

# **Transforming Growth – Improving Returns on Lower Capex**

Wacker Chemie AG  
September 2016

# Disclaimer

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# Highlights Q2 2016

## Dynamic Demand in Chemicals and POLYSILICON

### Solid Performance in H1 2016

#### Financials

**Sales** of €1.4bn (+1.1% yoy)

**EBITDA excl. special income** of €293m (+21% yoy)

**Tennessee Ramp costs** at €18m on POLYSILICON-EBITDA

#### Operations

**Chemical business** with strong sales volumes

Ramp of new polysilicon plant in **Charleston, Tennessee, USA** on track

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

# Our Business Portfolio – A Foundation for Growth

## WACKER BIOSOLUTIONS

- ▶ High potential for future development

16%

## WACKER POLYMERS

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

19%

## WACKER POLYSILICON

- ▶ No. 2
- ▶ Cost and quality leader
- ▶ Enabling industry growth

38%  
(33%\*\*)

## WACKER SILICONES

- ▶ No. 2 with global footprint
- ▶ Leading positions in key growth segments

14%

## Siltronic

- ▶ Technology leader, ranking as no. 3
- ▶ Balanced base of customers
- ▶ Minority position floated (WAF300; WAF)

13%

**WACKER:**  
**FY 2015**  
**Sales €5.3bn**  
**EBITDA Margin**  
**20%**

20%

\*

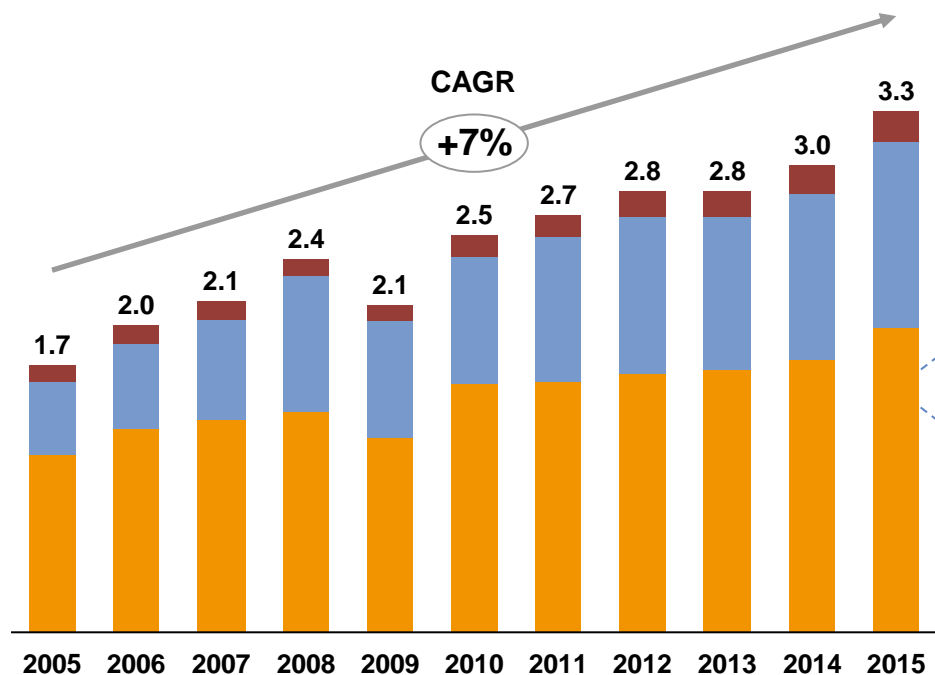
\* Sales FY 2015, Others

\*\* EBITDA Margin adjusted by non-operational effects

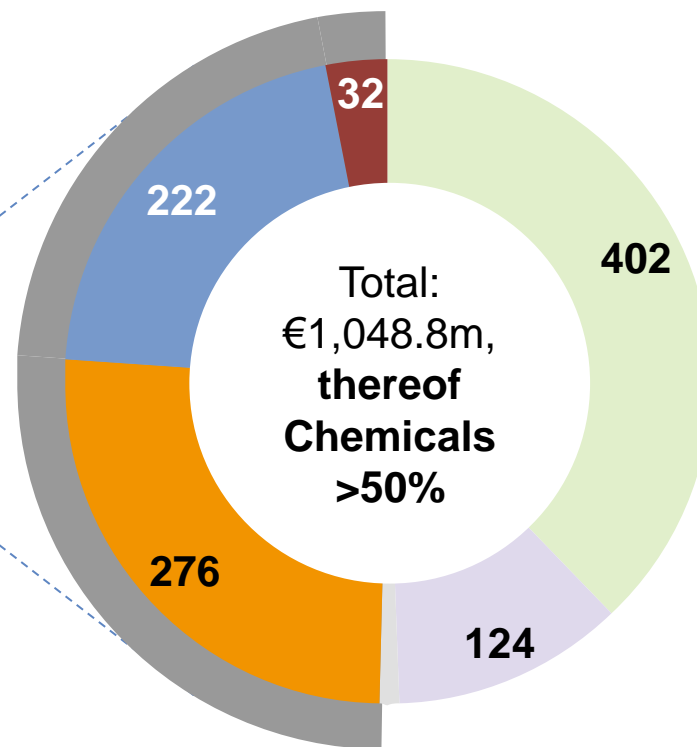
# Chemicals

## Strong Growth and Contribution to EBITDA

Sales Chemical Divisions (€bn)



EBITDA 2015 (€m)



CHEMICALS

WACKER SILICONES

Siltronic

WACKER POLYMERS

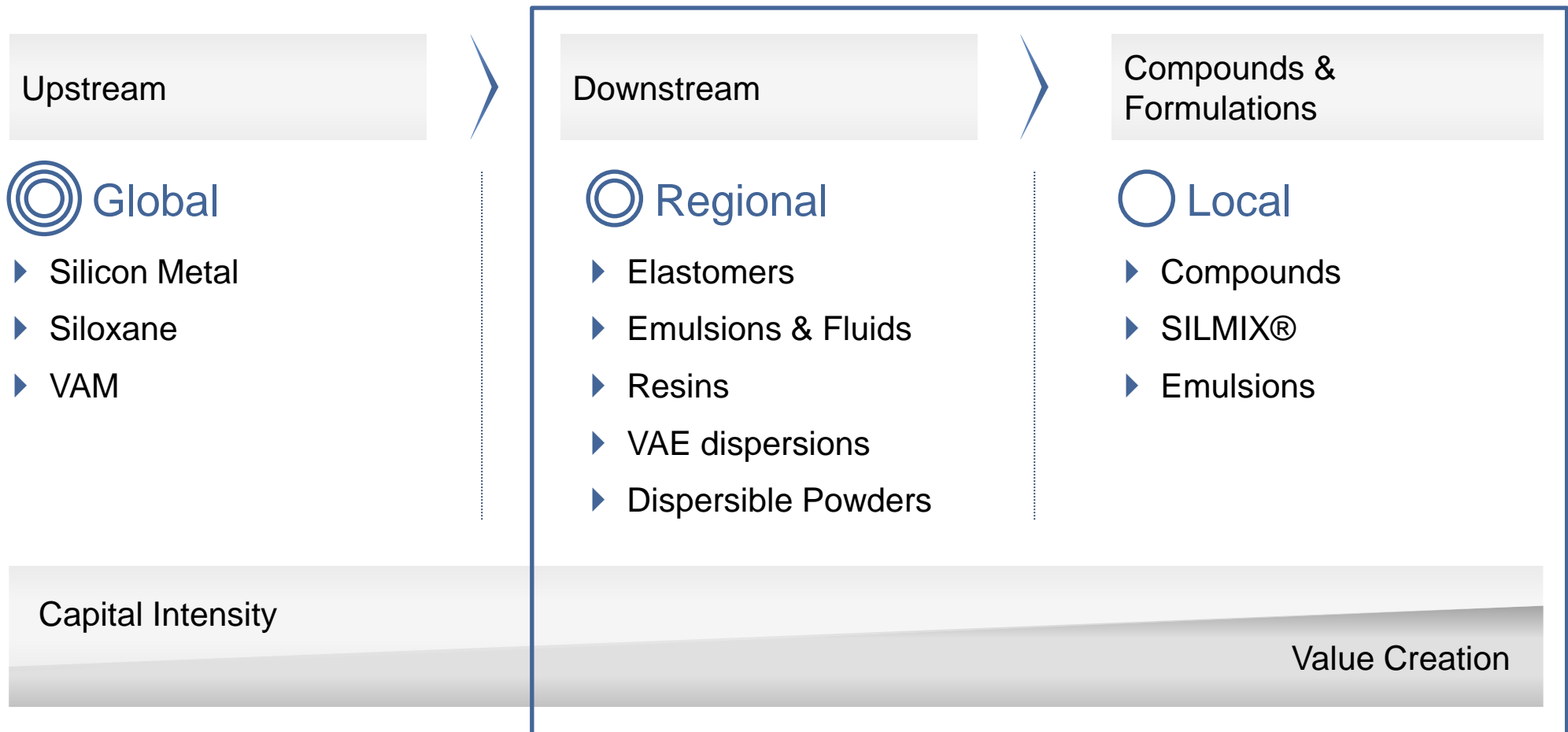
WACKER POLYSILICON

WACKER BIOSOLUTIONS

Others

# Chemicals

## Reduce Capital Intensity – Leverage Existing Upstream Capacities



# Chemicals

## Leveraging A Global Market Presence with Local Access

### Technical Center & WACKER ACADEMY



22 Technical Centers worldwide to service customers and develop products & applications



13 WACKER ACADEMY sites provide training and product know-how tailored to our customers' needs.

### Market Penetration in all Emerging Regions



**China**  
Local products and services



**Korea**  
Focus on products for the electronic market



**India**  
Focus on textile applications



**Brazil**  
Expanding Technical Center presence, local products and services



**South East Asia**  
Mobile technical center

Sales

TC

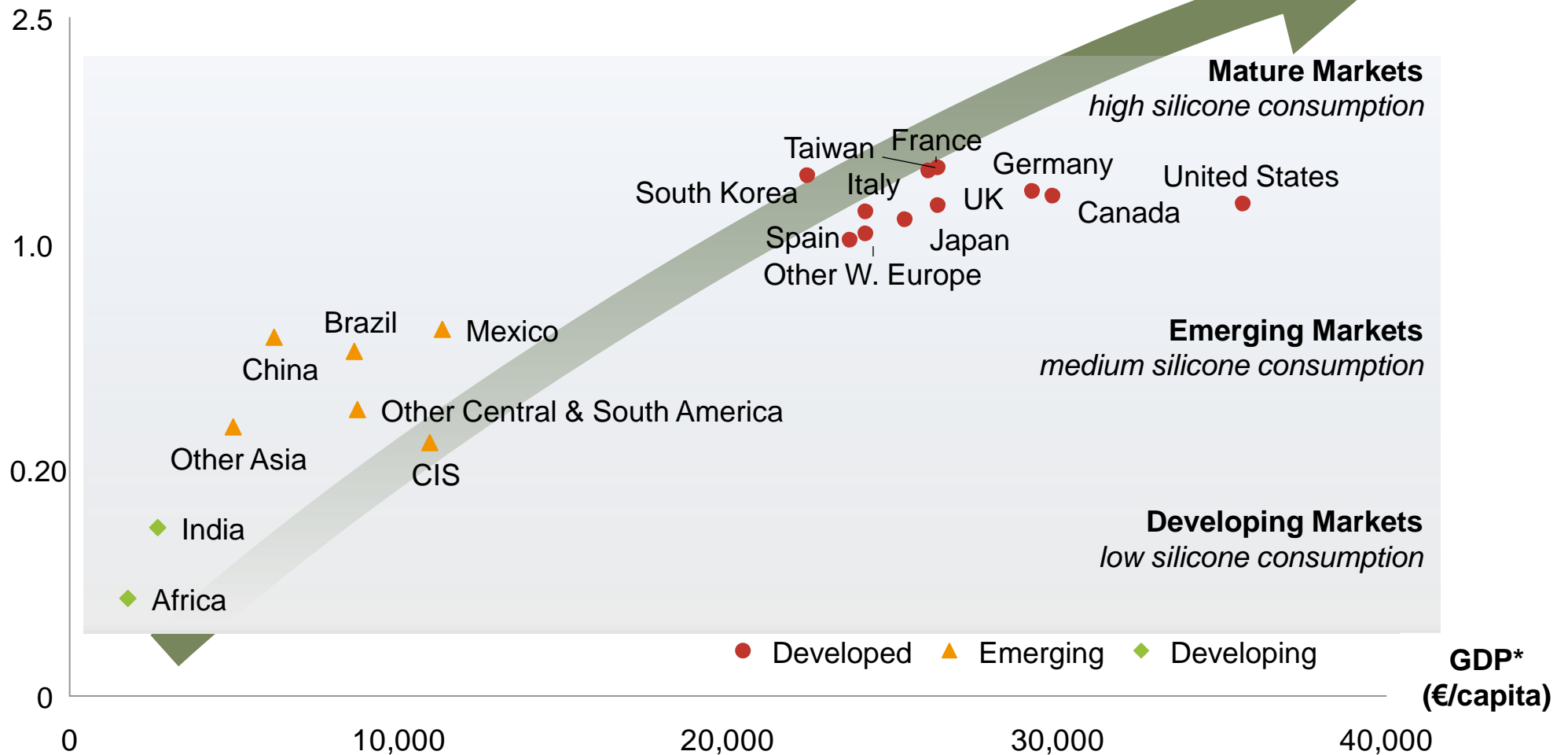
Academy

Plant

# SILICONES

## Silicone Consumption – Emerging Markets Catching Up

### Silicone Consumption (kg/capita)



Source: WACKER estimate / \*GDP = Gross domestic product



# SILICONES

## Increasing Demand for Silicones in All Markets

### Mobility



- ▶ Airbag coating
- ▶ Vibration control
- ▶ Turbo charger hoses
- ▶ Automotive lighting
- ▶ Protection of electronic control units (e.g. ABS<sup>1</sup>, ESP<sup>2</sup>, ACC<sup>3</sup>)

### Digitization



- ▶ Optical bonding
- ▶ LED Backlighting
- ▶ Sealing
- ▶ Electromechanical shielding
- ▶ Thermal management

### Medical



- ▶ Medical parts, e.g. Catheters
- ▶ Baby care
- ▶ Wound dressings
- ▶ Orthopedics
- ▶ Prosthetics

<sup>1</sup> Antilock Braking System

<sup>2</sup> Electronic Stability Program

<sup>3</sup> Adaptive Cruise Control

# SILICONES

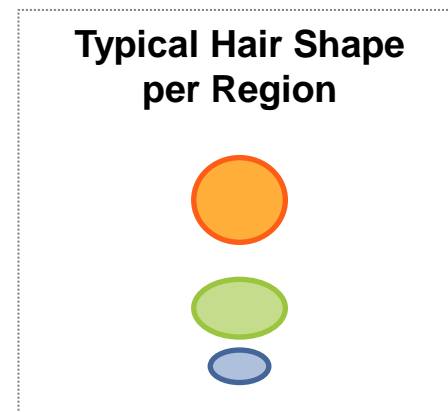
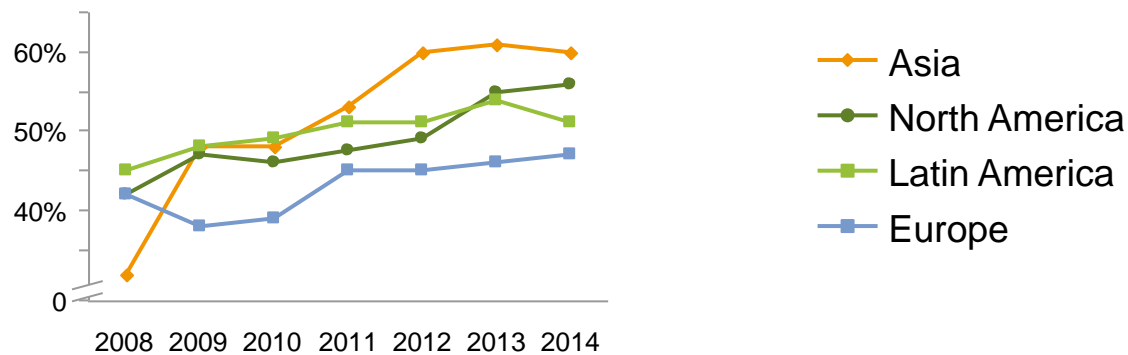
## Creating Value Add Through Customer Specific Developments

### BELSIL® Gives Performance to Personal Care Products



- ▶ Silicone emulsions with high performance functional components improve especially
  - ▶ premium touch & feel
  - ▶ durability of effects
  - ▶ ease of formulation
  - ▶ shine
  - ▶ dry- and/or wet-combing

### Share of Silicone Containing Shampoos out of all New Launches\*

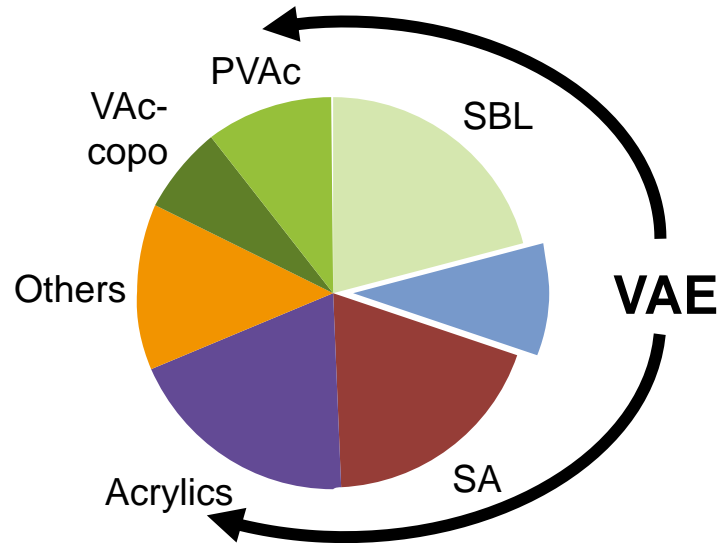


\* Source: Mintel GNPD 2015

# POLYMERS

## Growth of VAE Dispersions above Alternative Systems

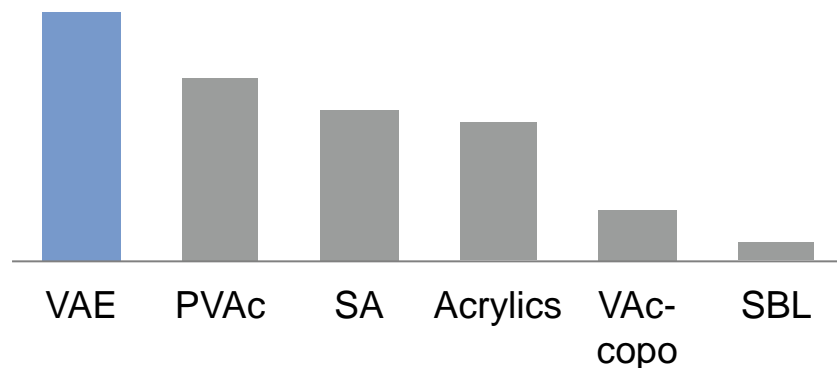
### Synthetic Polymer Latex Market Volume



### Key advantages

- ▶ Less combustible
- ▶ Broad range of heat resistance
- ▶ Easy applicability & workability
- ▶ Flexibility
- ▶ Reliability, clean machinability
- ▶ No plasticizers or additional solvents
- ▶ Low VOC and low odor

### Growth Rates 2009 -2014\*

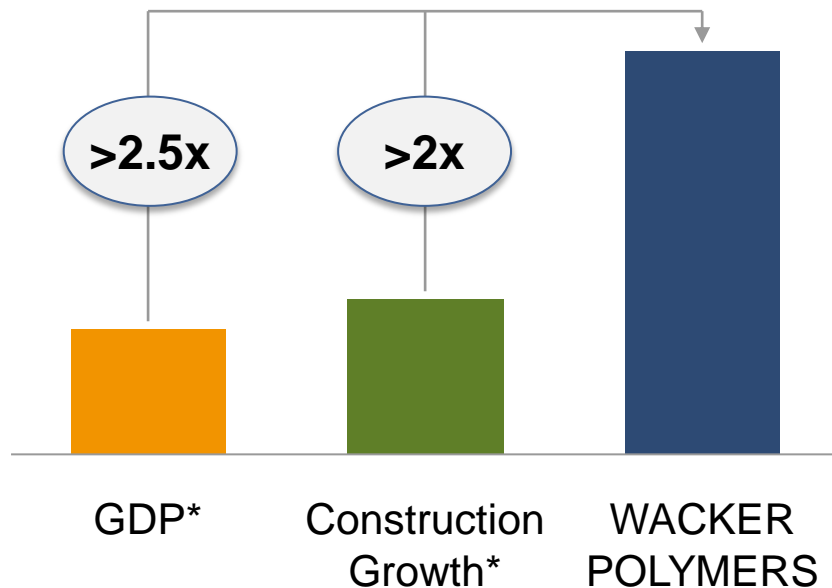


\*Source: Kline Studies 2015

# POLYMERS

## Growth of Dispersible Polymer Powder with a Multiple of GDP

### Average Annual Growth Rate 2010 -2015



### Powder Growth in All Markets

#### Mature Markets

- ▶ Trend towards bigger and thinner tiles
- ▶ WACKER with strong technical support and customized solutions

#### Emerging Markets

- ▶ Increasing quality standards and labor cost
- ▶ High efficiency through application speed and material savings

▶ High Percentage of Growth in Powder Achieved by Substitution

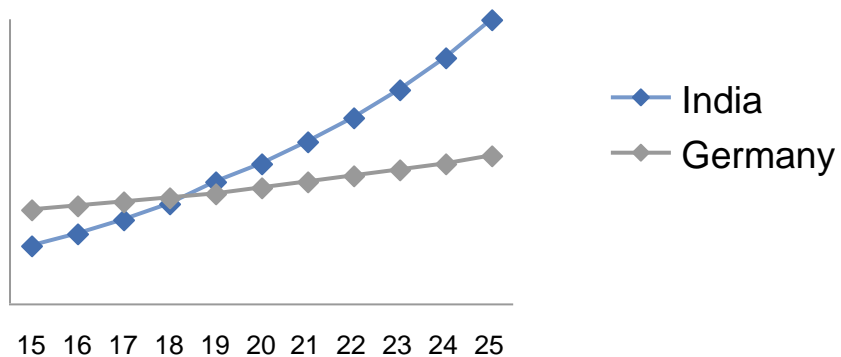
\* Sources: B&L,IBRD, Public Data

# POLYMERS

## Creating Value Add Through Market Specific Developments



### Dispersion powder (in kt) 2015-2025



### Skimcoat Applications in India

VINNAPAS® 5010 N / 8034 H as hydrophobic binder for white cement based putty and skimcoat

### Innovation & Transformation

White cement based skim coating

- ▶ Provides a base layer for paints with potential to grow to the size of the overall skimcoat market
- ▶ Replaces acrylate-based systems with excellent covering properties at an optimal cost

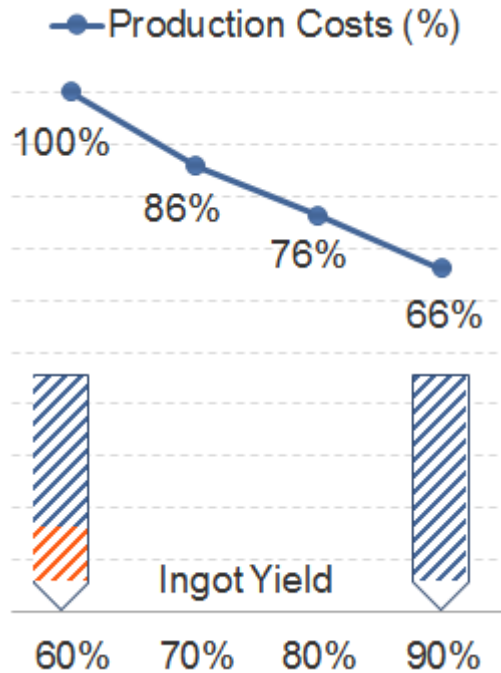
### Growth

- ▶ Skimcoat quickly became our core business in India
- ▶ Expect India to outgrow German market for dispersion powders already in 2019

# POLYSILICON

## High Quality Polysilicon Allows Cost Reduction in the Value Chain

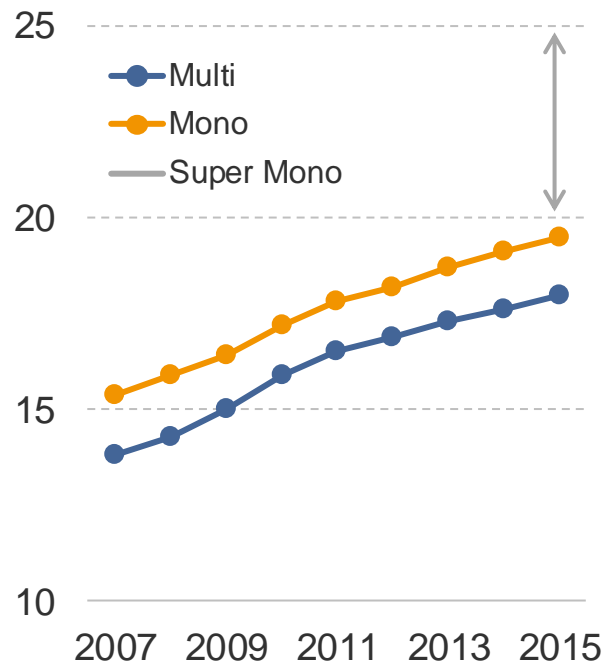
### Usable Ingot Length (%)



Higher quality

- ▶ Longer usable length
- ▶ Lower cost per wafer

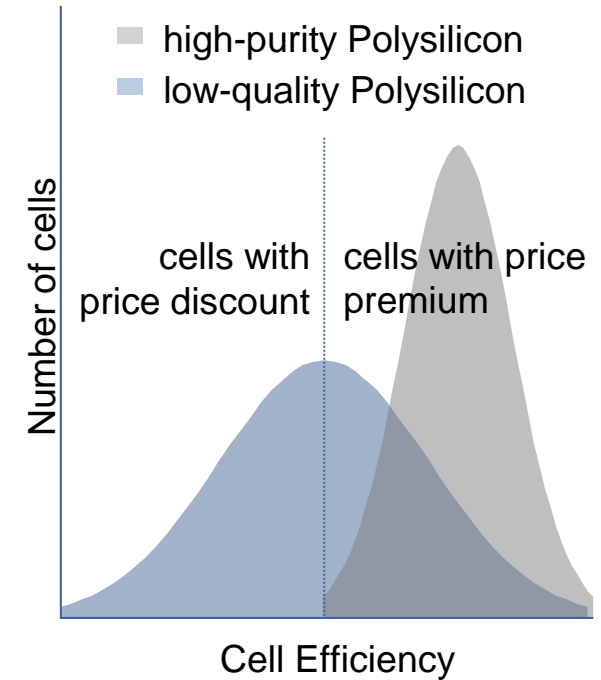
### Solar Cell Efficiencies (%)



Higher quality supports greater efficiencies

- ▶ Lower cost per wafer

### Cell Efficiency Distribution



Narrow distribution and higher mean

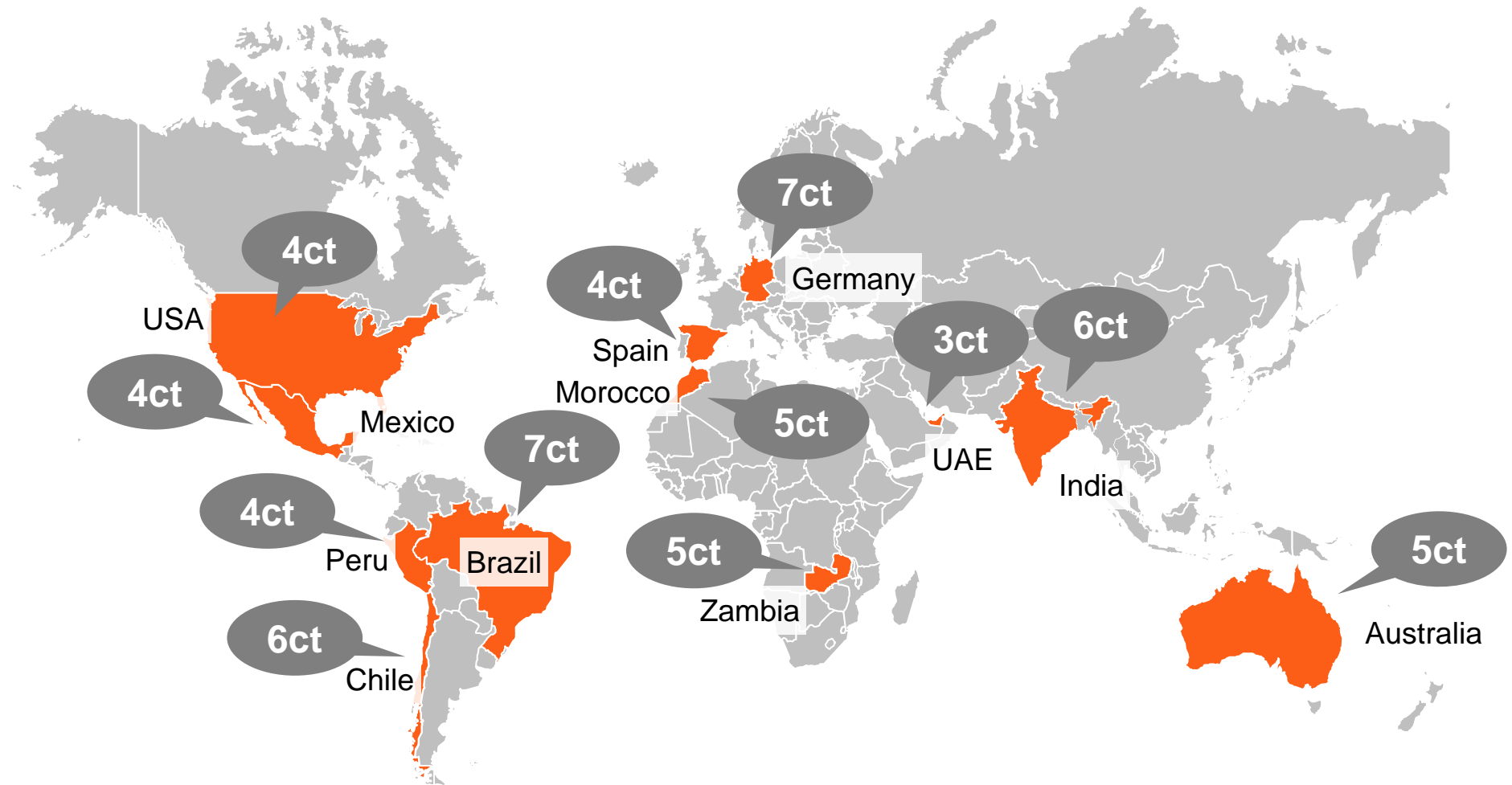
- ▶ Lower cost per wafer

Source: WACKER estimates

# POLYSILICON

## Decreasing Prices Open Up New Markets

### Benchmark PV Power Rates in €/KWh



Source: SeeNews Renewables, Industry Announcements

# POLYSILICON: Decreasing Prices Open Up New Markets – USA and Asia with Highest Growth Potential

Country	2012	2013	2014	2015	2016e
France	1.1	0.6	0.9	0.9	0.9 – 1.1
Germany	7.6	3.3	1.9	1.5	1.1 – 1.3
Italy	3.6	1.1	0.6	0.3	0.4 – 0.5
Europe other	4.9	5.8	4.0	5.9	4.5 – 5.0
<b>Europe total</b>	<b>17.2</b>	<b>10.8</b>	<b>7.4</b>	<b>8.6</b>	<b>6.9 – 7.9</b>
Australia	1.0	0.9	1.0	0.9	0.9 – 1.1
China	4.8	12.9	13.2	12.5	17.0 – 19.0
India	0.9	1.0	1.0	2.1	4.5 – 5.5
Japan	2.5	6.8	9.3	10.8	8.5 – 9.5
USA	3.3	4.8	6.2	7.3	11.0 – 14.0
Rest of World	2.1	2.8	6.0	10.0	11.0 – 13.0
<b>Total</b>	<b>32 GW</b>	<b>40 GW</b>	<b>44 GW</b>	<b>~52 GW</b>	<b>~60 – 70 GW</b>

Sources: SPE, IHS, Industry announcements, WACKER est.

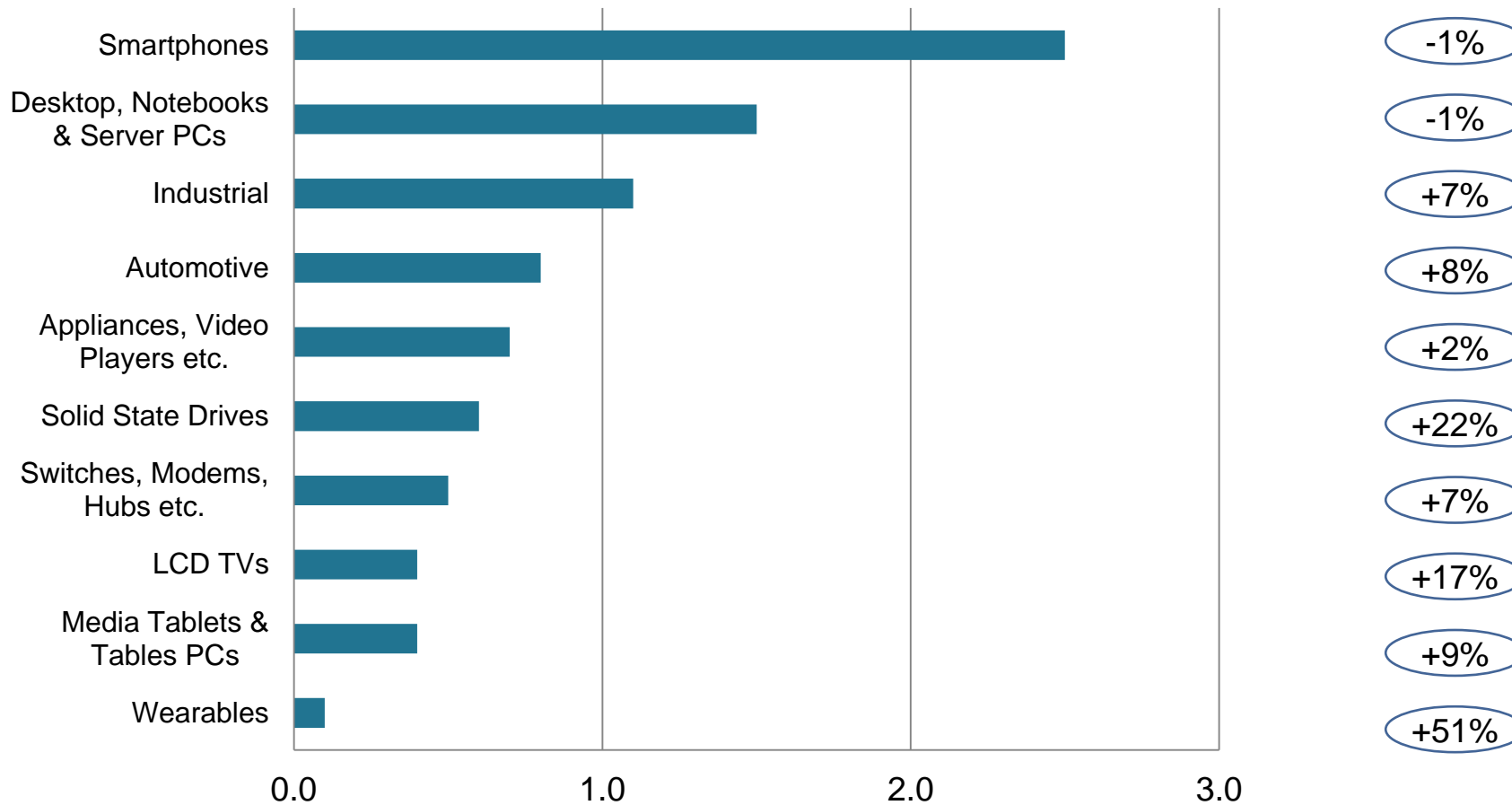


# Siltronic

## Main Drivers are SSDs, Industrial Sector and Automotive

Wafer demand for key applications 2015, in bn in<sup>2</sup>

Estimated growth 2015/16, in %

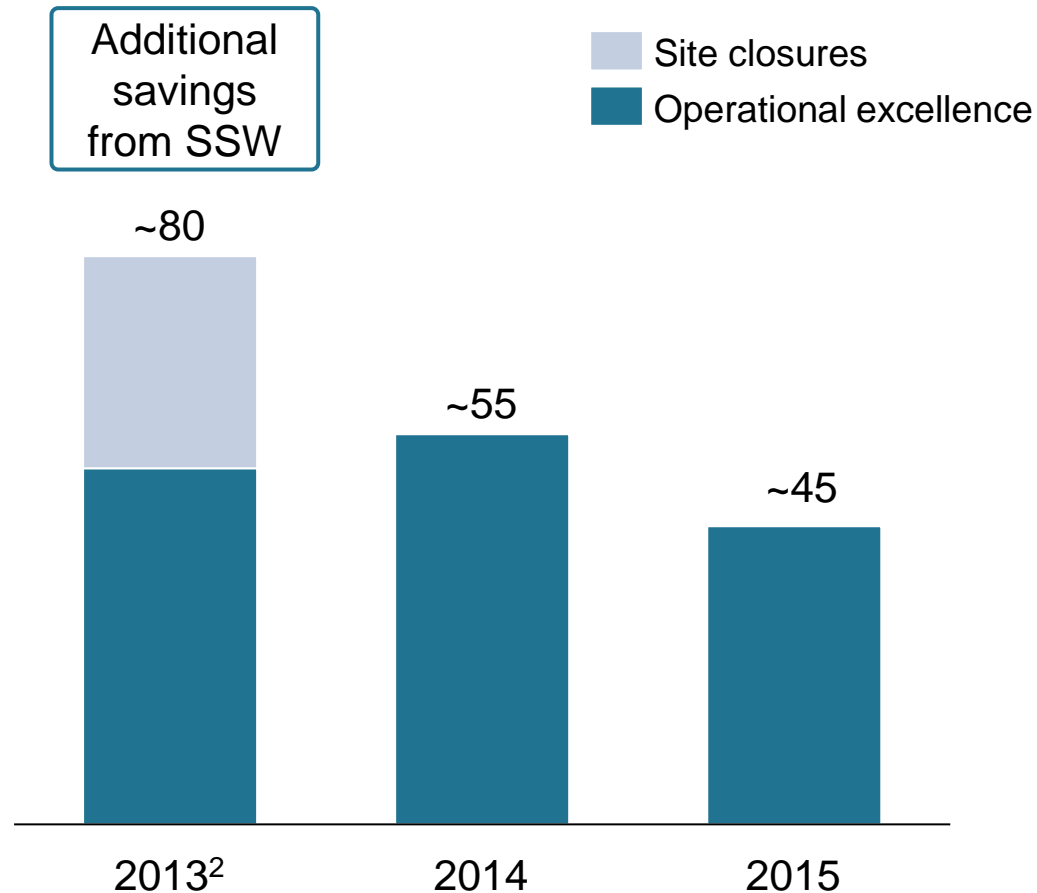


Source: IHS Technology, Semiconductor Silicon Demand Forecast Tool (Q1'16 Update)

# Siltronic

## Continued Successful Track Record of Cost Reduction

Cost reduction, in EUR mn<sup>1</sup>



Additional Savings Levers:

- ▶ Cost reduction roadmap defined for 2016 and beyond
- ▶ Investing in automation in Germany
- ▶ up to 500 employees to be transferred to WACKER between 2014 and 2019 (~200 already transferred)
- ▶ Investing in new pullers to improve yields and capabilities
- ▶ Poly cost optimization ongoing
- ▶ Further productivity increases through various initiatives

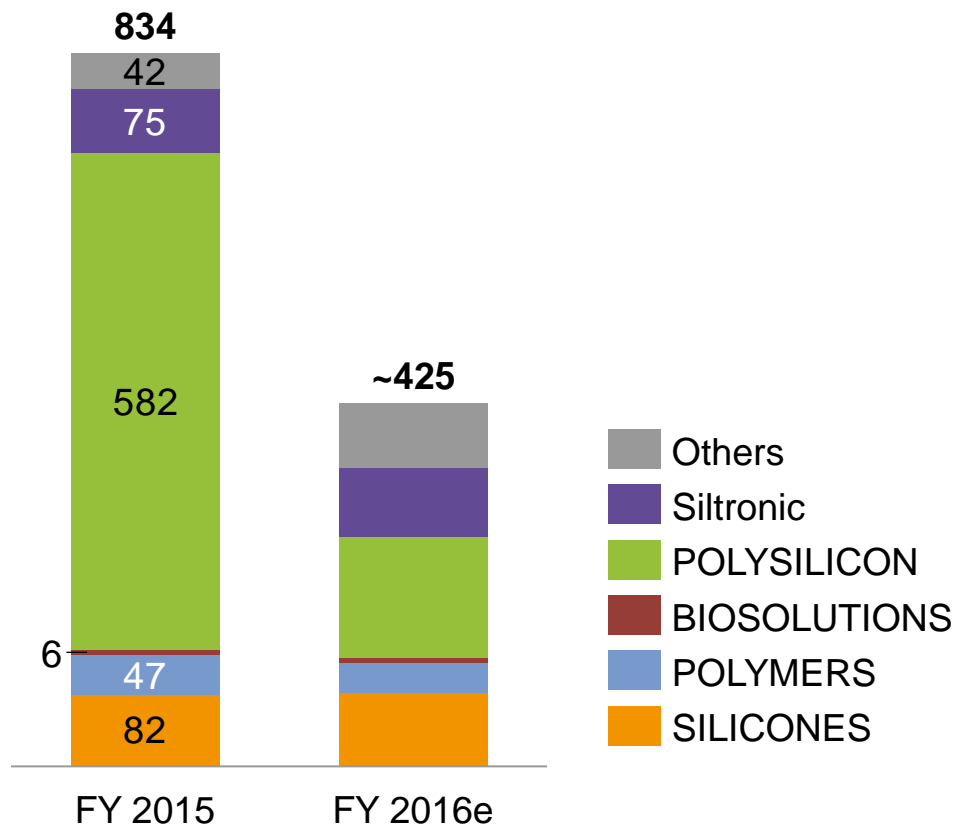
<sup>1</sup> Based on the prior year cost basis to current year volumes and adjustments to certain current year costs to reflect prior year contractual and economic parameters (e.g. prior year unit labor cost).

<sup>2</sup> excluding SSW (Samsung Silicon Wafer Pte. Ltd., Singapur)

# CapEx Profile

## Down From €834m to €425m, Below Depreciation For Next Years

### Capital Budget 2015 and 2016e (€m)



### Projects 2015

- ▶ New POLYSILICON production site in Charleston, Tennessee, USA
- ▶ New plant for vinyl acetate-ethylene (VAE) copolymer dispersions (+85kt), Calvert City, USA
- ▶ New dryer for dispersible polymer powders (+50kt), Burghausen
- ▶ Expansion of production of functional silicone fluids, Burghausen

### Projects 2016

- ▶ Completion of new POLYSILICON production site in Charleston, Tennessee, USA
- ▶ Add cyclodextrin capacity, Eddyville, USA
- ▶ HTV silicone compounds, Burghausen
- ▶ Crystal-growing facilities, Freiberg

# Guidance Update FY 2016

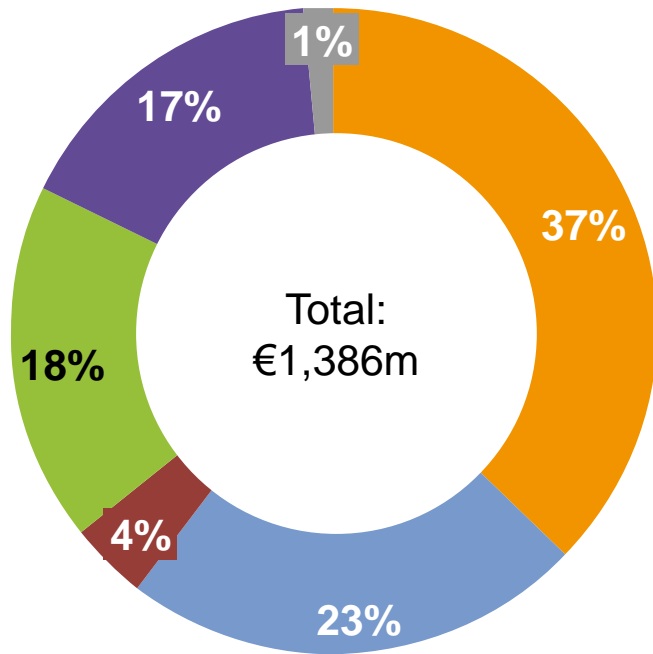
## Targeting Upper End of EBITDA Guidance Range

	2015	Outlook 2016
Sales (€m)	5,296	Slight increase
EBITDA (€m)	1,049	<b>Expecting FY 5-10% higher excl. special income</b>
EBITDA excl. special income (€m)	911	
EBITDA margin (%)	19.8	Somewhat lower
Group net income (€m)	242	Below 2015
Net cash flow (€m)	22.5	Significantly positive
CapEx (€m)	834	About 425
Net financial debt (€m)	1,074	Slightly below prior-year level
Depreciation (€m)	575	About 720
ROCE (%)	8.1	Substantially lower
Tax Rate (%)	40.5	Below 40%

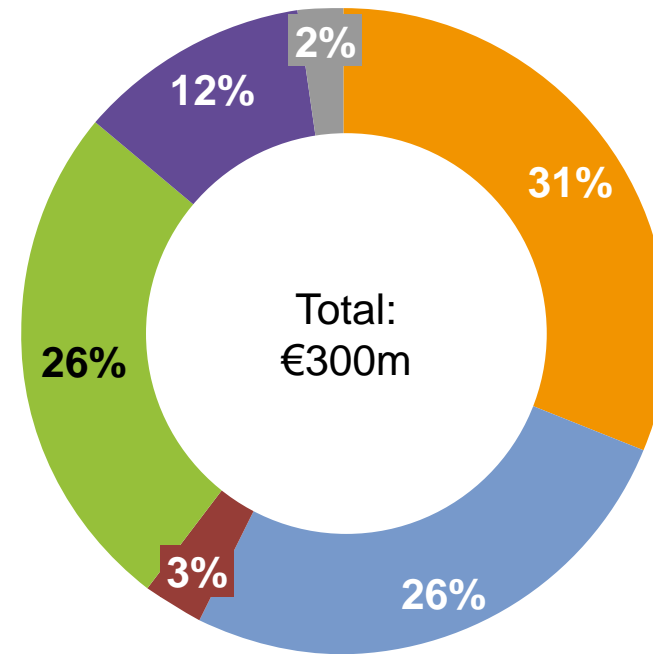
# Appendix: Q2 Results 2016

## Sales and EBITDA Breakdown

Q2 2016 Sales<sup>1</sup>



Q2 2016 EBITDA



CHEMICALS

**WACKER SILICONES**

Siltronic

**WACKER POLYMERS**

WACKER POLYSILICON

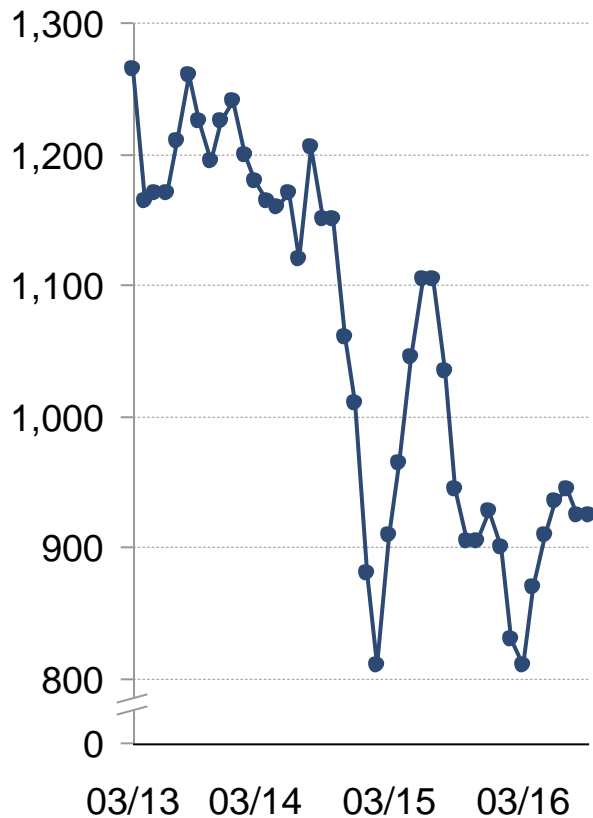
**WACKER BIOSOLUTIONS**

Others

<sup>1</sup> based on external sales

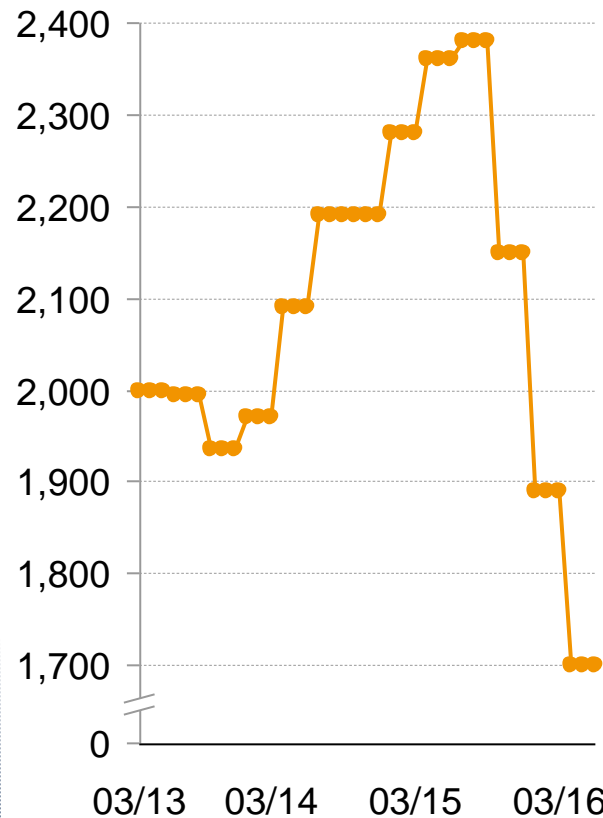
# Appendix: Raw Materials - Share of Top 4 Raw Materials Stable YoY

## Ethylene Contract (€/MT)



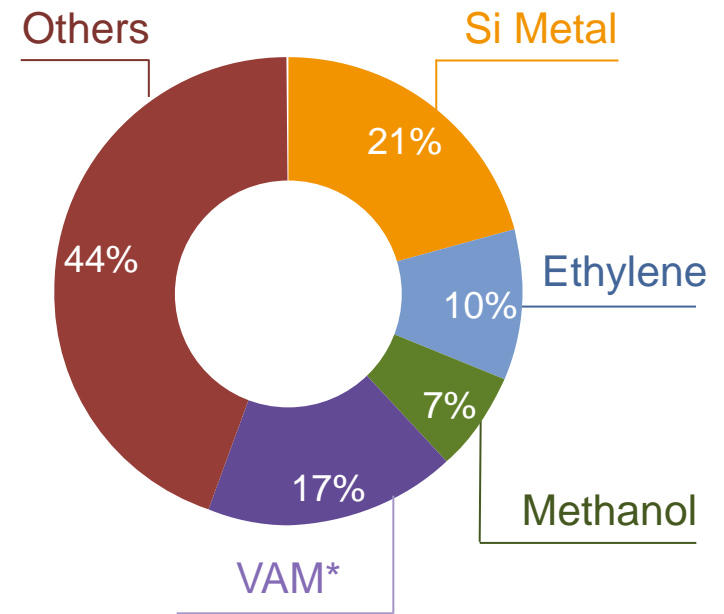
Source: ICIS, Ethylene Market Price Europe, free delivered

## Si-Metal Contract (€/MT)



Source: Source: CRU-Provider, Si-Metal Contract Price Europe free delivered

## Raw Materials 2015 Chemicals



Costs of top 4 raw materials  
19% of chemicals segment sales

\* VAM = Vinylacetate monomer

# WACKER: Issuer, Contact and Additional Information

## Issuer and Contact

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## Financial Calendar

10/11/16 – Capital Market Day  
10/27/16 – Q3 Results 2016

## Additional Information

ISIN:	DE000WCH8881
WKN:	WCH888
Deutsche Börse:	WCH
Ticker Bloomberg:	CHM/WCH:GR
Ticker Reuters:	CHE/WCHG.DE
Listing:	Frankfurt Stock Exchange Prime Standard



