



2016 Annual Shareholders' Meeting

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

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at Munich's International Congress Center (ICM)

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

You can only expand your market presence by charting the right course. It is a question of thinking and acting long-term and with courage. Charleston is a prime example.

Four weeks ago, we officially opened our new production site in the US state of Tennessee. It marked a starting-point for us – a new large-scale site in the world's second-largest chemical market. In January, WACKER began production at Charleston, the world's most modern site for polysilicon. We have been producing high-quality polysilicon there for over four months now to supply the semiconductor and solar industries. Our material is of world-class quality, as you have just seen in the film.

Charleston also offers other, highly promising opportunities for our US operations. It is the cornerstone for an integrated production site. Just like the sites we established in Burghausen, Nünchritz and Zhangjiagang. We have essentially achieved our goal of operating integrated production sites in the world's three most important economic regions. Additionally, the new site enhances our natural hedge to compensate for exchange-rate effects from the US dollar.

To date, Tennessee has been a first-class location. We have had tremendous support from politicians, the authorities and local communities over the last five years. WACKER is truly welcome there. We see a lot of potential for our portfolio in the USA. After China, it is the world's largest chemical market. It has a market volume exceeding 640 billion euros. And the USA is Germany's most important trading partner, with a volume of trade surpassing 173 billion euros. In the last ten years, WACKER has invested 3 billion US dollars there – including in the new Tennessee site. That is an impressive figure.

Any company with activities spanning several continents knows that free trade is important. European and US chemical companies pay an estimated 1.6 billion euros

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in customs duties every year. It is money that we could all better invest in research, development and innovation. As you know, free trade is a much-discussed issue at the moment. For our part, we see no alternative to free-trade agreements. They should be possible without making substantial concessions on environmental and consumer protection. On this note, welcome to Wacker Chemie AG's tenth Annual Shareholders' Meeting. Both personally and on behalf of my Executive Board colleagues, I thank you for joining us here today.

Ladies and Gentlemen, 2015 was a good year for WACKER. The chief reasons were higher volumes at all our business divisions, positive currency effects due to US dollar-to-euro exchange rates and the special income due to advance payments and damages from amended or terminated contracts with solar-sector customers.

For the first time in WACKER's history, sales passed the five-billion-euro mark. At 5.3 billion euros, Group sales were about 10 percent above the year before. Our earnings trended up, too – EBITDA climbed year over year. Adjusted for special income, it was up by 75.2 million euros to 911.2 million euros. That is an increase of 9 percent. Net income came in at 241.8 million euros, almost 24 percent more than a year earlier. Earnings per share climbed to 4.97 euros.

As for our capital expenditures, they increased to 834 million euros. Most importantly: we financed them from current cash inflows. Net financial debt of 1.07 billion euros was on a par with the year before. It did not increase despite our substantial capital expenditures. Of course, the proceeds from the IPO of Siltronic AG helped.

Overall, we not only achieved our goals, but outperformed them in some cases. We want you, our shareholders, to share in this success. For 2015, the Executive and Supervisory Boards propose distributing a dividend of 2 euros per share – as announced on March 17, 2016. That is an increase of 33 percent versus the year before. In total, we will be distributing 40 percent of our allocable net income for the year to you. What is more, the higher dividend underscores our confidence about 2016 and beyond.

Our success in 2015, ladies and gentlemen, was the result of a team effort by all of our employees. All around the globe, each and every employee gave of their best. A special thank-you, though, goes to our team in Tennessee. Commissioning such a technically complex greenfield plant was a huge task for all concerned. I am certainly speaking on your behalf – as our shareholders – when I extend a most sincere “thank-you” to all our employees for their outstanding achievements.

I would now like to turn to our business divisions. In 2015, our chemical business performed particularly well. The numbers say it all: over 3.3 billion euros in sales! That is a gain of almost 12 percent versus the year before. EBITDA was 530 million euros, 38 percent more than a year earlier. In Germany, the chemical industry contracted. But we achieved growth.

In our silicones business, growth was driven by strong pent-up demand for silicones in emerging markets and by new silicone applications in mature markets. In the advanced economies, automotive, medical and electronic applications are spurring demand. In emerging economies, demand is fueled, for instance, by high-quality personal-care products that contain silicones.

Our polymers division lifted its volumes markedly for dispersions and, especially, for dispersible polymer powders. Growth in dispersions comes from coatings and nonwovens. For dispersible polymer powders, the main driver is the trend to use our polymers to enhance standard products, such as dry-mix mortars and tile adhesives.

Our biosolutions division also generated strong growth. Its sales were up by 12 percent. Biologics performed particularly well, while products for pharmaceutical and agricultural applications also posted double-digit growth.

Our chemical-division figures show you that we have the right products to globally supply diverse sectors and markets. Such successes are not a given. We continuously strive to win each and every customer anew. Not only against tough competition, which is sometimes additionally influenced by politics – particularly regarding polysilicon - but also in today’s volatile business environment.

Our polysilicon division increased its sales slightly amid higher volumes – to 1.06 billion euros. Earnings, on the other hand, were down substantially. EBITDA came in at 402 million euros. The decline was mainly due to two factors. First, markedly lower solar silicon prices. Second, lower special income from advance payments retained and damages received. In terms of operational performance, the division did very well, though, especially given the difficult pricing environment. When adjusted for special income and start-up costs at our Tennessee site, the EBITDA margin was 33 percent.

The good news is: Our production capacities were fully utilized. We sold more polysilicon than ever before. Over 56,000 metric tons. We achieved another marked drop in our specific cost of goods sold. Last year saw the market expanding further, up by 23 percent to 52 gigawatts of newly installed capacity.

The photovoltaics sector is experiencing ongoing, strong growth. This is confirmation that solar power continues to have a great future. It ranks as one of the most cost-efficient energy sources on earth and as one of the most environmentally friendly, too. On top of this, it is available for our use in unlimited quantities. There will always be economic cycles to face. But there should not be any doubts about the underlying direction. We have a clear goal. We want to remain a leading producer of polysilicon for the solar industry. And the new site in Tennessee will play an indispensable part in achieving this goal.

Ladies and Gentlemen, now, let us turn to Siltronic. In 2015, the silicon-wafer market did not develop as positively as forecast at the start of the year. The anticipated price rise in the second half-year did not materialize and demand slackened.

Despite this market weakness, we held our own. Sales at Siltronic grew – by 9 percent to 931 million euros. Volumes edged up slightly. EBITDA improved to 124 million euros. Productivity continued to increase and we reduced our costs again. All in all, a good performance!

However, Siltronic's share price development was unsatisfactory – especially for us as we are the majority shareholder. The share price trended in line with the capital

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market, where semiconductor-sector expectations are lower and are weighing on every publicly-listed semiconductor company at the moment. It is important to emphasize that the share-price decline was influenced by market conditions. It was not caused by operational weaknesses at Siltronic.

Ladies and Gentlemen, let us now look at the cornerstone of our success: our employees. With their expertise and ideas, they are shaping the WACKER Group of tomorrow. That is why we invest in our workforce. We provide vocational training to young people. We invest in professional development.

When the training year started, we employed 597 trainees. And September 2015 saw 154 trainees starting their careers with us. The quality of our training programs is evident in two examples:

- Of the 181 trainees graduating in 2015, 31 scored the top grade. That is around 17 percent.
- Saxony's best chemical technician came from our Nünchritz site for the fourth time in a row.

Some 85 percent of our trainees are in a scientific or technical discipline. Our goal is for young people to be fascinated by chemistry. That is why we go to schools with our CHEM₂Do experiment kit, for example. In Germany and Austria, over 1,400 teachers have integrated it into their chemistry classes. Some 13,000 high-school students are using it to conduct research and experiments. The guiding principle behind our efforts is to awaken interest in chemistry. Our work in schools has been recognized by Germany's national "SchuleWirtschaft" association and the Federal Ministry for Economic Affairs and Energy, which awarded us the first prize in their "large companies" category.

Ladies and Gentlemen, we have excellently trained women at WACKER. We need their skills and strengths. At all levels in the company. Our goal is clear: we want to see more women in middle and top management positions – throughout the company.

We have set ourselves quantitative goals. We want to increase the percentage of first-level female managers from 8 to 10 percent by June 2017 and at the second level, from 14.5 to 17.5 percent. This is just a start, though, with further rises expected. Our focus, though, has not changed – we want each position filled by the best employee. Priorities include: performance, expertise and development potential. Age, cultural origins and gender are not selection criteria.

Beyond all the differences and diversity, there is one thing that binds us all. WACKER's employees identify very strongly with their company. 80 percent of our employees are proud to work for WACKER. This was the outcome of last year's employee survey. Such high levels of identification are well above the norm. That is very important for our continued success.

However good someone thinks they may be, it is always possible to become better. The same applies to us. We have received pointers as to where we can improve and have taken our employees' survey responses very seriously. We are focused on developing ourselves further.

WACKER is a global company. Which means international growth is an essential part of our success. We sell our products in over 100 countries. And we have 25 production sites in 10 countries. The markets and customers that we supply are as diverse as the people we do business with. So, for us, being international involves understanding other cultures, reaching out to people and communicating openly.

That is why it is integral to our self-identity to commit ourselves, as a company, to helping refugees. We know that education and language skills are the key to successful integration. Accordingly, we support projects focused on exactly this aspect. Here are two examples:

Our vocational training center in Burghausen is responsible for looking after 12 young refugees from Africa and Afghanistan. At the moment, they are taking an integration class at a nearby vocational school in Mühldorf. Their goal: to obtain a school diploma and to learn a profession.

WACKER is supporting a project run by the “SchlaU-Schule” organization to provide school-analogous tuition to refugees. It is a long-term commitment, right here in Munich. The project enables 300 young refugees to learn German and to obtain the basic school diploma. To date, 90 percent of the graduates from “SchlaU-Schule” have got a training place or job, or are continuing their high-school education. We have another project planned – in June, we are launching a vocational orientation week for teenage refugees, in cooperation with the Burghausen vocational training center and “SchlaU-Schule.”

Examples like these show that, at WACKER, we see ourselves as an integral part of the society in which we live and work. That is why we take on commitments.

Ladies and Gentlemen, let me say a few words about current business performance. We published our figures for the first quarter three weeks ago. In the first three months, we performed as expected. In other words, we are on track.

Our chemical business grew at a steady pace. It was up 2 percent to 827 million euros. Our polysilicon business continued to benefit from high sales volumes. At Siltronic, sales slackened somewhat amid lower prices and subdued demand. Group sales came in at 1.31 billion euros, 2 percent below the strong first quarter of 2015. Given the start-up costs for our new Tennessee site of around 30 million euros, EBITDA was 14 percent lower than the comparable year-earlier period. It reached 229 million euros.

The most important point to make is that, since mid-February, polysilicon prices have been rising steadily. WACKER’s figures will benefit, after a certain time lag. As a result, we have upgraded our estimates for adjusted EBITDA, which excludes special income items. We now anticipate that adjusted EBITDA will rise by five to ten percent, rather than just slightly.

I have another important piece of news – three weeks ago, the Chinese Ministry of Commerce announced that it would review trade restrictions on European polysilicon again. The Ministry’s review will take a year. The key point for us is that our minimum

price agreement remains in place, which means we can continue offering our German-made polysilicon at competitive prices in China.

Ladies and Gentlemen, looking at the full year, I can tell you that WACKER is on track to grow further, though not at last year's pace. Group sales are projected to rise by a low-single-digit percentage. EBITDA, adjusted to exclude special income, is expected to increase by 5 to 10 percent. Given the higher depreciation level, Group net income will come in significantly below the year-earlier figure. Net operating cash flow will grow markedly amid lower capital expenditures. At 425 million euros, capital spending will be well below last year's level. And net financial debt will decline year over year.

We remain optimistic about business during the rest of 2016 – even though the economic and political risks have not lessened. I am convinced that 2016 will be a turning point for WACKER. The site in Tennessee is finished. And we will be ramping it up to full capacity this year. With the construction project complete, our capital expenditures will decline significantly – now and in the coming years. This means cash flow will rise markedly and net financial debt will decrease further.

The focus of our investments will now shift to facilities for the manufacture of intermediate and downstream products at our chemical divisions. Our approach is global. We want to fully exploit our growth opportunities in every key market. That is why we invest globally. As I mentioned, we have a solid presence everywhere – and our capital spending is on existing locations and no longer on constructing major new plants for upstream products. We do not need to invest the high amounts of previous years any longer. Our cash flow will benefit as a result.

A logical consequence now is to expand our Tennessee site. Currently, we are looking into building a plant for pyrogenic silica there. The plant would be a consistent step forward in developing our integrated production system.

In South Korea, we have plans to build a facility to produce novel silicone elastomers for the electronics, automotive and medical sectors and we are expanding our highly

efficient production of silicone sealants and adhesives. Our aim there is to benefit from strong market growth in Asia.

In Burghausen, this year will see us starting up a plant for high-temperature vulcanizing silicones. Business in silicone emulsions and silicone mixtures is growing – particularly products for the construction, consumer goods, personal care and paper-coating sectors. Accordingly, we are also increasing our production capacities in these areas.

Ladies and Gentlemen, any company wanting to be successful in the future has to change continuously. After all, the world is in a state of constant flux. At WACKER, as you know, we have the strength to transform and reinvent ourselves continuously. Our unique history is clear proof of this.

You all know our motto: “Creating tomorrow’s solutions.” I would like to add the word “today” to it. Innovation is one of the main drivers of our business – enabling us to grow. Looking ahead, I am certain that WACKER will contribute to numerous products that are as yet unknown. Let me give you two examples of our innovative strength:

We have developed a new technique that makes it possible to use 3D printing to manufacture objects made of silicone. This technique opens up new application fields in automotive engineering, medical technology, optics and household appliances.

Integrated sensors based on ultrathin silicone films and conductive silicone elastomers are turning articles of clothing into truly high-tech textiles. Wearing such fabrics enables movements to be corrected and breathing rates measured. It is a huge and highly promising market, with a volume already exceeding 12 billion US dollars. And WACKER is on board.

We are doing all this from a solid base: We have the right products, in outstanding quality. Globally, we rank among the top-three suppliers in our main business fields. We have leading positions in all our key markets. We develop innovative new

products and technologies. And we partner with our customers to secure our joint success.

My Executive Board colleagues and I would like thank you, our shareholders, for the trust you have placed in us. Stay with us on the path ahead!

Thank you for your attention.