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**Annual Press Conference  
for 2019**

Speech by  
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President & CEO of  
Wacker Chemie AG, Munich,

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in Munich

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Good morning, ladies and gentlemen, and welcome to our Annual Press Conference. I would like to talk to you today about three things: Our figures for 2019, our outlook for the current year and our plans to shape WACKER's future success

The global economy grew in every region in 2019, but at a much slower pace than in recent years. This was not only true for advanced economies, but Emerging-market economies also saw growth rates decline. Overall, the global economy grew 2.9 percent, its lowest rate since the financial crisis in 2008 and 2009.

In this economic environment, WACKER generated sales of 4.93 billion euros in 2019, just short of the prior-year figure. Lower prices for solar-grade polysilicon and standard silicones were the main factors slowing sales. On balance, price effects reduced sales by 365 million euros.

EBITDA – earnings before interest, taxes, depreciation, amortization – came in at 783 million euros. That was 16 percent less than a year earlier and yielded an EBITDA margin of around 16 percent. EBITDA included insurance compensation of 112 million euros for the damage caused by the incident at the Charleston plant in 2017.

EBIT – earnings before interest and taxes – amounted to minus 536 million euros. This was due to an impairment charge on fixed assets. When preparing our consolidated financial statements, we recognized an impairment of 760 million euros on the carrying amount of our polysilicon production facilities.

This impairment reflected our reduced expectations for the development of polysilicon prices. Let me briefly describe the causes. In China, polysilicon producers receive substantial state subsidies – for instance, favorable loans and funding. They also get cheap electricity from coal-fired power stations. This has led to high overcapacity there and thus to massive price pressure. Over the last four years, capacity has more than doubled in China. At the same time, prices for solar-grade polysilicon have more than halved since early 2018.

Our assumption is that these practices are not going to change any time soon. And we expect prices of solar-grade polysilicon to remain subdued. To take account of this, we made a corresponding adjustment to the carrying amount of our polysilicon facilities.

This impairment affected our net result for the year. As a consequence, WACKER posted a net loss of 630 million euros for 2019.

Ladies and Gentlemen, our chemical business was once again the driver of Group sales and earnings in 2019. Sales at our three chemical divisions totaled over 4 billion euros. That represents 80 percent of WACKER's sales.

Our biggest chemical business division is WACKER SILICONES. Its performance, though, was hampered in 2019 by lower prices for standard silicones. The division generated annual sales of 2.45 billion euros, down slightly by 2 percent. The decline in EBITDA was much more pronounced. EBITDA fell by 22 percent to 479 million euros. It is important to note that this decline is based on a comparison with 2018, which was a truly exceptional year due to a worldwide shortage of silicone products. In 2019, the EBITDA margin at WACKER SILICONES reached almost 20 percent, a very respectable figure for a traditional chemical business.

WACKER POLYMERS expanded both its sales and EBITDA last year. Here, we benefited from lower raw-material prices and higher volumes. The division posted annual sales of 1.32 billion euros in 2019, up 3 percent. EBITDA climbed 32 percent to 194 million euros.

WACKER BIOSOLUTIONS also lifted its sales and earnings in 2019. Sales increased 7 percent to 243 million euros. EBITDA came in at 31 million euros, one-third above the year-earlier level. Growth was supported by higher volumes and rising utilization rates at biologics plants.

I already mentioned the difficult situation at WACKER POLYSILICON, where we faced strong headwinds. The division achieved sales of 780 million euros in 2019, down 5 percent. Strong volume growth did not fully offset low prices for solar-

grade polysilicon. The division's EBITDA amounted to 57 million euros, down 21 percent year over year. EBITDA benefited from 112 million euros in insurance compensation for the damage caused by the incident at the Charleston plant. Adjusted for this special income, the division's EBITDA was minus 56 million euros.

Ladies and gentlemen, I have completed my review of our divisions. I would now like to return to the consolidated financial statements and look at key figures from the statement of cash flows.

Our capital expenditures declined in 2019, just as we had planned. At 380 million euros, they were 18 percent below the prior-year level. Our investing activities thus remain in line with our strategy. In other words, total capital expenditures came in below depreciation.

Our net cash flow reached 184 million euros, more than doubling year over year. The increase was due not only to cash inflows from operating activities, but also to the insurance compensation received for the incident at Charleston. A special payment of around 70 million euros to the company pension fund had a contrary effect, reducing net cash flow. Low interest rates and low discount rates are both having an impact in this context, weighing heavily on our pension obligations. Net financial debt, on the other hand, was influenced by the new IFRS 16 accounting standard. In accordance with the new standard, lease liabilities must now also be factored in when calculating financial liabilities. That increased net financial debt by 120 million euros.

In 2019, our investing activities remained focused on expanding capacities at our three chemical divisions. At our US site in Charleston, we completed construction work on a pyrogenic-silica facility, which came on stream in October. At Zhangjiagang, China, we built a new plant for solid silicone rubber. Since June, we have produced several thousand metric tons of silicone rubber there for the Asia-Pacific region. In Ulsan, South Korea, we completed work on our new spray dryer for dispersible polymer powders. Production there has been running since September. At Holla in Norway, we finished expanding our silicon-metal

manufacturing facilities. The site's new furnace has been in operation since November. It is one of the largest of its kind in the world.

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

Ladies and Gentlemen, our business is highly international. We achieve 85 percent of our sales outside of Germany and 60 percent outside of Europe. Last year, we grew in the Americas, where sales rose 5 percent to 920 million euros. On the other hand, WACKER's business in Europe slowed, with sales declining 4 percent to 2 billion euros.

In Asia, our second-biggest sales market after Europe, we posted sales of almost 1.8 billion euros last year. That means we stayed at the year-earlier level despite strong price pressure for polysilicon. What helped us was our clear focus on high-value specialty chemical products. All three chemical divisions generated further sales growth in Asia in 2019.

Employee numbers edged up last year, with a net increase of around 120 employees worldwide. WACKER now has a total of about 14,700 employees. Nearly 10,400 work in Germany and 4,300 at international sites.

The Group's net assets and financial position remain sound. On the one hand, Group equity declined year over year. Aside from the net loss for the year, equity reflected the substantial increase in pension obligations due to lower discount rates. Our equity ratio was thus 31 percent. On the other hand, liquidity increased substantially. It reached 545 million euros. That was about 160 million euros more than at the start of the year. We also have unused lines of credit totaling 600 million euros.

WACKER remains on a firm financial footing. Despite the net loss for the year, the Executive and Supervisory Boards will propose to the Annual Shareholders' Meeting to distribute a moderate dividend of 50 cents per share. That corresponds to a payout of around 25 million euros. This also expresses our confidence in WACKER's future.

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Ladies and Gentlemen, what are our expectations for the current year? At this point in time, 2020 looks as if it will be another very challenging year for us.

Economists currently expect global economic growth in 2020 to be at, or below, last year's level. Trade conflicts and geopolitical crises harbor downside risks. On top of this comes uncertainty due to the coronavirus. In polysilicon, the market situation remains difficult. We do not expect prices for solar-grade polysilicon to trend upward anytime soon. All these underlying factors hamper our business prospects.

At present, it is unclear how seriously the coronavirus's impact will affect economic growth and our business. All the situation is changing rapidly. At this time, we cannot reliably predict the impact of the pandemic on our business and our results. And that is why our guidance for the year does not factor in the coronavirus's effects.

The current situation is that our production plants are running. In China, we have seen sales in Chemicals down by some 20% over prior year. We face certain restrictions as regards shipping of our products to customers, but supplies have not been much of an issue. So far, these issues in China were all still manageable.

However, the recent weeks' global spread of the virus and containment measures will certainly add completely new challenges which are impossible to assess now. These could impact logistic chains, operations and global demand. We highlighted this in our risk management systems as a risk of highest category. With a potential impact of more than 100 million euros.

To date, our business performance has been in line with expectations. We have seen a slight drop in raw-material prices, which offers a measure of relief for our chemical divisions. The market situation for polysilicon remains challenging. The logistics problems in China that I mentioned are also evident in our figures for the first two months, with Group sales somewhat lower versus a year ago due to volume effects.

Overall, we expect first-quarter Group sales of around 1.2 billion euros, down somewhat year over year. First-quarter EBITDA should be substantially higher than the same period last year. Earnings will be supported by lower inventory valuation effects and operational improvements in our polysilicon business.

We expect our chemical business to perform well over the course of the year. Volumes should climb, on average, amid somewhat lower prices. For polysilicon, we also anticipate higher sales, though prices are likely to remain low. In detail, we have the following expectations for our business divisions:

WACKER SILICONES' sales are likely to climb by a low-single-digit percentage, driven by higher volumes for specialty applications. In the construction sector, for example, our new, silane-based cement additives offer plenty of potential. They save energy during the production of cement, improve its storage stability, and increase the quality and durability of concrete. Demand is also climbing for our specialty silanes for microelectronics. We expect the division's EBITDA to be at last year's level. Lower average prices will slow the earnings trend. That is why the EBITDA margin will also decrease slightly.

At WACKER POLYMERS, we also expect sales to grow by a low-single-digit percentage this year. Higher volumes for dispersions and dispersible polymer powders will support this growth. EBITDA is likely to be slightly higher than last year. The EBITDA margin should also rise slightly.

WACKER POLYMERS continues to focus on polymeric binders for sophisticated coating and construction applications. In this area, customer demand for sustainable, environmentally friendly solutions is on the rise. We are developing the right product lines to seize these market opportunities – for example, dispersions based partially on renewable raw materials.

At WACKER BIOSOLUTIONS, we expect sales to rise by a high-single-digit percentage, with the main impetus coming from biopharmaceuticals. Both EBITDA and the EBITDA margin should be substantially higher than last year.

The pharma and food markets offer growth potential for the division. The pharma market is increasingly shifting toward bioengineered medicines, and our acquisition of a plant in Amsterdam has provided us with new capacity to continue growing as a contract manufacturer. In the food market, we are supporting the “healthy eating” trend – for example, by complexing the antioxidant curcumin with cyclodextrins. It is an innovative approach for producing vegetable-based dietary supplements.

The photovoltaic market is likely to continue growing this year. Competition in the solar industry remains fierce and price pressure high. But that is causing leveled costs for solar power to drop further, making photovoltaics more competitive. Above all, it is quite clear that solar energy is crucial to achieving global climate-protection targets. We expect newly installed photovoltaic capacity to amount to between 135 and 155 gigawatts globally this year.

For our polysilicon business, our forecast is for sales to rise this year by a low-single-digit percentage, supported by an improved product mix. Our goal is to increase volumes of polysilicon for monocrystalline solar wafers and to expand our market share among semiconductor-sector customers. The high quality of our material is a strong advantage here. Our market share in the semiconductor industry already exceeds 30 percent. In this field, WACKER is the global leader. By cutting our costs, we intend to almost entirely offset the lower average prices for solar-grade polysilicon. Adjusted for the non-recurring effect from the insurance compensation of 2019, EBITDA is likely to be on par with last year.

In summary:

- Group sales are projected to rise by a low-single-digit percentage this year.
- EBITDA will be around 20 percent lower than last year. The earnings trend will be influenced by a non-recurring effect from 2019 – namely the insurance compensation of 112 million euros for the incident at our Charleston plant in 2017. Adjusted for this amount, EBITDA for 2020 is likely to decline by a mid-single-digit percentage versus last year. Our projections take account of part of the economic uncertainty and of our expectation that the result from investments will be lower than last year.

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- The EBITDA margin is likely to decrease slightly year over year.
- Our capital expenditures will come in at around 350 million euros – below last year and again below the level of depreciation and amortization.
- Net cash flow will be clearly positive and substantially higher than last year.
- Net financial debt is likely to be substantially lower than last year.
- Group net income should rise significantly.

As I already mentioned, our guidance explicitly excludes the coronavirus's potential effects on economic growth and on our business. We consider the risk of a pandemic to be high. The impact on our earnings could be a euro amount in the three-digit millions. In such a case, it is possible that adjusted EBITDA could decline by a double-digit percentage versus last year.

Ladies and Gentlemen, our goal is to be profitable, on a long-term and sustainable basis. We are working to achieve that – every single day.

There are many factors influencing our business over which we have no control. The world is volatile. All of us – individually and as a company – live with political uncertainty. We are not immune to economic fluctuations. As a globally active company, changes in exchange rates impact our earnings. At present, though, two other factors are particularly worrying for us: Germany's high energy prices and the difficult situation in the solar market.

As you know, polysilicon production is very electricity-intensive. That is why we are very concerned about Germany's high electricity prices. In Germany, electricity costs more than 5 cents per kilowatt-hour. Our Chinese competitors pay less than 2 cents per kilowatt-hour – for state subsidized electricity from environmentally harmful coal-fired power plants. If we had the same electricity prices as in China, WACKER would be the world's most efficient producer of high-quality polysilicon – by a long way.

Our fear is that electricity prices will rise even further in Germany in the coming years. A rise that is prompted by the decision to exit both nuclear energy and coal-fired power generation. Our competitiveness is suffering as a result. That is why we want an electricity price for industry and have been demanding it for quite some time.

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It must be below 4 cents per kilowatt-hour. Only then will energy-intensive companies have a future in Germany.

China's low energy prices and our Chinese competitors' state-subsidized overcapacity are directly reflected in polysilicon prices. In 2018, they fell by an average of 50 percent. In 2019, they lost a further 20 percent. An imminent reversal of this trend is not in sight.

To counter this, we have worked for years on enhancing our efficiency and performance – for example, by reducing our specific energy consumption. We have made huge progress here in the past few years. But we need to do more to prepare WACKER effectively for the future. The competitive pressure in our polysilicon business is likely to affect our other divisions in the years ahead. Chinese competitors are enlarging their siloxane capacities on a massive scale. In silicones, for example, they are expanding more and more into Europe, and putting us under pressure with their low prices. We must and will confront this mounting competition.

A further problem is persistently low interest rates. They make it difficult for our pension fund to earn enough interest income. As a result, WACKER – as a sponsoring entity – has to make large contributions to the fund. That was the case last year, when we made a special payment of 70 million euros. By way of comparison, this amount corresponds to our capital expenditures for our new dispersion reactor and powder dryer in Ulsan. The pension fund payments are reflected not only in our balance sheet. They affect our personnel expenses and also our cash flow, which is no longer available to the same degree for investment projects, for example.

This is why we are putting together a package of measures to make WACKER fit for the future. Three aspects are important:

- Sharpening our customer focus
- Making our company leaner, faster and more flexible
- And cutting costs significantly

To achieve this, we launched a comprehensive program called “Shape the Future.” Our focus is threefold: A new organizational structure, saving non-personnel costs and job reductions.

Our goal is to achieve annual cost savings of 250 million euros. In this context, more than 1,000 jobs are expected to go by the end of 2022. The job cuts will affect WACKER’s administrative departments and the non-operational functions of its business divisions. Most job losses – over 80 percent – will occur at our sites in Germany. We intend to reduce our workforce through a package of socially responsible measures. Possible instruments include retirement, phased early retirement, and severance agreements. If we can achieve our goals with these measures, we should not need to resort to non-voluntary layoffs.

We are currently examining, reviewing and refining the options we have identified for optimizing our organizational structure. The next step will be to create a blueprint for our company’s future structure and define the measures needed to realize it. We want to complete this step by the middle of the year. After that, the implementation phase will begin.

This year, we do not expect the program to deliver major benefits for earnings. At this point in time, non-recurring costs for the program cannot be quantified yet as they will be determined by the precise measures we will take. And of course the exact schedule, particularly as regards job cuts, depends on the conclusion of our talks with employee representatives. As I already stated, our current aim is to complete this project by the end of 2022.

Ladies and Gentlemen, wWe face tough challenges in the year ahead. Economic conditions have deteriorated. In our chemical business, too, competition is getting harsher. But I remain optimistic about the company’s prospects.

At our chemical divisions, demand for many of our products is very strong. We continue to focus investments on expanding our chemical plants. Our strategy here is to strengthen our specialties portfolio in the years ahead.

For our polysilicon business, we remain convinced that it has a promising future despite the difficult situation. Solar energy is the most environmentally friendly and cost-efficient energy source worldwide. The market will continue to grow – with high-value solar cells.

WACKER has the right products. We hold leading positions in all of our key markets. And we continuously enhance our portfolio. Our long-standing policy of financial stability enables us to cope even with extraordinary financial burdens without endangering the company's economic substance. We continue to attach great importance to a cautious, forward-looking financial policy. Our positive net cash flow and low level of net financial debt are indicators of this approach.

With our "Shape the Future" program, we are making our company leaner. We are enhancing our efficiency and our capabilities. At the same time, we are lowering our costs. So that WACKER can continue to grow – on a long-term and sustainable basis. The transformation of our business processes in the coming months will involve a lot of hard work. It will require endurance, tenacity and courage. It will not be an easy time, but decisive for the company's future.

Ladies and gentlemen, I have finished my review. We look forward to your questions.

Thank you.