

WACKER

Annual Shareholders' Meeting

2015

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

on May 8, 2015
at Munich's International
Congress Center (ICM)



WACKER at a Glance

€ million	2014	2013	Change in %
Results/Return			
Sales	4,826.4	4,478.9	7.8
EBITDA ¹	1,042.3	678.7	53.6
EBITDA margin ² (%)	21.6	15.2	n.a.
EBIT ³	443.3	114.3	> 100
EBIT margin ² (%)	9.2	2.6	n.a.
Financial result			
Financial result	-78.1	-83.3	-6.2
Income before taxes	365.2	31.0	> 100
Net income for the year	195.4	6.3	> 100
Earnings per share (basic/diluted) (€)			
Earnings per share (basic/diluted) (€)	4.10	0.05	> 100
ROCE (%)	8.4	2.2	n.a.
Financial Position/Cash Flows			
Total assets	6,947.2	6,332.4	9.7
Equity	1,946.5	2,197.1	-11.4
Equity ratio (%)	28.0	34.7	n.a.
Financial liabilities	1,601.5	1,416.7	13.0
Net financial debt ⁴	1,080.6	792.2	36.4
Capital expenditures (including financial assets)	572.2	503.7	13.6
Depreciation (including financial assets)	599.0	564.4	6.1
Net cash flow ⁵	215.7	109.7	96.6
Research and Development			
Research and development expenses	183.1	173.8	5.4
Employees			
Personnel expenses	1,246.9	1,133.0	10.1
Employees (December 31, number)	16,703	16,009	4.3

¹ EBITDA is EBIT before depreciation and amortization.

² Margins are calculated based on sales.

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

⁴ Sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.

⁵ Sum of cash flow from operating activities (excluding changes in advance payments) and cash flow from long-term investing activities (before securities), including additions due to finance leases.

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

2014 was an extraordinary year for WACKER in many respects. Having a centennial to celebrate is rather special for a company like WACKER. And it makes us proud.

Successful companies have at least two qualities: they constantly seek new solutions. They are prepared to reinvent themselves again and again.

Our unique history shows: we have the strength to change continuously. This adaptability and this passion for the future are two key success factors that have seen the company through crises and even wars.

As you know: in all our actions, we look to the future. We want to supply new markets. And become more international. Our predecessors laid the cornerstone for expansion over four decades ago, with our first foreign subsidiary in neighboring Holland. Today, we talk quite naturally of Europe as our home market. We are the No. 1 here in silicon chemistry and in vinyl acetate-based polymer products.

We convince our customers with the high quality of our products, with our excellent service, and with continuous innovations and new applications. This is shown by our close partnerships with top customers, such as Bosch. As you have just seen in the film.

Europe – with Germany as a major production location – is our springboard for entering new and different markets. With our strong market position in Europe, we have a firm base for expanding our global operations. This international expansion is a further WACKER success factor.

Despite the sovereign-debt and economic crisis, Europe remains at the top for quality, know-how and technology. That's why there are no alternatives to a unified Europe with its economic strength and single currency.

And now, I welcome you to the ninth Annual Shareholders' Meeting of Wacker Chemie AG at the International Congress Center in Munich! On behalf of my Executive Board colleagues, I thank you for joining us here today.

Ladies and gentlemen,

This time, we have robust annual financial statements to present for 2014. The chief factors lifting our results are volume gains at all our business divisions, slightly higher prices for polysilicon and special income from advance payments and damages received from amended or terminated contracts with solar-sector customers.

Turning to the key figures for 2014:

- ▶ Sales reached 4.83 billion euros, some 8 percent up on the previous year.
- ▶ EBITDA climbed by more than 53 percent to 1.04 billion euros.
- ▶ Net income came in at 195.4 million euros. That is about 190 million euros more than a year earlier.
- ▶ Earnings per share amounted to 4.10 euros after only 5 cents in the previous year.
- ▶ Capital expenditures edged up to 572 million euros.
- ▶ Net cash flow almost doubled to over 200 million euros.

These figures show you that: we have become more profitable and we have outperformed our goals.

Ladies and gentlemen,

This achievement was the result of hard work. We have cut our costs again substantially – thanks not only to production-volume increases, but also to our employees, who played a major part in this success. I am sure that I am speaking for every shareholder here when I say: it was a great achievement. We sincerely thank each WACKER employee for this result.

The robust figures are reflected in our share price. After a marked rise in 2013, WACKER's share price increased by over 13 percent last year. By way of comparison: the MDAX and DAX climbed slightly more than 2 percent in the same period.

I am pleased that we can pay out a higher dividend again. Today, the Executive and Supervisory Boards will propose distributing a dividend of 1 euro and 50 cents per share – as announced on March 17, 2015. That is three times more than a year ago. In total, 37 percent of net income for the year will go to our shareholders – based on allocable net income. That is well above our minimum payout ratio of 25 percent.

In my opinion, this proposal achieves a good balance between sharing profits with our shareholders and our plans for future growth.

Ladies and gentlemen,

Over the past three years, nothing has concerned us more than the trend on the solar market. We negotiated at length with the Chinese Ministry of Commerce about our polysilicon exports to China – and reached an agreement. Under its terms: we undertake not to sell polysilicon from our European sites below a specific minimum price in China. For its part, China has refrained from imposing tariffs on this material. As a result, we can continue offering our polysilicon at competitive prices in our largest market.

I have already said many times: solar power has a great future. Trends in 2014 confirmed this. The market expanded further last year. By 13 percent to over 45 gigawatts. Prices for polysilicon recovered modestly, noticeably improving our figures.

The market is one side of the equation. The other is that WACKER takes necessary steps of its own accord. That is exactly what we did and I promise you: we will continue doing so. We achieved another substantial drop in our specific cost of goods sold. We produced more polysilicon at our plants. And, on the market, sold even more than in 2013. Over 51,000 metric tons in total. A record quantity.

Ladies and gentlemen,

Now, we turn to Siltronic. Our strategy of taking a majority stake in our Siltronic Silicon Wafer joint venture in Singapore has paid off. As has the closure of plants and lines for 200 millimeter wafers and small diameters over the last two years. This is reflected in Siltronic's earnings: EBITDA more than tripled compared with a year earlier – climbing to 114 million euros.

Again, the key factor here was: we firmly took the necessary steps. Through substantial cost-cutting, we largely compensated for the pressure on prices.

Ladies and gentlemen,

WACKER's three chemical divisions account for over 60 percent of our sales. In 2014, they generated good sales growth. Close to 6 percent more.

There was only one cloud: the EBITDA trend was not completely satisfactory. Earnings were dampened by high prices for vinyl acetate monomer, a key raw material in our polymers business, and by price declines for silicone products.

At WACKER BIOSOLUTIONS, the acquisition of Scil Protein Productions in Halle was a complete success. The new production capacity has opened up additional growth prospects for us in biologics.

Our goal is quite clear: we want to continue growing throughout our business. Capital spending on new production plants is a key to achieving this growth. Our focus is on plants for producing intermediates and downstream products. In 2014, we continued to reinforce our production network around the world: In Burghausen, by expanding a plant for silicone polymers. In Nanjing, with a production plant for polyvinyl acetate solid resins. And in Zhangjiagang, with a plant for silicone emulsions.

This year, we are continuing to invest in production plants for intermediate and downstream products at our chemical divisions. In Burghausen, we will start up plants for dispersible polymer powders, specialty monomers and modified siloxanes.

In Calvert City, we are building a new dispersions reactor with an annual capacity of 85,000 metric tons. The plants we construct offer high productivity and cutting-edge technology. In terms of sustainability, these plants also fulfill the highest criteria.

As you can see from our projects – we invest. In existing and new production sites. In established and emerging markets. In new applications and products. And another very important point: we invest in training our employees, in their qualifications and in their development. We are convinced: our employees are the key to our success.

At present, we offer 530 young people a vocational-training place. 80 percent of them are in a scientific or technical discipline. With our training programs, we are investing in our own future. So that we can maintain our high performance level and innovativeness. The quality of our training programs is reflected in the following figure: of the 162 trainees graduating in 2014, 31 scored the top grade. That is close to 20 percent.

As you know, a company like WACKER needs employees who are eager to learn new things and whose knowledge is state of the art. They keep WACKER innovative and competitive. The key here is: lifelong learning.

In 2014 alone, 16,400 WACKER employees completed seminars and advanced training courses – that is almost the whole workforce.

Similarly, the health of our workforce is very important to us. Only the healthy can give of their best. At WACKER, we invest in employee health – as part of our responsibility toward our employees around the world. Last year, we opened a new health center at our biggest site, Burghausen. For us as a company, the keys to health – alongside initial medical care and emergency treatment – are preventive health care and health promotion.

As we all know: society is aging. The number of our employees over 50 will continue rising. That is why it is so important to give our employees opportunities to stay fit. In Burghausen, we launched our Fit for Your Shift preventive care program, in cooperation with the German Federal Pension Fund.

This project is inspiring other occupational-health initiatives. Over 200 shift workers are participating in our program at present.

WACKER operates on a global scale. People from over 60 nations work for our company. And we supply countless markets and a wide range of customers. This has to be reflected in the structure of our workforce. Our policy in recent years was to fill regional leadership positions with local applicants.

We intend to continue promoting this diversity, both regionally and culturally. Similarly, we want to bring more women into technical and leadership positions. We need their qualities and skills. Everywhere in the company. I believe we have a duty here. That is why we want to create the right basic conditions.

We have already made some progress: with flexible and intelligent working-time models, we are making it easier to balance family and career. And through specific development measures, we are preparing more women candidates for leadership positions. We realize, though, that we will have to do more here in the future. We want this topic to be more deeply anchored in our company. What we don't want is a fixed quota. Our philosophy is different. For every position – the best employee. Our choice is based on: performance, expertise and development potential. Age, gender and cultural origins are not valid selection criteria. Our approach is: everyone has an equal chance. Because we know: diversity enhances our performance.

Ladies and gentlemen,

For WACKER, entrepreneurial success does not come from financial indicators alone. It also depends on the answer to the question: How sustainably are we performing? Accordingly, sustainable management is one of our five strategic goals. Sustainability is a decisive competitive advantage. And: WACKER established its sustainability credentials during its first century.

One example: at our polysilicon plants, we cut specific energy consumption by a third between 2005 and 2013, amid rising volumes. An achievement that has received recognition outside the company. In 2014, Bavaria's government honored us with the Bavarian Energy Award.

This commendation is an incentive to become even better. We must continue pursuing our goal of: creating more growth through sustainability. Importantly, we must achieve this growth with less raw material and fewer emissions. This is our great task for the future.

And we are not alone here. The German chemical industry is one of the pioneers of sustainability. We all take this topic very seriously indeed. Our industry founded an initiative called: "Together for Sustainability." And we joined it last year.

Sustainable management is based on seamless continuity. Across all stages of the supply chain. By the end of 2016, for example, WACKER will have assessed the sustainability performance of its main 400 suppliers. By doing this, we will spur them on toward further improvements.

Ladies and gentlemen,

Now, I would like to look at 2015. The first quarter is already behind us. We published the figures last week. It was a truly strong quarter for WACKER:

- ▶ At 1.33 billion euros, we posted our highest sales for any quarter. Of course, favorable exchange-rate effects were a help. But they were not the only factor.
- ▶ Adjusted for special income from last year, EBITDA climbed 53 percent. Such a result does not simply happen.
- ▶ Our chemical divisions did well, delivering high profitability.
- ▶ Siltronic performed convincingly with sales growth compared to the first quarter of 2014 and EBITDA of 40 million euros.
- ▶ Our polysilicon business continued to benefit from higher selling volumes.

Today, I can already tell you: the good business trend continued in April.

We have ambitious goals for the full year. On announcing our quarterly figures, we raised our sales forecast. We want to increase our sales by 10 percent. That will take WACKER across the 5 billion-euro threshold for the first time. At every division, quantities sold and sales revenue are projected to be higher than last year. And EBITDA, adjusted for special income and despite the polysilicon start-up costs at Charleston, is expected to rise on a comparable basis. From today's perspective, capital expenditures will come in at 725 million euros, higher than last year and above the level of depreciation.

We all know: the pace of change today is unimaginably fast. Geopolitical developments cannot be predicted – by any company worldwide. Providing global conditions do not change significantly, we are very optimistic that we will achieve our goals.

Ladies and gentlemen,

2015 will be an eventful year for WACKER in many respects. By year-end, we want to produce the first polysilicon at our new production site at Charleston, Tennessee (USA). That is no small task. But we are working flat out on it. We want to achieve this goal.

WACKER's single largest investment project ever opens up new prospects for us. The USA is the world's second-largest chemicals market – after China – and has sales of over 500 billion euros. The region of the Americas is an important market for us and we see a lot of future potential there.

I talked about our global capital expenditures a little earlier. Completion of the polysilicon production plant in Tennessee will mark a turning point. More precisely, a turning point in the level of our capital expenditures. They will decrease markedly in the next few years. Net financial debt will again climb substantially this year. Then, it will also decline in the years ahead. For the moment, Charleston will be the last capital-intensive expansion project at a new site. As I already mentioned: we want to invest chiefly in less capital-intensive plants for intermediate and downstream products at our chemical divisions.

We have a clearly defined goal: to fully exploit growth opportunities on markets that are important to us. At the same time, we will strengthen our global presence in sales and marketing, technical support, and customer training – in China, India and many other markets.

Ladies and gentlemen,

2014 marked the start of WACKER's next 100 years. We think for the long term and we look to the future with optimism. Our positive opinion is justified: No other company has our expertise in silicon and polymer chemistry. We are working on the major issues of modern times: renewable energy generation, energy storage, energy efficiency, urbanization, digitalization and improving many people's standard of living.

We are doing all this from a solid base. We place the customer at the center. We have confidence in our extremely well-trained employees. We have excellent products. We are steadily expanding our presence in both established and new markets. We develop intelligent products and solutions for long-term growth. Our company motto is: "Creating tomorrow's solutions." To which I emphatically add: "today." We will continue living up to this claim. I can assure you: every WACKER employee accepts this great challenge. Countless products that are as yet unknown – that first have to be invented or made marketable – will certainly stem partly from WACKER.

Stay with us on the path ahead! I would like to thank everyone for the trust and successful collaboration provided. I am grateful to our customers, our suppliers and – especially to you – our shareholders. I thank you for your support – also in the name of my Executive Board colleagues. Let us continue working on WACKER's future together.

Thank you for your attention.

Financial Calendar 2015

April 30

Interim Report
on the 1st Quarter

May 8

Annual Shareholders' Meeting
Munich

August 3

Interim Report
on the 2nd Quarter

October 29

Interim Report
on the 3rd Quarter

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