

Q2 2018 – Conference Call Note

Dr. Rudolf Staudigl (CEO), Dr. Tobias Ohler (CFO)

July 26, 2018

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Cover - In April, WACKER acquired a production plant in the Netherlands for pharmaceutical proteins, live microbial products and vaccines. The acquisition is a key step for WACKER's ongoing expansion in the high-growth biopharmaceuticals market.

Highlights Q2 2018

Strong Performance in SILICONES

Solid Performance in Q2 2018

Financials

Sales of €1.3bn (+9% yoy, +9% qoq)

EBITDA at €261m (+3% yoy, +2% qoq)

Net financial debt at €640m after €224m dividend payout in Q2

Operations

Price and product mix drive SILICONES growth

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

High utilization across all segments, POLYSILICON USA ramping

Profit & Loss Statement

Strong Operations and Supportive Pricing Drive Results

WACKER P&L Q2 2018 (€m)

€m	Q2 2017	Q2 2018
Sales	1,218.3	1,329.9
Gross profit from sales	237.8	251.5
<i>Gross profit margin (in %)</i>	<i>19.5%</i>	<i>18.9%</i>
S,G&A and R&D	-149.0	-156.7
Other operating income	19.9	24.7
Other operating expenses	-13.6	-18.4
Operating result	95.1	101.1
Result from investments in joint ventures and associates	4.9	23.9
EBIT	101.9	125.0
Interest result	-8.1	-4.1
Other financial result	-18.0	-12.7
Profit before tax	75.8	108.2
Income taxes	-15.3	-24.7
Income from continuing operations	60.5	83.5
Income from discontinued operations	0.0	0.0
Net income for the period	60.5	83.5
EPS from continuing operations (in €)	1.17	1.59
EBITDA	253.4	260.5
Depreciation/amortization	151.5	135.5
EBIT	101.9	125.0

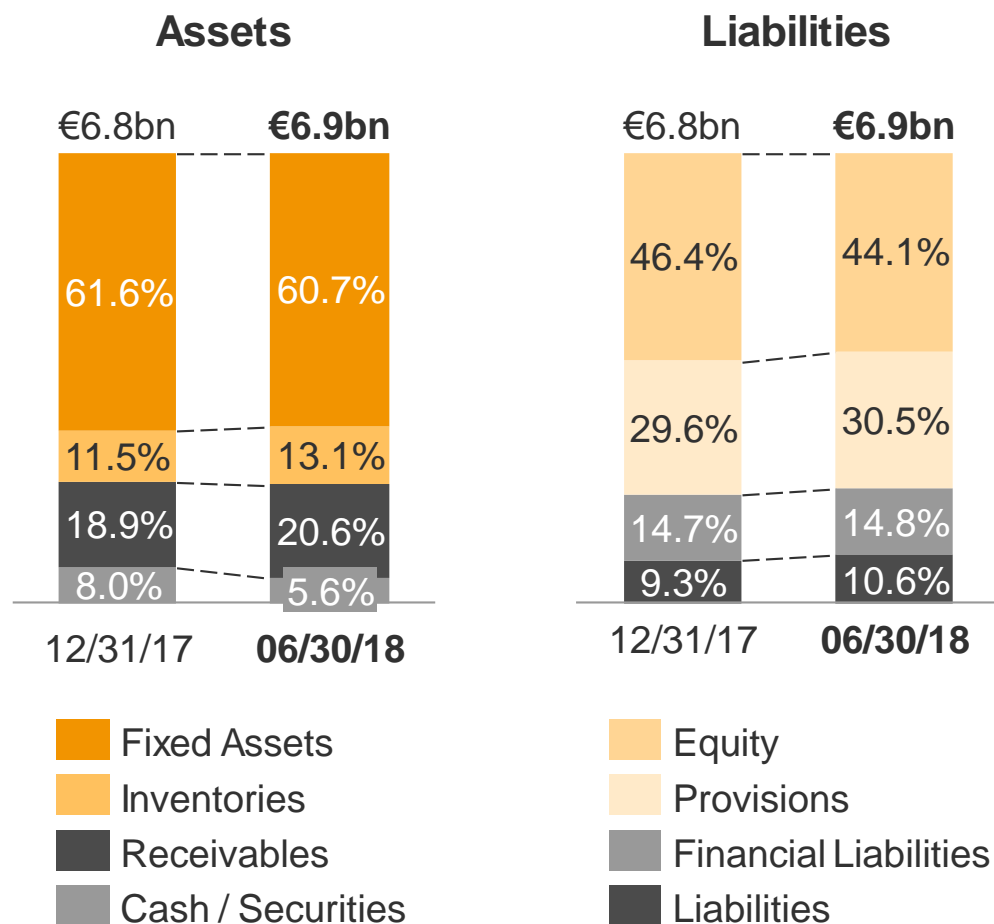
Comments

- ▶ Sales +9.2% yoy:
Volume/Mix +7.0%, Price +4.9%, FX -2.7%
- ▶ Gross profit increased by 5.8% yoy following higher prices, mix effects, efficiency gains and lower depreciation
- ▶ Result from investments in joint ventures and associates benefits from at-equity contribution from Siltronic
- ▶ Tax rate of 23.7% (6M 2017: 26.9%)
- ▶ Depreciation at €136m, -10.6% yoy
- ▶ EPS cont. operations at €1.59, +36% yoy

Balance Sheet Composition

No Major Change in H1 2018

Balance sheet (%)



Characteristics 06/30/18

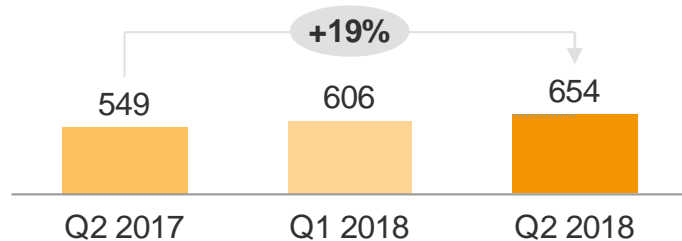
- ▶ Non current assets: €4,788m
- ▶ Securities, cash and cash equivalents: €389m
- ▶ Provisions for pensions: €1,721m (Mar 31, 2018: €1,692m)
 - ▶ Discount rate in Germany at 1.99% (Dec 31, 2017: 2.09%)
 - ▶ DTA* relating to pensions about €341m
- ▶ Equity: €3,066m (Mar 31, 2018: €3,162m)

* Deferred tax asset

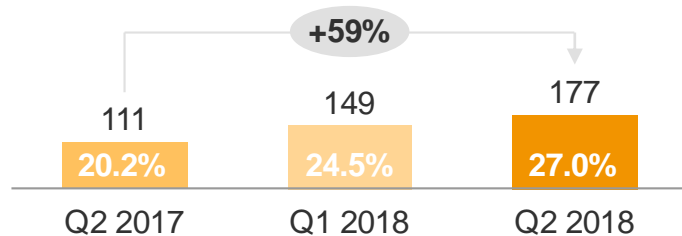
SILICONES

Volume, Mix and Price Drive Strong Performance

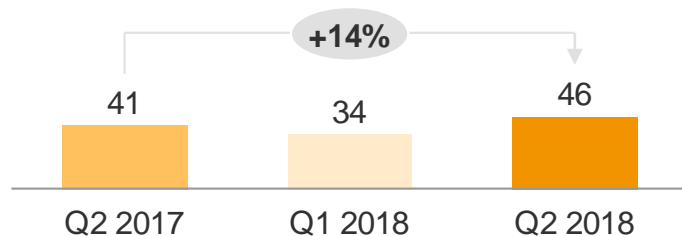
Sales (€m)



EBITDA (€m) / margin



CapEx (€m)



Highlights Q2

- ▶ Market tightness continues
- ▶ Operating at capacity limits
- ▶ Pricing and product mix drive sales and EBITDA growth

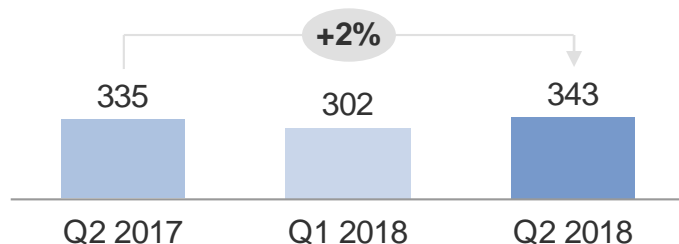
Outlook 2018

- ▶ Now targeting FY Sales of €2.5bn with an EBITDA around €600m
- ▶ Supportive pricing, high plant loading and good cost performance

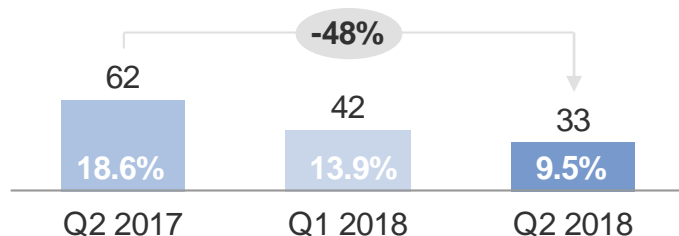
POLYMERS

Volume and Price Gains Offset by Higher Raw Materials

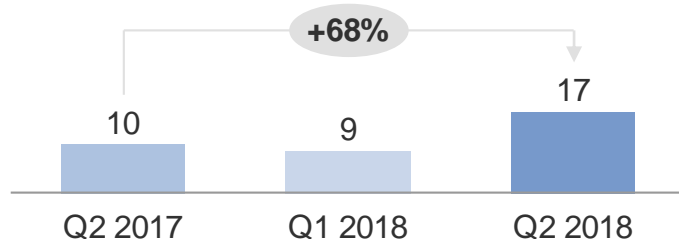
Sales (€m)



EBITDA (€m) / margin



CapEx (€m)



Highlights Q2

- ▶ Positive pricing and volume effects did not compensate for higher raw materials
- ▶ VAM turnaround completed in May; impacts Q2 with about €15m

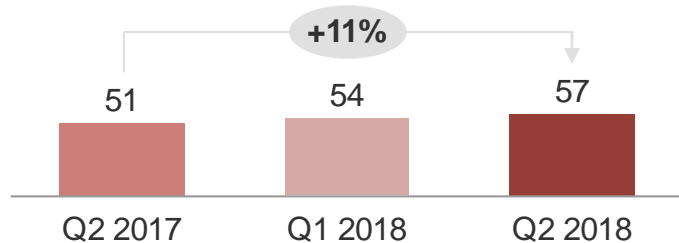
Outlook 2018

- ▶ Mid-single-digit % sales growth
- ▶ Volume growth and better pricing expected; headwinds from raws continuing
- ▶ H2 EBITDA performance similar to H1, resulting in FY at about €150m

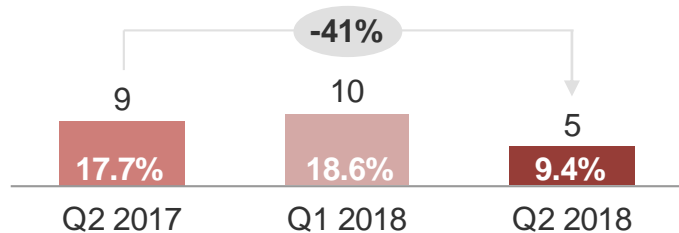
BIOSOLUTIONS

Good Performance in Pharma/Agro Reduced by Integration

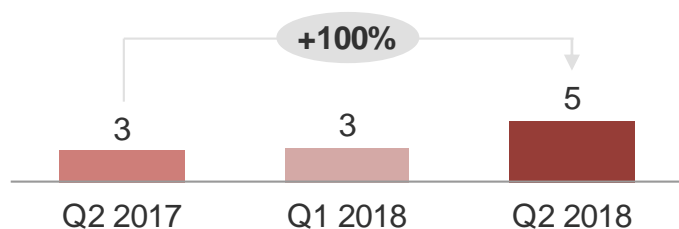
Sales (€m)



EBITDA (€m) / margin



CapEx (€m)



Highlights Q2

- ▶ Strong performance in pharma/agro
- ▶ Gumbase with higher raw materials
- ▶ Integration efforts from recent M&A

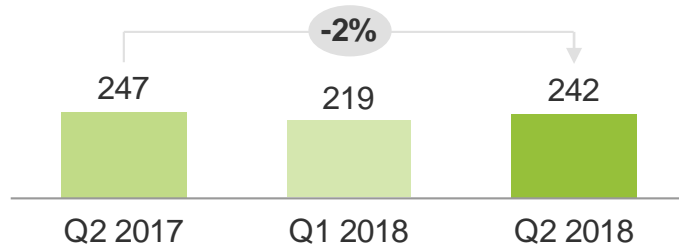
Outlook 2018

- ▶ Mid-single-digit % sales growth
- ▶ EBITDA at about €25m following raw material increases, integration and ramp costs

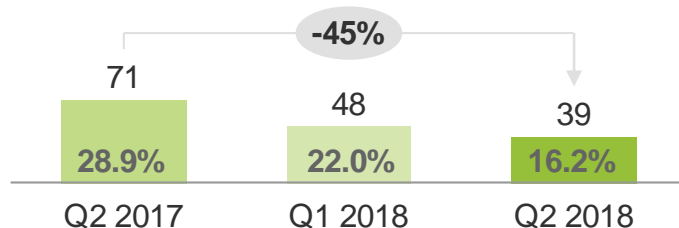
POLYSILICON

Tennessee Ramp and Temporary Market Slowdown in Q2

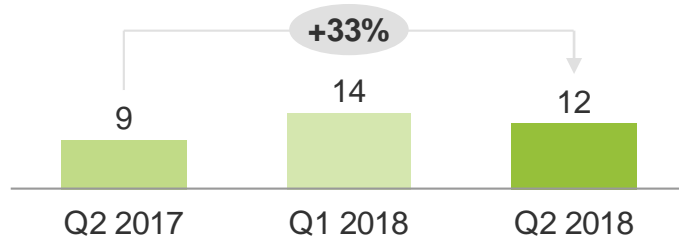
Sales (€m)



EBITDA (€m) / margin



CapEx (€m)



Highlights Q2

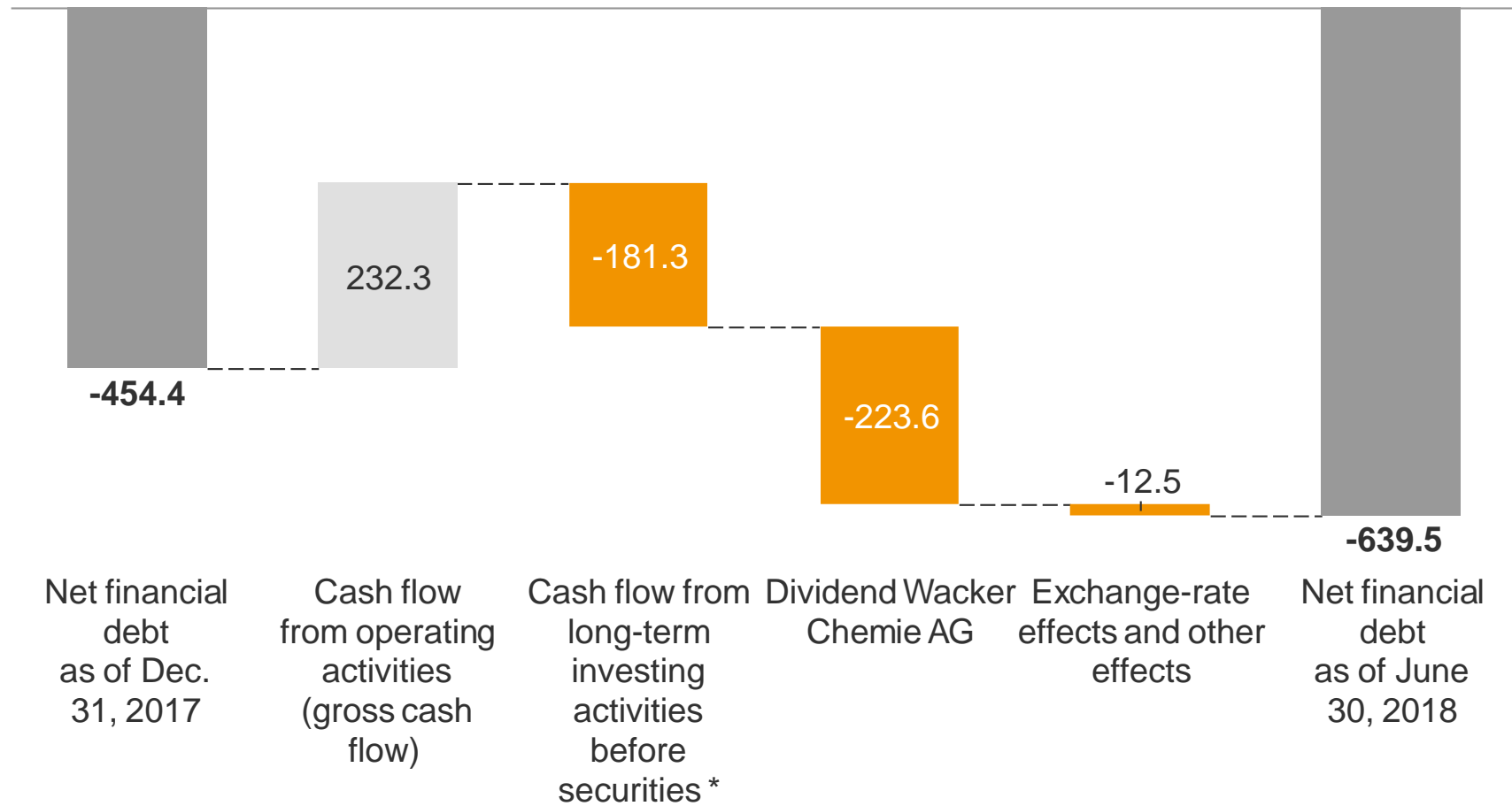
- ▶ WACKER German plants at full capacity, US ramp on track
- ▶ Slow China demand triggers inventory clearing in the solar value chain
- ▶ No insurance compensation for business interruption accounted for yet

Outlook 2018

- ▶ Sales low-double-digits % down
- ▶ EBITDA around 10% below 2017

Net Financial Debt Dividend Payment in Q2

Net Financial Debt Bridge per 06/30/2018 (€m)

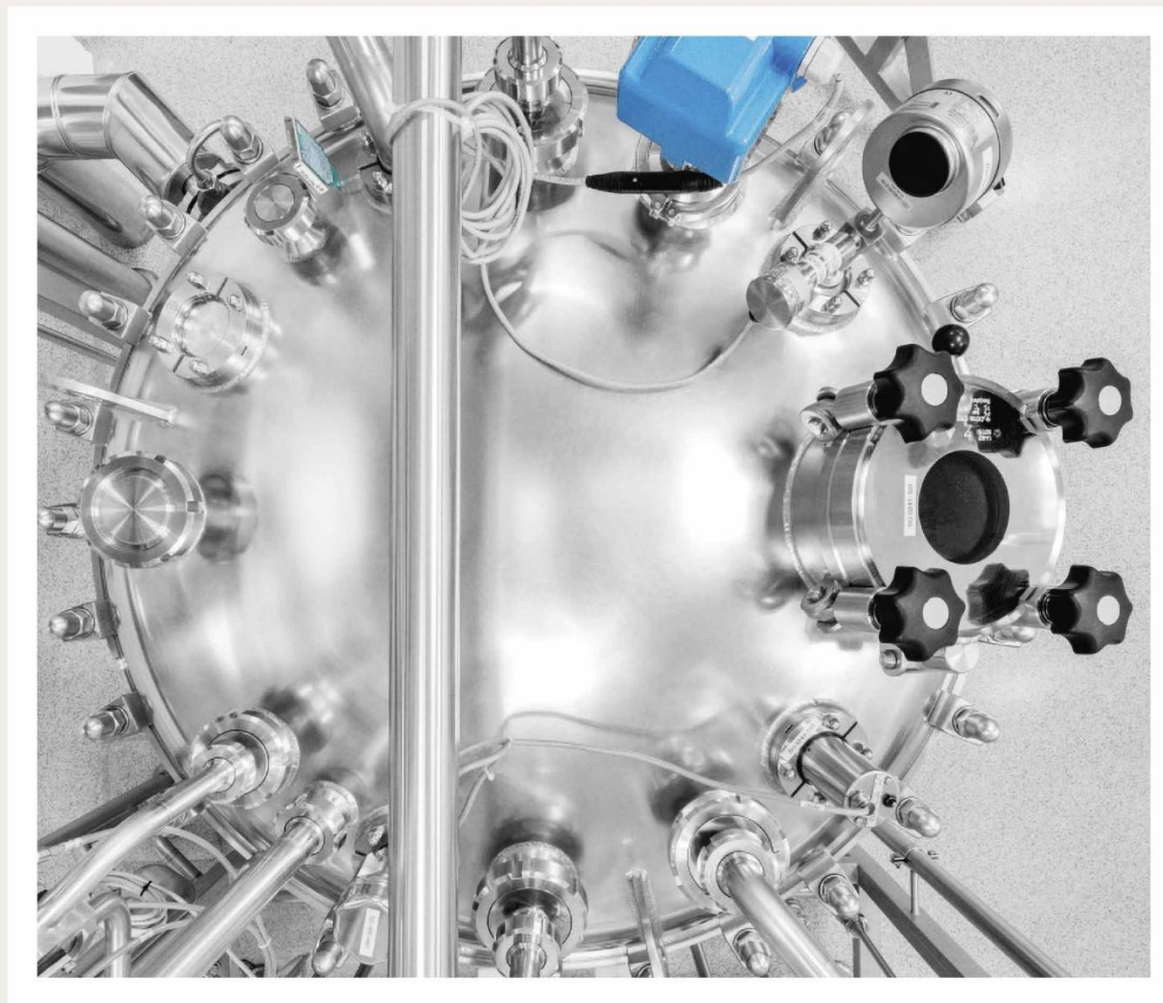


*) includes financial investments

Guidance FY 2018

Outlook Confirmed, Updates for CapEx and Net Debt

€m	2017	Outlook 2018
Sales	4,924	Low-single-digit % increase
EBITDA	1,014	Mid-single-digit % increase
EBITDA margin (%)	20.6	Slightly higher than a year ago
Net cash flow	358	Clearly positive, substantially below last year's figure
CapEx	327	Around 450 (was: around 470)
Net financial debt	454	About 500 (was: on par with last year)
Income from continuing operations	250	Substantially higher than last year
Depreciation	590	Around 550
ROCE (%)	7.5	Substantially above the prior-year level
Tax Rate (cont. operations) (%)	25.3	Stable



Q2 2018 – Conference Call: Q&A Session

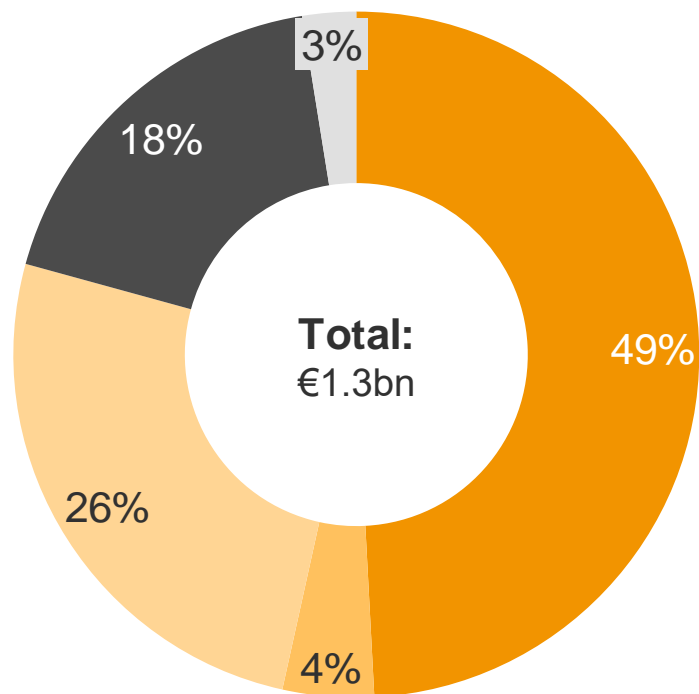
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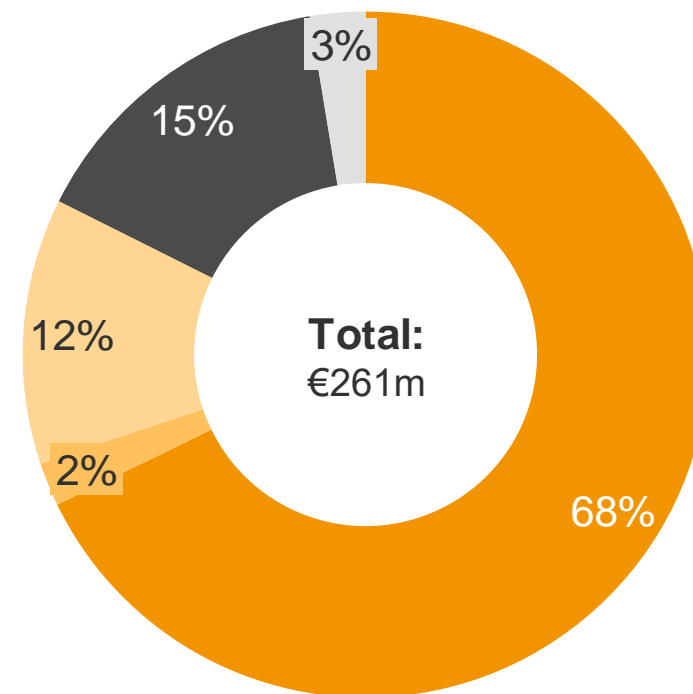
Q2 2018 Results

Sales and EBITDA Breakdown

Q2 2018 Sales



Q2 2018 EBITDA



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

Q2 2018 Results

P&L

in €m	Q2 2018	Q2 2017	% YoY	Q1 2018	% QoQ
Sales	1,329.9	1,218.3	+9.2%	1,217.6	+9.2%
EBITDA	260.5	253.4	+2.8%	254.5	+2.4%
EBITDA margin	19.6%	20.8%	-	20.9%	-
EBIT	125.0	101.9	+22.7%	121.7	+2.7%
EBIT margin	9.4%	8.4%	-	10.0%	-
Net income for the period	83.5	60.5	+38.0%	79.1	+5.6%
EPS (cont. operations) in €	1.59	1.17	+35.7%	1.52	+4.6%

Q2 2018 Results

Breakdown by Business

In €m / %	SALES					EBITDA				
	Q2 2018	Q2 2017	% YoY	Q1 2018	% QoQ	Q2 2018	Q2 2017	% YoY	Q1 2018	% QoQ
CHEMICALS	1,054	935	+13%	962	+10%	215	182	+18%	201	+7%
SILICONES	654	549	+19%	606	+8%	177	111	+59%	149	+19%
POLYMERS	343	335	+2%	302	+14%	33	62	-48%	42	-22%
BIOSOLUTIONS	57	51	+11%	54	+5%	5	9	-41%	10	-47%
POLYSILICON	242	247	-2%	219	+10%	39	71	-45%	48	-19%
Others	39	40	-2%	43	-8%	7	-1	-	7	0%
Consolidation	-6	-4	-	-6	-	-1	1	-	-1	-
WACKER Group	1,330	1,218	+9%	1,218	+9%	261	253	+3%	255	+2%

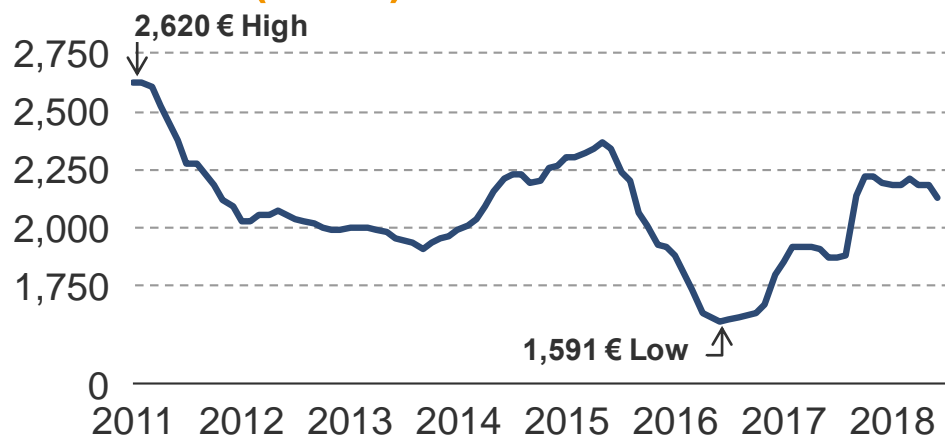
Further PV Growth Expected in 2018

Country	2014	2015	2016	2017	2018e
France	0.9	0.9	0.6	0.9	1.2 – 1.4
Germany	1.9	1.5	1.5	1.8	2.0 – 2.4
Europe other	4.6	6.2	4.3	~ 4.1	7.2 – 9.0
Europe total	7.4	8.6	6.4	~ 6.8	10.4 – 12.8
Australia	1.0	0.9	0.8	1.3	2.7 – 3.0
China*	13.2	16.5	32.5	52.8	40.0 – 45.0
India	1.0	2.1	4.3	9.6	10.0 – 11.0
Japan	9.3	10.8	8.4	~ 7.4	7.0 – 8.0
South Korea	0.9	1.0	0.9	1.2	1.5 – 1.7
USA	6.2	7.3	14.8	10.6	10.0 – 13.0
Rest of World	5.1	9.0	9.8	~ 10.5	18.0 – 20.0
Total	44 GW	56 GW	78 GW	~ 100 GW	100 – 115 GW

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

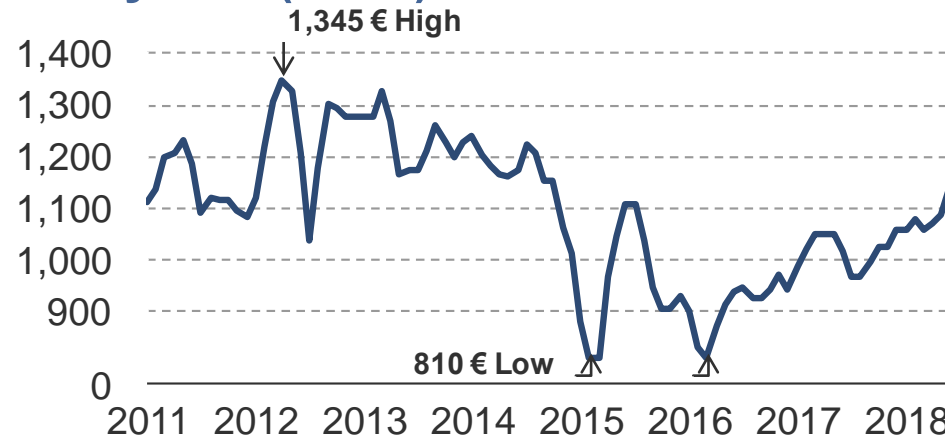
Raw Material Prices With Volatile Development

Si-Metal (€/MT)



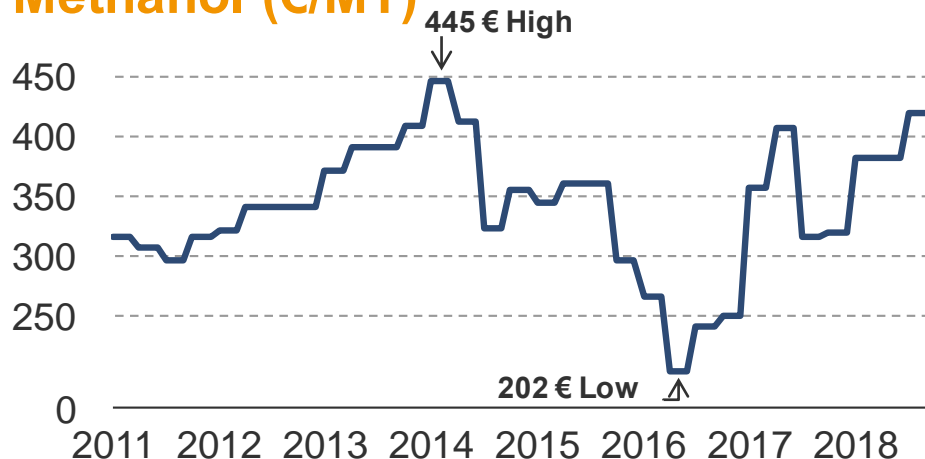
Source: CRU, Si-Metal Spot FD Europe

Ethylene (€/MT)



Source: ICIS, EN Contract FD NWE

Methanol (€/MT)



Source: ICIS, MeOH Contract, FOB RDM

VAM (€/MT)



Source: ICIS, VAM Contract FD NWE

WACKER: Issuer, Contact and Additional Information

Issuer and Contact

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Financial Calendar

10/25/18

Q3 Results 2018

Additional Information



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Publications

