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Annual Shareholders'  
Meeting

2013

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Speech by Dr. Rudolf Staudigl  
President & CEO  
Wacker Chemie AG

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May 8, 2013  
International Congress Center  
Munich (ICM)

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**WACKER**

## WACKER at a Glance

| € million  | 2012    | 2011    | Change<br>in % |
|--|---------|---------|----------------|
| <b>Results/Return</b>  |         |         |                |
| Sales .....  | 4,634.9 | 4,909.7 | -5.6           |
| EBITDA <sup>1</sup> .....  | 786.8   | 1,104.2 | -28.7          |
| EBITDA margin <sup>2</sup> (%) .....                                   | 17.0    | 22.5    | -              |
| EBIT <sup>3</sup> .....  | 258.0   | 603.2   | -57.2          |
| EBIT margin <sup>2</sup> (%) .....                                     | 5.6     | 12.3    | -              |
| Financial result .....   | -64.8   | -35.8   | 81.0           |
| Income before taxes .....  | 193.2   | 567.4   | -65.9          |
| Net income for the year .....  | 106.8   | 356.1   | -70.0          |
| Earnings per share (basic/diluted) (€) .....                           | 2.27    | 7.10    | -68.0          |
| ROCE (%) .....   | 5.2     | 13.9    | -              |
| <b>Financial Position/Cash Flows</b>                                   |         |         |                |
| Total assets .....   | 6,329.9 | 6,237.0 | 1.5            |
| Equity .....   | 2,617.8 | 2,629.7 | -0.5           |
| Equity ratio (%) .....   | 41.4    | 42.2    | -              |
| Financial liabilities .....  | 1,197.2 | 777.9   | 53.9           |
| Net financial liabilities/net financial receivables <sup>4</sup> ..... | -700.5  | 95.7    | n.a.           |
| Capital expenditures (including financial assets) .....                | 1,095.4 | 981.2   | 11.6           |
| Depreciation (including financial assets) .....                        | 528.8   | 501.0   | 5.5            |
| Net cash flow <sup>5</sup> .....                                       | -536.2  | -157.4  | >100           |
| <b>Research and Development</b>  |         |         |                |
| Research and development expenses .....                                | 174.5   | 172.9   | 0.9            |
| <b>Employees</b>   |         |         |                |
| Personnel expenses .....   | 1,205.3 | 1,282.5 | -6.0           |
| Employees (December 31, number) .....                                  | 16,292  | 17,168  | -5.1           |

<sup>1</sup> EBITDA is EBIT before depreciation and amortization.

<sup>2</sup> Margins are calculated based on sales.

<sup>3</sup> EBIT is the result from continuing operations for the period before interest and other financial results, and income taxes.

<sup>4</sup> Sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.

<sup>5</sup> Sum of cash flow from operating activities (excluding changes in advance payments received) and cash flow from noncurrent investment activities (before securities), including additions due to finance leases.

## Dear Shareholders and Shareholder Representatives, Honored Guests, Ladies and Gentlemen,

Sustainable management has been a core concept at WACKER from the beginning. It was central to the decision to locate WACKER's first plant in Burghausen. That site was picked for a very specific reason.

The hydroelectric power of the Alz river was what was needed – initially for carbide production. Without this environmentally compatible and renewable source of energy, it would not have been economically feasible to run the power-hungry processes for producing carbide.

Burghausen has since evolved into one of the world's largest integrated production sites for chemicals. Fully integrated and state-of-the-art. In closed production cycles, we convert byproducts into downstream products. Out of aggressive chlorinated intermediates, we make hyperpure silicon and silicones, for example.

Our production sets standards in matters of sustainability:

- From 2007 to the present, we have reduced our specific energy consumption in Germany by 22 percent.
- In the past year alone, we eliminated almost 750,000 metric tons in CO<sub>2</sub> emissions by recycling hydrogen chloride.
- Our integrated heat-recovery system provides almost half of the heat we need.

And we've already set a long-term target:

- By 2022, we want to reduce specific energy consumption by over 10 percent.

We are convinced that sustainability is a strategic success factor. And a competitive advantage. That is why sustainable action is one of our five strategic goals.

Everything we do involves not only economic factors, but also ecological and social factors. You've just seen the example from Sri Lanka. It shows that we think and act long-term. That we build on strong foundations.

And with that, my Executive Board colleagues and I warmly welcome you to WACKER Chemie AG's seventh Annual Shareholders' Meeting today. I welcome all shareholders present here at the International Congress Center in Munich, and those of you watching and listening on the Internet.

Ladies and gentlemen,

WACKER's 2012 fiscal year has been marked by two things: our growing chemical business and the difficult solar market.

At last year's Shareholders' Meeting, I said that we expected net income for 2012 to be well below the prior-year level. Our results came in as projected, however much we'd hoped things would turn out differently.

I also said last year that significantly lower prices for solar-grade polysilicon would adversely affect our business. The prices fell by half in one single year. This alone cost us 570 million euros in sales and substantially dampened our earnings.

Despite the currently difficult market situation, we are certain that the market for solar energy is continuing to grow. WACKER has the right technology to profit from this trend.

Later on, I will discuss our overall assessment of the solar business, and the strategies we are pursuing here. But I'll start with the key figures for the 2012 fiscal year:

- At 4.63 billion euros, sales were down 6 percent on the prior-year quarter.
- EBITDA decreased by 29 percent to 787 million euros.
- Net income came in at 106.8 million euros, 249.3 million euros lower than a year earlier.
- Earnings per share amounted to 2.27 euros, compared with 7.10 euros a year ago.

Ladies and gentlemen,

Based on these figures we are proposing – as announced on March 14, 2013 – a dividend of 0.60 euros per share. The proposal is in line with our existing dividend policy of:

- Distributing at least 25 percent of our net income.
- And taking into account the underlying economic conditions in which our business operates.

Based on the net income allocable to Wacker Chemie AG's shareholders, the distribution ratio is 26 percent. This represents a total payout of 29.8 million euros to our shareholders.

Ladies and gentlemen,

I want to speak quite plainly: we are just as dissatisfied with WACKER's share price as you, our shareholders. The WACKER stock has lagged well behind the leading benchmark and sector indices.

The essential factor affecting the stock's performance is the difficult solar-market situation. The share price correlates closely with the price of polysilicon, which collapsed during 2012.

We were, of course, not immune to the conditions in the solar market. However, WACKER has a lot more to offer than solar business. That is why I regularly stress in interviews that we are Wacker Chemie and not WACKER Solar.

We will intensify our efforts to communicate to the capital markets that WACKER is a well-positioned chemical company with numerous growth prospects. The emphasis here is on the word "chemical" – the area that is by far our largest and most profitable sales driver. We are certain that our chemical business will continue to grow.

We have been laying the foundations for this growth in recent years, with major investments in facilities for producing starting materials. Siloxanes, for example, which are used to make silicone products. We will benefit from these strategic expenditures in the future. Now we are investing in less capital-intensive facilities for downstream products. This will further increase our chemical business's share of total Group sales.

Ladies and gentlemen,

Our employees shape this growth. They ensure WACKER's long-term success. Their strength lies in their outstanding expertise and strong personal commitment. Our employees have impressed in both of these aspects in the past year. I am sure I speak for all of you when I extend a sincere "Thank You" to all of WACKER's employees.

Ladies and gentlemen,

Last year, I explained to you in detail what has been happening in the solar market. The situation today:

- The consolidation process continues. Several companies have become insolvent. Not only in Germany, but also in China.
- Many companies are in financial difficulties.
- Overcapacity persists along the entire supply chain.
- Current polysilicon prices are well below 2005 levels.

There is a new hurdle, too: anti-dumping proceedings by the European Union against Chinese solar companies, and by the Chinese government against foreign polysilicon manufacturers. This situation is weighing on the market. At the moment, the threat of retrospective tariffs on Chinese solar modules is slowing the European market.

Our position on this is clear: WACKER rejects regulatory intervention. We are in favor of unrestricted free trade. In our opinion, punitive tariffs hold back solar-sector growth, raising the cost of switching to renewable energy sources.

We have made our viewpoint clear to policymakers in Munich, Berlin, Brussels and Beijing.

History has shown that intervention, be it political or regulatory, has never helped to protect industries or companies from market developments.

It is our job to navigate through changing market conditions. High polysilicon prices gave us many years of tailwind. Now, there is a strong headwind due to the current price decline. We must – and will – ensure that WACKER can be successful in this business over the long term.

We are doing this by taking action. In the fall of 2012, we decided to postpone the start-up of the new polysilicon production site in Charleston, in the US state of Tennessee, until mid-2015. We are aligning capacity expansion with market demand. By doing so, we are relieving this year's cash flow by several hundred million euros.

We must produce more economically than before. Here, our focus is on achieving another substantial reduction in polysilicon production costs. With clear targets for the future, we intend to produce more cost-efficiently than today in every cost category.

Although the solar market is clearly challenging at the moment, there is plenty of good news.

First: solar power is competitive. Even without incentive programs, it can compete with other energy sources. This is due to a marked decline in solar-system prices. In Germany, solar power costs less than 10 cents per kilowatt-hour, making it as inexpensive as electricity from gas-fired power plants.

The second piece of good news: the market continues to grow. The installation of new solar systems increased to over 32 gigawatts in 2012 – 8 percent more than in 2011. We shipped more polysilicon last year than ever before – 38,000 metric tons in total. That's a rise of just under 20 percent relative to 2011. Which means WACKER has increased its market share in a difficult environment.

The third encouraging signal: more and more countries are investing in solar energy. Dependence on large single markets like Germany or Italy is beginning to subside. Markets such as China, France, India, Japan, South Africa and the USA are growing.

In the USA, installations of new solar systems almost doubled in the past year – from 1.9 to 3.3 gigawatts. That makes the USA one of the world's top ten solar-energy markets for the first time. Despite the shale-gas boom.

China aims to install around 35 gigawatts by 2015. Anyone familiar with its appetite for energy, and the environmental problems, knows that China will achieve its target.

These examples show that solar energy is very attractive for many countries. More and more projects are being realized without the aid of subsidies.

There's a fourth sign of improvement as well: during the first three months, polysilicon prices at least stopped falling. A price recovery is possible. I'm not suggesting a sustained turnaround, though, at this point. We are also selling higher volumes than expected. That is why we ended short-time work at Burghausen in February. Our production plants are currently running at full capacity.

Solar energy is one of the world's most cost-efficient and environmentally compatible energy sources. And it is available for our use in unlimited quantities. I remain convinced that all of these advantages will fuel continued market growth.

WACKER has a clear goal: we want to be a leading producer of polysilicon for the solar industry. In other words, we want to be second to none in quality and production cost. We're working on that – because we believe that this business has further growth potential.

Ladies and gentlemen,

The semiconductor industry is flat overall. The 300 mm silicon-wafer market is growing. Not the smaller-diameter market. Accordingly, we took action:

- We discontinued 150 mm wafer production at our Portland site in the USA. 350 employees were affected. A redundancy plan was devised for the affected personnel.
- We are adjusting 150 mm wafer production at Burghausen in line with demand. This will eliminate 150 jobs.
- The Hikari site in Japan, which had about 500 employees, has been closed since late May 2012.

At the same time, we are enhancing productivity and cutting costs:

- Labor productivity has increased on production lines.
- Variable costs in the 300 mm business have declined.

Profitability must take top priority. We therefore decided that WACKER will no longer take part in the development of 450 mm silicon wafers. Major spending on the next technological leap must pay off for us in the long term. From today's perspective, we don't see that happening.

We shall instead concentrate on 200 and 300 mm business, with Asia as the priority.

Ladies and gentlemen,

Chemicals are a key part of our company's name and this business performed very well in 2012:

- Overall, sales at our three chemical divisions rose 5 percent.
- EBITDA was up 15 percent.
- WACKER POLYMERS crossed the billion-euro mark in sales for the first time. In dispersions and dispersible polymer powders, we are the global market leader.

A key WACKER success factor is our products. They have a firm place in everyday life, even if people don't realize or notice it. Wherever teeth are being brushed, or gum is chewed, there's always a piece of WACKER involved. In gumbase, we are the global market leader.

Our biggest growth driver is the rise in living standards. We substitute other, more simple products with higher-end WACKER products.

The following figure exemplifies our growth: since the economic crisis in 2009, sales at our three chemical divisions have risen 34.5 percent – from 2.09 to 2.81 billion euros. The share of chemicals in total Group sales increased from 55 to 60 percent during the same period.

The second key to our success is our strong international expansion during the past ten years. Today, we sell our products in 130 countries. In Asia – our main growth region – we have doubled sales in the last seven years.

We keep close to our customers and the marketplace. Our global integrated production system today comprises 24 sites. This past February, we started up a new production facility for dispersions in South Korea. We are increasing our capacity there from 40,000 to 90,000 metric tons per year. Also, a new reactor started up in China a few days ago. As a result, we are doubling our capacity for WACKER dispersions there to 120,000 metric tons.

We can only grow successfully in new markets if we know what customers need, understand and accept differences, and support customers locally.

For that very reason, we have created two powerful points of contact: our technical competence centers and the WACKER ACADEMY. Both are hubs for our customers. In the past year alone, the WACKER ACADEMY conducted more than 430 seminars attended by over 5,300 participants.

Customer proximity is no less crucial when it comes to developing new applications and products. Here we are charting a new course, learning a lot from our workforce in Asia. That, too, is a part of international expansion.

South Korea now sets the pace in the field of high-tech applications for the electrical and electronics industries. Just look at Samsung. We therefore decided to locate WACKER's global Center of Excellence for Electronics in Seoul. I am certain that we'll gain long-term benefits from this, and enhance our innovative strength at the same time. It's this power to innovate that drives our growth and our productivity. To this day, innovation has been a recipe for success at WACKER.

Here I'd like to shine the light on a brand that exemplifies this. A brand celebrating its 75th birthday this year: our VINNAPAS® high-grade binders. Back in 1938, Wacker Chemie first produced VINNAPAS® for making wood glues. The annual production output then was 300 metric tons. In 2012, the annual output surpassed 700,000 metric tons. Today, VINNAPAS® encompasses over 150 individual products, which we sell in 17 different industrial sectors.

And the VINNAPAS® success story is far from over. At the world's largest coatings tradeshow – the European Coatings Show – in Nuremberg in mid-March, WACKER presented two new, highly innovative VINNAPAS® products:

- A binder for specialty protective coatings to improve and prolong the protection of steel structures in skyscrapers in the event of fire.
- A polymer-based concrete that can absorb a large amount of water and dampens sound. This whisper concrete is currently being tested in several projects.

I can assure you that we are not running out of ideas for more applications.

Our employees make sure of that. Our task is to set the conditions that make it all possible. That is why we attach so much importance to basic and advanced vocational training, and to qualifications.

Looking first at basic and advanced training: last year, our employees completed a total of 95,000 e-learning sessions and 15,500 advanced training measures. Currently, we are providing vocational training to 657 young people. With great success, as can be seen from their achievements: Michael Hinteracher is the German champion for electrical installation and industrial control. Michael Langer took second place in the same category. 39 trainees earned the highest possible grade in their final examinations.

Now, on the topic of qualifications: in 2012, we collaborated with Chattanooga State Community College in Tennessee to establish a training center. There, we trained new hires as mechanical systems technicians, electronics specialists, chemical technicians and lab assistants for careers in our nearby plant. 66 new colleagues have already completed their training.

Today, key topics in HR management everywhere are demographic change, advancement of women, cultural diversity and work-life balance. WACKER is no exception. We want to make further progress here in the future.

On January 1, 2013, Dr. Tobias Ohler joined the Executive Board, with Human Resources as one of his responsibilities. Knowing him, I'm sure he will have a powerful impact in his new position.

Starting with demographic change, for example. Society is aging. By 2017, about 45 percent of our employees in Germany will be over 50 years old. We cannot afford to lose their knowledge and experience, and we're not going to let that happen. That is why we cooperated with the German statutory pension insurance system to develop a program that will help us bring employees disabled by illness or accidents back to the workplace.

We are also participants in the Bavarian government's campaign for a women- and family-friendly workplace. Here, we are sharing ideas with other companies to identify new ways to make WACKER even more family-friendly and to support the advancement of women. Our target is clear: we want to see more women in middle and top management positions. And we need them.

Ladies and gentlemen,

Now, back to our current business situation. You already know our forecast for 2013. It won't be an easy year. Our projections indicate that:

- Volumes will rise at all business divisions.
- Silicon-wafer and polysilicon prices will remain at low levels.
- The solar market will continue to grow amid ongoing consolidation.
- The chemical business is continuing to expand and is gaining in importance.

Therefore:

- Group sales will remain roughly at prior-year level.
- EBITDA will be down from last year.
- Capital expenditures will halve, to less than 600 million euros.

The figures for the first quarter of 2013 show a stable start to the year, despite lower prices than a year ago:

- Group sales came in at 1.08 billion euros. That's down 10 percent from a year ago, but 6 percent higher than in the fourth quarter of 2012.
- Earnings before interest, taxes, depreciation and amortization reached 165 million euros, down 23 percent from last year.

What's truly positive: we have never shipped as much polysilicon as we did during the first three months of this year. Currently, polysilicon production is running at almost full capacity.

Ladies and gentlemen,

Our most important tasks are to keep our costs competitive and to harness new growth potential – which we are doing very intensively. A firm basis for this strategy is now in place. Thanks to the expansion of our production capacities. 2012 marked the peak. With capital expenditures of 1.1 billion euros, we invested more than ever before in the company's history. We will benefit from these measures in the future.

Our strategic levers for continued growth are:

- Expansion
- Substitution
- Innovation

Regarding expansion: in our dispersion business alone, we're increasing our total capacity this year by 130,000 metric tons. That's 30,000 tons in the USA, 40,000 tons in South Korea and 60,000 tons in China. Demand for our products is high.

In our silicone business, Asia is the number-one growth market. Here, we must grow even more quickly and strongly than before. And we must be even closer to the customer. We're building a select team of specialists to accelerate our growth in this region.

Let's turn to substitution: here, we are pursuing several different strategies.

Strategy number one is to replace other, more simple products with higher-end products from WACKER. This strategy is driven mostly by rising living standards in emerging markets. Our achievements over the last five years:

- India: sales up 140 percent
- Brazil: up 120 percent
- China: up 50 percent
- Russia: up 37 percent

We are well on track here.

Strategy number two is to have WACKER products and technologies replace other materials and substances. Our dispersion business shows just how successful we are. By substituting other substances with WACKER dispersions, we are generating appreciable sales growth in the paper, packaging and carpet industries. And that's the way it should stay.

Strategy number three: to expand our market share with higher-end products in our silicone business. We have clearly defined the application fields. They are: health and personal care, medicine, electronics, energy and automotive engineering. Here we see lots more potential, and we intend to leverage it.

And, finally, to innovation. We rely on it. And we invest in it – last year alone: another 175 million euros.

WACKER's expertise is exceptional. Take our new generation of sealants and adhesives – the hybrid polymers. Hardly any other company in the world is able to combine the sciences of polymer and silicone chemistry as we do. That's what distinguishes us from the competition. In 2001, we took our first tentative research steps. Our first pilot plant went live in 2005. In 2011, we won an innovation award from Frost & Sullivan, a market research institute. Today, we're selling these hybrid polymers wherever things need to be sealed, glued and coated.

Our hybrid polymers are true all-round talents. As a result, we are entering further application fields. In the electrical and electronics sectors, with module bonding as one example. In the automotive industry. A modern car contains up to 150 meters of adhesive seams – and the amount is growing. In the future, the body will be made of extremely lightweight carbon-fiber composites that are bonded in place. Put simply, bonding makes cars lighter and safer, and enhances fuel economy.

Which brings us back to sustainability. The world is networking. And we're a part of it. Two strong partners, WACKER and the Technical University of Munich, have come

together to create something truly special: the world's one and only Institute of Silicon Chemistry, with its very own WACKER Chair. It is a scientific melting pot for innovations featuring that fascinating chemical element, silicon. It is also a talent forge for the next generation of highly gifted scientists.

With less than 70 years under its belt, silicone chemistry is a relatively young science. And WACKER is a pioneer in the field. This means that innovative opportunities are far from exhausted for developing new application fields and products in the future. There still is massive growth potential here. And WACKER is right there at the forefront.

The results to date are respectable:

- 8 patent applications
- 33 published doctoral theses
- 48 funded scientists

And: four scientists who studied and earned their doctorates at the Institute of Silicon Chemistry now work for WACKER. The institute is a vital factor for our future.

Ladies and gentlemen,  
WACKER will be 100 years old next year. There's good reason why we have been successful over such a long period. WACKER has always managed to reinvent itself. Carbide, which I mentioned in my opening remarks, is something we stopped making a long time ago. The same goes for chlorinated hydrocarbons and polyvinyl chloride. Instead, we are making more than 3,200 products that people need today. And: we think and act long-term. Continuously reinventing ourselves and acting long-term – both these aspects belong together.

We are building on strong foundations. We have the right products. We develop innovative new products and technologies. Globally, we rank among the top-three suppliers in our business fields. We take leading positions in all of the major markets. And: we have capable, committed employees who identify with WACKER at work and beyond. It is the overall combination of expertise and experience, of innovation, of identifying with the company, and of performance and passion that makes WACKER so special. Now and in the future.

I am grateful for the confidence you have placed in us. We all look forward forward to having your continued support on the path ahead. We will focus all our energy on securing WACKER's success.

Thank you.

(Check against delivery!)

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## Financial Calendar 2013

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# July 1

Capital Markets Day  
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## Imprint

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Wacker Chemie AG  
Corporate Communications  
Hanns-Seidel-Platz 4  
81737 München, Germany  
Tel. +49 89 6279-0  
Fax +49 89 6279-1770  
[www.wacker.com](http://www.wacker.com)

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# July 30

Interim Report  
on the 2nd Quarter

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# October 31

Interim Report  
on the 3rd Quarter

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**Wacker Chemie AG**  
Hanns-Seidel-Platz 4  
81737 München, Germany  
Tel. +49 89 6279-0  
Fax +49 89 6279-1770  
[www.wacker.com](http://www.wacker.com)