Annual Shareholders' Meeting

Speech —

by

Dr. Rudolf Staudigl, President & CEO

and Dr. Tobias Ohler, CFO

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Shareholders and shareholder representatives,
ladies and gentlemen,

WACKER stands for optimism. For courage and pioneering spirit. For a forward-looking attitude in everything we do. That gives us confidence – especially during the current pandemic.

But WACKER is more than that: we have been in the market for 107 years. Our history is the firm foundation on which we are building our future. Over this long period of time we have successfully weathered many storms. Because we don't just stand by watching, we act. Because we take the long view. Because we are open to change. Because we keep an eye on costs and efficiency. Because we are prepared to shoulder responsibility. That is our recipe for success. And that is the company I have known over the last 38 years.

Today is the 13th time that I have hosted our Annual Shareholders' Meeting, speaking to you and answering your questions. It has always been important to me to be honest and open with you about the company's performance and its future outlook. That also means acknowledging that we have experienced highs and lows during this period. But we have kept the company on course, even in the face of headwinds – with determination, prudence and foresight.

You, our shareholders, have supported our decisions. Your backing has sustained us in our actions and also given us strength in difficult situations. On behalf of the entire Executive Board, I thank every one of you for your support.

At my first annual shareholders' meeting as president and CEO in May 2009, the global economy was reeling from the financial crisis. For more than a year now, we have experienced how the coronavirus pandemic has shaken the world. It is a crisis of alarming immediacy, an acid test for the economy, for politicians and, indeed, for society as a whole – for every one of us. The virus has turned everyday life on its head. Temporary standstills have become a fact of life.

Despite these standstills, we at WACKER have achieved a great deal. We have charted our course for the future. (More on that later.) And, thus far, we have fared very well during this difficult time.

On that note, welcome to the 15th Annual Shareholders' Meeting of Wacker Chemie AG. This is our second entirely virtual meeting – because the pandemic calls for both caution and prudence.

Ladies and gentlemen,

2020 was an exceptionally challenging year for us all. The coronavirus pandemic hit the world with devastating impact. Suddenly, in the space of just a few weeks, our reality was transformed. Global economic output shrank by 3.5 percent. It was the most severe global recession in many decades. That alone reveals the full extent of the crisis.

WACKER initially got off to a good start in the first quarter of the year. By the end of March, it was very clear that the virus was spreading, all over the globe. The low point was reached in the second quarter, with sales dropping by up to 20 percent. First signs of a recovery came in the third quarter, and the final quarter of 2020 was a strong one, with sales rising substantially across all divisions.

We had three priorities when dealing with this exceptional situation:

- Protecting the health of our employees.
- Keeping production running and safeguarding the supply chain for our customers.
- Securing the company's long-term future.

Keeping WACKER running for more than a year in a flexible, coordinated and extremely disciplined manner was the big accomplishment of our employees. They put in an extraordinary performance. I have the greatest respect for this achievement and, together with my Executive Board colleagues, wish to thank each and every one of our employees for making it possible.

You are already familiar with the figures behind this performance: in 2020, we posted sales of 4.69 billion euros, down just 4.8 percent year over year. EBITDA came in at 666.3 million euros, a drop of 15 percent. But in 2019 we had posted special income of 112.5 million euros in insurance compensation. Adjusted for this amount, EBITDA declined only 1 percent in 2020. Net profit for the year was very good, at 202.3 million euros.

The other key figures were impressive as well: at around 700 million euros, net cash flow almost quadrupled. Net financial debt was substantially lower at around 68 million euros. My colleague Tobias Ohler, our CFO, will give you more detailed figures later on.

As far as capital expenditures were concerned, we adopted a cautious approach, but made sure not to forgo any opportunities for the future. In total, we invested some 225 million euros in 2020.

As you can see, WACKER has made it through the pandemic better than expected. We want our shareholders to participate in this success as well. Today, the Executive Board and Supervisory Board will submit to you a dividend proposal of 2 euros per share. That is 1.50 euros more than a year ago and equivalent to a total dividend payout of 99.4 million euros. The distribution ratio is thus around 50 percent.

Ladies and gentlemen,

In 2020, our chemical business was once again the driver of sales and earnings, even though we felt the pandemic's effects on our business. But our product portfolio is both diverse and unique. Many WACKER products are an essential part of people's everyday lives. This success factor ensures we are not affected by decreasing sales in all areas at the same time.

Another factor in our success is that our business has become much more international over the last 15 years. Today, WACKER is at home in all of the world's markets. That has been apparent, too, during the pandemic. When Europe and the Americas were firmly in the grip of the virus, we were already benefiting from renewed sales growth in Asia.

And yet, sales at SILICONES, our biggest division, were down year over year in 2020. Lower volumes and lower prices for standard silicones put the brakes on growth. On top of that, production stoppages at our customers in the automotive sector that lasted several weeks had a noticeable impact. At 2.24 billion euros, sales were down 9 percent compared with the prior year. EBITDA fell 19 percent to 388 million euros.

One positive aspect is that we were able to further optimize our product mix. The share of high-margin specialty products in the portfolio is rising and we will benefit from that going forward.

Our POLYMERS division was very stable, with two factors being decisive: high demand for our products from the construction industry and tailwinds from raw-material prices. At 1.3 billion euros, sales were almost on par with the prior year. EBITDA improved 39 percent to 271 million euros.

Dispersions and dispersible polymer powders from a single source: this, our unique selling point, is paying off more and more – especially in Asia, where we continue to expand. Since late April, a new dispersion reactor has been in operation at our Ulsan site in South Korea. Next year, a new dispersion reactor and spray dryer for dispersible polymer powders will come on stream in Nanjing, China. We are convinced that demand for high-value construction materials will continue to rise.

That brings me to BIOSOLUTIONS. This division posted a slight increase in sales, which grew 1 percent to 246 million euros, while EBITDA rose 23 percent to 38 million euros.

The pandemic has demonstrated that we have exceptional expertise in this area. In the fight against the coronavirus, we will produce an mRNA vaccine for CureVac, a company based in Tübingen, Germany – as soon as the vaccine has been approved by the European Medicines Agency. In order to manufacture the vaccine, we are investing in our site in Amsterdam and, starting mid-year, intend to produce more than

100 million vaccine doses there annually. And we can scale up that capacity if needed. It is our contribution to defeating the coronavirus.

Our BIOSOLUTIONS division symbolizes optimism and a vision for the future. We are already writing a new chapter in this story. In January, we acquired the US company Genopis Inc., which as of March has been operating under the name Wacker Biotech US. It is our first foothold in the world's most important biotechnology market.

The company, located in San Diego, California, produces plasmid DNA. This opens up new opportunities in the biopharmaceutical segment and expands our expertise. The acquisition also provides us with the production site's 500 liters of fermentation capacity.

The future belongs to biotechnology, which is the basis for developing new drugs and improving our health. We are playing a part in this story and conquering tomorrow's markets. All this shows just how much we achieved in this segment last year.

Ladies and gentlemen,

After two difficult years, we are finally seeing light again in our polysilicon business. There are several reasons for optimism:

First – we cannot win the battle against climate change without solar energy. It is the most cost-effective, eco-friendly source of energy in the world and is available to us in unlimited quantities. That is why more and more countries are investing in this technology and driving market growth.

Second – average prices for solar-grade polysilicon have stopped falling. After a phase of persistent price declines, the market began to stabilize last year. Since then, prices have risen substantially.

Third – the digital transformation and vehicle electrification are driving growth in semiconductors. We have systematically expanded our market share with semiconductor customers.

Fourth – we have been highly successful in lowering production costs.

As a result of all this, our sales rose 2 percent to 792 million euros and we posted positive EBITDA of 5 million for 2020. Adjusted for the special income of 112 million euros in insurance compensation, EBITDA was still clearly in negative territory in 2019.

Germany's high electricity prices remain a challenge for us. Nothing at all has changed in this respect. We continue to push for a Europe-wide industrial electricity price of under 4 cents per kilowatt-hour – also because achieving climate neutrality will entail a considerable increase in energy and electricity consumption. The chemical industry alone will consume more electricity in 2030 than Germany produces today. Politicians must take action, and we will not tire in pursuing this issue in policy discussions.

Ladies and gentlemen,

You may remember that, at our last annual shareholders' meeting less than a year ago, I presented WACKER's sustainability targets. I am bringing this up again today because it has top priority at WACKER and has been a core component of our strategy for years, and because it will be a topic of crucial importance at every level of our lives in the future. Capital markets are increasingly realizing that sustainability is a value driver.

I am convinced that our future will be decided by the sustainability of our actions. We have to break free of the age of fossil-based fuels and raw materials even faster. Sustainability is increasingly a question of economic reason.

For us, sustainable management stands or falls with the consistency of our actions – at all levels of the value creation process. That is why the targets we have set ourselves cover all three levels of this process.

First – develop sustainable products for our customers. The initial step is for 90 percent of our products to make a neutral or positive contribution to sustainability by 2030. By 2050, this will apply to our entire product range.

Second – reduce our ecological footprint in production by making our facilities more process-efficient and lowering our consumption of energy and raw materials. The goal is to achieve a 33-percent reduction in our carbon emissions by 2030 and a 50-percent reduction in energy consumption.

Third – include the entire supply chain so that our production becomes permanently carbon-neutral. Here, too, we have set ourselves ambitious targets: by 2030, we want 90 percent of our key suppliers to make a positive contribution to sustainability. By 2050, that figure should be 100 percent.

The key to climate-preserving production is the electrification of our production processes. Today, 60 percent of our processes are already electrified, putting us in a better position than many other chemical companies. But we want to achieve more, which is why we are developing new ideas. That, too, exemplifies our optimism.

What do we have planned specifically? We want to use renewable energy to produce green hydrogen at Burghausen, our biggest site. Together with our partners, we have submitted a funding application to the EU for a project to build a 20-megawatt electrolysis plant. The plant will use water and electricity from renewable sources to produce green hydrogen.

A further step is construction of a synthesis plant, where green hydrogen will be used to transform carbon dioxide from other production processes into renewable methanol. Compared with existing production processes, that will reduce CO_2 emissions by up to 80 percent.

We have cleared the first hurdle: the project, called RHYME Bavaria, has reached the second round of the EU funding process. If this pioneering project is chosen, construction of the plant could already start in early 2022. This example shows how we are actively shaping the transition to carbon neutrality.

Ladies and gentlemen,

Even before the coronavirus pandemic took hold, we were striving to put WACKER in a better place for the future. The focus here is on three things:

- Being able to act even faster.
- Simplifying our processes and structures.
- Strengthening responsibility for our business at the local and regional levels.

Less is more: that is our motto. By adhering to this principle, we will have lowered our costs substantially by the end of 2022. The Executive Board and employee council signed an agreement to this effect last October. We have agreed to reduce the workforce by 1,200, with some 1,000 jobs being cut in Germany. The agreement explicitly excludes forced layoffs.

Today, I can confirm that our Shape the Future program is being implemented rapidly. The project is proceeding – and in a highly solution-oriented manner. Under a voluntary program that ran until the end of January 2021, employees had the option of choosing phased-early-retirement or severance packages. The program met with interest and around 500 employees chose one of these options.

We are also making good progress with our structural reorganization. Nearly all business divisions and corporate departments are operating under new structures and lines of authority, introduced on January 1 of this year.

I wish to thank the employee representatives for their constructive collaboration, trust and respect. But it is also important to remember that the agreement reached with the employee representatives is not just about a reduction in headcount now, but about the company's future.

We all know that the next generation is our future. We need young people in our ranks. We need their skills and creativity, and their input. Well-qualified, well-trained young professionals are the key to our future success.

That’s why we offer vocational training – to around 600 young people in 24 occupations. It’s also why we offer them prospects once they have completed their training. This is one of the points negotiated with the employee council in the Shape the Future agreement.

Time and again, I have been impressed by our trainees’ levels of motivation and performance. In 2020, 31 of them completed their training with average grades of 1.5 and better – which is near the top of the scale. Two of them were among the best in Bavaria: Jennifer Ebner, Bavaria’s best plant mechanic, and Elias Hofer, best electronics technician for automation technology. We congratulate them on their achievements.

What is true of vocational training also goes for advanced training. The world keeps turning. The digital transformation, emerging technologies, improved methods, processes and application fields – all this calls for up-to-the-minute knowledge. For everyone in a job, that means lifelong learning. It is not only necessary, but something we expect and require. Last year alone, our employees completed more than 61,000 advanced training courses, around 54,000 of them online.

Ladies and gentlemen,

Any company wishing to shape its future in line with its own vision must have sufficient financial strength and security. They alone provide room for entrepreneurial opportunity. That’s why WACKER has always placed great emphasis on having sound finances. I now call on Dr. Ohler to go through our key financial indicators for 2020 and 2021 with you and to give you details of what we have already achieved with our Shape the Future program.

Ladies and gentlemen,

During the coronavirus pandemic, WACKER actively and resolutely managed its finances. We utilized three different levers.

- First – targeted management of our capital expenditures and current assets.
- Second – strong cash flow.
- Third – keeping liquidity high and financial liabilities low.

Our key figures for 2020 are proof that our financial management was successful. We have been flexible in adapting our capital expenditures to reflect economic developments. In 2020, we invested 224 million euros, considerably less than in the prior year. In 2019, CAPEX had totaled 380 million euros.

At the same time, we systematically lowered our inventories to 880 million euros by the end of the year, achieving a very substantial reduction of 10 percent. Given the strong increase in sales in the final quarter, we even overachieved our inventory targets.

Net cash flow rose to 698 million euros, up almost fourfold over the previous year. By way of comparison, the 2019 figure was 184 million euros.

At the end of June, we issued a new promissory note for 300 million euros and, in the fourth quarter, we took out a loan for 290 million euros. In 2020 we posted a considerable increase in liquidity, which rose by half a billion to 1.34 billion euros. That has increased our financial leeway. And we have additional coverage in the form of sufficient lines of credit. At the moment, we have access to more than 600 million euros in firm long-term financial commitments.

Our high cash inflows and adequate liquidity help us keep our net financial debt at a low level. We have a clearly defined target corridor for this: since 2017, it has been in a bandwidth ranging from 0.5 to 1 times the company's EBITDA. Net financial debt declined markedly in 2020, from 714 million euros to 68 million euros, or 0.1 times EBITDA. All in all, this grants us enormous financial flexibility going forward.

Ladies and gentlemen,

What are our expectations for the current year?

Net cash flow will remain strong, but the high amount generated in 2020 cannot be replicated. The reasons for this are obvious:

- We have stepped up our investment activity to around 350 million euros this year.
- Our working capital is rising.
- We are paying termination benefits under the Shape the Future program.
- We acquired Genopis.

The focus of our capital expenditures is unchanged: The lion’s share is intended for our chemical divisions, especially for projects that support growth in high-margin specialty products and thus enhance return on capital employed. When it comes to potential acquisitions, we are tending towards smaller, tailored investments.

Liquidity is set to increase further, reaching around 1.5 billion euros this year. Thanks to positive cash flow, net financial debt will decline even more this year. In fact, we anticipate that the balance of financial debt and financial assets will be in slightly positive territory.

All this demonstrates that we have been doing our homework.

We expect our Shape the Future program to deliver annual savings of 250 million euros starting in 2023 – half of this in non-personnel costs and half in personnel costs. We already expect to see an initial reduction in personnel costs in 2021 and 2022, and we will achieve the full savings potential in 2023.

But things are different with non-personnel costs. We have identified more than 1,000 individual measures. We already saved over 50 million euros in 2020 and that is expected to rise to over 100 million euros this year.
Taking personnel and non-personnel costs together, we are convinced that we will reach our target savings of 250 million euros per year in 2023.

So much, ladies and gentlemen, for our company's finances and the trend in key financial indicators this year. I'll now hand you back to Dr. Staudigl.

Ladies and gentlemen,

In his discussion of our finances, Dr. Ohler deliberately left out one aspect that I myself wish to talk to you about: our pension obligations. They account for almost 40 percent of total equity and liabilities, or roughly 2.7 billion euros.

You know that we are always candid with you – even about difficult matters. In the past two years alone, we have had to make unscheduled payments totaling some 140 million euros to the company pension fund – on top of our regular contributions. This is money we then don't have when it comes to investing in the future of the company. We cannot let this situation continue. To be specific, we have to reform our company pension system.

We remain committed to the concept of a company pension: it has been, and will remain, a key component of our employees' financial security in retirement. But: it must also be affordable for the company and not put its financial position at risk. We bear a responsibility toward our employees, but we are also responsible for ensuring the company's future.

I am convinced that a new pension model can align the interests of the employees with those of the company. Three things are important for the success of our reform of the company pension system:

First – all pension entitlements accruing to employees must be preserved in full. Vested rights will not be touched.
Second – future pension entitlements will not include any defined benefits or guaranteed interest rates.

Third – employer and employees will finance the company pension system together, with fixed contributions based on one formula that applies to the entire workforce, and to both the basic and supplementary pension systems.

A new model will also offer us greater freedom when investing funds, and therefore the possibility of greater returns. Another important factor is that the new model protects the company against even higher expenses going forward. Reform of the company pension system must be a joint effort, together with the employee representatives.

Ladies and gentlemen,

The first quarter is behind us. We published our Q1 figures twelve days ago. It was a strong quarter for WACKER, despite the coronavirus pandemic:

- Sales: 1.36 billion euros, a year-over-year increase of 14 percent. That was our highest first-quarter sales figure ever.
- EBITDA came in at 246 million euros, 42 percent higher than the year before.
- Net income for the period: 107 million euros. That, too, a substantial gain of around 55 percent.
- Net cash flow: 131 million euros. Up more than 100 million euros year over year.
- Net financial debt has been transformed into net financial assets.

Today, I can tell you that our April figures are very good as well. These figures give us grounds for optimism as regards the rest of the year. We are setting new goals. But we mustn’t forget that the coronavirus has not yet been conquered. The economy remains volatile. Day in, day out, we have to deal with surprises and uncertainties. And yet: we have revised our full-year forecast upward – for both sales and EBITDA. Sales are now expected to rise by a low-double-digit percentage, and we also expect EBITDA to be 15 to 25 percent higher than last year.
Higher polysilicon prices and strong demand across all divisions are having a positive impact on our business. But we also face headwinds – from higher raw-material costs, especially at WACKER POLYMERS, but also from exchange-rate effects. Taken together, these two factors will add more than 200 million euros in costs.

Ladies and gentlemen,

None of these figures take account of the 1.3 billion euros in proceeds from the sale of our remaining stake in Siltronic, and the reason is simple: the takeover of Siltronic AG by Taiwan-based GlobalWafers cannot close until the relevant authorities and ministries from several countries have given their approval. Until such time, the sale remains conditional. The process will take a while. As far as we are concerned, nothing stands in the way of the transaction.

The sale of our shares will mark the end of an association spanning more than 50 years. Here, again, we had to look ahead – toward the future. Competition in this market is becoming ever more intense. In our opinion, Siltronic and GlobalWafers are stronger as a single entity than each company is on its own. In terms of competencies and areas of business, they complement each other ideally. Together, they would be in the same league as their biggest competitors.

A successful merger would grant WACKER additional freedom to act going forward.

Ladies and gentlemen,

The coronavirus pandemic has dominated our lives – more than we could ever have believed – and for over a year. Even though we still haven’t defeated the virus, here too we must look to the future.

What can we all learn from this crisis? More than 100 years ago, Joseph Schumpeter, a famous economist, stated that we need crises in order to learn. I think there are five things we can learn from this crisis, though there may be more:
First – an open mind and understanding of the significance of science and technology in our society are of utmost importance. Within the space of just one year, scientists have succeeded in developing several coronavirus vaccines. That is an impressive demonstration of what science and technology can achieve. They are also the key to solving other problems – for example with climate protection.

Second – coronavirus has been a test case for even bigger risks, such as those that climate change could trigger. We have to make faster progress in this area, developing thoroughly new models for dealing with global crises. America, still the world’s most important economy, has rejoined the battle against climate change – an encouraging sign.

Third – the digital transformation offers opportunities that the government, authorities, businesses and, crucially, our schools must be much more active in seizing.

Fourth – the pandemic has ruthlessly laid bare the weaknesses that prevent us from dealing successfully with crises. Our public sector is too bureaucratic. We are too cumbersome and slow-moving. We need more flexibility, pragmatism, less complexity and more dynamism.

Fifth – what we have missed most during the pandemic is contact with other people, personal interaction and social relationships. We will need the digital world in the future, but it cannot replace personal relationships with other human beings. In the long run, the global economy cannot function without personal contacts between people.

Ladies and gentlemen,

Crises always offer opportunities. At WACKER, we are doing everything we can to make the most of our opportunities.

The necessary conditions for that are already in place. WACKER is well positioned: we have a clear strategy, meaning we know the direction in which we want to go. Our finances are sound. We believe in sustainable solutions – in our production processes, for our products, and in the supply chain. We have the right products and we maintain close relations with our customers.

I repeat with conviction what I already said at our last annual shareholders' meeting: without chemicals, it will not be possible to solve the problems of our time – neither the battle against the coronavirus, nor the digital transformation, nor climate protection.

Ladies and gentlemen,

Today marks the start of a new chapter in WACKER's future. At the end of today's meeting, I will hand over responsibility for managing the company. Christian Hartel will take the reins. I am certain he will keep WACKER on its path to success.

I am also pleased that Angela Wörl will be joining the Executive Board as its first female member. At WACKER, we have many highly qualified women in management positions. And let me be clear: we need their dedication; we need their expertise; we need their knowledge.

For 38 years, WACKER has been my professional home. It was an honor for me to occupy the company's top position for 13 years. I performed my duties with passion.

Of course, any departure after such a long time is tinged with melancholy. Above all else, I am extremely grateful: for a wonderful time, for the many inspiring people I have met, and for a successful and eventful professional life.

Finally, I would like to say thank-you: To all our employees. Their skills, commitment and performance are the source of WACKER's success. We have an outstanding team, and I am in a good position to judge that. To all our customers. They spur us on. Our success depends on keeping them satisfied. To all our suppliers and business partners. They are part of our global network.

My thanks also go to you, our shareholders. In the past years you have placed your trust in us and, in particular, in me. Last but not least, I wish to thank our Supervisory Board, especially you, Dr. Wacker, for working together with us in a positive, respectful and always constructive and professional manner – and invariably with our sights set firmly on the company's success.

During my time at WACKER, many people have helped move the company forward, step by step. There is still much to do, to learn and to achieve – for my successors and for the company as a whole.

WACKER stands for the future – and for the optimism to shape it.

Thank you.