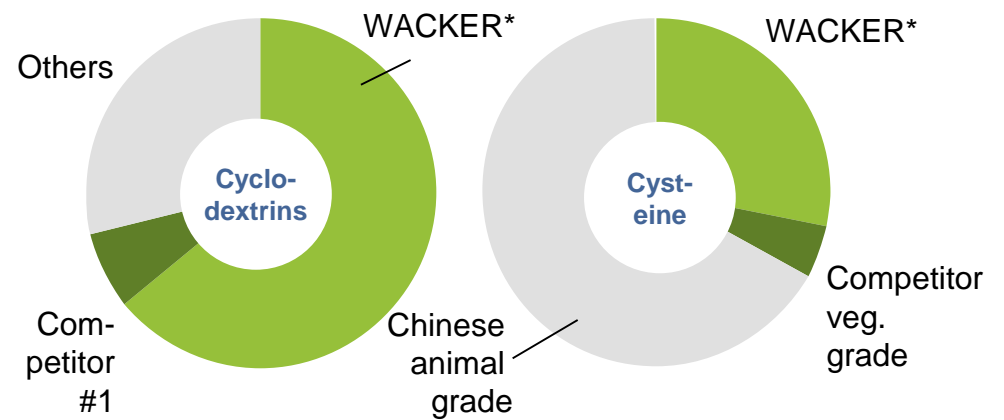


¹) WACKER JV participations fully consolidated

POLYSILICON



BIOSOLUTIONS



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

WACKER: Issuer, Contact and Additional Information

Issuer and Contact

Wacker Chemie AG
Hanns-Seidel-Platz 4
D-81737 Munich

Investor Relations contacts

Joerg Hoffmann, CFA
Tel. +49 89 6279 1633
joerg.hoffmann@wacker.com

Scott McCollister
Tel. +49 89 6279 1560
scott.mccollister@wacker.com

Monika Stadler
Tel. +49 89 6279 2769
monika.stadler.ir@wacker.com

Financial Calendar

10/26/17 – Q3 Results 2017

Additional Information

ISIN: DE000WCH8881

WKN: WCH888

Deutsche Börse: WCH



WACKER Factbook 2017

