

FY 2019 – Conference Call Note

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

March 17, 2020

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The logo for WACKER, featuring the word "WACKER" in a bold, black, sans-serif font, enclosed within a black rectangular border with rounded corners.

WACKER FY 2019 Highlights

Financials



€4.9bn

Sales (-1% yoy),
Volume growth offset by negative pricing

€783m

Reported EBITDA
(-16% yoy)

€671m

Adjusted EBITDA
excl. insurance
(-28% yoy)

€184m

Net cash flow
clearly positive

€0.50

Dividend proposal

Operations



Good performance in
Chemicals

Good volumes, mix and efficiency gains

POLYSILICON with mix
& cost improvements

Persistent low market prices and muted
price outlook led to €760m asset impairment

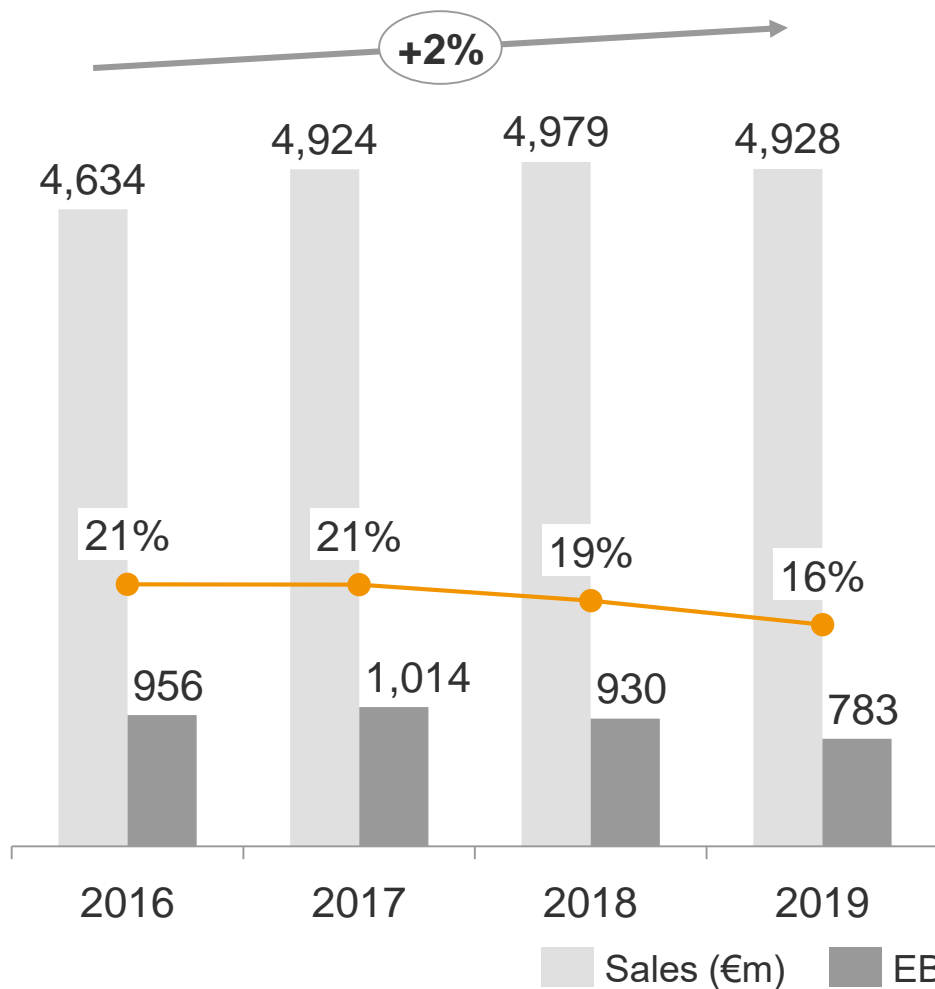
Comprehensive
efficiency program

initiated to increase competitiveness
and profitability

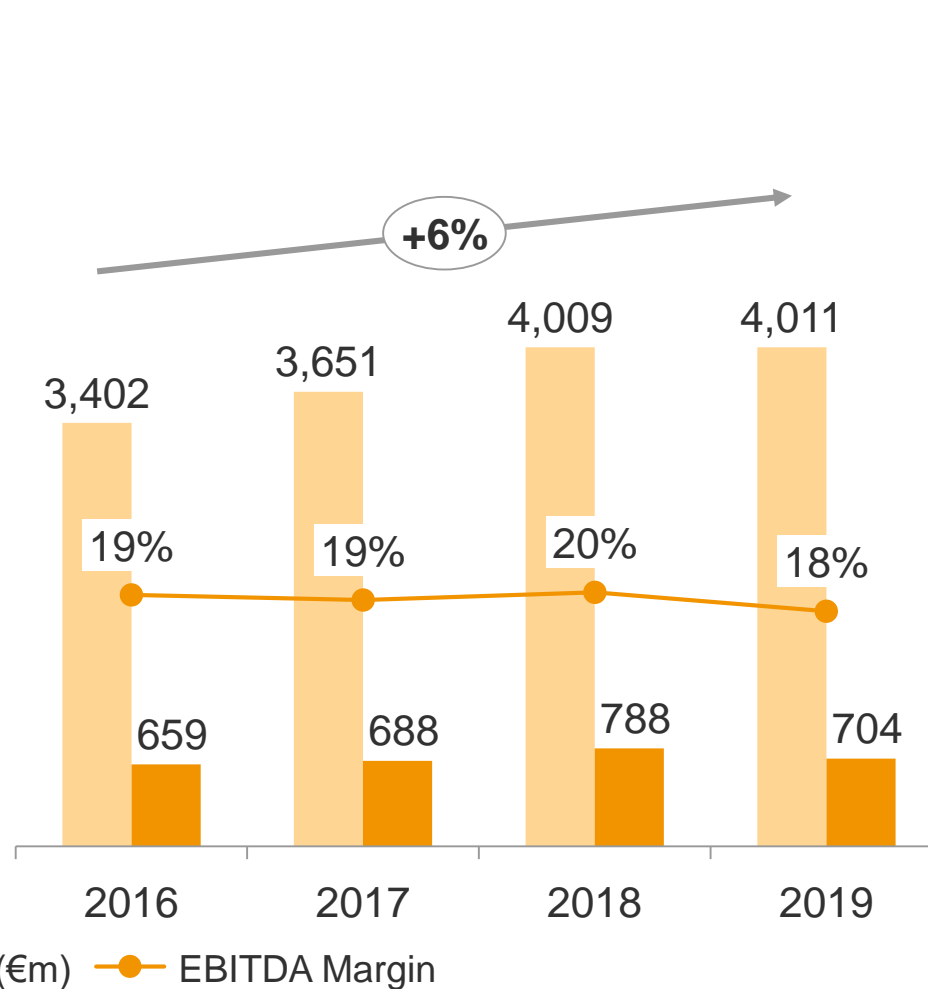
Full year
2019
results in
line with
preliminary
results

Growth in Chemicals, but Group Held Back by POLYSILICON

Group Sales, EBITDA and Margin



thereof Chemicals



Profit & Loss Statement

Stable Sales with Volume Gains Offsetting Negative Pricing

WACKER P&L FY 2019 (€m)

€m	FY 2019	FY 2018
Sales	4,927.6	4,978.8
Gross profit from sales	803.2	874.7
<i>Gross profit margin (in %)</i>	<i>16.3%</i>	<i>17.6%</i>
S,G&A and R&D	-633.4	-627.8
Other operating income	97.0	96.0
Other operating expenses	-857.4	-85.0
Operating result	-590.6	257.9
Result from investments in joint ventures and associates	54.3	131.7
EBIT	-536.3	389.6
Interest result	-9.7	-14.1
Other financial result	-45.2	-51.1
Profit before tax	-591.2	324.4
Income taxes	-38.4	-64.3
Net income for the period	-629.6	260.1
EPS (in €)	-12.94	4.95
EBITDA	783.4	930.0
Depreciation/amortization	-1,319.7	540.4
EBIT	-536.3	389.6

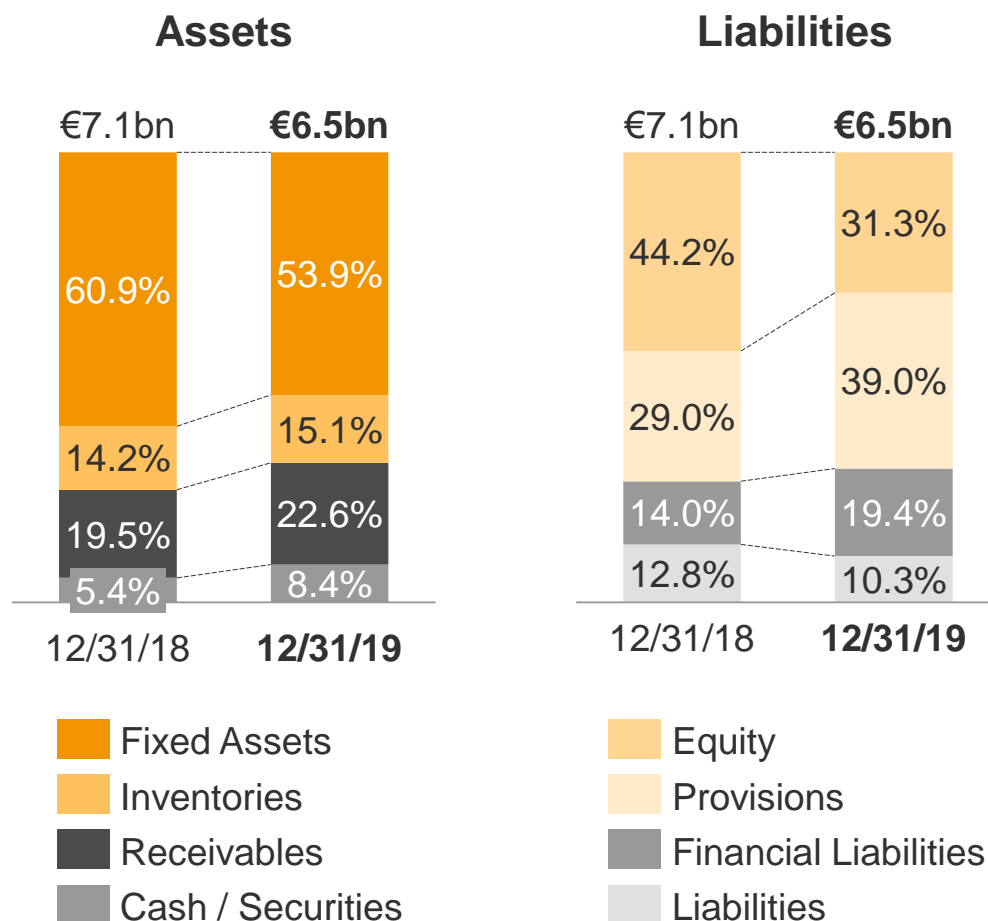
Comments

- ▶ Sales -1.0% yoy:
Volume/Mix +4.9%, Price -7.3%, FX +1.4%
- ▶ EBITDA of €783m includes special income of €112.5 million in insurance compensation
- ▶ Lower at-equity contribution
- ▶ Tax rate of 22.7% (2018: 19.8%)
- ▶ Depreciation at €-1,320m incl. impairment of POLYSILICON assets (€760m)
- ▶ EPS at €-12.94

Balance Sheet Composition

Historically Low Interest Rates Inflate Pension Liabilities

Balance sheet (%)



Characteristics 12/31/19

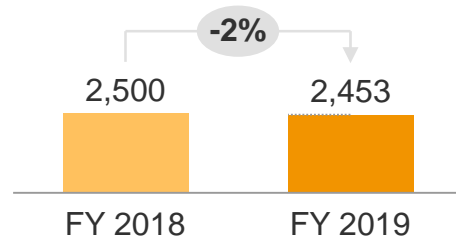
- ▶ Impairment of POLYSILICON assets: €760m
- ▶ Provisions for pensions: €2,275m (Dec 31, 2018: €1,795m)
- ▶ Discount rate in Germany at 1.25% (Dec 31, 2018: 1.98%)
- ▶ DTA* relating to pensions about €488m
- ▶ Voluntary pension top-up of €70m
- ▶ Equity: €2,029m (Dec 31, 2018: €3,146m)

* Deferred tax asset

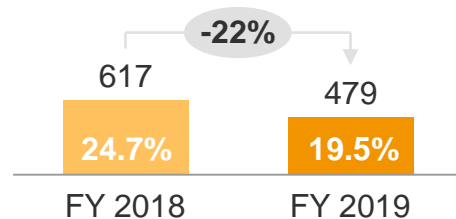
SILICONES

Normalization in 2019 After Market Tightness in Prior Year

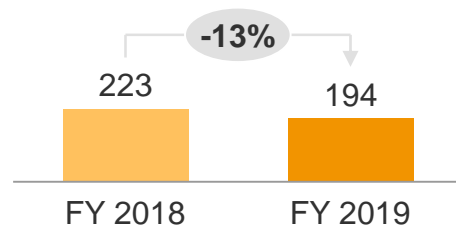
Sales (€m)



EBITDA (€m) / margin



CapEx (€m)



Highlights 2019

- ▶ Prices in standards markedly lower yoy
- ▶ Inventory control at customers slowed demand
- ▶ New fumed silica plant (US) and si-metal furnace (Norway) commissioned in H2

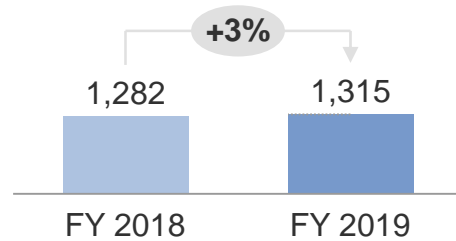
Outlook 2020

- ▶ Sales growth at low-single-digits %
- ▶ FY EBITDA at prior year level, but margin slightly lower
- ▶ Continued growth in specialty volumes
- ▶ On average, lower prices in standards

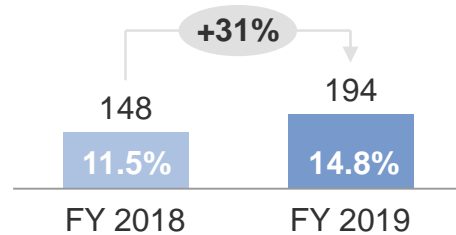
POLYMERS

Construction Demand Overall Good

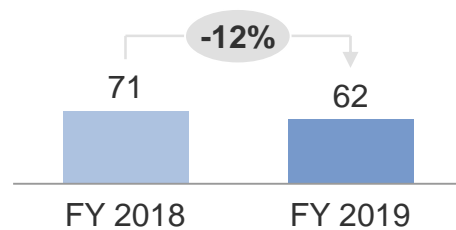
Sales (€m)



EBITDA (€m) / margin



CapEx (€m)



Highlights 2019

- ▶ Sales growth in all regions, strongest in China
- ▶ EBITDA supported by good cost structure
- ▶ New DPP dryer in South Korea commissioned, strengthening regional presence

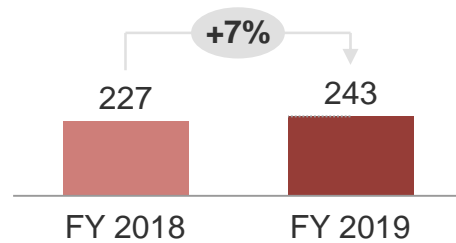
Outlook 2020

- ▶ Low-single-digit % sales growth
- ▶ Volume growth in all regions
- ▶ EBITDA expected to improve somewhat yoy, with a slight margin improvement

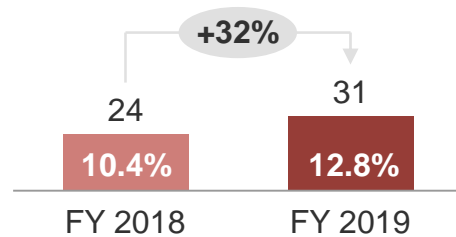
BIOSOLUTIONS

Strong Business in Biopharmaceuticals

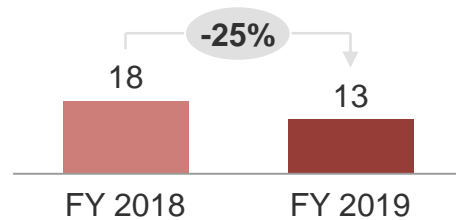
Sales (€m)



EBITDA (€m) / margin



CapEx (€m)



Highlights 2019

- ▶ Higher sales driven primarily by Biopharmaceuticals
- ▶ Higher utilization rates in biologics facilities

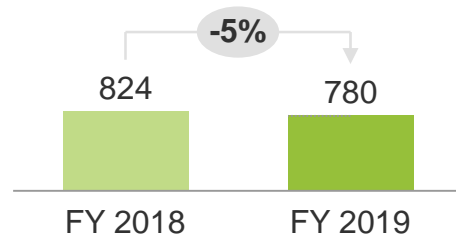
Outlook 2020

- ▶ High-single-digit % sales growth
- ▶ EBITDA and EBITDA margin substantially higher than last year

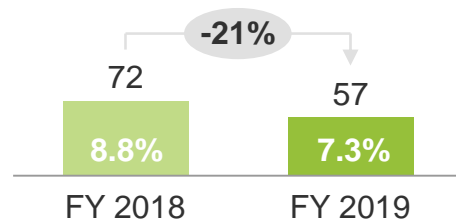
POLYSILICON

Overcapacities and Persistently Lower Solar Poly Prices

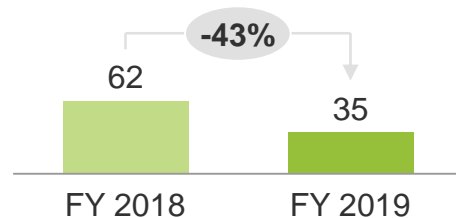
Sales (€m)



EBITDA (€m) / margin



CapEx (€m)



Highlights 2019

- ▶ Higher volumes and lower production costs could not offset markedly lower prices
- ▶ EBITDA includes insurance compensation of €112.5m
- ▶ Impairment of €760m on subdued price expectations for solar-grade polysilicon

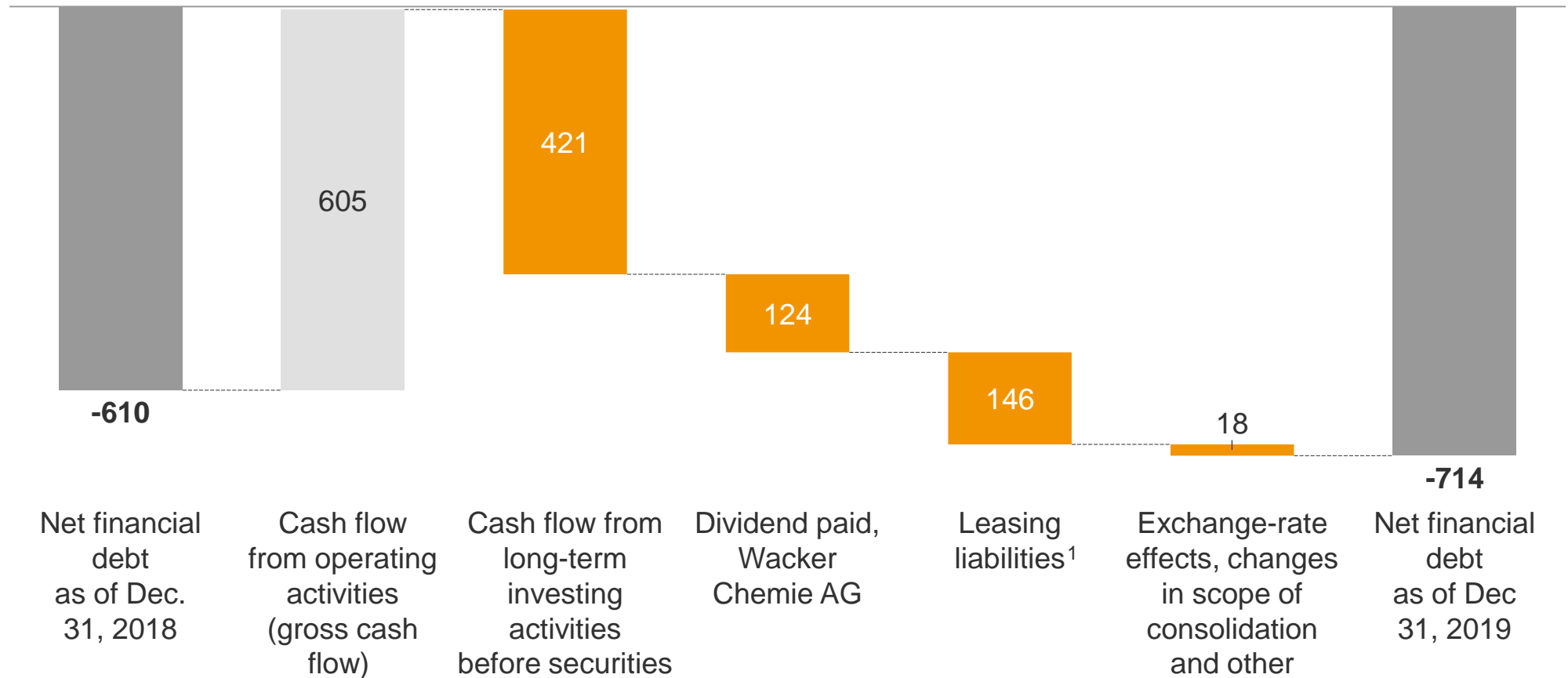
Outlook 2020

- ▶ Sales with low-single-digit % increase
- ▶ FY EBITDA at prior year level excluding insurance compensation
- ▶ Higher volumes of semi and mono grade poly

Net Financial Debt

Increase primarily due to Implementation of IFRS 16

Net Financial Debt Bridge per 12/31/2019 (€m)



¹⁾ IFRS 16 effects increased net financial debt by €120m

Guidance FY 2020: Excluding Coronavirus Effects

In €m	FY 2019	Outlook 2020
Sales	4,928	Low-single-digit % increase
EBITDA <i>Adjusted EBITDA (excl. insurance)</i>	783 671	Adjusted for insurance compensation in 2019 Mid-single-digit % below prior year
EBITDA margin (%)	15.9%	Somewhat lower than last year
Net cash flow	184	Clearly positive, substantially higher than last year
CapEx	380	Around 350
Net financial debt	714	Substantially lower than last year
Net Income	-630	Substantially higher than last year
Depreciation	1,320	Around 425
ROCE (%)	-11.3%	Positive ROCE, substantially higher than last year
Tax Rate (%)	22.7%	Around 30% of taxable income

Q1 Trading Update – Coronavirus Uncertainty

Solid start into 2020

Coronavirus Risk

- ▶ We rate the risk of a coronavirus pandemic as likely, with a potentially high impact on our earnings and financial position (>€100m effect)
- ▶ Potential impact: Adjusted FY EBITDA (excl. insurance) could be double-digit % lower than in 2019

Trading Update

- ▶ Chemicals: Reasonable volumes, lower prices in silicone standards, raw materials prices slightly lower
- ▶ POLYSILICON: Lower volumes yoy, slightly lower prices yoy

Q1 2020 Outlook

- ▶ Expect Q1 Group Sales of around €1.2bn, down somewhat yoy due to lower volumes
- ▶ Q1 EBITDA substantially over prior year following lower inventory valuation effects and operational cost improvements

Shape the Future

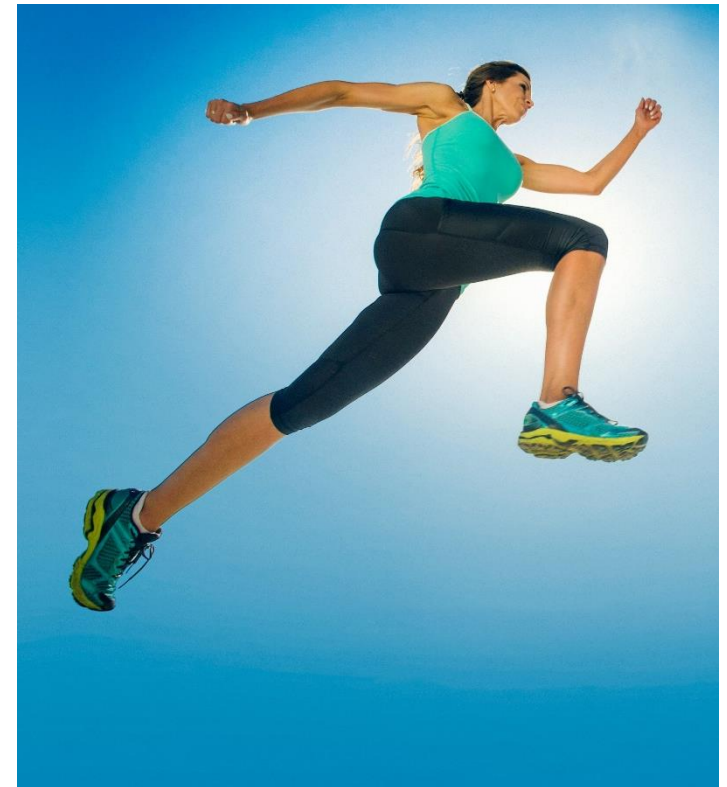
Efficiency Program to Increase Competitiveness and Profitability

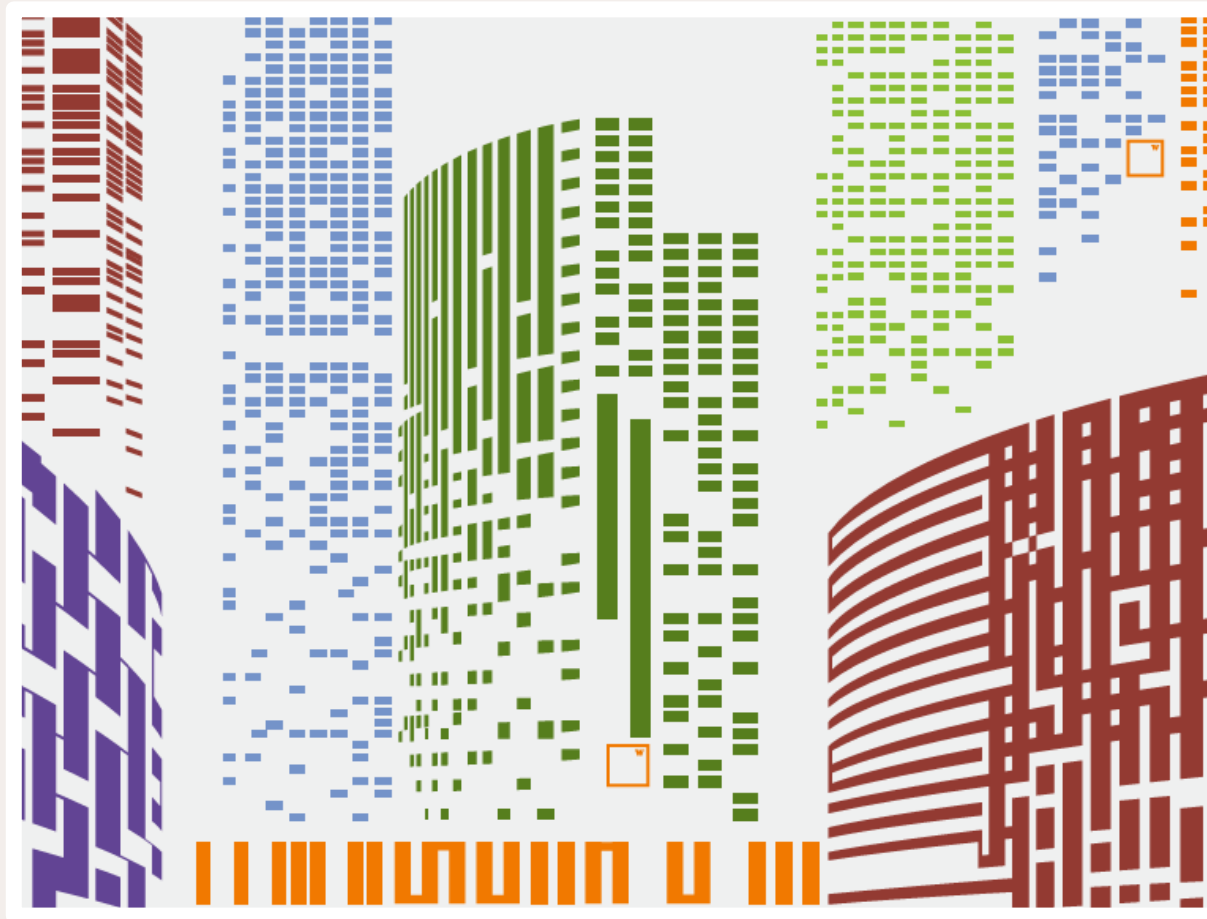
By 2022

- ▶ Save €250m a year by reducing material costs and in-house services and by creating a leaner company structure
- ▶ Headcount reduction of >1,000 by the end of 2022
- ▶ Redundancies will affect WACKER's administrative departments and the indirect, non-operational functions of its business divisions

For 2020

- ▶ We do not expect the program to deliver major benefits to earnings in 2020
- ▶ Group FY 2020 guidance does not include non-recurring costs of the program, as they have not yet been quantified





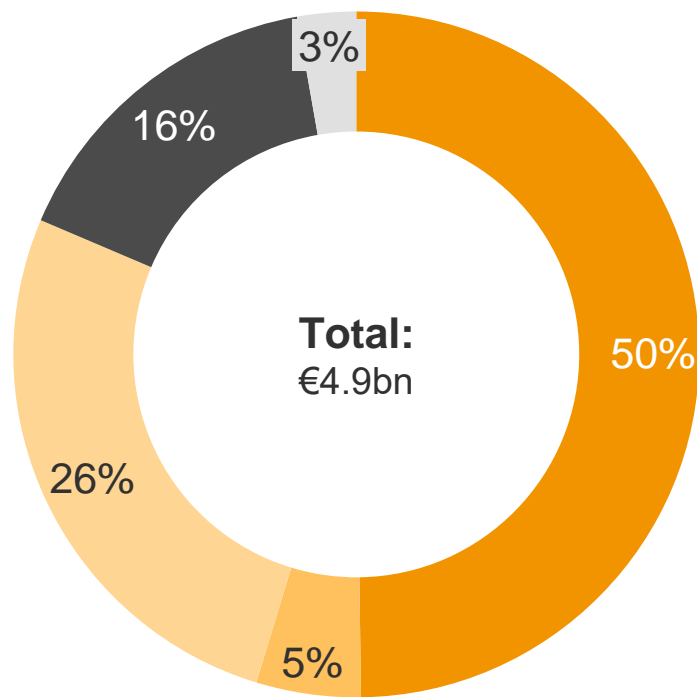
FY 2019 – Conference Call: Q&A Session

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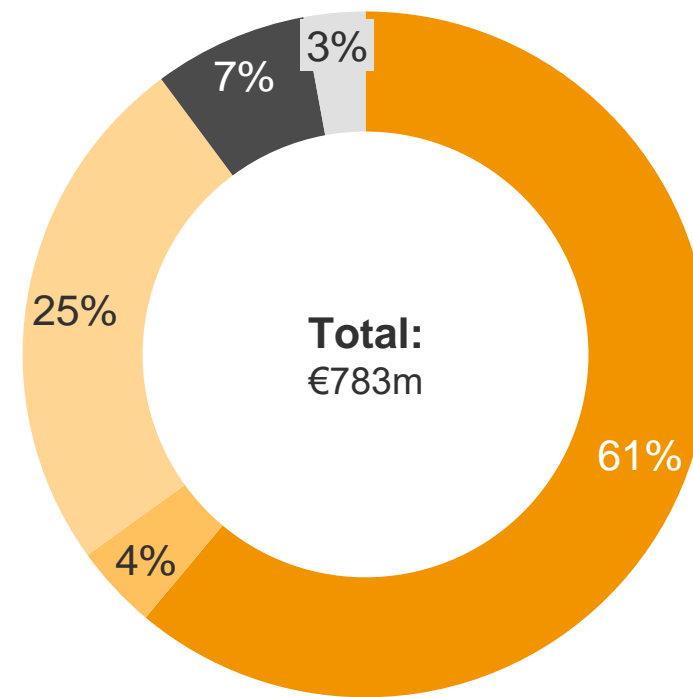
March 17, 2020

Appendix: FY 2019 Results – Sales and EBITDA Breakdown

FY 2019 Sales



FY 2019 EBITDA



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

Appendix:

FY 2019 and Q4 2019 Results – P&L

In €m	FY 2019	FY 2018	% YoY	Q4 2019	Q4 2018	% YoY
Sales	4,928	4,979	-1%	1,156	1,189	-3%
EBITDA	783 ¹	930	-16%	158	174	-9%
EBITDA margin	15.9%	18.7%	-	13.7%	14.6%	-
EBIT	-536	390	n.a.	-744	37	n.a.
EBIT margin	-10.9%	7.8%	-	-64.4%	3.1%	-
Net income for the period	-630	260	n.a.	-748	29	n.a.
EPS in €	-12.94	4.95	n.a.	-15.13	0.53	n.a.
Capital expenditures	380	461	-18%	89	172	-48%
Depreciation / amortization	1,320	540	>100%	902	137	>100%
Net cash flow	184	86 ²	>100%	122	45	>100%

¹⁾ incl. insurance compensation of €112.5m from 2017 incident in Charleston ²⁾ restated due to changed definition

Appendix:

FY 2019 and Q4 2019 Results – Breakdown by Business

In €m / %	FY 2019			FY 2018			Q4 2019		Q4 2018	
	SALES	EBITDA	EBITDA MARGIN	SALES	EBITDA	EBITDA MARGIN	SALES	EBITDA	SALES	EBITDA
Chemicals	4,011	704	17.5%	4,009	788	19.7%	931	162	962	146
SILICONES	2,453	479	19.5%	2,500	617	24.7%	565	104	605	118
POLYMERS	1,315	194	14.8%	1,282	148	11.5%	303	48	298	26
BIOSOLUTIONS	243	31	12.8%	227	24	10.4%	63	11	58	2
POLYSILICON	780	57	7.3%	824	72	8.8%	193	2	189	-19
Others	158	22	14.2%	171	71	41.4%	37	-7	45	46
Consolidation	-21	0	-1.4%	-24	-1	-	-6	1	-7	0
WACKER Group	4,928	783	15.9%	4,979	930	18.7%	1,156	158	1,189	174

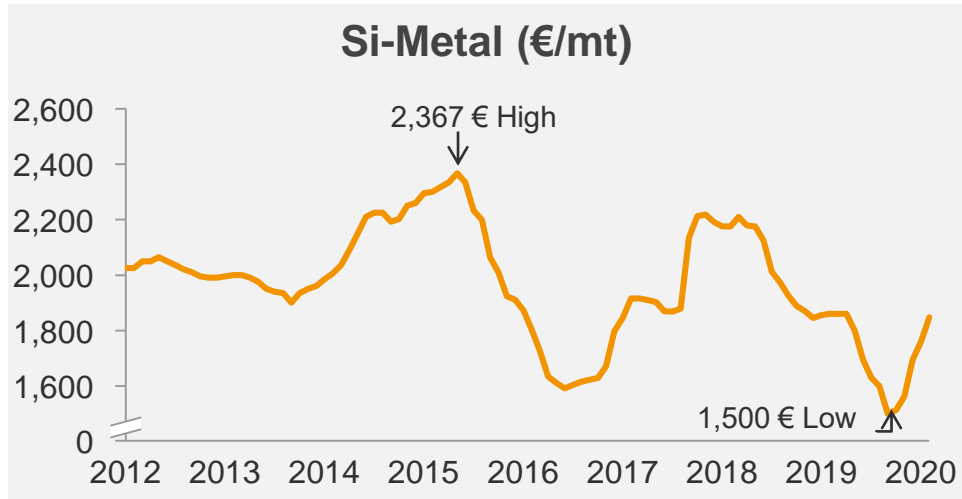
Appendix:

PV Growth Expectation for 2020

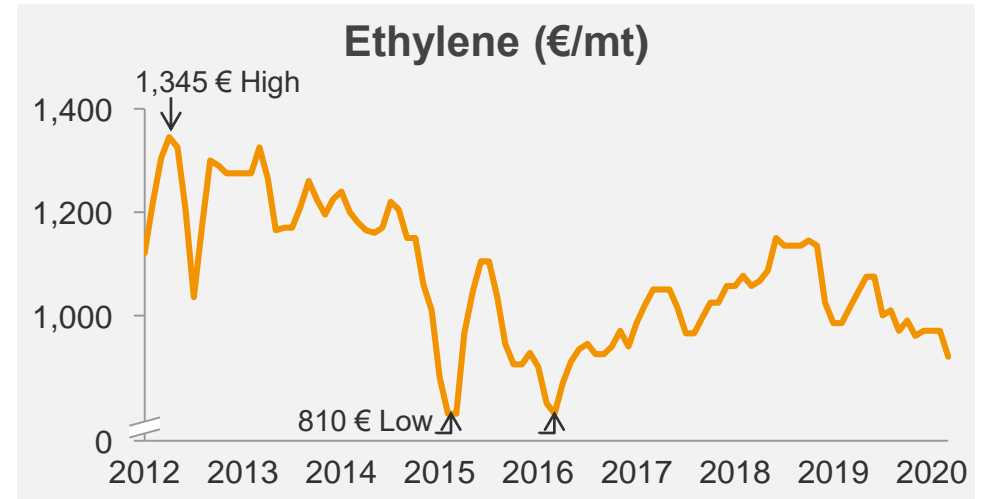
Country	2016	2017	2018	2019e	2020e
Germany	1.5	1.8	3.0	4.0	3.5 – 4.5
Spain	0.1	0.1	0.4	4.7	3.5 – 4.5
Europe other	4.8	4.9	8.1	12.0 – 14.0	14.0 – 17.0
Europe total	6.4	6.8	11.5	20.7 – 22.7	21.0 – 26.0
Australia	0.8	1.3	3.8	4.5 – 5.5	4.0 – 6.0
China*	32.5	52.8	44.3	30.2	35.0 – 40.0
India	4.3	9.6	8.5	8.5 – 10.0	11.0 – 14.0
Japan	8.4	7.4	7.0	7.0 – 8.0	7.0 – 8.0
USA	14.8	10.6	10.6	12.0 – 14.0	15.0 – 19.0
Rest of Americas	3.0	3.4	6.0	7.0 – 8.0	8.0 – 10.0
Rest of World	7.7	8.1	13.3	25.0 – 27.0	29.0 – 37.0
Total	78 GW	100 GW	105 GW	115 – 125 GW	135 – 155 GW

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

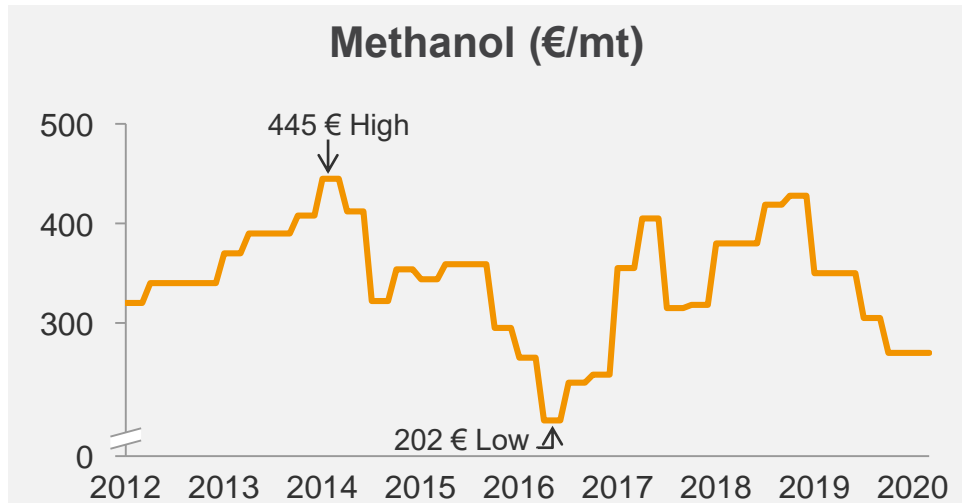
Appendix: Raw Material Prices with Volatile Development



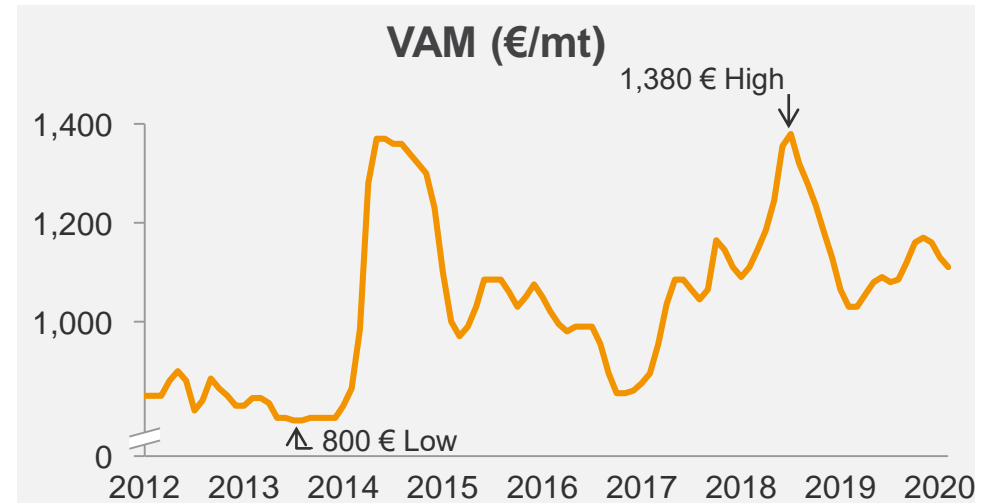
Source: CRU, Si-Metal Spot FD Europe



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

INVESTOR RELATIONS CONTACTS

Joerg Hoffmann, CFA

Tel. +49 89 6279 1633
joerg.hoffmann@wacker.com

Monika Stadler

Tel. +49 89 6279 2769
monika.stadler.IR@wacker.com

Scott McCollister

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

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

Financial calendar

04/30/20

Q1 Results 2020

07/23/20

Q2 Results 2020

05/20/20

Annual Shareholders' Meeting

10/29/20

Q3 Results 2020

06/16/20

Capital Market Day, Burghausen

Additional information

ISIN

DE000WCH8881

Deutsche Börse

WCH

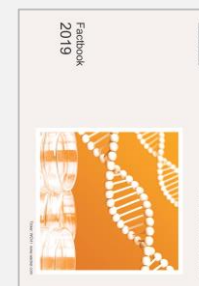
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Publications



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