

/ Annual Shareholders' Meeting 2010

WACKER

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

May 21, 2010
International Congress Center, Munich (ICM)

WACKER at a Glance

€ million	2009	2008	Change in %
Results / Return			
Sales	3,719.3	4,298.1	-13.5
EBITDA	606.7	1,055.2	-42.5
EBIT	26.8	647.9	-95.9
Net result for the year	-74.5	438.3	>100
Earnings per common share (€)	-1.43	8.84	>100
ROCE (%)	0.9	25.7	-96.5
Statement of Financial Position / Statement of Cash Flows			
Total assets	4,541.9	4,625.1	-1.8
Equity	1,942.4	2,082.8	-6.7
Equity ratio (%)	42.8	45.0	-4.9
Capital expenditures (including financial assets)	740.1	916.3	-19.2
Depreciation (including financial assets)	579.9	407.3	42.4
Net cash flow	-32.9	21.7	>100
Research and Development			
Research and development expenses	164.0	163.2	0.5
Employees			
Personnel expenses	1,090.3	1,086.1	0.4
Employees (December 31, number)	15,618	15,922	-1.9

Dear Shareholders,
Dear Guests, Ladies and Gentlemen,

Welcome to Wacker Chemie AG's fourth Annual Shareholders' Meeting. I also welcome you on behalf of my Executive Board colleagues.

Ladies and Gentlemen,

In 2009, the world economy took a roller-coaster ride. And WACKER was not spared. For the first time in five years, sales and earnings declined. But we did not jump the tracks. We kept on course despite the ups and downs.

It was not just by chance that we safely weathered the deepest economic crisis in decades. Over the past few years, we worked successfully on attaining strategic positions that helped us emerge from this difficult period unscathed:

- / WACKER is a cost and quality leader in numerous fields.
- / WACKER is well-positioned internationally and has deep roots.
- / WACKER fosters long-term customer relationships as a recognized premium supplier.
- / WACKER has a unique wealth of outstanding engineering and process expertise. Few companies can draw on such resources.
- / WACKER's employees are performance oriented. They identify strongly with the company and are very loyal.
- / WACKER's sound financial base gives us sufficient leeway to realize our growth plans.
- / Plus, WACKER's stable shareholder structure encourages long-term strategies and actions.

Ladies and Gentlemen,

Although the crisis was painful, we seized it as an opportunity. The following three points illustrate this:

- / We navigated the crisis calmly, decisively and with due precision. Where necessary, we solved problems swiftly – for example, by exiting the WACKER SCHOTT Solar joint venture. Where necessary, we resolutely changed structures – as at Siltronic and WACKER SILICONES.
- / Despite the crisis, we continued to invest heavily. An investment ratio of some 20% of sales is an impressive figure in difficult times.
- / We attached even more importance during the crisis to close contact with customers, especially with key accounts. By strengthening our global market presence, we enhanced both customer proximity and support. We opened two new technical centers, one in Allentown, USA, and the other in Mumbai, India. Plus, we expanded our Dubai and Shanghai centers.

Ladies and Gentlemen,

The crisis seems to be over. Economic data are now moving into positive territory. Encouragingly, we clearly felt the turnaround in the first quarter of 2010. It will take quite a while, though, before every division has returned to pre-crisis levels. However, we are convinced that we will swiftly resume the successful business trend achieved prior to the crisis.

Why?

- / WACKER has the right business model. Our broad product portfolio is a competitive advantage. We have several different divisions, which serve a wide range of industries. As a result, we can cushion fluctuations and weaknesses in specific divisions.
- / We believe creative minds are responsible for more growth than heavy industrial machinery. Indeed, we are one of the most research-intensive chemical companies in the world. Consequently, we did not cut back on 2009's R&D expenditures, but kept them at a consistently high level. After all, innovation is the key to developing WACKER's processes and products for tomorrow's markets.
- / The trends from which we profit remain unchanged. Through our solutions, we help to improve living standards, to conserve energy, to generate renewable power, to protect the environment and to promote technological progress.

Ladies and Gentlemen,

WACKER's share price is further proof that we navigated the last year soundly. After a rough start to 2009 and a low of €46.60 in March, WACKER's share ended the year with a final quote of €122.12. By comparison, it performed slightly better than the DAX and MDAX benchmark indices.

Although we posted a loss for 2009, WACKER is a healthy company. Debt is low despite huge investments. The main burden on profitability was non-recurring items. I will be giving you more details later on.

We have always said that we have a dividend policy which, on the one hand, reflects the company's financial condition and, on the other, is characterized by continuity. Thus, the Executive and Supervisory Boards now propose to the Annual Shareholders' Meeting that a dividend of €1.20 be distributed for 2009. In our opinion, this proposal satisfies the two key principles of our dividend policy.

Ladies and Gentlemen,

As I mentioned in my opening remarks, WACKER held a steady course through 2009 despite the tough economic climate. Let us have a look at WACKER's key figures, which naturally show that we could not steer completely clear of the economic downturn.

Overall, WACKER generated consolidated sales of €3.7 billion, down 13% compared to 2008. This was primarily due to lower customer demand, with Siltronic reporting the largest sales decrease. Our silicones and polymers businesses were also below their prior-year figures. In contrast, sales at WACKER POLYSILICON grew strongly, with solar-industry demand remaining robust despite the economic crisis.

Earnings dropped markedly, too. EBITDA – earnings before interest, taxes, depreciation and amortization – amounted to €607 million, over 40% below the record year of 2008. The EBITDA margin fell from 24.6 to 16.3%. The main cause of the earnings slowdown was the weak trend in our semiconductor segment, where EBITDA decreased by €520 million. Earnings before interest and taxes reached €27 million. As for the year's net result, we posted a loss of almost €75 million.

These figures, however, fail to fully reflect our sound operating performance in 2009. Apart from Siltronic's totally unsatisfactory result, we generated operationally positive EBITDA in all of our other divisions. WACKER POLYSILICON generated sales of over €1 billion for the first time and, despite ongoing price pressure, achieved an EBITDA margin of over 50%. And WACKER's two largest chemical divisions reported higher EBITDA margins than in the record year of 2008, partly because of lower raw-material costs.

WACKER's earnings performance would have been even better if it had not been for a number of non-recurring items. EBITDA was impacted by three non-recurring charges that reduced it by a total of €160 million. First, these charges comprise investment expenses due to our exit from the solar-wafer business. Tumbling prices for solar wafers resulted in losses we did not want to bear any longer. Second, we made an addition of almost €50 million to our pension provisions. As you know, the average life expectancy of the Group's pension-fund beneficiaries is rising continuously. This trend is no longer properly reflected in the Heubeck guideline tables, which are used in Germany to calculate pension obligations. So, we took the necessary precautions to keep up with actual developments. Third, we established provisions for additional phased-early-retirement quotas, for working-life accounts and for personnel measures at WACKER SILICONES and Siltronic.

EBIT was affected by impairments on fixed assets of some €180 million. These impairments impacted WACKER SILICONES and, above all, Siltronic. Taking all these figures into account, non-recurring charges reduced our operating result by about €340 million.

WACKER's strength despite the crisis is underscored by several financial indicators:

- / In 2009, we maintained our high level of investment. Asset additions amounted to €740 million – roughly 20% of sales. What's even more remarkable is that we financed these substantial investments almost entirely out of our gross operating cash flow.
- / The equity ratio still exceeds 40% despite a slight decline.
- / WACKER's debt level is still low. On December 31, 2009, financial liabilities exceeded liquidity only by about €76.1 million.

Above all, these figures show that WACKER's financial situation remains strong. Our financial stability gives us more latitude to continue successfully shaping our future.

Ladies and gentlemen,

At this point, I would like to give you some details about each business division. Divisional performance was varied. Without doubt, Siltronic's semiconductor business was hit the worst by the economic crisis. Two factors were responsible: a huge slump in demand and increased price pressure, especially for 300 mm wafers. On top of this, solar-industry sales fell steeply. Due to all these influences, sales declined by over 50% and we posted a negative EBITDA of €162 million.

This is not the first test we have had to face in this line of our business. Consequently, we have implemented a whole series of countermeasures in a timely manner. We are cutting production and administrative costs, improving processes, increasing yields and making production more flexible. To ride out demand fluctuations, we want to prioritize capacity utilization at the sites with the best cost structures. All these measures are generating substantial cost savings.

As part of our efforts, Siltronic is intensifying its focus on the markets with the best sales opportunities. Most of our wafers already go to Asia. And this trend will continue in the years ahead. That is why we are going to strengthen our largest semiconductor site in the region – Singapore.

We have discontinued 150 mm wafer production at Freiberg, Germany, and transferred its production volumes to Burghausen, Germany. As for 200 mm and 300 mm wafers, we are qualifying as many customers as possible for Singapore. The qualification process is advancing well.

Although business at Siltronic recovered in the first quarter of 2010, we will implement further measures to improve productivity and cost structures.

Our chemical divisions fared much better, with customer demand recovering firmly throughout the year. Overall, our chemical divisions reported a sales decline of 12%. EBITDA matched the prior-year level. Although capacity utilization at our plants only averaged between 70 and 80%, costs did not change in the same proportion thanks to our strong productivity and technology management.

Plant productivity is one of WACKER's key value levers. Consequently, in 2009, we decided to close a few smaller sites permanently and transfer their production volumes to other locations. We have already closed down WACKER POLYMERS' South Brunswick plant (USA) and transferred its dispersions production to Calvert City. In Germany, we are closing WACKER SILICONES' Kempten site next year. Kempten produces pyrogenic silica, and we are transferring its production output to our high-volume plants at Burghausen and Nünchritz. This will boost capacity utilization there, reduce manufacturing costs and avoid the transport of silanes and hydrochloric acid by road. Similarly, we are closing our silicone site at Duncan (USA) at the end of the year. Its production volumes will be transferred to our main us site at Adrian. In the chemical sector, it is vital to be well positioned regionally and, nevertheless, to concentrate activities at a small number of locations – and this is exactly what we have managed to do.

Like at Siltronic, we introduced measures at WACKER SILICONES to improve cost structures and market activities. WACKER SILICONES adapted its strategy to market trends, focusing on continued profitable growth, and on enhancing both market and customer-specific flexibility.

In the future, we will supply standard and specialty products via different business models specifically tailored to customer needs. R&D has been centrally pooled in a dedicated unit. This enhances our innovative strength. Each regional entity now has more responsibility for operational aspects. As a result, we will be able to react more swiftly and flexibly to local market demands.

Our polysilicon business proved resilient to the economic crisis. Sales rose 35% and crossed the billion-euro mark for the first time. Gains were fueled by additional volumes, which were all sold on the market. EBITDA also grew. It was hampered, though, by charges for exiting the WACKER SCHOTT Solar joint venture and by lower polysilicon prices for short-term deliveries. Despite challenges, polysilicon is a highly profitable business.

Ladies and Gentlemen,

Over the years, WACKER has invested a lot in expanding its foreign markets. This shows that we keep a vigilant eye on the marketplace. Further growth will be seen in the "BRIC" countries, particularly China and India – a trend that was mirrored in our 2009 sales performance. Although the global economic crisis had no regional boundaries, Asia weathered it far better than other regions.

Accounting for 34% of WACKER's sales, Asia is our largest market. Our chemical divisions and polysilicon business generated substantial Asian growth. Group sales, however, didn't grow in this region primarily because of the sharp semiconductor slump. Overall, though, sales fell 8.1% to €1.25 billion. In the Greater China region (People's Republic of China including Taiwan), Group sales were up 4% in 2009.

Europe (excluding Germany) was again our second-largest market. Sales there amounted to over €940 million – a drop of 6% compared to 2008. In the Americas, sales declined more steeply, mainly due to a fall-off in orders from the semiconductor and construction industries. The decline there was 25%. As for Germany, our home market, sales fell 18% to €775 million. Overall, WACKER generated 79% of its 2009 sales through customers outside Germany – almost €3 billion.

Ladies and Gentlemen,

Our high 2009 investment level clearly shows that WACKER is keeping to its growth course. There are two main levers to this strategy. First, we are expanding production in such promising and dynamic fields as photovoltaics and biotechnology. Second, we are promoting production, sales activities and technical competence centers in dynamic growth regions.

The lion's share of investments flowed into the ongoing expansion of our polysilicon production facilities. Our "Expansion Stage 8" facility began production at the end of 2009. It reached its planned nominal capacity of 10,000 metric tons annually in Q2 2010. This takes the Group's polysilicon capacity to over 24,000 metric tons in 2010. Our "Expansion Stage 9" facility at Nünchritz is progressing as planned. We will commence production there toward the end of 2011.

In 2009, our cyclodextrin-plant expansion came on stream at Eddyville (USA). And this year, we have finished expanding our biologics production facilities at Jena (Germany), paving the way for further growth in biotechnology.

In China, we successfully concluded another project – a production facility for dispersions and dispersible polymer powders in Nanjing. With a nominal capacity of 30,000 metric tons, the dryer is the largest in the world – along with a similar dryer in Burghausen. Now that production in Nanjing has started, we now have a complete supply chain for dispersions and dispersible polymer powders in the Americas, Asia and Europe.

Another large-scale expansion project is in Zhangjiagang, where we have started construction work on the second expansion phase for pyrogenic-silica production. Moreover, with our partner Dow Corning, we are going to start producing siloxane there this year. Once that project has been completed, WACKER and Dow Corning will have the world's largest silicones site – and thanks to its fully integrated production system – the most modern one.

Ladies and Gentlemen,

Behind all these facts and figures are people. 2009 demanded a lot from every single WACKER employee. A crisis of the magnitude seen last year calls for special measures – and special efforts.

As I mentioned right at the start, WACKER employees are performance oriented. They identify strongly with the company and are very loyal. In such a difficult year as 2009, when fears about the future were widespread, WACKER's employees and employee council showed a firm sense of responsibility and dedication to the company. Working closely with the employee council, the Executive Board decided on measures to reduce personnel costs. For example, initially we paid only 50% of 2008's profit-sharing amount to employees both on the standard and above-standard pay scales and only 50% of 2008's bonuses to executive personnel.

There were times when 25% of the workforce was on reduced hours. Our employees accepted these measures without complaint. Through their commitment, hard work and sacrifices, they played a vital role in helping WACKER overcome the crisis so well.

At this point, my Executive Board colleagues and I would like to sincerely thank every employee for their outstanding support.

Turning now to Idea Management, I want to highlight just how energetically our employees try to improve WACKER a little bit each day with their innovative ideas. Profits stemming from our idea management have increased significantly over the last few years. In 2009, our staff submitted more than 5,700 improvement suggestions, resulting in €11.2 million of calculable benefits for the company. Thanks to this achievement, WACKER received a prize the "Förderpreis Ideenmanagement 2009" from the German Institute for Business Management.

A key success factor for WACKER is the employees' strong identification with their company. But satisfaction levels are also extremely high among WACKER's managers, as shown in an annual survey conducted by Germany's Association of Chemical Industry Executives. As a result, the association awarded WACKER the 2009 "Cologne Chemical-Industry Prize."

Personnel work is a key factor to secure WACKER's long-term competitiveness. It involves:

- / Retaining qualified employees.
- / Maintaining our high course standards, and training our young management potential.
- / Attracting university graduates for managerial tasks and preparing them for their future roles.
- / Continuously promoting our employees' knowledge so that they can develop personally and that the company can profit from their enhanced expertise.

In 2009, WACKER upheld vocational training levels for young people despite the difficult times. In fact, the number of trainees rose slightly. The Burghausen Vocational Training Center had a total of 665 trainees, 22 more than a year earlier. In 2009 alone, 201 young people began a training course.

WACKER attaches a lot of importance to the quality of its training programs. This is reflected in the successes achieved by our trainees, who frequently rank among Germany's best. Take Bernhard Metz, for example. In 2009, he was the best automation-electronics graduate nationwide and received an award from the German Chamber of Industry and Commerce last December. Two other trainees excelled, too. Florian Fuchs won the silver medal in the Industrial Control category at the WorldSkills Competition in Canada, and Johanna Mühlhauser was Bavaria's best commercial trainee for office communications.

Ladies and Gentlemen,
WACKER is one of the world's most research-intensive chemical companies. Some 1,000 employees are working on innovations around the globe. As a premium supplier, we sell products that are both very innovative and highly developed. Our customers, in turn, require consistently top quality, enhanced product properties and novel product developments.

Our chemical divisions alone launched over 20 new product solutions on the market last year. The list is too long to present them all. But I would like to pick out two product innovations.

First, WACKER has developed a new silicone adhesive for automotive oil pans – an innovation that will make engine construction much more efficient. Thanks to its excellent sealing and bonding properties on aluminum and plastic, our two-component liquid silicone rubber enables plastic oil pans to be used in car engines for the first time. The advantages are numerous. Alongside the weight and material savings, a plastic oil pan is much easier to assemble. As a result, the pan's production costs can be reduced by some 25%.

The second innovation involves energy-efficient light-emitting diodes, or LEDs for short, which have great growth potential as replacements for traditional light bulbs. WACKER is benefiting from this growth. We have developed a new high-performance optical silicone elastomer called LUMISIL®. Silicone elastomers possess the heat and light stability needed. So, for the first time, optical lenses for LEDs can be applied directly to the light-emitting diode chip, which cuts costs and makes production more efficient. With LUMISIL®, our customers can eliminate five process steps.

Obviously, if you don't understand customer needs, you can't develop the right products. At WACKER, we work closely with our customers. Last year, we expanded our customer-oriented network. We now have 20 technical competence centers worldwide after a new one opened in Mumbai (India) and another in Allentown (USA).

Ladies and Gentlemen,

After experiencing months of financial crisis and now a euro crisis, the international community has learned a basic truth – there is a high long-term price to pay for debt-driven financing. The consequences of this crisis will weigh heavily on our future. Sovereign debt has soared and may boomerang back to dampen tomorrow's growth prospects.

At WACKER, we have always prioritized balancing economic, ecological and social factors. Indeed, we are convinced that the only way to achieve long-term commercial success is by making sustainability a focal point of our thinking and actions.

In fact, sustainability is a principle that has been adopted by our entire sector. The chemical industry is second only to the electronics sector in inspiring the creation of new products and production processes. Today, German chemical companies are among the sustainability leaders. At the top of management's agenda stand energy efficiency, climate protection and environmentally-friendly products.

Over the last two decades, the chemical industry has succeeded in breaking the link between production growth and energy consumption. While production rose 57% from 1990 through 2007, the sector managed to use 18.5% less energy. And greenhouse gas emissions fell as much as 36.4%. WACKER has made its contributions to these achievements.

WACKER launched two initiatives – our productivity program (Wacker Operating System) and our energy-efficiency project (POWER PLUS) – that focus on saving energy and on manufacturing our products in a way that minimizes raw-material consumption and environmental impact.

At WACKER, environmental protection is firmly anchored in all our processes. We place particular emphasis on integrated environmental protection. It begins as early as the product-development and plant-planning stages. Our cyclodextrin facility expanded in 2009 is a good example of our approach. A considerable part of this US\$21 million investment was spent on a new byproduct-processing plant that lowers the entire facility's steam requirements by 35%.

On the product side, WACKER offers customers more and more applications that help protect the environment and minimize resource consumption. For example, each metric ton of polysilicon used in solar modules prevents the emission of some 6,000 metric tons of CO₂.

For us, sustainability is an ongoing priority. We are not resting on our achievements, we want to do a lot more. In the future, we will intensify our efforts to promote sustainability. If you read our Sustainability Report, which came out a few months ago, you will learn more about WACKER's many efforts in this area.

Continuity also characterizes our social commitment. For over three years, WACKER has been supporting a German charity called "Die Arche," which helps children from socially disadvantaged families in several German cities. It gives children what they lack at home – daily hot meals and tutoring, as well as games and outings. I am especially pleased that – independent of WACKER's support – some of our employees are helping the charity in their free time. Despite the economic crisis, WACKER has never faltered in its commitment to this project. As 2010 seems to develop well for WACKER, we will certainly continue to provide support for "Die Arche".

Ladies and Gentlemen,

Now, it's time to turn to business developments in the current year. We published our first-quarter figures three weeks ago. WACKER had a strong start to 2010.

The most significant developments in the first three months were:

- / Group sales climbed 22% to €1.07 billion – WACKER's third-highest result for any quarter so far. Growth was highest in Asia.
- / Siltronic and WACKER SILICONES increased sales markedly. WACKER SILICONES, in particular, reported strong sales and order growth across all its markets.
- / At Siltronic, first-quarter EBITDA crossed the break-even point into positive territory again.
- / WACKER POLYSILICON maintained its strong profitability, despite price pressure amid high capacity utilization.
- / Group EBITDA grew even more than sales, rising 61% to €254 million.
- / Net income for January through March reached €106 million.
- / Net financial liabilities are at a very low level. In the first quarter, debt dropped by €32 million.

During the first four months, we completed or ramped up two production plants that are of great importance for our continued growth. We brought a new biologics production plant on stream at our highly promising WACKER BIOSOLUTIONS division. The new operation doubles the existing production area at the division's Jena site. As a result, it is possible to triple the yield there during product purification.

Being able to move faster than competitors is a real advantage. When we ramped up the "Poly 8" expansion stage in late April, we succeeded once again in commissioning a highly complex facility quickly, reliably and efficiently. I found this particularly encouraging since it clearly underscores our leading position in the fields of engineering and process reliability.

Over the last two-and-a-half years, we have invested about half a billion euros in the "Poly 8" facility. With a nominal capacity of 10,000 metric tons, it is currently our largest plant. Plus, it has created about 200 new jobs in Burghausen. By bringing it fully on stream, we have reinforced our position as the second-largest polysilicon supplier. In 2010, we will produce over 24,000 metric tons of this hyperpure material.

Ladies and Gentlemen,
Looking at the whole of 2010, I am pleased to say that WACKER is headed for full-year growth. From today's viewpoint, we expect consolidated sales of over €4 billion and strong EBITDA gains. Net income will be firmly in positive territory.

Our top priority is production-capacity expansion. In Zhangjiagang, China, we will start up the world's largest siloxane site with our partner, Dow Corning, in the second half of 2010. We will devote all our energy to upholding our cost and quality leadership as a polysilicon manufacturer. WACKER will then have the local production capacity to directly supply the most dynamic growth market. At Nünchritz, Germany, we are forging ahead with polysilicon-capacity expansion so that we can produce initial quantities in 2011. As our production expands, so will employee numbers. We are creating about 300 new jobs.

Amid all the positive developments, we will not ease up our efforts to improve the Group's productivity and to continue cost reduction. We will steadily work on improving Siltronic's unsatisfactory earnings situation and on continuing our reorganization plans. We will expand activities in growth markets and regions, enhance our customer focus, and strengthen customer relationships. And we will launch a whole series of new products on the market.

Ladies and Gentlemen,
In my opinion, WACKER overall has emerged from the crisis with renewed vigor. We virtually made no cuts to our expansion projects. The Group is in good financial shape and has a healthy balance sheet. We have strengthened our presence in important growth markets and feel at home in industries with growth potential. All of us on the Executive Board are convinced that WACKER has excellent perspectives.

My Executive Board colleagues and I would like to sincerely thank you – our shareholders – for the trust you have placed in us. We will do everything we can to ensure that WACKER remains successful in the long term. We hope that you will all stay with us on this journey in the years ahead.

Thank you for your attention!

(Check against delivery)

Financial Calendar

June 28–29, 2010
Capital Market Days
Burghausen

Juli 30, 2010
Presentation of the
2nd Quarterly Report

November 5, 2010
Presentation of the
3rd Quarterly Report

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