



## **Annual Shareholders' Meeting 2019**

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

May 23, 2019  
International Congress Center, Munich (ICM)

A very good morning to all our shareholders, honored guests and everyone here today!

Ladies and Gentlemen,

The future belongs to biotechnology. It develops new drugs. It makes our diet healthier. It protects the environment. At WACKER, we combine our chemical expertise with our biotech know-how – and have been doing so for almost three decades.

We are convinced that chemistry will become increasingly “biologized.” Application opportunities are far from exhausted. We see huge potential here. That is why our investment focus is on production and on new technologies.

Let me give you a few examples: at León in Spain, we started producing cysteine, a natural amino acid, for the food and pharmaceutical industries in December 2018. At our new site in Amsterdam, just as at our sites in Halle and Jena, we use microorganisms to produce pharmaceutical actives for tomorrow’s medicines. As you have just seen in the film.

We understand how to use Nature’s toolbox. We are experts at controlling molecules and microorganisms. That is why our medium to long-term aim is to steadily expand our presence in biotech. The biopharmaceutical market alone is growing at an average rate of 9 percent per year – further proof that we are harnessing tomorrow’s markets. We grow by always drawing on our own WACKER DNA. We think for the long term. We continuously reinvent ourselves.

On that note, welcome to the thirteenth Annual Shareholders’ Meeting of Wacker Chemie AG. I thank you all for joining us today – also on behalf of my Executive Board colleagues.

Ladies and Gentlemen,

A year ago, we presented you with very good figures. For 2018, the picture is mixed. There were highs, but also lows.

Check against delivery!

Momentum clearly slowed in many markets during the year, defying analysts original forecasts. It shows the world is volatile. All of us – including our company – live with political uncertainty and surprises.

Given this environment, WACKER performed well. Our chemical divisions stayed on their positive trajectory. Especially our silicone business, which grew by 14 percent.

Our chemical divisions' total EBITDA climbed to over 780 million euros, despite some raw-material costs rising strongly.

Business was difficult at our polysilicon division. Both sales and EBITDA were substantially below the prior-year level. This decline was mainly due to price erosion and lower volumes, caused by state-subsidized overcapacity on the one hand, and by demand cuts on the other – both in China.

The adverse situation on the solar market also impacted WACKER's share price. We are just as dissatisfied with the current share price as you are.

Key reasons for this trend include the general market weakness, which stems from significant economic uncertainties and has had a broad and early impact on the chemical industry. Another important factor is the slump in polysilicon prices.

Our full-year figures do not yet contain any insurance compensation for the loss event at our Charleston site in the USA. We only returned to full production capacity there in December 2018. Which meant it was not possible to conclude our talks with the insurer before year-end.

The complexity of that loss requires a detailed analysis of the exact amount. We are giving ourselves time for these negotiations. Our loss has to be adequately covered.

The fact that insurance payments are still pending is reflected in our results. To summarize:

- Sales rose slightly, by 1 percent to 4.98 billion euros.
- EBITDA came in at 930 million euros. It was around 8 percent lower than a year earlier. This is where the outstanding insurance payments impacted. Which means it is where we absorbed the costs for a site that produced very little for an entire year. In addition, last year's higher prices for raw materials and energy cost us over 160 million euros in earnings.
- Net income from continuing operations – without the previous year's special income from the sale of Siltronic shares – climbed to 260 million euros. That was an increase of 4 percent.
- Net cash flow of some 125 million euros was, as projected, well below the prior year, but clearly positive.
- Net financial debt rose to about 610 million euros – precisely in the target corridor we set of between 0.5 and 1 times EBITDA.

Given our good net income for the year and our confidence in the future, the Supervisory and Executive Boards are proposing to today's Annual Shareholders' Meeting that a dividend of 2.50 euros per share be distributed. That is a total dividend payout of 124 million euros. Which means that around 50 percent of our net income will go to you as shareholders.

Behind these figures and results are people – our employees. Last year, they did an outstanding job under conditions that were not exactly easy. Every day, they ensure that we are successful as a company, both now and in the future. Worldwide.

As you know, we rank among the most international companies that operate out of Germany. People from 67 different nations work at WACKER. They bring different skills, other cultures, different mindsets – all of which enriches us.

On behalf of my Executive Board colleagues, I thank all our employees for their outstanding work in 2018. I am sure, Ladies and Gentlemen, that you feel the same way.

Check against delivery!

Ladies and Gentlemen,

In 2018, our chemical business drove sales and earnings growth. Our three chemical divisions generated 4 billion euros or 80 percent of Group sales. This is an increase of 10 percent versus a year earlier. EBITDA in the chemical divisions totaled more than 780 million euros, a gain of over 11 percent.

Growth was led by Silicones, our largest division, with sales of 2.5 billion euros. That was 14 percent more than a year earlier. Two factors were decisive for this increase: a better product mix and higher prices. Our strategy of recent years fully paid off here, with its focus on increasing the percentage of high-margin specialties so that we grow profitably. Our successful strategy was also reflected in the division's earnings: EBITDA came in at 617 million euros. That was 39 percent more than the year before.

At our Polymers division, sales growth was not quite as strong, but remained solid. Here, sales grew 3 percent to 1.28 billion euros. In total, we produced 1.3 million metric tons of dispersions and dispersible polymer powders, which was a new production record. High raw-material prices, though, slowed earnings. This was particularly noticeable in our polymers business, especially for vinyl acetate monomer – one of our key raw materials. Prices here went through the roof. They were close to 20 percent higher than the year before. That was around 50 million euros in extra costs for vinyl acetate monomer alone. That had consequences for the division's EBITDA. Here, we earned 148 million euros, 28 percent less than a year earlier.

The future belongs to biotechnology. Our business with biotech solutions grew by 10 percent, to 227 million euros. Over the last few years, we have invested steadily in this field. First in Halle, then in León, and now in Amsterdam. Our new production site in Amsterdam will help us achieve our next surge in growth. We now have almost twice as much capacity for making pharmaceutical actives as before – a total of almost 4,000 liters of reactor volume. We have already secured our first orders for the facility in Amsterdam.

Over the last ten years, our chemical sales have nearly doubled. From just under 2.4 billion euros to more than 4 billion euros. That's an average increase of between 5 and 6 percent a year.

Check against delivery!

Ladies and Gentlemen,

I would like to make it quite clear again: we are facing strong headwinds in our polysilicon business. Last year, China reduced feed-in tariffs for solar power. At the same time, it capped the construction of new solar installations. As a result, demand – and thus prices – collapsed across the entire value chain.

That impacted both our sales and earnings. Sales fell almost 27 percent versus the previous year – to 824 million euros. EBITDA of 72 million euros was 75 percent below the year-earlier level. And the costs of ramping up production at Charleston also weighed on earnings.

We are doing everything possible to ensure long-term success in this business. Over the last three years, we have achieved cost-savings of about 100 million euros. That is a huge figure. But we know it is not enough. That is why we are working relentlessly on reducing our costs further. Every single day.

I'm convinced that solar energy is the most environmentally friendly and cost-efficient energy source worldwide, and that the market will continue growing – with high-value solar cells. That is why we are focusing firmly on polysilicon for monocrystalline solar cells – as well as for the semiconductor industry. We have steadily expanded our market share in the semiconductor sector to above 30 percent. Here, WACKER is the global leader.

Producing polysilicon is highly electricity-intensive. We are thus very concerned about the high electricity prices in Germany. Last year alone, we had to cope with an increase of some 35 million euros. Which means the higher energy prices partially absorbed the cost-savings we achieved through energy-efficiency measures.

At present, the electricity price in Germany is more than 5 cents per kilowatt-hour. By comparison, our Chinese competitors pay less than 2 cents per kilowatt-hour. If we had the same electricity prices as in China, WACKER would be by far the world's most efficient producer of high-quality polysilicon.

Check against delivery!

We address critical issues openly. The German government decided after Fukushima to exit nuclear power. It also resolved to exit coal-fired power generation. In Germany, though, we have no real concept about how to structure a forward-looking energy policy. Deciding what we do not want is not enough. What we need is a master plan for the energy transition. If we want powerful and competitive industries in Germany, we have to do something about it; Including establishing competitive energy and electricity prices and maximum supply security. That is what we demand of our politicians.

Ladies and Gentlemen,

As you know, investments are the key to the future. And we invest in our future, in state-of-the-art production facilities, in innovative products and in our employees.

Last year, we invested 460 million euros in new plants. That was about 130 million more than the year before. Our investing activities thus continue to follow our strategic path which means our total capital expenditures came in below depreciation.

The focus here remains our chemical business and investments are worldwide:

- At Charleston in the USA, we are building a new production plant for pyrogenic silica. The production start-up there is planned for the middle of this year.
- At Ulsan in South Korea, we are building new production facilities for dispersions and dispersible polymer powders.
- At Holla in Norway, we are expanding production facilities for silicon metal. Producing this key starting material ourselves makes us more independent of price fluctuations on raw-material markets and enhances our supply security.
- In Amsterdam, in the Netherlands, we acquired a new production plant for biopharmaceuticals. As you saw in the film.
- In Burghausen, we are installing a new gas turbine for our power plant. This will save energy in electricity and steam generation, and reduce CO<sub>2</sub> emissions. Which is good for our cost position and good for the environment. It will also contribute significantly to our target of saving a further 15 percent in CO<sub>2</sub> emissions by 2022.

Check against delivery!

A special investment focus is our silicone-rubber business. We have taken a long-term decision here. By 2021, we aim to expand our global production capacity by a total of 40,000 metric tons. We are investing 100 million euros in this project. The investments follow our strategy and set clear priorities – for steadily strengthening our specialties portfolio with silicone applications.

All these investments are paving the way for our next growth steps. Even though the world economy is now slowing, demand for many of our chemical products is high.

Ladies and Gentlemen,

To keep our competitive edge, we continuously invest in innovation and new products, and launch them on the market. Let me give you a few examples:

A new line of dispersible polymer powder enables the production of powder-form interior wall paints – they are biocide-free, low-emission, and easily mixed with water at home. The debut came in mid-March at the world's largest paint and coatings tradeshow. Our customers were delighted.

To make functional screens in cars even easier and safer to use, we have developed a new silicone laminate. When a finger moves across the surface, the display rises and you feel a button. The driver's eyes stay fixed on the road.

Without thermally conductive silicones, electromobility would be impossible. The batteries in electric vehicles get very warm during recharging and operation. This heat must be dissipated to avoid a malfunction or even a fire. We have launched a series of products here, and a number of automakers are using them for battery cooling.

As these three examples show, we are launching new products on the market, for multiple applications and key industries – in all of WACKER's business fields. In 2018 alone, our product portfolio grew by 120 new products and applications. And I can assure you that we have many more innovations in the pipeline.

Check against delivery!



Ladies and Gentlemen,

For us, preparing for the future involves investing on three fronts, in production facilities, in innovative new products, and in WACKER's most important resource: our employees. They are the ones who shape our future and who make success possible in the first place.

That is why we are investing today in knowledge for tomorrow. We provide vocational training to young people and offer advanced training to our employees. Apprentices range from chemical technicians, to industrial mechanics, to firefighters. At present, we are training 600 young people in 22 professions. A group of them will be collecting your voting slips later.

The quality of training is high. Regularly, some of our apprentices graduate with top marks. In 2018, 28 apprentices achieved a top grade – in Germany 1.5 or better. I would like to spotlight one of them: Theo Heindlmaier. In a Germany-wide competition, he ranked among the top three winners in the category for industrial control systems. Both this year and next, he will be representing Germany in international competitions.

Advanced training is the second pillar that keeps us competitive for the future. The focus here is on acquiring new skills and knowledge. Last year alone, our employees participated in more than 15,000 advanced training measures.

Our workforce values WACKER as an employer. We asked our employees across the Group, worldwide. The outcome of the survey: they identify strongly with their employer. 82 percent said so. A top score, compared with other companies. Our employees are proud of their company and are proud to be part of WACKER.

We are doing a lot to keep things that way. For example, by enabling employees to balance career with family life. It is then easier to reconcile personal circumstances with a career. As a result, we keep our strong and motivated employees onboard.

We are family-friendly. Our policy has been praised not only internally, but beyond. The Bavarian government presented us with an award, as part of its "Successful Family-Friendly" initiative.

Check against delivery!

Ladies and Gentlemen,

Digital progress is changing our lives. It is also changing our company. That is why digitalization is an important part of our strategy. We launched our “WACKER Digital” program two years ago. We are using it to spur transformation throughout our business, not least by digitalizing our core business.

That is why we need new skills. We have to network. We actively seek dialogue with start-ups. And we collaborate with the Center for Innovation and Business Creation at the Technical University of Munich. We want to instill our company with fresh know-how and explore new opportunities for our future activities.

To this end, we boldly try entirely new things. In late February, we sent 19 employees from 7 countries to Silicon Valley for 4 weeks. It was an unbelievable experience for everyone there. In small groups, they developed new digital business models for WACKER, visited the local start-up scene and explored the world of the new digital companies there.

On returning, they presented their ideas to a jury panel. We are following up on 3 out of 4 business ideas. For example, an application – or rather an “app” – to help small and medium-sized construction companies in Vietnam, Indonesia and other emerging economies find the right formulation mixtures. The app is quick to set up and test. It is an example of how we promote digital change and is a further step in steadily bringing customers closer to our products.

Since January 1, 2019, WACKER’s entire sales organization has been working on a new and powerful customer information platform. In total, 1,600 employees are using it: our sales managers, customer service representatives, marketing staff, technical support engineers and our management.

Our core processes thus become more networked. We are even closer to our customers and we offer them even better support, starting with the right products, through to tailored service offerings. This platform opens up entirely new opportunities for customer support.

Check against delivery!

To see what other new digital applications we are already using at WACKER, take a look at the exhibition just outside this hall. I can highly recommend it. You can test and explore our world of innovative applications.

Ladies and Gentlemen,

We have now looked deeper into WACKER's future, into the world of tomorrow. It offers us numerous opportunities and opens up new possibilities. The present is confronting us with new challenges at the moment. Our economic environment is not stable. In such times, business success is not a given. Put simply, success has its limits, including at WACKER. And especially at our polysilicon business.

The current situation is reflected in our first-quarter figures. Sales rose slightly versus a year ago, up 1.5 percent to 1.24 billion euros. EBITDA was dampened by three factors: by a further drop in the already very low prices for polysilicon, by higher energy costs and by an outage at a plant for high-value silicone rubber. EBITDA fell markedly year over year to 142 million euros and the net result for the first quarter was negative at minus 6 million euros.

Our chemical divisions are very stable, but Polysilicon is still experiencing strong headwinds, due partly to substantial overcapacity in China. Higher energy costs are an additional burden. We are doing our utmost to restore our polysilicon business to profitability. We are using all the levers we have. Our overriding goal is to drive our production costs down, as far and as quickly as possible.

Ladies and Gentlemen,

We have already released our guidance for the current year. Our projections are aligned with the realities. These include not only the global economic slowdown, unresolved and escalating trade conflicts, and Brexit uncertainty, but also higher energy costs and the difficult solar-market conditions.

To summarize:

- We expect Group sales for 2019 to increase by a mid-single-digit percentage.
- EBITDA will be substantially below the prior-year level, down by between 10 and 20 percent. This estimate does not take account of the insurance compensation pending from the loss at Charleston.
- Net income for the year will be substantially lower year over year.
- Net cash flow will climb markedly versus last year.
- Net financial debt will be higher than last year.

Even though we face economic headwinds rather than tailwinds, we will continue to invest in highly profitable production plants. I mentioned the key projects earlier. At WACKER, we grow organically – because we have a strong balance sheet and a sound financial position.

Ladies and Gentlemen,

Without doubt, we are going through a period of major political and economic risk at present. But that does not alter the fact that we think and act for the long term. We have taken on challenges time and again, and mastered them well. That's how things should stay.

Our actions are supported by strong foundations. Nothing has changed there. We have the right products, we develop innovative new products and technologies, and we hold leading positions in all of our key markets. We believe in our future success. All of us, whether Executive Board member or employee, will do our utmost – each in their own area – to successfully shape our common future.

In the name of the Executive Board, I thank our customers, suppliers and you – our shareholders – for the trust you place in us.

Thank you for your attention.

Check against delivery!