

## **Q3 2018 – Conference Call Note**

Dr. Rudolf Staudigl (CEO), Dr. Tobias Ohler (CFO)  
October 25, 2018

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Cover: Silicon-based thermal interface materials are indispensable for electromobility. They ensure that waste heat from electronic components dissipates easily, making for highly efficient heat management. Increasingly, thermally conductive silicones are also used to cool batteries.

# Highlights Q3 2018

## Chemicals Strong but Challenges in POLYSILICON

### FY18 Guidance Confirmed – Solid Performance in Chemicals Continues

#### Financials

**Sales** of €1.2bn (-5% yoy, -7% qoq)

**EBITDA** at €242m (-19% yoy, -7% qoq)

**Net cash flow** slightly positive at €13m

#### Operations

In Chemicals, **price and product mix** drive EBITDA growth (+16% yoy, +5% qoq)

**Higher raw material prices** yoy

POLYSILICON with **lower sales** and **ramp costs** in the USA

# Profit & Loss Statement

## Net Income for the Period at €69m

### WACKER P&L Q3 2018 (€m)

€m	Q3 2017	Q3 2018
Sales	1,311.6	1,242.7
<b>Gross profit from sales</b>	<b>278.9</b>	<b>227.4</b>
<i>Gross profit margin (in %)</i>	<i>21.3%</i>	<i>18.3%</i>
S,G&A and R&D	-140.4	-154.8
Other operating income	18.9	19.9
Other operating expenses	-18.4	-14.7
<b>Operating result</b>	<b>139.0</b>	<b>77.8</b>
Result from investments in joint ventures and associates	16.3	28.7
<b>EBIT</b>	<b>155.3</b>	<b>106.5</b>
Interest result	-8.2	-2.9
Other financial result	-13.1	-13.8
<b>Profit before tax</b>	<b>134.0</b>	<b>89.8</b>
Income taxes	-29.8	-20.9
<b>Income from continuing operations</b>	<b>104.2</b>	<b>68.9</b>
Income from discontinued operations	0.0	0.0
<b>Net income for the period</b>	<b>104.2</b>	<b>68.9</b>
<b>EPS from continuing operations (in €)</b>	<b>2.04</b>	<b>1.31</b>
<b>EBITDA</b>	<b>298.0</b>	<b>241.7</b>
Depreciation/amortization	142.7	135.2
<b>EBIT</b>	<b>155.3</b>	<b>106.5</b>

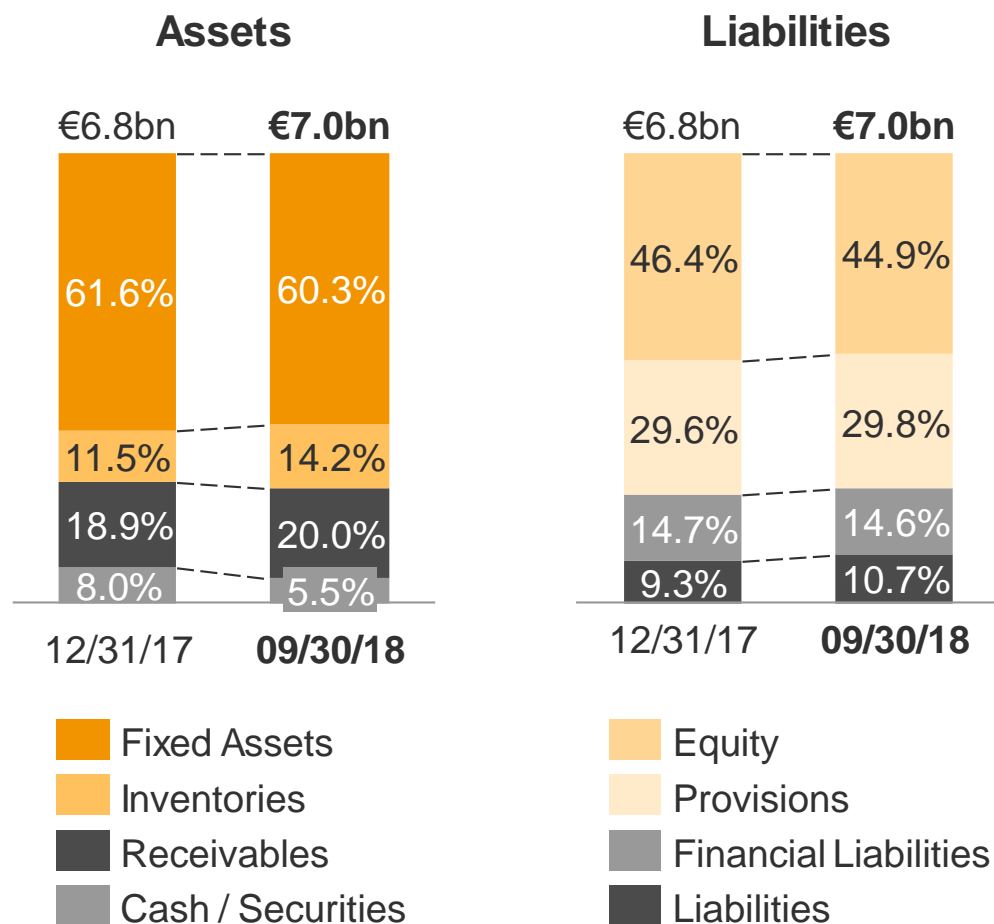
### Comments

- ▶ Sales -5.3% yoy:  
Volume/Mix -9.1%, Price +3.4%, FX +0.4%
- ▶ Gross profit decreased by 18.5% yoy following higher raw materials and lower volumes/prices and ramp costs in POLYSILICON
- ▶ Result from investments in joint ventures and associates benefits from at-equity contribution from Siltronic
- ▶ Tax rate of 23.2% (9M 2017: 24.2%)
- ▶ Depreciation at €135m, -5.3% yoy
- ▶ EPS cont. operations at €1.31, -35.8% yoy

# Balance Sheet Composition

## Inventories Reflecting Business Growth and Strategic Stock

### Balance sheet (%)



### Characteristics 09/30/18

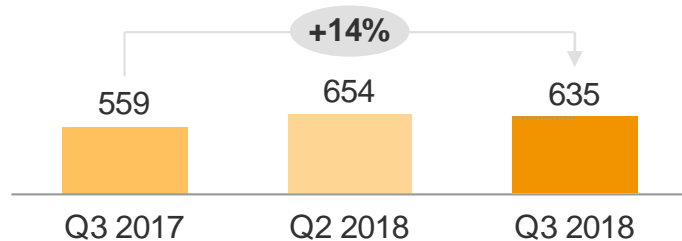
- ▶ Non current assets: €4,782m
- ▶ Securities, cash and cash equivalents: €382m
- ▶ Provisions for pensions: €1,710m (Dec 31, 2017: €1,618m)
  - ▶ Discount rate in Germany at 2.03% (Dec 31, 2017: 2.09%)
  - ▶ DTA\* relating to pensions about €336m
- ▶ Equity: €3,142m (Dec 31, 2017: €3,169m)

\* Deferred tax asset

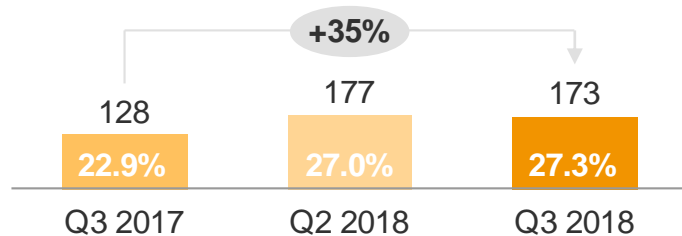
# SILICONES

## Very Strong Performance in Q3

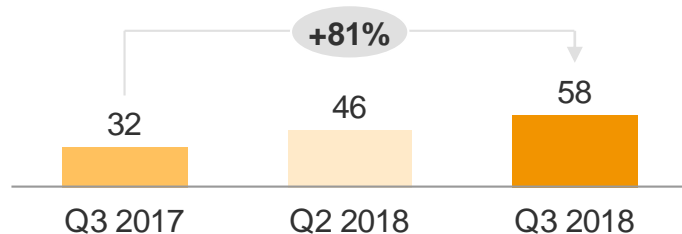
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Robust growth with globally tight supplies; Standards in China softened at the end of Q3
- ▶ Operating at capacity limits
- ▶ Pricing and product mix drive sales and EBITDA growth yoy

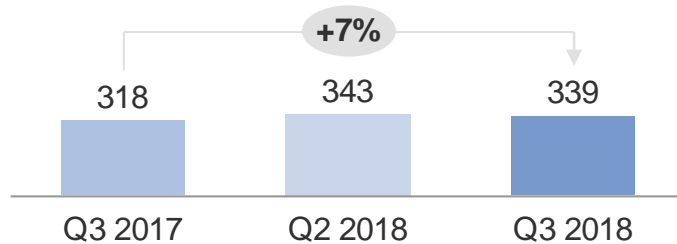
### Outlook 2018

- ▶ Targeting FY Sales of €2.5bn with an EBITDA slightly over €600m
- ▶ Supportive pricing, high plant loading and good cost performance

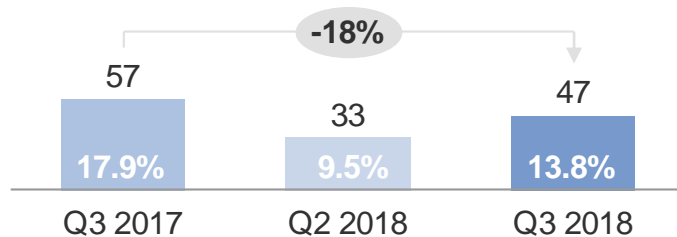
# POLYMERS

## Solid Performance Driven by Volume and Price

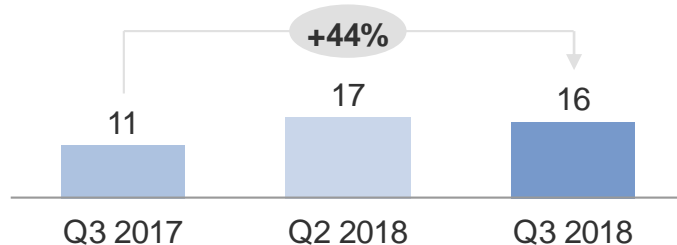
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Good performance in volume and price
- ▶ Raw materials remained at high levels
- ▶ Sequentially higher EBITDA due to the plant turnaround in Q2

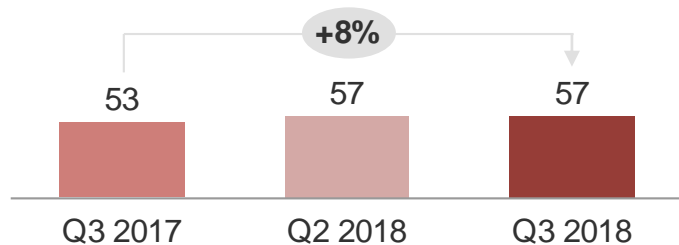
### Outlook 2018

- ▶ Mid-single-digit % sales growth
- ▶ Volume growth and better pricing; headwinds from raws continue
- ▶ Full year EBITDA at about €150m

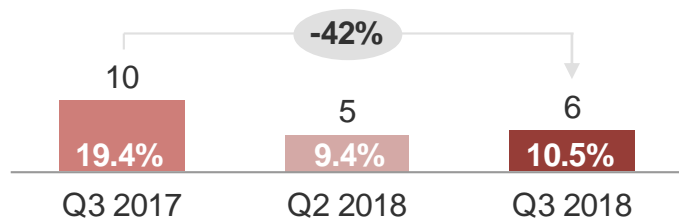
# BIOSOLUTIONS

## Strong Business in Pharma/Agro and Biopharmaceuticals

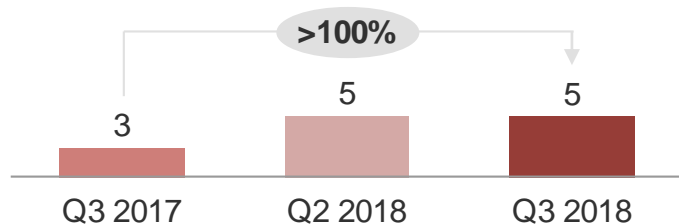
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Strong demand in pharma/agro, good order levels in biopharma
- ▶ Gumbase with higher raw materials
- ▶ Integration costs from recent M&A

### Outlook 2018

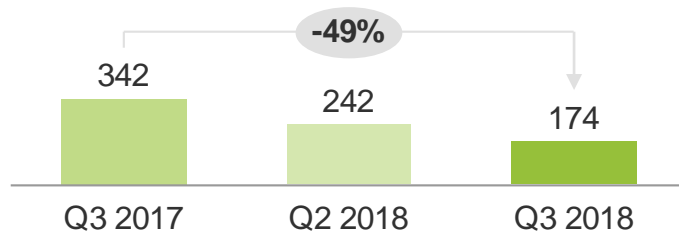
- ▶ Mid-single-digit % sales growth
- ▶ EBITDA at about €25m following raw material increases, integration and ramp costs



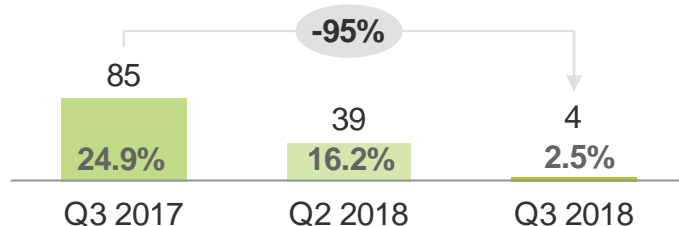
# POLYSILICON

## Currently Challenging Market Environment

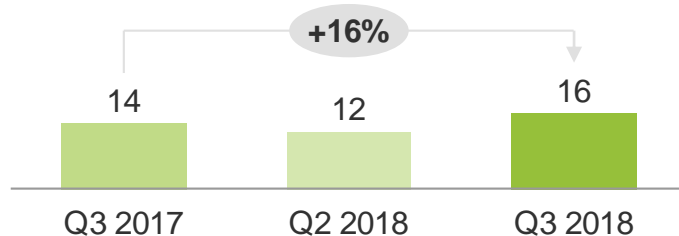
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Solar market weak amid regulatory uncertainty
- ▶ WACKER German plants at full capacity
- ▶ Strategic inventory build
- ▶ No insurance compensation for business interruption accounted for yet

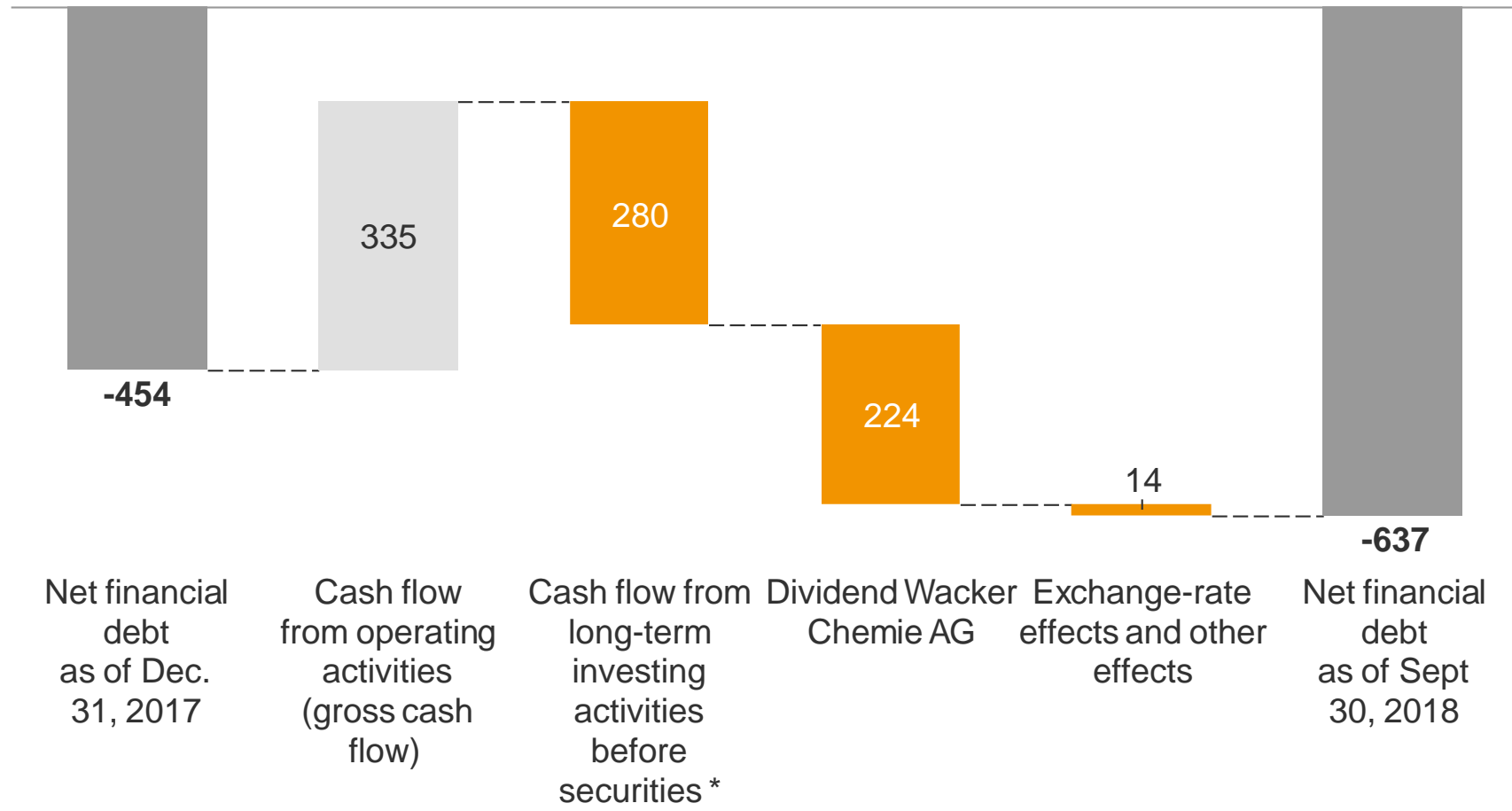
### Outlook 2018

- ▶ US plant reaching full capacity in Q4
- ▶ Sales and EBITDA about 25% below 2017

# Net Financial Debt

## Good Operating Cash Flow, Despite Ramp and Inventory Build

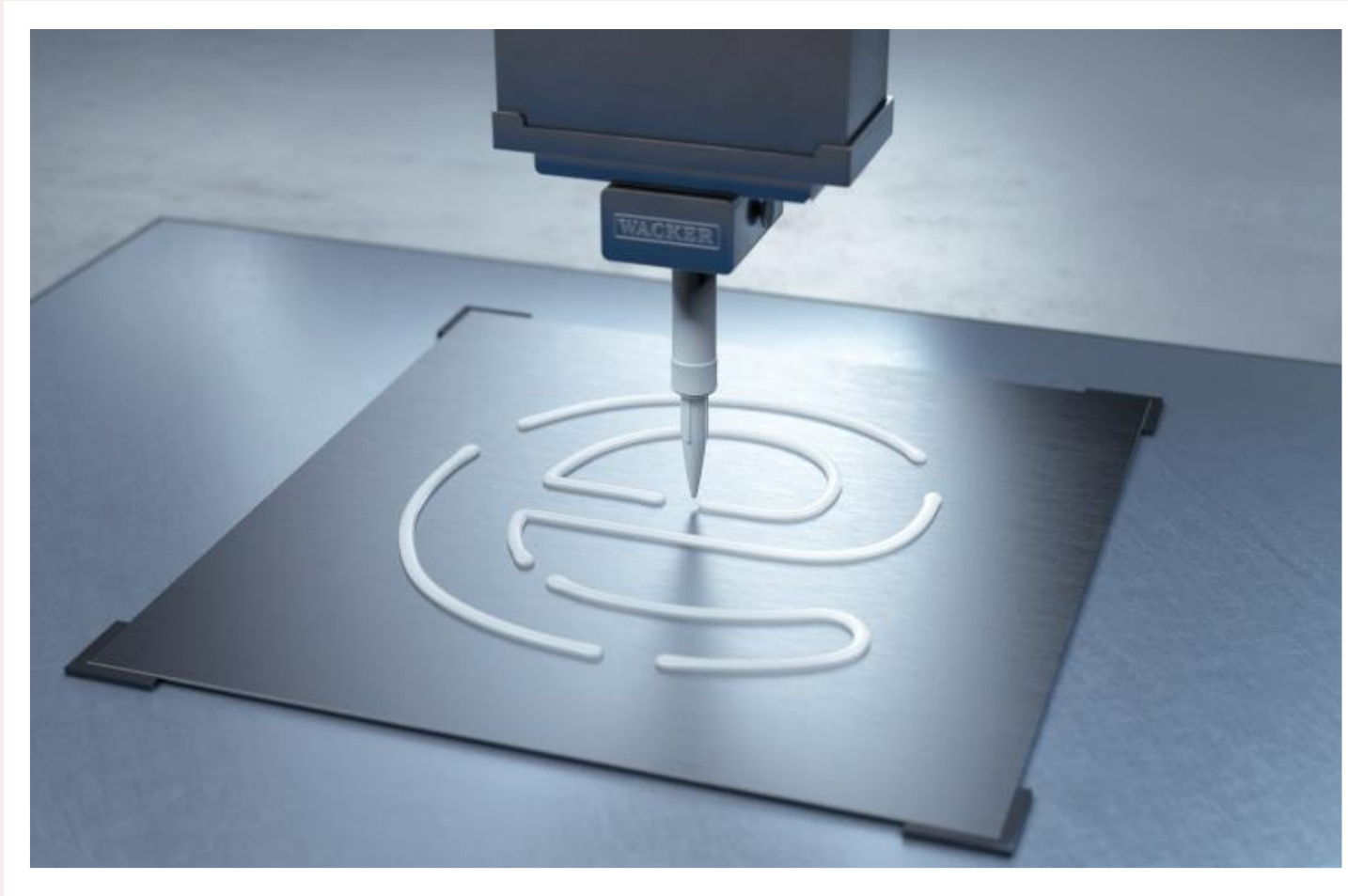
### Net Financial Debt Bridge per 09/30/2018 (€m)



\*) includes financial investments

# Guidance FY 2018 Outlook Confirmed

In €m	FY 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
Net financial debt	454	About 500
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

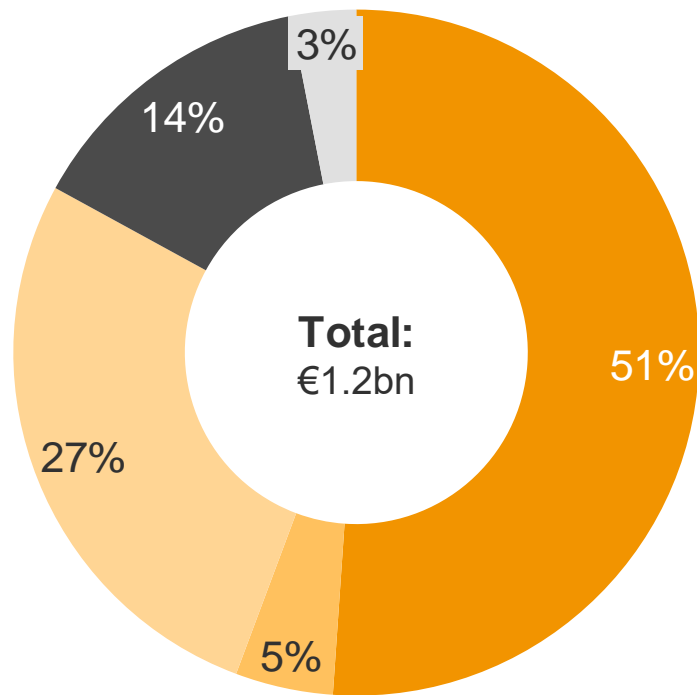


## **Q3 2018 – Conference Call: Q&A Session**

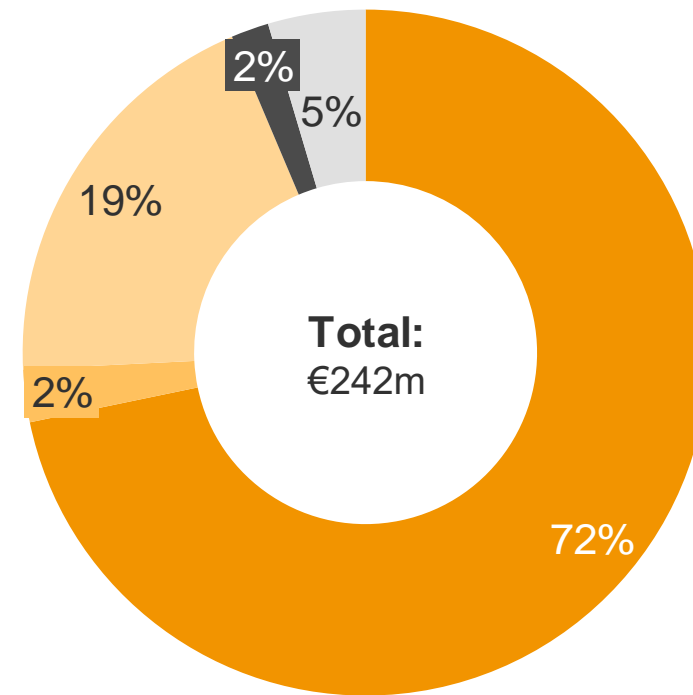
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October 25, 2018

# Q3 2018 Results – Sales and EBITDA Breakdown

## Q3 2018 Sales



## Q3 2018 EBITDA



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

# Q3 2018 Results – P&L

In €m	Q3 2018	Q3 2017	% YoY	Q2 2018	% QoQ
Sales	1,242.7	1,311.6	-5.3	1,329.9	-6.6
EBITDA	241.7	298.0	-18.9	260.5	-7.2
EBITDA margin	19.4%	22.7%	-	19.6%	-
EBIT	106.5	155.3	-31.4	125.0	-14.8
EBIT margin	8.6%	11.8%	-	9.4%	-
Net income for the period	68.9	104.2	-33.9	83.5	-17.5
EPS from continuing operations in €	1.31	2.04	-35.8	1.59	-17.6
Capital expenditures	121.6	74.9	62.3	97.7	24.5
Depreciation / amortization	135.2	142.7	-5.3	135.5	-0.2
Net cash flow* from continuing operations	13.2	205.3	-93.6	-101.4	n.a.

\* Sum of cash flow from operating activities (excl. changes in advance payments) and cash flow from long-term investing activities (bef. securities), incl. additions due to finance leases

# Q3 2018 Results – Breakdown by Business

In €m / %	Sales					EBITDA				
	Q3 2018	Q3 2017	% YoY	Q2 2018	% QoQ	Q3 2018	Q3 2017	% YoY	Q2 2018	% QoQ
Chemicals	1,031	930	+11	1,054	-2	226	195	+16	215	+5
SILICONES	635	559	+14	654	-3	173	128	+36	177	-2
POLYMERS	339	318	+7	343	-1	47	57	-18	33	+44
BIOSOLUTIONS	57	53	+8	57	0	6	10	-42	5	+11
POLYSILICON	174	342	-49	242	-28	4	85	-95	39	-89
Others	44	45	-3	39	+11	11	18	-40	7	+49
Consolidation	-6	-6	0	-6	0	0	-1	n.a.	-1	n.a.
<b>WACKER Group</b>	<b>1,243</b>	<b>1,312</b>	<b>-5</b>	<b>1,330</b>	<b>-7</b>	<b>242</b>	<b>298</b>	<b>-19</b>	<b>261</b>	<b>-7</b>

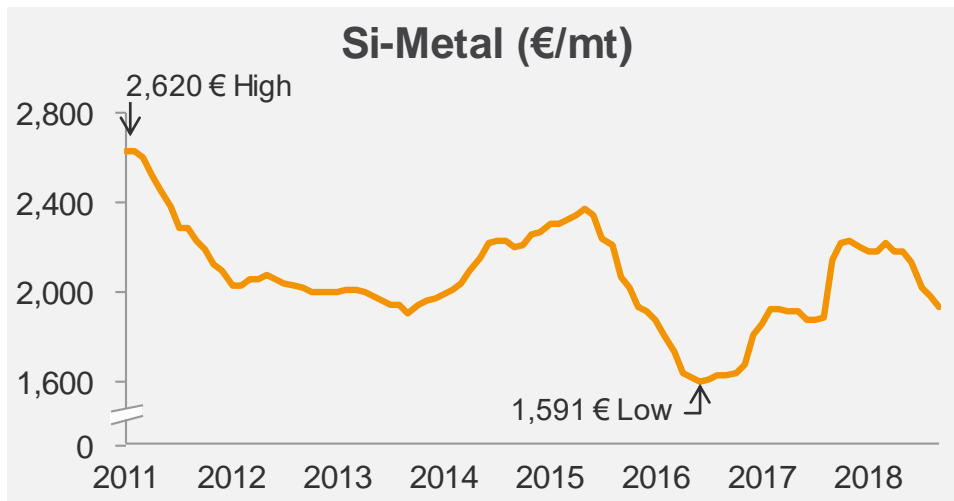
# PV Growth Expectation for 2018

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	2.2 – 2.5
Europe other	4.6	6.2	4.3	4.1	7.2 – 9.0
<b>Europe total</b>	<b>7.4</b>	<b>8.6</b>	<b>6.4</b>	<b>6.8</b>	<b>10.4 – 12.9</b>
Australia	1.0	0.9	0.8	1.3	2.7 – 3.0
China*	13.2	16.5	32.5	52.8	35.0 – 40.0
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 – 1.8
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
<b>Total</b>	<b>44 GW</b>	<b>56 GW</b>	<b>78 GW</b>	<b>100 GW</b>	<b>95 – 110 GW</b>

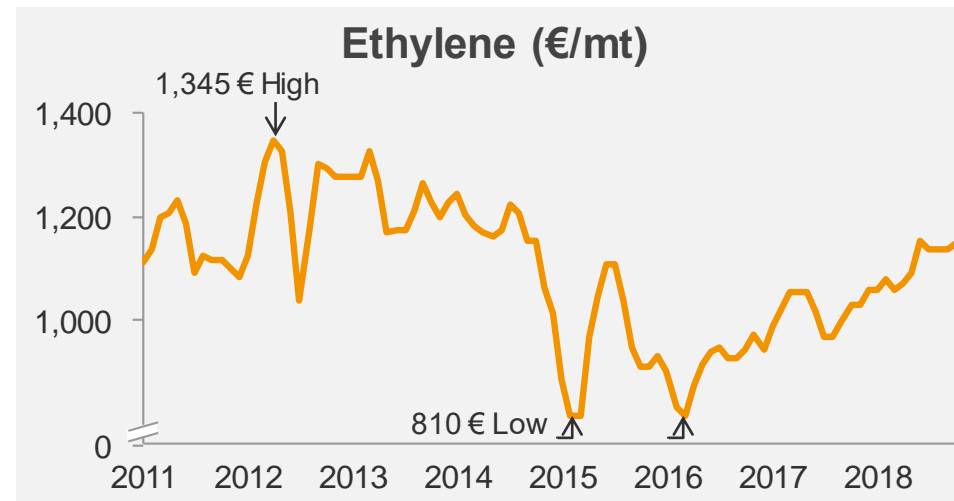
Sources: SPE, IHS, industry announcements, WACKER estimates; \*China official data adjusted for installed/not connected capacity



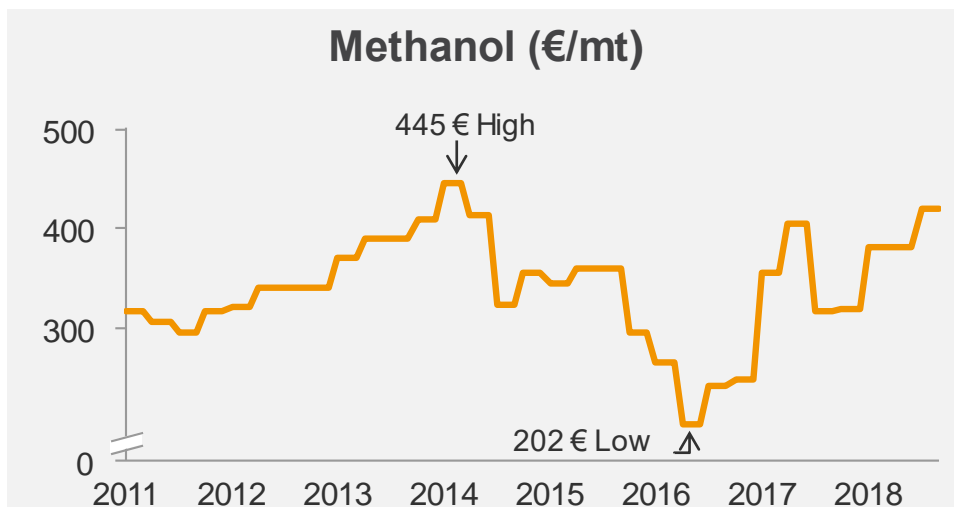
# Raw Material Prices With Volatile Development



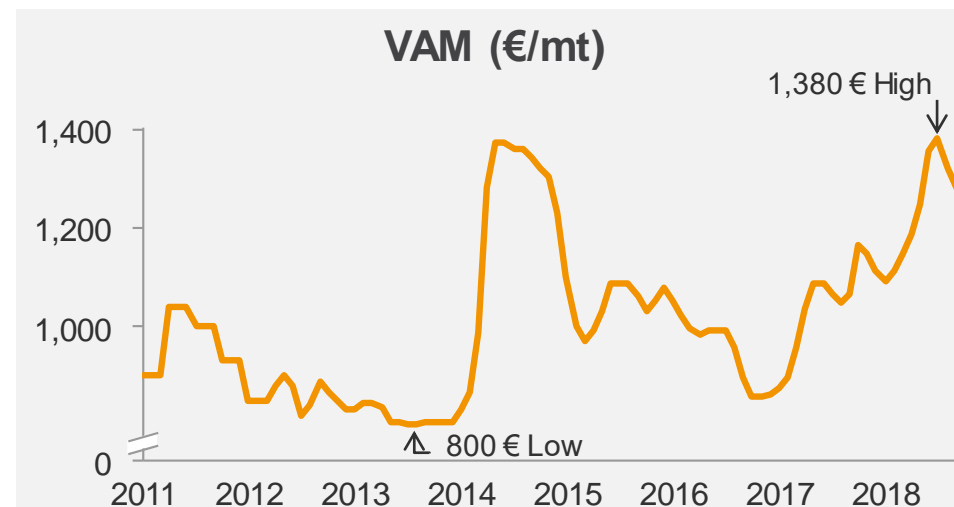
Source: CRU, Si-Metal Spot FD Europe



Source: ICIS, EN Contract FD NWE



Source: ICIS, MeOH Contract, FOB RDM



Source: ICIS, VAM Contract FD NWE

# WACKER: Issuer, Contact and Additional Information

## Issuer and Contact

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## Financial Calendar

**03/19/19**

FY 2018 Results

**05/23/19**

Annual Shareholders' Meeting

**04/25/19**

Q1 Results 2019

**07/25/19**

Q2 Results 2019

**04/30/19**

Capital Market Day

**10/24/19**

Q3 Results 2019

## Additional Information

**ISIN**

DE000WCH8881

**Deutsche Börse**

WCH

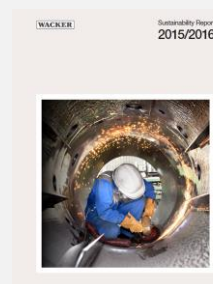
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## Publications

CUSTOMER  
MAGAZINE

FACTBOOK

SUSTAINABILITY  
REPORT