WACKER

Q2

Interim Report
January – June 2014

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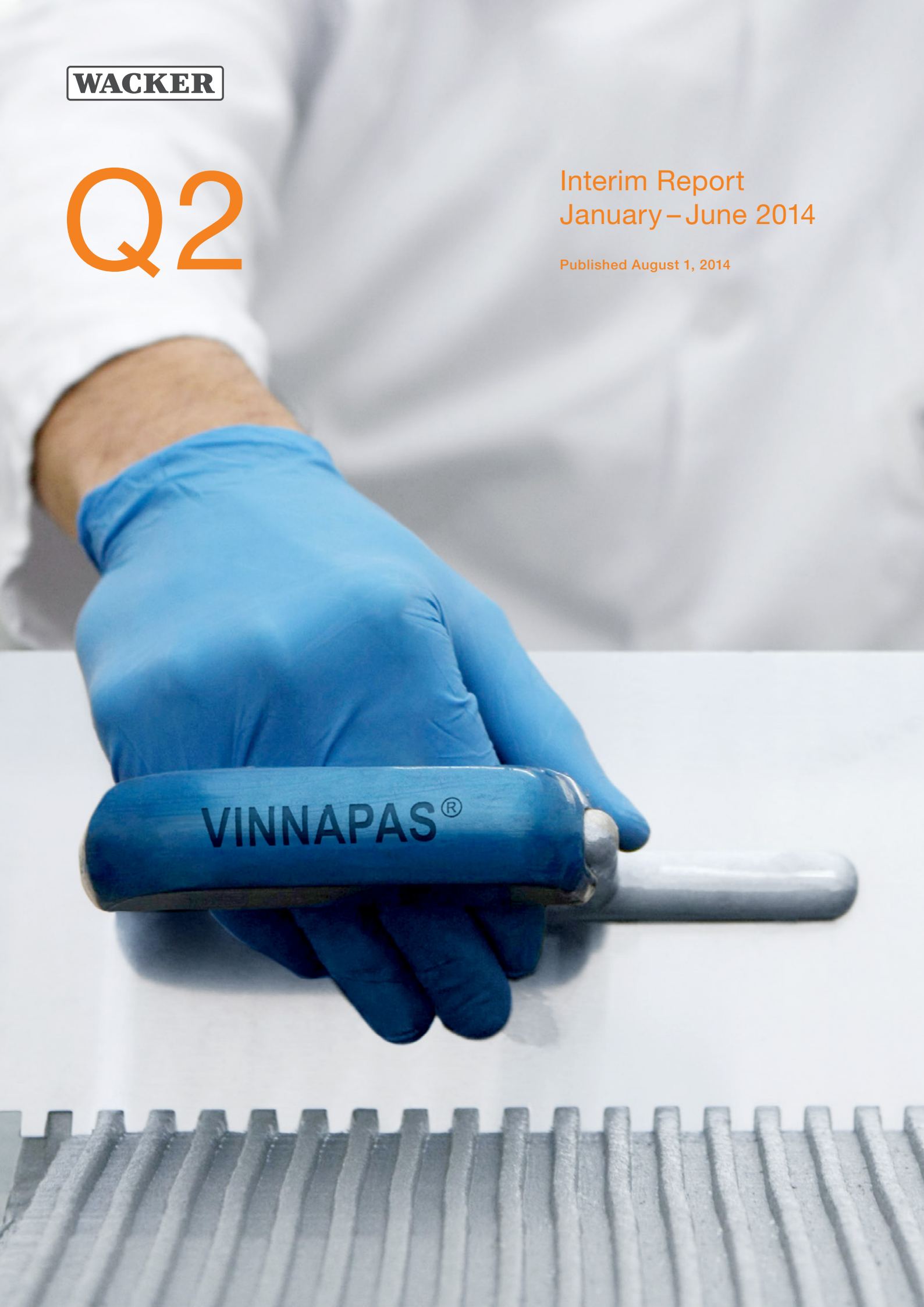


Interim Report January – June 2014

Group sales for Q2 2014 come in at €1.24 billion, up 8 percent year on year and 7 percent quarter on quarter

All divisions lift their sales due to strong customer demand

Second-quarter EBITDA reaches €230 million, 22 percent above the prior-year quarter and – adjusted for non-recurring effects – 34 percent higher than Q1 2014

Net income for Q2 2014 amounts to €29 million

Capital expenditures 23 percent lower than last year, with the focus remaining on completing the Tennessee site

Earnings forecast upgraded: WACKER expects EBITDA for full-year 2014 to climb by at least one-third on last year, with Group sales growth unchanged at a mid-single-digit percentage

Cover

Our VINNAPAS® dispersible polymer powders make tile-laying environmentally friendly and efficient.

WACKER at a Glance

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Sales	**1,242.3**	1,150.3	8.0	**2,399.7**	2,226.6	7.8
EBITDA[1]	**229.5**	188.2	21.9	**514.7**	352.7	45.9
EBITDA margin[2] (%)	**18.5**	16.4	–	**21.4**	15.8	–
EBIT[3]	**82.1**	52.5	56.4	**215.9**	84.7	> 100
EBIT margin[2] (%)	**6.6**	4.6	–	**9.0**	3.8	–
Financial result	**–23.0**	–21.1	9.0	**–46.7**	–35.7	30.8
Income before taxes	**59.1**	31.4	88.2	**169.2**	49.0	> 100
Net income for the period	**29.4**	15.1	94.7	**93.6**	20.2	> 100
Earnings per share (basic/diluted) (€)	**0.64**	0.27	> 100	**1.99**	0.36	> 100
Capital expenditures (including financial assets)	**101.0**	131.3	–23.1	**190.3**	252.5	–24.6
Net cash flow[4]	**49.6**	65.1	–23.8	**154.1**	26.1	> 100

€ million	June 30, 2014	June 30, 2013	Dec. 31, 2013
Equity	**2,066.1**	2,196.0	2,197.1
Financial liabilities	**1,458.0**	1,468.0	1,416.7
Net financial debt[5]	**920.9**	820.0	792.2
Total assets	**6,616.1**	6,633.4	6,332.4
Employees (number at end of period)	**16,758**	16,203	16,009

[1] EBITDA is EBIT before depreciation and amortization.
[2] Margins are calculated based on sales.
[3] EBIT is the result from continuing operations for the period before interest and other financial results, and income taxes.
[4] Sum of cash flow from operating activities (excluding changes in advance payments) and cash flow from long-term investing activities (before securities), including additions due to finance leases.
[5] Sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.

Interim Report January – June 2014

What do the Bird's Nest Olympic Stadium in Beijing, the Cairo Television Tower and the Estádio Beira-Rio soccer stadium in southern Brazil have in common?

Quite simply, all these structures contain VINNAPAS® dispersible polymer powder from WACKER. You can't see it, but its effect is huge.

WACKER dispersible polymer powders have shaped the modern construction industry for over half a century. They permit the development of high-quality construction materials with precisely tailored properties, increase the efficiency of on-site processing and make countless new applications possible. In short, VINNAPAS® polymer powders have revolutionized the construction sector – and there is still no end to the success story in sight.

The first 13 metric tons of dispersible polymer powder were produced at WACKER's main site in Burghausen in 1957. A lot has changed since then – but the success of the polymer binder has continued unbroken. WACKER has since sold several million tons worldwide. The powder is now produced on three continents – in Germany, the USA and China.

The construction industry is booming. Globally, it is set to grow by over 70 percent to 15 trillion US dollars annually by 2025. As the number of construction projects rises, so, too, does the demand for advanced, high-quality construction chemicals – first and foremost dispersible polymer powders as binders for dry-mix mortars.

To continue keeping pace with fast-growing customer demand over coming years, WACKER gave the go ahead in May for a very special expansion program. In Burghausen, WACKER is erecting a new spray dryer for dispersible polymer powders with an annual capacity of 50,000 metric tons – the biggest plant of its kind anywhere. The new dryer will come on stream early next year.

A 30-ton lowboy trailer crawls slowly along the edge of the long construction pit at the heart of WACKER's Burghausen site. It is loaded with two 30-meter-high dispersion storage silos with a capacity of 330 cubic meters each. Two large cranes are on hand to place the two silos accurately on the space provided – directly next to the new spray dryer for dispersible polymer powders that is being built here.

Michael Herbert casts a critical glance over the plans in his hands and then at the site in front of him. The supporting ring for the gigantic plant has already been completed. The next step is to mount the cylinder in situ. The engineer pushes back his hard hat and nods in satisfaction: "It's all going to plan!"

Herbert has held global responsibility in WACKER POLYMERS' engineering department for all dispersible polymer powder dryers since 2002. You can see that he is proud of this mega project he is managing, namely the construction of a new spray dryer with a unit capacity of 50,000 metric tons per year. This is a genuine challenge, and not only due to its huge production capacity.

"The new dryer will be the biggest, most efficient and most modern in the world," says the chemical engineer. To realize it, WACKER is investing about 20 million euros at its main plant in Burghausen, Bavaria. "We use the latest technology, working with a close, precisely matched integrated production system," Herbert continues. "It means our project is truly unique. Our new dispersible polymer powder dryer is a premium-class piece of equipment!"

The Idea Came from Instant Coffee

WACKER dispersible polymer powders are binders based on vinyl acetate and ethylene that are produced by spray drying dispersions. From

modest beginnings in Burghausen in the late 1950s, this white powder rapidly became established throughout the world. The idea came from a cup of coffee: while drinking instant coffee, the WACKER chemist Dr. Max Ivanovits had a flash of inspiration. Why not use the same principle for WACKER's liquid dispersions? Then you could combine the functionality of polymer dispersions with the processing advantages of a powder. So he started experimenting with extracting the water from the dispersions – with spectacular success.

Market and Technology Leader

WACKER is the global market and technology leader in the field of vinyl-acetate-based copolymers and terpolymers in the form of dispersible polymer powders.

1
Dr. Christoph Riemer (head of dispersible polymer powder business at WACKER POLYMERS) and Michael Herbert (engineer at WACKER POLYMERS) check the plans for the world's biggest powder dryer in Burghausen.

2
Precision work: the 30-meter-high dispersion storage silo with a capacity of 330 cubic meters is lifted accurately onto the place provided for it.

"When WACKER produced the first dispersible polymer powders in the 1950s, no one could foresee the scale of their success," says Dr. Christoph Riemer, head of dispersible polymer powder business in the WACKER POLYMERS division. "Today, we are the global market and technology leader for vinyl-acetate-based copolymers and terpolymers – known worldwide under the VINNAPAS® brand. Modern construction and tile adhesives, external thermal insulation composite systems, self-leveling compounds and fillers or plasters and repair mortars – our binders are an important ingredient of all these construction materials."

A Powder Changes the World

By inventing dispersible polymer powder, WACKER changed the face of the entire construction industry. Until then, mortar had still been mixed manually on site – occasional mixing errors were inevitable. Then the products had to be spread on in thick layers, wasting time and material.

Today, dispersible polymer powders have revolutionized building practices. Now, on site, all you need to do is add water to the dry-mix mortars. And there are other advantages: these powders give the mortar its precisely defined properties, including improved processability, very good adhesion to all substrates, reduced material consumption, increased flexibility and better weathering resistance. Such specialty mortars tailored to modern construction techniques simply couldn't be produced on site. They are also free of plasticizers and coalescing agents, and have low emissions – giving them a favorable eco-balance.

WACKER sold well over 200,000 metric tons of dispersible polymer powders in 2013 – and the amount is increasing. Demand for dispersible polymer powders is growing so fast worldwide that WACKER has been successively increasing capacities at all three of its production sites since last year. In 2013, bottlenecks in production at Calvert City, Kentucky (USA), were eliminated, raising annual production by some 30,000 metric tons. At the end of last year, the plans to increase productivity in China were implemented: the current annual capacity at the Nanjing site is to double by the end of 2014 to as much as 60,000 metric tons. What's more, Burghausen will receive the new dryer with a further 50,000 metric tons per year in 2015.

"We are by far the world leader in dispersible polymer powders," adds Michael Herbert. "And our current expansion program gives a clear signal that we intend to keep our lead!"

Worldwide Service and Transfer of Expertise

Whereas dispersible polymer powders have long been established as cement additives in Western industrialized countries, there is currently exceptionally high demand from emerging-market economies in Asia, South America and Eastern Europe. WACKER is well prepared to meet this demand.

"Architectural styles and construction materials differ from region to region depending on the raw materials available, so we give individual support to our customers locally in purpose-built technical centers," explains Christoph Riemer. Our global network supports them by providing new products specific to their region and by taking problems with construction chemicals and local applications technology into account. "It puts us in a position to deal with our customers' needs and wishes directly, and to develop the perfect solution hand in hand with them."

To provide the required expertise in high-quality construction chemicals to its customers and partners, WACKER has set up branches of the WACKER ACADEMY at many of its sites around the world. This international training center is oriented specifically to the needs of the construction chemicals industry, and along with theoretical training offers practical exercises in applications laboratories. "We now have training centers in Germany, the USA, China, India, Russia, Dubai, South Korea, Brazil, Mexico and Singapore," says Riemer with a touch of pride. "We bring together specialized knowledge on construction trends and developments around the world and pass it on – providing a clear benefit to us and our customers."

Multifaceted Innovation Potential

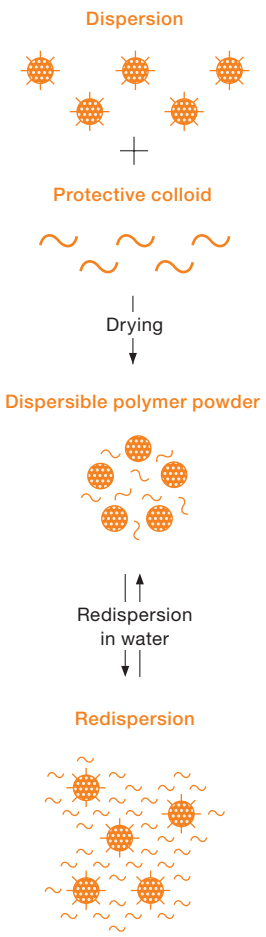
If a product has been on the market for 50 years, does it still have potential for future development? Christoph Riemer smiles when he hears that: "Where should I start?"

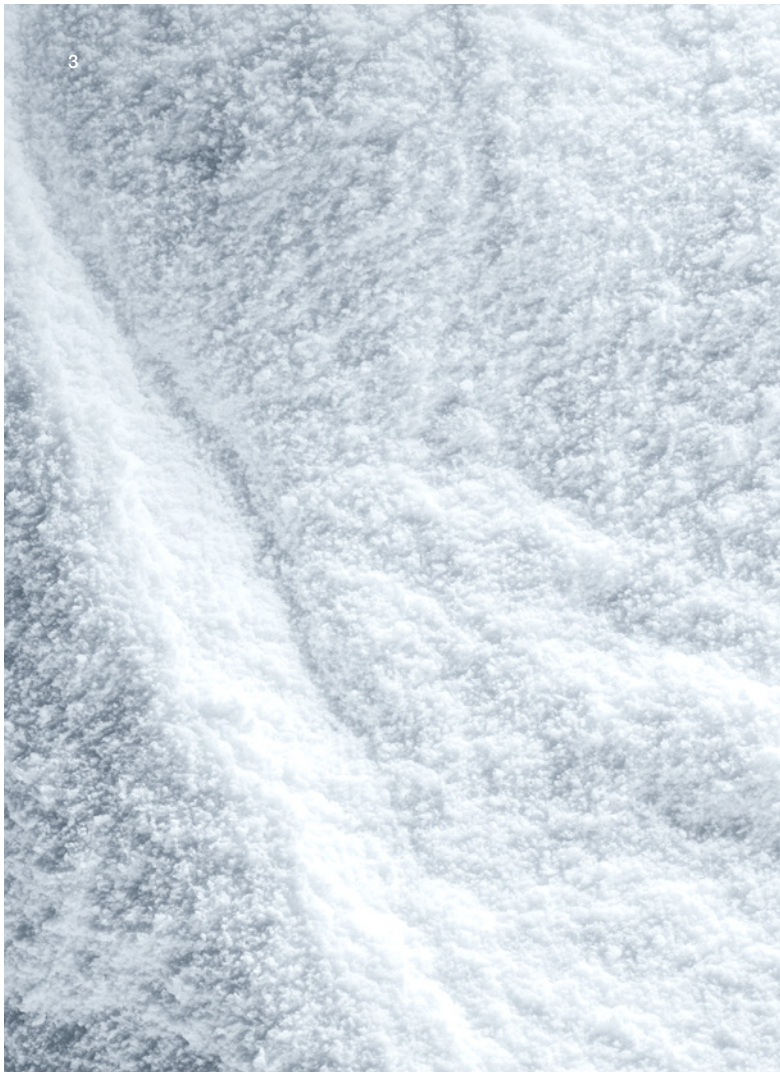
One good example, he says, is the issue of energy saving. With buildings, effective exterior insulation can work miracles – not only in cold

How a Dispersible Polymer Powder Is Made

Liquid dispersions from WACKER are made of water and tiny, finely distributed polymer particles ranging between 0.1 µm and 5 µm in size. To obtain the powder, the water is removed from the dispersions in large dryers. Spray drying causes many individual dispersion particles to clump together into dispersion powder grains of ca. 100 µm. An antiblocking agent is added to prevent the particles sticking together during storage.

As soon as the dispersible polymer powder comes into contact with water, it disintegrates, releasing the individual particles again. The dispersed polymer powder has the same properties as the original dispersion – creating binders that are ideal for building.





3
VINNAPAS® dispersible polymer powders: without these binders based on vinyl acetate and ethylene, many modern construction applications, such as exterior insulation and finish systems, thin-bed mortars and lightweight construction materials, would not be possible at all.

regions, where heating is required, but just as much in hot regions to reduce the energy consumed by air-conditioning systems. "We see huge potential in the near future in Eastern Europe and China, but also in South America and the Middle East." The trick is that modern external thermal insulation composite systems are only possible with polymeric binders. "A small amount of VINNAPAS® in the mortar is enough to bond the various layers together permanently and reliably – but without polymeric binder, the system just falls off the wall!" says the doctor of chemistry.

Example number two is the environmentally friendly and efficient laying of tiles. Whereas the traditional process required 10 kg of tile adhesive

per square meter, you now only need 3 kg of dry mortar containing VINNAPAS® for the same area. Work is faster and costs less, while the reduced material consumption also significantly cuts CO_2 emissions.

Another trend, says Riemer, is toward high-quality materials and greater quality and comfort in living areas. "As disposable incomes rise, people want attractive, higher-quality homes. Smooth, hard-wearing floors, large-size natural stone tiles, emission-free construction materials – they all require our dispersible polymer powders."

Asia as Growth Area

The Asia-Pacific region, driven by China and India, is predicted to show the fastest GNP growth in the next ten years.

4
Dry-mix mortars modified with dispersible polymer powders are simply mixed with water on site – a revolution in the construction industry.

5
In the walk-in climatic chamber in Burghausen, WACKER experts test VINNAPAS® dispersible polymer powders under extreme conditions – from -20 to +70°C – to simulate different climate zones.

Especially in emerging markets, careful management of water is important. "A lot of water is often wasted due to leaky old conduits and reservoirs. Sealing slurries containing VINNAPAS® can eliminate seepage losses – thus permanently and sustainably saving water." WACKER products customized to regional requirements are already in use in China, Africa, India and the Middle East.

Tailored modifications representing local needs are becoming increasingly important in all areas of application, says Riemer. "In Brazil, we have just successfully presented our solutions for specialty tile adhesives meeting local design preferences at the largest architectural show in the country. Our Dubai team is working on local products that take account of the regional climate. And in China, where high-rise buildings are sprouting like mushrooms, there is exceptional demand for our powders for modern lightweight construction materials."

That is why Riemer is optimistic: "Our range is so varied – its innovative potential has by no means been exhausted even after over 50 years."

20-Percent Market Share

China remains the construction industry's biggest market, with almost a 20-percent share of the entire market. India will probably become one of the five biggest markets in the construction industry within the next ten years.

70-Percent Growth

The worldwide construction industry will grow by over 70 percent, to $15 trillion by 2025. Growth will focus on China, the US and India.

6
The Bird's Nest Stadium in Beijing: for the buildings for the 2008 Olympic Games, China relied on VINNAPAS® dispersible polymer powders as binders for the flooring compounds.

WACKER Stock

From April through June 2014, the geopolitical situation was marked by the repeated flare-ups of conflicts in Ukraine, Syria and Iraq. Political and military strife in these countries led to uncertainty among market participants about the global economy's future performance and the stability of world trade relations. At the same time, global economic growth slowed somewhat in the second quarter. The expansion continues to be chiefly fueled by the economic momentum in leading advanced economies such as the USA.

The ongoing expansive monetary policy of key central banks in the USA and Europe was the primary factor influencing international capital markets. Given the low inflation and persistent deflationary fears in Europe, the European Central Bank (ECB) decided in June to lower its main refinancing rate, its most important interest rate, from 0.25 percent to a new record low of 0.15 percent. Additionally, the ECB intends to spur lending by commercial banks to companies and consumers. In emerging-market economies, fiscal stimulus by governments and central banks is increasingly focusing on bolstering economic activity in areas where it is slowing and on preventing capital flight.

After gaining a good 10 percent during the first three months of 2014, WACKER's stock delivered a more subdued performance from April through June. The share price lost some ground in the reporting quarter, down 6.3 percent. One reason for the decline was the fact that analysts had slightly lowered their expectations for the short-term growth and earnings trend in the chemical sector. Germany's two leading equity indices, the DAX and MDAX, rose by 2.4 percent and 1.3 percent, respectively, in the reporting quarter – supported primarily by the ECB's decisions.

WACKER's stock started Q2 2014 at €89.98. In subsequent weeks, the share price met some resistance and reached its low for the quarter of €77.11 on May 19. It was not noticeably impacted by either the publication of the Q1 report on May 5 or the Annual Shareholders' Meeting on May 15. Subsequently, WACKER's stock picked up. It rose to just under €90 in mid-June and closed the quarter at €84.33. This corresponds to a market capitalization of about €4.19 billion.

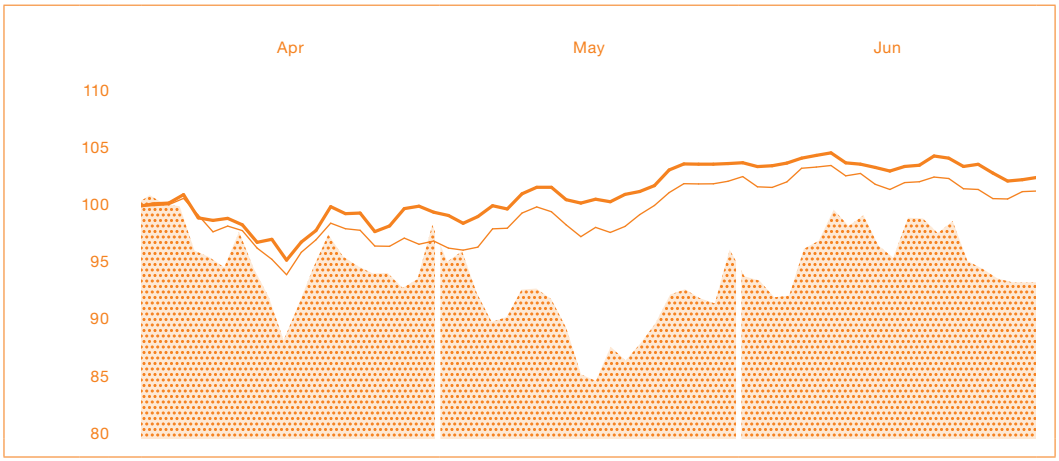
Germany's DAX and MDAX equity indices both gained some ground in the April-through-June period. The DAX started the quarter at 9,603 points. Following the ECB's interest rate cut on June 9, it reached a first-ever high of over 10,000. On June 30, it closed at 9,833 points, improving by about 2.4 percent during Q2 2014. The MDAX's trend basically reflected that of the DAX. It began the quarter at 16,606 points, reached highs of over 17,100 in early June and closed the April-through-June period at 16,815. That corresponds to a rise of just under 1.3 percent.

The long-term analysis for the three-year period from June 2011 through June 2014 clearly shows that WACKER's share price improved continuously since its lows of November 2012. It has more than doubled over the past one and a half years compared with its lows of just over €40. However, the stock is still far from its three-year high of €150, reached in early

July 2011. The DAX and MDAX equity indices climbed by over 33 percent and by just under 54 percent, respectively, during the three-year period. Thus, they performed significantly better than WACKER's stock. The main reasons for the cautious valuation of WACKER's stock in the past were the difficult solar-industry market conditions and the polysilicon-price declines at the time.

WACKER Share Performance in Q2 2014 (indexed to 100)[1]

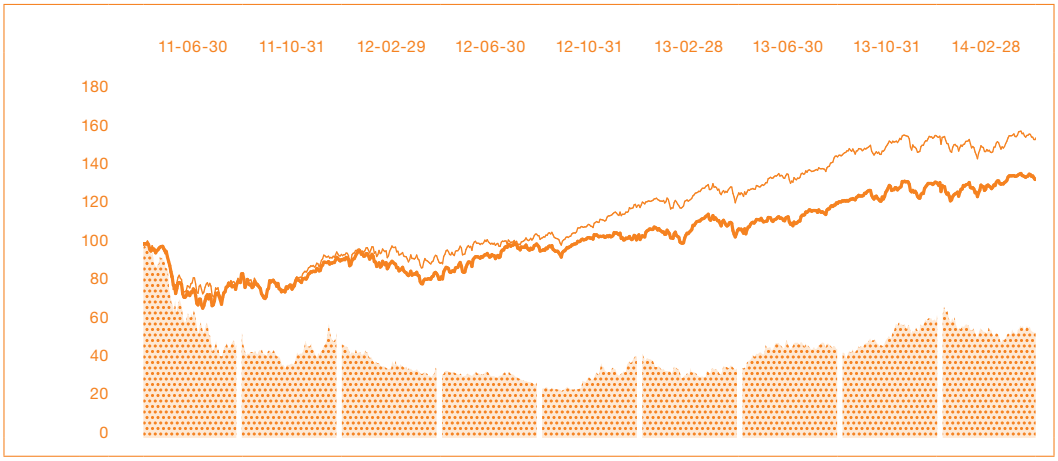
G 1.1



WACKER[1] DAX30 MDAX [1]100= €89.98 (closing price on April 1, 2014)

WACKER Share Performance from June 30, 2011 to June 30, 2014 (indexed to 100)[1]

G 1.2



WACKER[1] DAX30 MDAX [1]100= €149.10 (closing price on June 30, 2011)

Facts & Figures on WACKER Stock

T 1.3

€	Q2 2014	6M 2014
Closing price at the start of the reporting period	89.98	80.00
High in the reporting period	90.67	103.65
Low in the reporting period	77.11	77.11
Closing price at the end of the reporting period	84.33	84.33
Change during the reporting period (%)	–6.3	5.4
Average daily trading volume in shares/day (Xetra, Chi-X and Turquoise)	185,284	227,736
Market capitalization at the start of the reporting period (billion) (based on shares outstanding)	4.47	3.97
Market capitalization at the end of the reporting period (billion) (based on shares outstanding)	4.19	4.19
Earnings per share (€)	0.64	1.99

Dividend of €0.50 per Share for Fiscal 2013

At the Wacker Chemie AG Annual Shareholders' Meeting in Munich on May 15, 2014, a large majority of shareholders voted to adopt the Executive and Supervisory Boards' dividend proposal. Of Wacker Chemie AG's 2013 retained profit of €636.1 million (2012: €654.3 million), WACKER paid out €24.8 million to its shareholders (2012: €29.8 million). That corresponds to a dividend per dividend-bearing share of €0.50 (2012: €0.60). The Executive and Supervisory Boards' other proposals were also adopted by large majorities. All voting results for the individual agenda items have been published at www.wacker.com.

At the end of the reporting period, short sales of Wacker Chemie AG's stock amounting to 8.02 percent of the shares outstanding were reported as per Section 30h of Germany's Securities Trading Act. The largest position amounted to 2.75 percent. Short positions exceeding 0.5 percent of the shares outstanding are published in Germany's Federal Gazette (www.bundesanzeiger.de).

Please refer to the 2013 Annual Report (pages 46 to 52) and the internet (www.wacker.com/investor-relations) for more details about WACKER's stock (e.g. the dividend, shareholder structure, banks and investment firms that cover and rate WACKER, analyst estimates, and investor and analyst events held or attended by WACKER).

Report on the 2nd Quarter of 2014

January – June 2014

Dear Shareholders,

In 2014, our centennial year, WACKER has resumed its growth trajectory after two unusually difficult years. Following a good start to the year, our five business divisions maintained and reinforced the positive sales and earnings trend in the second quarter.

Key uncertainties facing our business have been resolved. Both the passing of the amendment to the German Renewable Energy Act (EEG) and Germany's agreement with Brussels about making the EEG compatible with EU competition law have given us planning security. Demand for solar silicon has continued to grow and prices have stabilized.

We look to the future with optimism. As a result, we have revised upward several key aspects of our targets for the current year. We now forecast at least a one-third increase in earnings before interest, taxes, depreciation and amortization. In turn, this will lift our EBITDA margin. We now plan to achieve a positive net cash flow in 2014, while the return on capital employed is expected to show a marked improvement this year.

We will continue on our path of profitable growth in selected markets and product segments. Expansion, substitution and innovation are the three keywords that precisely describe how we want to spur our business on. To grow profitably, we must also continually ask ourselves where we can lower our costs and how we can produce even more efficiently. This is an ongoing task at all our business divisions and corporate departments. It is especially important for our polysilicon business, since costs in the solar industry are a decisive factor for the competitiveness of solar power over conventional energy sources. As a technology and cost leader for solar silicon, we approach this task with confidence and resolve.

A company that overcomes challenges in adverse times does not need to fear the future. The entrepreneurial spirit and courage that have characterized WACKER over the past 100 years will remain the keys to our success. We look forward to our journey with you into the next century of your company's history.

Munich, August 1, 2014
Wacker Chemie AG's Executive Board

Interim Group Management Report

Overall Economic Situation and State of the Industry

World Economy Continues on Moderate Growth Trajectory

Global economic growth during the first few months of the year was more subdued than expected. According to current analyses and forecasts, however, the economy is expected to gain momentum during the remainder of 2014, with distinct regional variations in trends. While growth is accelerating overall in the advanced economies, the momentum in the emerging-market and developing economies has receded somewhat. Global economic output is supported by the monetary and fiscal measures taken by central banks and national governments around the world, some of which are very extensive. In the USA, the Federal Reserve most recently left its base rate unchanged at between zero and 0.25 percent. In Europe, the European Central Bank lowered its main refinancing rate in June to a new record low of 0.15 percent in order to counter deflation risks. Government intervention in emerging economies such as China and Brazil is mostly aimed at stimulating the subdued economies there.

In its most recent economic forecast (July 2014), the International Monetary Fund (IMF) revised its growth estimate for the world economy downward by 0.3 percentage points. According to the IMF experts, the reason for this is that first-quarter demand in key markets such as the USA and China had been weaker than originally expected. Full-year economic output is now expected to expand by 3.4 percent (2013: 3.2 percent) worldwide, and the IMF's analysts estimate that the advanced economies will post 1.8-percent growth (2013: 1.3 percent). In the emerging-market and developing economies, the IMF experts forecast gross domestic product to increase by 4.6 percent (2013: 4.7 percent).[1]

The economic outlook for Asia is slightly weaker than in the previous year, with the IMF anticipating that economic output in the emerging markets of this region will increase by 6.4 percent in 2014 (2013: 6.6 percent). Chinese GDP is projected to grow by 7.4 percent (2013: 7.7 percent), while in India, an increase of 5.4 percent (2013: 5.0 percent) is expected.[1]

After a strong first quarter, the economic recovery in Japan suffered a setback in the April-through-June 2014 period. An increase in the consumption tax from 5 to 8 percent effective April 1, 2014, led to anticipatory effects in consumer and business spending.[2] Accordingly, based on OECD calculations, Japan's Q1 2014 GDP increased by 3.9 percent quarter on quarter. That increase was partially offset by a 3.1-percent decline in the ensuing second quarter.[3] The IMF anticipates that the Japanese economy will expand by 1.6 percent in full-year 2014 (2013: 1.5 percent).[1]

After a weak start to the year marked by severe weather, the economic recovery in the USA is now gaining strength. However, the high inventory overhang and harsh winter dampened demand in Q1 2014 more strongly than had been expected at the start of the year. The IMF now projects that the USA will see economic growth of only 1.7 percent this year (2013: 1.9 percent).[1]

[1] International Monetary Fund, World Economic Outlook Update: An Uneven Global Recovery Continues, Washington, July 24, 2014

[2] Federal Ministry of Economics and Technology, monthly report ("Schlaglichter der Wirtschaftspolitik") for July 2014, Berlin, June 26, 2014

[3] Organisation for Economic Co-operation and Development (OECD), Economic Outlook No. 95, Paris, May 6, 2014

Economic Trends in Eurozone Remain Uneven

The eurozone economy remains fragile and uneven. Although the financial and political conditions in the crisis-hit countries of southern Europe are becoming more stable, many eurozone countries are still having to deal with high levels of sovereign debt. Gross domestic product in France and Italy, for example, was stagnant in Q2 2014, while in the Netherlands and in Portugal, GDP actually decreased during the quarter.[1] The OECD's calculations for the eurozone indicate increases in economic output of 1.3 percent in each of the first two quarters of 2014.[2] The IMF predicts a full-year growth rate of 1.1 percent in 2014 (2013: –0.4 percent).[3]

A mild winter provided the German economy with a strong burst of growth at the start of 2014, but this momentum is not likely to persist at that level through the remainder of the year. Nevertheless, thanks to solid domestic corporate and consumer demand, Germany will in all likelihood continue on a growth trajectory in the coming months. For 2014, the IMF expects economic growth of 1.9 percent in Germany (2013: 0.5 percent).[3]

The chemical industry in Europe increased its production output by 2.8 percent year on year in the first four months of 2014. The industry association Cefic reports that capacity utilization in Q1 2014 was at its highest level in three years. However, because chemical prices were down from the prior-year period, the industry's first-quarter sales increased by only 0.1 percent year on year.[4] Business in the German chemical industry is currently good. According to the German Chemical Industry Association (VCI), production in the first half of 2014 increased by 3 percent year on year. Sales in the German chemical industry grew by 2 percent during the same period, to €98 billion, and the VCI reports a particularly strong increase in business with domestic industrial customers. For full-year 2014, the VCI's projected increase in chemical production output remains unchanged at 2 percent. With prices now expected to fall only slightly further (–0.5 percent), sales in the industry are expected to grow by 1.5 percent to approximately €193 billion.[5] In line with the industry trend, WACKER recorded higher volumes for many chemical products in Q2 2014. Demand for dispersible polymer powders, for example, was particularly high. As a result, total sales in the chemical business surpassed the prior-year and prior-quarter figures.

Demand for silicon wafers in the semiconductor industry is rising more strongly than previously anticipated. This, according to the Gartner Group, is due to higher demand for electronic components and the necessary accumulation of inventories. As a result, Gartner increased its growth forecasts substantially. The experts at the market research firm now project that global volumes of silicon wafers (by surface area sold) will increase by 10.5 percent in full-year 2014 instead of the previously forecast 4.8 percent, with above-average growth of 14.2 percent (previously 10.7 percent) in the 300 millimeter wafer segment. Gartner further anticipates that this trend could cause demand to exceed supply, leading to the possibility of higher prices. The market experts currently estimate that full-year worldwide silicon-wafer sales will increase by 12.6 percent (previously 4.1 percent) to $8.94 billion (2013: $7.94 billion).[6] In WACKER's semiconductor business, Siltronic posted volume gains and higher sales in the reporting quarter relative to both a year earlier and the preceding quarter. The consolidation of Siltronic Silicon Wafer Pte. Ltd. in the WACKER Group had a positive impact on the sales trend.

[1] Federal Ministry of Economics and Technology, monthly report ("Schlaglichter der Wirtschaftspolitik") for July 2014, Berlin, June 26, 2014
[2] Organisation for Economic Co-operation and Development (OECD), Economic Outlook No. 95, Paris, May 6, 2014
[3] International Monetary Fund, World Economic Outlook Update: An Uneven Global Recovery Continues, Washington, July 24, 2014
[4] European Chemical Industry Council (Cefic), Chemicals Trends Report, Monthly Summary, June 2014, Brussels, June 30, 2014
[5] VCI (German Chemical Industry Association), Press Release: Chemical companies are doing good business, Frankfurt, July 9, 2014
[6] Gartner Market Statistics, Forecast: Semiconductor Silicon Wafers, Worldwide, 2Q14 Update, Stamford (USA), July 10, 2014

Installations of photovoltaic systems will in all likelihood increase considerably in 2014. In their recent study of the solar market, analysts at the investment bank UBS expect that new installations of PV capacity this year will reach 45 gigawatts worldwide, which would be a year-on-year increase of more than 20 percent.[1] WACKER believes that the added new capacity could amount to as much as 50 gigawatts. The growth is increasingly originating from countries outside Europe. Until 2011, an average of 60 to 70 percent of demand came from Germany, Italy and Spain, but nowadays the biggest markets are China, Japan and the USA. The UBS analysts estimate that China will install some 13 gigawatts of new photovoltaic capacity this year, with Japan adding about 7.5 gigawatts and the USA roughly 6.5 gigawatts. With an anticipated 2.5 gigawatts, Germany's share of newly-installed photovoltaic systems worldwide is now just over 5 percent.[1] Growth in photovoltaic systems is fueling demand for solar silicon. WACKER POLYSILICON posted substantial year-on-year volume gains in the reporting quarter while simultaneously benefiting from improved prices.

Sales and Earnings for the WACKER Group

Thanks Especially to Higher Volumes, WACKER Group Sales Grew 8 percent in Q2 2014

WACKER registered robust customer demand in Q2 2014. All five business divisions generated both year-on-year and quarter-on-quarter sales growth. The entire Group's sales between April and June 2014 amounted to €1,242.3 million, up 8 percent on the prior-year period (€1,150.3 million) and up over 7 percent relative to the preceding quarter (€1,157.4 million). This growth was primarily attributable to higher sales volumes, but was slowed by persistent price pressure in some product segments and by unfavorable exchange-rate effects. For the six months from January through June 2014, WACKER's Group sales totaled €2,399.7 million after €2,226.6 million in the year-earlier period, a rise of almost 8 percent.

The three chemical divisions – WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS – generated combined April-through-June sales of €773.3 million (Q2 2013: €751.1 million), a rise of almost 3 percent. These divisions beat their combined Q1 2014 sales of €704.7 million by nearly 10 percent. In the first half of 2014, total sales in the chemical business grew by 4 percent to €1,478.0 million (6M 2013: €1,420.4 million). In addition to good customer demand in general, seasonal effects helped further improve sales in the construction business.

Higher volumes helped WACKER SILICONES offset negative exchange-rate effects from the strong euro and lower prices in some product segments. The division's total sales were essentially unchanged relative to Q2 2013. Business in silicones for industrial applications and the automotive sector was especially good during the reporting quarter, while pyrogenic silica volumes were also high. Silicones for the personal-care and paper-coating segments and for energy applications performed less well. Relative to Q1 2014, sales were almost 4 percent higher.

Having made a strong start to 2014 thanks to favorable weather, sales at WACKER POLYMERS remained positive in the April-through-June period. Sales at the division improved by over 4 percent relative to the prior-year quarter, and by almost 20 percent over Q1 2014. Volumes for both dispersions and dispersible polymer powders were higher in the reporting quarter than in the prior-year quarter and the preceding quarter. Sales growth was, however, impeded by exchange-rate effects from the strong euro, and prices were slightly down overall from a year earlier.

[1] UBS, Solar Industry: Is grid parity around the corner?, London, June 10, 2014

WACKER BIOSOLUTIONS grew its total sales by about 15 percent relative to both the same period last year and the preceding quarter. The acquisition of Scil Proteins Production GmbH enhanced the division's pharmaceutical protein business, making a positive contribution to sales. Sales were also higher in cyclodextrins and gumbase polymers.

WACKER POLYSILICON increased its total sales substantially in Q2 2014. Thanks to higher volumes and better prices, the division's sales rose by over 34 percent relative to Q2 2013. Even the strong figure for the preceding quarter was surpassed by more than 4 percent because prices were higher than in Q1 2014. The prospect of strong growth in photovoltaics outside of Europe is driving demand for solar silicon.

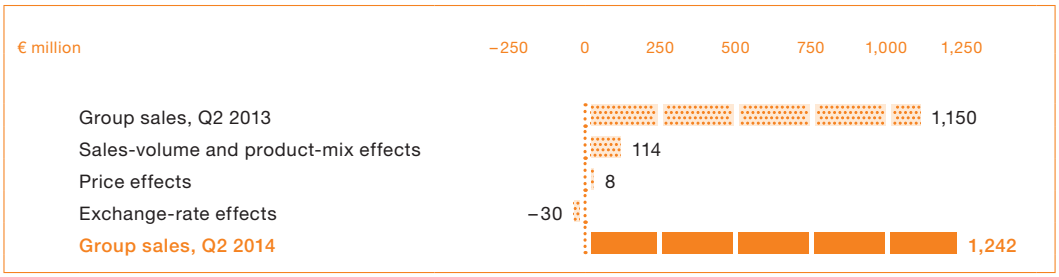
Siltronic posted sales in Q2 2014 that exceeded the prior-year and prior-quarter figures. Sales in the semiconductor business were about 5 percent higher relative to Q2 2013 and over 3 percent higher compared with Q1 2014. The consolidation of Siltronic Silicon Wafer Pte. Ltd. in the WACKER Group made a positive contribution to the sales trend. Conversely, Siltronic's sales were reduced by prices that were lower year on year and by negative exchange-rate effects from the weak US dollar and Japanese yen.

Higher Sales Thanks to Higher Volumes

Overall, higher volumes and positive product-mix effects increased WACKER's Group sales by about 10 percent in Q2 2014. Sales rose nearly 1 percent due to price-related changes. Exchange-rate effects, though, reduced sales by almost 3 percent. The euro commanded an average exchange rate of $1.37 in Q2 2014, having risen by almost 5 percent since Q2 2013 ($1.31). The exchange rate did not change relative to the preceding quarter ($1.37). The persistent weakness of the Japanese yen against the euro (Q2 2014: ¥140, Q2 2013: ¥129 and Q1 2014: ¥141) is particularly noticeable in the semiconductor market, where it has intensified price pressure. Overall, the WACKER Group invoiced over 30 percent of its sales in US dollars in Q2 2014, compared with 32 percent a year earlier. The US dollar remains the foreign currency with the most significant influence on the company's business.

Year-on-Year Sales Comparison

G 2.1



Plant Utilization High at All Divisions

Solid customer demand has meant that production capacity was very well utilized in all divisions of the WACKER Group in the April-through-June period of 2014. The WACKER SILICONES facilities producing pyrogenic silica ran at full capacity in the reporting quarter. Plant utilization for siloxane – a raw material – averaged about 85 percent overall during the reporting quarter, in spite of a scheduled plant shutdown for maintenance purposes at the Nünchritz site. WACKER POLYMERS recorded over 80-percent capacity utilization at its production facilities for dispersions and dispersible polymer powders. WACKER POLYSILICON continued to run its plants at full capacity in Q2 2014. At Siltronic, the plant-utilization rate ranged between roughly 75 percent and over 90 percent during the reporting quarter, depending on the wafer diameter.

The performance of each of WACKER's five divisions during the second quarter of 2014 is described in detail in the "Division Results" section of this Interim Report, starting on page 37.

Economic Growth Drives Demand for WACKER Products in Key Sales Regions Worldwide

WACKER profited from growing worldwide demand for its products in the second quarter of 2014. Apart from Germany, where revenues fell somewhat short of the prior-year and prior-quarter levels, Group sales surpassed the corresponding Q2 2013 and Q1 2014 figures for all regions.

Asia continued to reinforce its position as WACKER's largest market, with some 42 percent of the Group's total sales being generated in this region during the reporting quarter (Q2 2013: 39 percent). At €525.2 million (Q2 2013: €448.3 million), sales in Asia were up about 17 percent year on year. The increase was particularly strong at WACKER POLYSILICON, which profited from both higher volumes and better prices. Siltronic also had substantial sales gains in the region. That improvement was mainly due to the consolidation of Siltronic Silicon Wafer Pte. Ltd. in the WACKER Group. Compared with the preceding quarter (€490.2 million), WACKER increased total Group sales in Asia by about 7 percent. For the six months from January through June 2014, WACKER's sales in the region totaled €1,015.4 million after €883.0 million in the year-earlier period.

In Europe, WACKER achieved sales of €300.8 million from April through June 2014 (Q2 2013: €289.2 million). This is 4 percent more than a year earlier and almost 10 percent more than in Q1 2014 (€274.1 million). While year-on-year sales growth was particularly strong at WACKER POLYSILICON, the polymer business, too, generated substantially higher sales than a year earlier. WACKER BIOSOLUTIONS expanded its sales in Europe as well, having benefited especially from the acquisition of Scil Proteins Production GmbH. Siltronic, however, fell short of its prior-year figure due to negative price effects. All of the divisions grew their European sales relative to Q1 2014. In the first half of 2014, WACKER generated total sales of €574.9 million (6M 2013: €545.9 million) in Europe.

In Germany, WACKER's sales in the reporting quarter amounted to €161.6 million – down almost 2 percent year on year (€164.7 million) and over 3 percent on the preceding quarter (€167.3 million). In total, chemical business grew by 3 percent relative to a year earlier. Sales generated in the other segments were at, or slightly below, the prior-year level. For the six months from January through June 2014, sales in Germany totaled €328.9 million (6M 2013: €324.6 million).

The WACKER Group's sales in the Americas grew by nearly 3 percent to €207.2 million in the reporting quarter (Q2 2013: €201.9 million). Compared with the preceding quarter (€183.1 million), the increase was more than 13 percent. The main reasons for this growth were higher demand for silicone and polymer products along with seasonal effects. Sales in this region totaled €390.3 million in the first half of 2014 (6M 2013: €385.6 million).

The Group's sales in the markets combined under "Other Regions" totaled €47.5 million in Q2 2014, after €46.2 million in Q2 2013 and €42.7 million in Q1 2014. Between January and June, aggregate sales in the "Other Regions" amounted to €90.2 million (6M 2013: €87.5 million).

Overall, WACKER generated about 87 percent of its second-quarter sales with customers outside Germany (Q2 2013: 86 percent).

Group Sales by Region

T 2.2

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %	% of Group sales
Asia	**525.2**	448.3	17	**1,015.4**	883.0	15	42
Europe (excluding Germany)	**300.8**	289.2	4	**574.9**	545.9	5	24
Germany	**161.6**	164.7	–2	**328.9**	324.6	1	13
The Americas	**207.2**	201.9	3	**390.3**	385.6	1	17
Other regions	**47.5**	46.2	3	**90.2**	87.5	3	4
Total sales	1,242.3	1,150.3	8	2,399.7	2,226.6	8	100

Please refer to WACKER's 2013 Annual Report (pages 59 to 61) for more detailed information on the major products, markets and competitive positions of the Group's divisions. There were no material changes in this respect during Q2 2014.

Raw-Material and Energy Price Changes Make Positive Overall Impact on Earnings

The prices of the key raw materials for production at the WACKER Group's business divisions developed unevenly in the April-through-June 2014 reporting period. Silicon metal and ethylene were each about 2 percent cheaper in Q2 2014 than a year earlier. Methanol, however, saw a year-on-year price increase of about 6 percent. The price of vinyl acetate monomer (VAM) was 19 percent higher than in the previous year. Compared with Q1 2014, ethylene cost almost 2 percent less. Methanol was 7 percent less expensive than in the preceding quarter. Silicon-metal prices remained largely unchanged. VAM saw substantial spot-market price increases because manufacturers closed down production facilities in Europe and producers in the USA declared force majeure. The raw material was roughly 22 percent more expensive in the second quarter than in the January-through-March period.

As for energy costs, natural gas in Germany was substantially cheaper in Q2 2014 than a year earlier. The procurement price of natural gas decreased by about 22 percent due to the expiration of supply contracts that were linked to the price of oil. Likewise, the procurement price of electricity was much lower than a year earlier. Conversely, grid-usage fees rose considerably year on year. The procurement prices of electricity and natural gas were again lower than in Q1 2014.

Overall, price changes in raw materials and energy prompted a slight improvement in the WACKER Group's earnings in Q2 2014. In some segments, however, raw-material prices had a negative effect.

Higher Volumes and Better Polysilicon Prices Enhance Earnings – EBITDA Margin Climbs to 18.5 Percent

From April through June 2014, the WACKER Group achieved earnings before interest, taxes, depreciation and amortization (EBITDA) of €229.5 million, up almost 22 percent from a year earlier (Q2 2013: €188.2 million). Rising volumes, better prices for polysilicon and good coverage of fixed costs through high overall utilization of production facilities all had a positive impact on earnings in the reporting quarter. Negative exchange-rate effects resulting from the strong euro impeded the earnings trend, however.

Compared with the preceding quarter (€285.2 million), EBITDA was down almost 20 percent. Here it should be noted that the Q1 2014 figure included €114.0 million in special income recognized at the WACKER POLYSILICON division, where WACKER retained advance payments and received damages in connection with the restructuring of contractual relationships with a solar-sector customer. Adjusted for this special income, WACKER's EBITDA grew by approximately 34 percent quarter on quarter. There were no non-recurring effects in the April-through-June period of 2014. The EBITDA margin in the reporting quarter was 18.5 percent, after 16.4 percent a year earlier and 24.6 percent in Q1 2014.

Group EBITDA for the six-month period from January through June 2014 totaled €514.7 million (6M 2013: €352.7 million), a rise of about 46 percent. The EBITDA margin for the entire first half of 2014 was 21.4 percent (6M 2013: 15.8 percent).

Profitability in the chemical business was held back somewhat in Q2 2014 by price pressure in certain product segments, by unfavorable exchange-rate effects and in part by higher raw-material costs as well. In addition, the scheduled maintenance shutdown of siloxane production at the Nünchritz site resulted in higher average production costs at WACKER SILICONES. The combined second-quarter EBITDA for the WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS business divisions was €109.1 million, down about 6 percent from a year earlier (€116.6 million). Relative to the preceding quarter (€88.7 million), EBITDA in the chemical business grew by approximately 23 percent. For the first half of 2014, EBITDA at the chemical divisions totaled €197.8 million (6M 2013: €212.9 million).

In Q2 2014, WACKER POLYSILICON raised its EBITDA by roughly 37 percent year on year. The increase is primarily due to higher volumes and better polysilicon prices. While second-quarter EBITDA was only half that of the previous quarter, the Q1 2014 result had been heavily influenced by the recognition of retained advance payments and damages received. Adjusted for this non-recurring effect, WACKER POLYSILICON's EBITDA was approximately 33 percent higher relative to Q1 2014.

In spite of persistent price pressure, Siltronic improved its EBITDA substantially in the reporting quarter relative to both the prior-year period and the first quarter. Consolidation of the former joint venture with Samsung in Singapore for the production of 300 mm wafers had a positive impact on EBITDA, as did the measures taken by Siltronic to reduce production costs. The profitability trend of each of WACKER's five divisions in Q2 2014, and the respective key factors involved, are described in detail in the "Division Results" section of this Interim Report, starting on page 37.

The Group's earnings before interest and taxes (EBIT) amounted to €82.1 million in the reporting quarter, up roughly 56 percent from a year earlier (€52.5 million). The previously mentioned special income at the WACKER POLYSILICON division caused Group EBIT to rise to €133.8 million in the preceding quarter. Adjusted for this effect, EBIT was more than four times higher relative to Q1 2014. The WACKER Group's second-quarter EBIT margin was 6.6 percent, after 4.6 percent a year earlier and 11.6 percent in Q1 2014. Group EBIT for the first half of 2014 totaled €215.9 million (6M 2013: €84.7 million). That corresponds to an EBIT margin of 9.0 percent (Q2 2013: 3.8 percent).

Second-Quarter Earnings per Share at €0.64

The WACKER Group generated net income of €29.4 million from April through June 2014 (Q2 2013: €15.1 million). Second-quarter earnings per share came in at €0.64 (Q2 2013: €0.27). For the six months from January through June 2014, the total net income was €93.6 million (6M 2013: €20.2 million). Earnings per share in the first half of 2014 amounted to €1.99 (6M 2013: €0.36). Additional details regarding the development of WACKER's earnings in Q2 2014 are discussed in the "Condensed Statement of Income – Earnings" section of this Interim Report, starting on page 26.

Business Performance in the Reporting Period in Line with Expectations

In accordance with the provisions of German Accounting Standard DRS 20, WACKER's 2013 Annual Report defined and discussed the financial performance indicators that the Group uses to organize its management processes. The key financial performance indicators are EBITDA, EBITDA margin, return on capital employed (ROCE) and net cash flow. The supplementary financial performance indicators include sales, investment spending and net financial debt. The Group's management processes as presented and discussed on pages 66 to 71 of the 2013 Annual Report did not change in the period under review.

The WACKER Group's second-quarter sales and earnings developed in line with the forecasts made when the interim report for Q1 2014 was released. At the Annual Shareholders' meeting on May 15, 2014, the Executive Board of Wacker Chemie AG once again reaffirmed the most important objectives for the current fiscal year. Sales are thus expected to rise by a mid-single-digit percentage. According to the forecast at that time, EBITDA should be at least 10 percent above its prior-year level. At every division, volumes and sales should be above the prior-year level. The business trend and earnings reported for Q2 2014 keep the WACKER Group on course to achieve, and in some cases, surpass these objectives.

WACKER anticipates a substantial rise in full-year ROCE. As announced earlier, net financial debt increased in Q2 2014. At €49.6 million, net cash flow for the reporting quarter was positive and investment spending came in as expected.

Demand-Driven Expansion of Production Capacity

The WACKER Group invested €101.0 million in the second quarter of 2014 (Q2 2013: €131.3 million). This represents a project-related decline of approximately 23 percent from the comparable prior-year period, but a roughly 13-percent increase over Q1 2014. In the six months from January through June 2014, investment spending totaled €190.3 million (6M 2013: €252.5 million).

Investing activities during the period under review remained centered on the construction of the new polysilicon production site in Charleston (Tennessee, USA). More than half of the Group's investment spending was allocated to this project in the three months from April through June 2014. Completion of this site is expected by the middle of next year, while commissioning is to begin in the second half of 2015.

WACKER is expanding its production capacities for dispersible polymer powders at the site in Burghausen (Germany), constructing a new spray dryer with an annual capacity of 50,000 metric tons. The facility is scheduled for completion in the first quarter of 2015 and will be one of the largest of its kind worldwide. Approximately €20 million has been budgeted for the project. With this production expansion, WACKER is responding to anticipated market growth by creating the capacity needed for providing a reliable long-term supply – thus strengthening its global position as a leading supplier of dispersible polymer powders.

As already announced, there are also plans to expand dispersible polymer powder production capacities at the Nanjing (China) site. A series of individual measures are intended to eliminate production bottlenecks at the site and, as a result, enhance productivity. Once these measures are completed, WACKER expects – depending on the product mix – to be able to produce up to 60,000 metric tons of dispersible polymer powder at Nanjing annually.

Second-Quarter Net Cash Flow Positive at €50 Million

In the period from April through June 2014, WACKER generated positive net cash flow of €49.6 million (Q2 2013: €65.1 million). The year-on-year decrease is primarily attributable to the payment of performance-related salary components, which reduced net cash flow during the reporting quarter. The WACKER Group's net financial debt rose somewhat during the April-through-June period as planned, amounting to €920.9 million as of June 30, 2014 (Dec. 31, 2013: €792.2 million). On March 31, 2014, WACKER had net financial debt of €899.9 million. Additional details regarding cash flows are discussed in the "Condensed Statement of Cash Flows – Financial Position" section of this Interim Report, starting on page 34.

Research and Product Innovations Open Up New Markets

The WACKER Group spent €43.2 million on R&D activities in the second quarter of 2014 (Q2 2013: €42.1 million). In the six months from January through June 2014, the Group's total spending on research and development amounted to €91.1 million (6M 2013: €82.2 million). R&D in the WACKER Group is conducted at two levels: centrally at the Corporate Research & Development department, which coordinates all R&D work, and locally at the business divisions.

This intensive, systematic R&D work results in a large number of new products featuring superior user benefits, which WACKER regularly presents to international specialists. Here are two recent examples:

- At the MosBuild tradeshow held in Moscow in early April, WACKER presented its extensive portfolio for the Russian construction and coatings industries, which ranged from polymer and silicone products for facades and fire-protection coatings, through hybrid polymers for solvent-free adhesives and sealants, to sealing slurries. The show also gave the region its first look at WACKER's new VINNAPAS® 4220 L dispersible polymer powder for formulating cost-efficient, environmentally compatible self-leveling flooring compounds. Developed for the Russian market, among others, this powder is based on vinyl acetate-ethylene copolymers (VAE) and produces a smooth, even surface that possesses high abrasion resistance, flexural strength and compressive strength. Thanks to an outstanding cost-benefit ratio, VINNAPAS® 4220 L also represents an accomplished combination of performance capability with economic and ecological advantages.

- At the EXPOBOR 2014 tradeshow held in São Paulo, Brazil, at the end of April, WACKER showcased a selection of both new and time-tested silicone rubber grades. One of the highlights was ELASTOSIL® LR 3094/60, a liquid silicone rubber that enables cost-effective, large-scale production of spark plug boots. Making its premiere at the show was coolant-resistant ELASTOSIL® LR 3022/60 liquid silicone rubber, which can be used to make molded gaskets for engine cooling circuits. Another new product was magnetite-filled ELASTOSIL® R 781/80 solid silicone rubber. This product enables the manufacture of molded parts and profiles that adhere magnetically.

The Group's central R&D activities and the separate R&D fields of WACKER's divisions are described in detail in the "Non-Financial Performance Indicators" section of the 2013 Annual Report (pages 106 to 113). The goals and priorities presented there did not change substantially in Q2 2014.

WACKER Optimizes Its Distribution Structures

To further reinforce its market position and customer proximity, WACKER is constantly working to optimize its distribution structures.

In early April 2014, WACKER opened a new representative office in the Philippine capital, Manila. The office will distribute products of the WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS business divisions and strengthen the WACKER Group's market presence in Southeast Asia.

Effective July 1, 2014, WACKER reorganized its distribution structures for silicone and polymer products in Central and Eastern Europe and appointed IMCD, Euro-Him-1, Hellermann, Radka, Revada and Variachem as distributors for the region. These six partners are already distributing products from the WACKER Group's silicones and polymers portfolio in a number of other regions.

Effective August 1, 2014, IMCD and Nordmann, Rassmann GmbH will become the Group's distributors of HDK® pyrogenic silica in Germany. Both companies are already WACKER distributors in several market segments.

WACKER Supports "Young Scientists" Competition

In early April, the Bavarian statewide "Young Scientists" competition, sponsored this year once again by Wacker Chemie AG, was held at the Deutsches Museum in Munich. Out of 86 aspiring young Bavarian scientists, 15 winners qualified for the national competition. "Young Scientists" is Europe's largest competition for aspiring scientists and technologists, and fosters special talents and achievements in these areas. WACKER takes the helm as statewide corporate sponsor every other year.

Number of Employees Holds Constant Relative to Q1

The number of WACKER employees worldwide was virtually unchanged in the second quarter of 2014. On June 30, 2014, the Group had 16,758 employees (March 31, 2014: 16,788). The workforce increased by 555 compared with June 30, 2013 (16,203). The increase was mainly driven by the consolidation of Siltronic Silicon Wafer Pte. Ltd. in the WACKER Group and the acquisition of Scil Proteins Production GmbH.

As of June 30, 2014, WACKER had 12,449 employees in Germany (March 31, 2014: 12,456) and 4,309 at its international sites (March 31, 2014: 4,332).

For detailed information on the organization and structure of Wacker Chemie AG, as well as on its corporate goals and strategy, please refer to WACKER's 2013 Annual Report, especially the sections "Group Business Fundamentals" (pages 55 to 63) and "Goals and Strategies" (pages 64 to 65). The principles, guidelines and processes described there did not change materially during the period under review and continue to apply.

Condensed Statement of Income – Earnings

January 1 through June 30, 2014

Condensed Statement of Income

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€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Sales	**1,242.3**	1,150.3	8.0	**2,399.7**	2,226.6	7.8
Gross profit from sales	**234.4**	181.4	29.2	**398.8**	305.3	30.6
Selling, R&D and general administrative expenses	**–144.6**	–135.8	6.5	**–290.4**	–265.3	9.5
Other operating income and expenses	**–8.3**	14.4	n. a.	**107.0**	62.7	70.7
Operating result	**81.5**	60.0	35.8	**215.4**	102.7	> 100
Result from investments in joint ventures and associates	**0.6**	–7.5	n. a.	**0.5**	–18.0	n. a.
EBIT	**82.1**	52.5	56.4	**215.9**	84.7	> 100
Financial result	**–23.0**	–21.1	9.0	**–46.7**	–35.7	30.8
Income before taxes	**59.1**	31.4	88.2	**169.2**	49.0	> 100
Income taxes	**–29.7**	–16.3	82.2	**–75.6**	–28.8	> 100
Net income for the period	**29.4**	15.1	94.7	**93.6**	20.2	> 100
Of which						
Attributable to Wacker Chemie AG shareholders	**32.0**	13.6	> 100	**99.0**	17.7	> 100
Attributable to non-controlling interests	**–2.6**	1.5	n. a.	**–5.4**	2.5	n. a.
Earnings per share in € (basic/diluted)	**0.64**	0.27	> 100	**1.99**	0.36	> 100
Average number of shares outstanding (weighted)	49,677,983	49,677,983	–	49,677,983	49,677,983	–
Reconciliation to EBITDA						
EBIT	**82.1**	52.5	56.4	**215.9**	84.7	> 100
Depreciation/appreciation of noncurrent assets	**147.4**	135.7	8.6	**298.8**	268.0	11.5
EBITDA	**229.5**	188.2	21.9	**514.7**	352.7	45.9

In the second quarter of 2014, healthy customer demand enabled WACKER to increase its sales both year on year and quarter on quarter. A more positive market environment, especially for WACKER POLYSILICON, and higher volumes at the chemical divisions caused Group sales to grow by 8 percent compared with Q2 2013. The operating result was also higher year on year. However, WACKER could not match its EBITDA figure for Q1 2014, which was positively impacted by a non-recurring effect.

Group Sales of €1.24 Billion Up 8 Percent Year on Year

WACKER generated second-quarter sales of €1,242.3 million (Q2 2013: €1,150.3 million), 8 percent higher year on year and up 7 percent on the Q1 figure of €1,157.4 million. Group sales for the first half of 2014 totaled €2,399.7 million (6M 2013: €2,226.6 million), up almost 8 percent.

Improved prices and higher sales volumes of solar silicon were the main reasons that sales were higher in the quarter under review than in both Q2 2013 and Q1 2014. The sales increase achieved in the entire first half of 2014 was mainly attributable to higher polysilicon sales. As for semiconductor business, first-time inclusion of Siltronic Silicon Wafer Pte. Ltd. (SSW) in the consolidated financial statements had a positive impact on Siltronic's sales. Thanks to high volumes, the three chemical divisions increased their combined sales in Q2 2014 to €773.3 million (Q2 2013: €751.1 million). The newly acquired company Scil Proteins Production GmbH augmented WACKER BIOSOLUTIONS' sales in the quarter under review. Total sales generated by the chemical divisions in the first half of 2014 amounted to €1,478.0 million (6M 2013: €1,420.4 million). However, sales growth was somewhat impeded by negative exchange-rate effects due to the strong euro.

Second-Quarter Group EBITDA Up 22 Percent

In Q2 2014, EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to €229.5 million (Q2 2013: €188.2 million), up almost 22 percent. In Q1 2014, WACKER had posted EBITDA of €285.2 million. The second-quarter EBITDA margin was 18.5 percent, compared with 16.4 percent in the prior-year period and 24.6 percent in the preceding quarter.

EBITDA was lower in Q2 2014 than in the preceding quarter because of a non-recurring effect: the EBITDA figure for Q1 2014 contained €114.0 million in advance payments retained and damages received, resulting from the restructuring of a polysilicon delivery contract. Adjusted for this amount, second-quarter EBITDA was actually €58.3 million or almost 34 percent higher than in the preceding quarter. The quarter under review was not influenced by any non-recurring effects related to advance payments (Q2 2013: €23.8 million).

EBITDA in Q2 2014 was defined by a higher contribution to earnings from polysilicon business. The inclusion of SSW in the consolidated financial statements also had a positive impact on EBITDA. In the prior year, WACKER accounted for the former joint venture with Samsung using the equity method. Since Siltronic raised its stake in the company at the beginning of 2014, SSW has been fully consolidated. EBITDA at the chemical divisions decreased by 6 percent to €109.1 million (Q2 2013: €116.6 million). Compared with the previous quarter (€88.7 million), EBITDA was up 23 percent.

EBITDA for the first half of 2014 totaled €514.7 million (6M 2013: €352.7 million), an increase of 46 percent. The first-half EBITDA margin was 21.4 percent after 15.8 percent in 6M 2013. Special income from the restructuring of a polysilicon delivery contract accounted for a positive effect of €114.0 million on the first-half operating result (6M 2013: €56.1 million). The first-time consolidation of SSW, which was previously accounted for using the equity method, entailed a non-recurring expense of €5.8 million in Q1 2014.

WACKER's second-quarter earnings before interest and taxes (EBIT) came in at €82.1 million (Q2 2013: €52.5 million), up 56 percent year on year. Depreciation totaled €147.4 million after €135.7 million in Q2 2013. This 9-percent increase was due to first-time inclusion of SSW in the consolidated financial statements. EBIT in the first half of 2014 amounted to €215.9 million compared with €84.7 million in the corresponding prior-year period. Depreciation in the first six months of 2014 totaled €298.8 million (6M 2013: €268.0 million).

For detailed information on the individual divisions' sales and operating results, please see the "Division Results" section starting on page 37 of this Interim Report.

Slight 4-Percent Rise in Cost of Goods Sold

Gross profit from sales climbed to €234.4 million in Q2 2014, up 29 percent year on year (Q2 2013: €181.4 million). The gross margin amounted to 19 percent and was thus 3 percentage points higher year on year. Increased sales were the main reason for this improvement. In the quarter under review, the cost of goods sold grew by €39.0 million to €1,007.9 million (Q2 2013: €968.9 million). Unlike last year, SSW's cost of goods sold was included in this figure. The cost-of-sales ratio in the quarter under review amounted to 81 percent, 3 percentage points better than in Q2 2013. Gross profit for the first six months of 2014 reached €398.8 million (6M 2013: €305.3 million), yielding a gross margin of 17 percent (6M 2013: 14 percent). The cost-of-sales ratio amounted to 83 percent, after 86 percent in the first six months of 2013, with higher capacity-utilization levels for production facilities and reduced costs being the main reasons for this improvement.

Functional Costs Higher

In Q2 2014, other functional costs (selling, R&D and general administrative expenses) were almost 7 percent higher year on year, rising from €135.8 million to €144.6 million. In the first half of 2014, other functional costs rose by just under 10 percent. R&D costs, in particular, increased in the period under review. Higher personnel costs impacted all functions.

Other Operating Income and Expenses

The second-quarter balance of other operating income and expenses was €–8.3 million (Q2 2013: €14.4 million). In Q2 2014, the Group posted a moderate net foreign-currency gain of €5.7 million after €–1.3 million in the prior-year period. In the first six months of 2014, the balance of other operating income and expenses came to €107.0 million (6M 2013: €62.7 million). The positive result was mainly attributable to the advance payments retained and damages received in relation to the restructuring of a contract with a polysilicon customer. WACKER collected a total of €114.0 million from this source in the first half of 2014 (6M 2013: €56.1 million). Other operating income and expenses also included €5.8 million in expenses from the first-time consolidation of SSW. In the first half of 2014, foreign currency gains and losses totaled €9.4 million (6M 2013: €1.8 million).

Operating Result

Due to the effects described above, the second-quarter operating result rose by €21.5 million to €81.5 million. In the first six months of 2014, the operating result climbed to €215.4 million (6M 2013: €102.7 million).

Result from Investments in Joint Ventures and Associates

The investment result for the quarter under review was €0.6 million (Q2 2013: €–7.5 million), while the result for the first half of 2014 was €0.5 million (6M 2013: €–18.0 million). Since the start of the year, SSW – the former joint venture with Samsung – has been included in WACKER's consolidated financial statements. Current earnings from this investment are no longer reported under the result from investments in joint ventures and associates.

Financial and Net Interest Result

WACKER's second-quarter financial result was virtually unchanged compared with the prior-year period, amounting to €–23.0 million (Q2 2013: €–21.1 million). Interest income was lower at €1.7 million (Q2 2013: €3.9 million), with interest expenses amounting to €10.7 million (Q2 2013: €11.0 million). In the first half of the year, WACKER posted a financial result of €–46.7 million (6M 2013: €–35.7 million). Interest income was lower, at €3.5 million (6M 2013: €7.9 million), while interest expenses came to €22.4 million (6M 2013: €19.3 million).

The other financial result amounted to €–14.0 million (Q2 2013: €–14.0 million) and primarily comprised interest-bearing components of pension and other noncurrent provisions. It also included income and expenses from the exchange-rate effects of financial investments. In the first half of the year, the other financial result amounted to €–27.8 million (6M 2013: €–24.3 million).

Income Taxes

In the first six months, the Group reported tax expenses of €75.6 million (6M 2013: €28.8 million). The Group's tax rate for the first half of 2014 was 44.7 percent (6M 2013: 58.8 percent) and was affected by non-tax-deductible start-up costs and losses at subsidiaries.

Net Income for the Period

Net income for the second quarter and first half of 2014 was substantially higher due to the effects mentioned above. At €29.4 million, net income for the second quarter was almost double that of the prior-year period (Q2 2013: €15.1 million). Net income was lower compared with Q1 2014 (€64.2 million) because of the special income posted in that quarter. In the first half of 2014, net income came in at €93.6 million (6M 2013: €20.2 million).

Condensed Statement of Financial Position – Net Assets

June 30, 2014

Assets

T 2.4

€ million	June 30, 2014	June 30, 2013	Change in %	Dec. 31, 2013	Change in %
Intangible assets, property, plant and equipment, and investment property	**4,050.2**	3,933.1	3.0	3,806.0	6.4
Investments in joint ventures and associates accounted for using the equity method	**19.1**	22.1	–13.6	18.9	1.1
Other noncurrent assets	**471.3**	533.2	–11.6	562.2	–16.2
Noncurrent assets	**4,540.6**	4,488.4	1.2	4,387.1	3.5
Inventories	**689.9**	667.1	3.4	616.9	11.8
Trade receivables	**741.6**	709.8	4.5	614.1	20.8
Other current assets	**644.0**	768.1	–16.2	714.3	–9.8
Current assets	**2,075.5**	2,145.0	–3.2	1,945.3	6.7
Total assets	**6,616.1**	6,633.4	–0.3	6,332.4	4.5

Equity and Liabilities

T 2.5

€ million	June 30, 2014	June 30, 2013	Change in %	Dec. 31, 2013	Change in %
Equity	**2,066.1**	2,196.0	–5.9	2,197.1	–6.0
Noncurrent provisions	**1,574.0**	1,340.3	17.4	1,262.0	24.7
Financial liabilities	**1,140.3**	1,285.0	–11.3	1,247.4	–8.6
Other noncurrent liabilities	**609.1**	707.0	–13.8	567.3	7.4
Of which advance payments received	**603.6**	681.7	–11.5	564.4	6.9
Noncurrent liabilities	**3,323.4**	3,332.3	–0.3	3,076.7	8.0
Financial liabilities	**317.7**	183.0	73.6	169.3	87.7
Trade payables	**317.7**	350.1	–9.3	309.4	2.7
Other current provisions and liabilities	**591.2**	572.0	3.4	579.9	1.9
Current liabilities	**1,226.6**	1,105.1	11.0	1,058.6	15.9
Liabilities	**4,550.0**	4,437.4	2.5	4,135.3	10.0
Total equity and liabilities	**6,616.1**	6,633.4	–0.3	6,332.4	4.5

WACKER's total assets grew by nearly 5 percent compared with December 31, 2013, rising by €283.7 million to €6.62 billion as of June 30, 2014 (Dec. 31, 2013: €6.33 billion). The consolidation of Siltronic Silicon Wafer Pte. Ltd. (SSW) and Scil Proteins Production GmbH was the main factor in the increase of noncurrent assets. In addition, loans that had been extended by WACKER to the former joint venture with Samsung and reported as financial assets are no longer recognized in the consolidated financial statements. The increase in operating activities led to higher trade receivables. On the equity and liabilities side, provisions for pensions rose by €298.9 million, especially due to lower discount rates. As a result, equity was reduced by €203.4 million relative to the end of the 2013 fiscal year. Foreign currency translation effects increased total equity and liabilities by €27.0 million. For a detailed explanation of the effects of the initial consolidation of Siltronic Silicon Wafer Pte. Ltd., please see the section of the Notes to the consolidated financial statements starting on page 74.

Noncurrent Assets

Compared with the end of the previous fiscal year (€4.39 billion), noncurrent assets climbed by €153.5 million to €4.54 billion, accounting for 69 percent of total assets (Dec. 31, 2013: 69 percent). Intangible assets, property, plant and equipment and investment property grew by €244.2 million. This increase was primarily due to inclusion of SSW and Scil Proteins Production. Intangible assets, property, plant and equipment and investment property amounted to €4.05 billion as of June 30, 2014 (Dec. 31, 2013: €3.81 billion). Property, plant and equipment in particular was up by €232.1 million as of June 30, 2014. Current investment spending on property, plant and equipment amounted to €190.3 million. More than half of this amount went toward construction of the production site in Charleston (Tennessee, USA). Depreciation reduced noncurrent assets by €298.8 million in the first six months of 2014 (6M 2013: €268.0 million). This amount was higher than in the prior-year period, due to current depreciation recorded by SSW. Exchange-rate movements increased the carrying amount of noncurrent assets by €20.3 million.

Investments in joint ventures and associates accounted for using the equity method remained nearly constant, amounting to €19.1 million (Dec. 31, 2013: €18.9 million).

Other noncurrent assets and securities totaled €471.3 million as of June 30, 2014 (Dec. 31, 2013: €562.2 million), a decrease of €90.9 million (16 percent) from year-end 2013. The main reason for this decline was that shareholder loans of €142.2 million extended to SSW were eliminated when the company was consolidated for the first time. On the other hand, deferred tax assets increased by €100.0 million, mainly due to the lower discount rates used to determine provisions for pensions. Other noncurrent assets also include noncurrent securities, noncurrent derivative financial instruments and noncurrent tax receivables. Noncurrent securities totaling €26.7 million were reclassified as current.

Current Assets

Compared with December 31, 2013, current assets rose from €1.95 billion to €2.08 billion, an increase of almost 7 percent. Their share in total assets did not change over the same period, remaining constant at 31 percent. The inventory level grew mainly due to inventory from the newly consolidated companies and as a result of the increased utilization of production facilities. It amounted to €689.9 million, 12 percent above the 2013 year-end level of €616.9 million. Trade receivables amounted to €741.6 million at the end of the six-month period (Dec. 31, 2013: €614.1 million) – an increase of 21 percent primarily attributable to higher business volumes. Inventories and trade receivables combined accounted for 22 percent of total assets, an increase of 3 percentage points over December 31, 2013.

Securities and cash and cash equivalents are a major component of other current assets. Current securities totaled €95.1 million at the end of the first half of 2014 (Dec. 31, 2013: €71.9 million). Liquid funds decreased from €431.8 million at year-end 2013 to €347.9 million as of June 30, 2014. The payments made to redeem the bank loans owed by SSW were the main reason for this decline. Other current assets included income tax receivables of €37.9 million (Dec. 31, 2013: €19.5 million) and other tax receivables in the amount of €40.7 million (Dec. 31, 2013: €52.1 million). Other current assets accounted for 10 percent of total assets (Dec. 31, 2013: 11 percent).

Equity Reduced by 6 Percent

Group equity decreased by €131.0 million to €2.07 billion as of June 30, 2014 (Dec. 31, 2013: €2.20 billion), resulting in an equity ratio of 31.2 percent (Dec. 31, 2013: 34.7 percent). Retained earnings increased by €99.0 million as a result of the net income for the first half of 2014. At the same time, the dividend distributed by Wacker Chemie AG lowered retained earnings by €24.8 million. Other equity items diminished equity, essentially as a result of the adjustment to provisions for pensions that was not recognized in the income statement. The remeasurement of defined benefit plans at the end of Q2 2014 resulted in higher actuarial losses, which reduced equity by €203.4 million. The disposal of WACKER's previous stake in SSW – which was accounted for using the equity method – resulted in a decrease in equity of €14.9 million. The non-controlling interests in equity grew by €6.9 million, and mainly consisted of the share in the net assets of SSW held by the minority shareholder Samsung.

Noncurrent Liabilities

As of June 30, 2014, noncurrent liabilities amounted to €3.32 billion (Dec. 31, 2013: €3.08 billion) – a rise of 8 percent over the end of the previous year – and accounted for 50 percent of total equity and liabilities (Dec. 31, 2013: 49 percent). Provisions for pensions grew by €298.9 million to €1.38 billion, an increase of 28 percent. This was due to remeasurement of defined benefit plans using an updated discount rate that was lower than at year-end 2013. Provisions for pensions accounted for 21 percent of total equity and liabilities (Dec. 31, 2013: 17 percent). Other noncurrent provisions increased marginally.

Noncurrent financial liabilities fell by €107.1 million, chiefly due to the reclassification of noncurrent financial liabilities as current liabilities in accordance with their maturities. Other noncurrent liabilities grew by a total of €39.6 million due to the change in noncurrent advance payments received. Additions from the first-time consolidation of SSW contributed substantially to advance payments received.

Current Liabilities

Current liabilities increased by 16 percent, from €1.06 billion at year-end 2013 to €1.23 billion. Their share in total equity and liabilities was 19 percent. At December 31, 2013, the ratio had been 17 percent. Trade payables were unchanged from the end of the previous year, amounting to €317.7 million as of the balance sheet date (Dec. 31, 2013: €309.4 million). At €591.2 million, other current provisions and liabilities rose only slightly relative to the end of the 2013 fiscal year (Dec. 31, 2013: €579.9 million). The increase reflects the accumulation during the year of personnel liabilities, including those related to vacation and flextime credits. At the same time, performance-related compensation components were paid out in Q2 2014, lowering current liabilities. Current advance payments received amounted to €239.6 million as of the balance sheet date (Dec. 31, 2013: €282.8 million).

WACKER Posts Net Financial Debt of €921 Million

Current financial liabilities grew by 88 percent, amounting to €317.7 million as of June 30, 2014 (Dec. 31, 2013: €169.3 million). The primary reason for the increase is the reclassification of noncurrent items. In total, financial liabilities rose only slightly relative to year-end 2013, from €1,416.7 million to €1,458.0 million. Financial liabilities held constant at 22 percent of total equity and liabilities. Current liquidity (current securities, cash and cash equivalents) declined compared with December 31, 2013, amounting to €443.0 million (Dec. 31, 2013: €503.7 million). This represents a drop of €60.7 million, which primarily reflects debt refinancing for ssw. Noncurrent securities fell from €120.8 million to €94.1 million. As of the balance sheet date of June 30, 2014, WACKER had net financial debt (the balance of gross financial debt and noncurrent and current liquidity) totaling €920.9 million (Dec. 31, 2013: €792.2 million), a rise of 16 percent compared to December 31, 2013.

Off-Balance-Sheet Financing Instruments

WACKER does not use any off-balance-sheet financing instruments.

Condensed Statement of Cash Flows – Financial Position

January 1 through June 30, 2014

Condensed Statement of Cash Flows

T 2.6

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Net income for the period	29.4	15.1	94.7	93.6	20.2	> 100
Depreciation/appreciation of noncurrent assets	147.4	135.7	8.6	298.8	268.0	11.5
Changes in inventories	–19.6	–2.9	> 100	–37.0	44.5	n. a.
Changes in trade receivables	–38.8	–57.3	–32.3	–122.6	–108.9	12.6
Changes in other assets	40.6	25.3	60.5	15.7	34.1	–54.0
Changes in advance payments received	–38.2	–49.7	–23.1	–73.6	–108.0	–31.9
Changes from equity accounting	1.1	8.9	–87.6	1.2	19.4	–93.8
Other non-cash expenses, income and other items	–12.2	40.8	n. a.	82.4	24.1	> 100
Cash flow from operating activities (gross cash flow)	**109.7**	**115.9**	**–5.3**	**258.5**	**193.4**	**33.7**
Cash receipts and payments for acquisitions	–	–	n. a.	25.8	–	n. a.
Cash receipts and payments for investments	–98.3	–100.5	–2.2	–203.8	–275.3	–26.0
Cash flow from long-term investing activities before securities	**–98.3**	**–100.5**	**–2.2**	**–178.0**	**–275.3**	**–35.3**
Acquisition/disposal of securities	–0.8	71.1	n. a.	0.8	133.4	–99.4
Cash flow from investing activities	**–99.1**	**–29.4**	**> 100**	**–177.2**	**–141.9**	**24.9**
Distribution of profit from prior-year net income	–25.7	–31.2	–17.6	–25.7	–31.2	–17.6
Changes in financial liabilities	3.6	277.5	–98.7	–140.5	271.7	n. a.
Cash flow from financing activities	**–22.1**	**246.3**	**n. a.**	**–166.2**	**240.5**	**n. a.**
Changes due to exchange-rate fluctuations	0.9	–2.0	n. a.	1.0	–0.9	n. a.
Changes in cash and cash equivalents	**–10.6**	**330.8**	**n. a.**	**–83.9**	**291.1**	**n. a.**
At the beginning of the period	358.5	152.9	> 100	431.8	192.6	> 100
At the end of the period	347.9	483.7	–28.1	347.9	483.7	–28.1

Net Cash Flow

T 2.7

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Cash flow from operating activities (gross cash flow)	109.7	115.9	–5.3	258.5	193.4	33.7
Changes in advance payments received	38.2	49.7	–23.1	73.6	108.0	–31.9
Cash flow from long-term investing activities before securities	–98.3	–100.5	–2.2	–178.0	–275.3	–35.3
Additions from finance leases	–	–	n. a.	–	–	n. a.
Net cash flow	**49.6**	**65.1**	**–23.8**	**154.1**	**26.1**	**> 100**

Our key financial-management goal is to maintain WACKER's financial strength. The central task is to sufficiently cover the financial needs of our operations and investment projects. WACKER's operations and their resultant incoming payments are its key source of liquidity. To enhance the financial scope for ongoing investment projects, WACKER supplements its financing strategy with long-term loans.

Net cash flow is an internal indicator for measuring liquidity from operating activities. Net financial debt is an indicator of the Group's level of debt to lenders.

Gross Cash Flow

The cash flow from operating activities (gross cash flow) totaled €258.5 million in the first six months of 2014 (6M 2013: €193.4 million), up 34 percent. The higher net income for the period of €93.6 million had a positive impact here. This income included depreciation of €298.8 million (6M 2013: €268.0 million). The increase in working capital (trade receivables less trade payables, plus inventories) reduced gross cash flow by €143.1 million. Trade receivables, in particular, were substantially higher as business volumes increased. As expected, advance payments received for polysilicon deliveries fell by €73.6 million in the first half of 2014 (6M 2013: €–108.0 million) in line with the deliveries made and the advance payments retained in connection with restructured contracts. The higher personnel liabilities and liabilities relating to vacation and flextime credits increased cash flow from operating activities.

Cash Flow from Investing Activities

The cash flow from long-term investing activities amounted to €–178.0 million and essentially comprised the cash outflow for investing activities. Compared with the prior-year period (€–275.3 million), the investment volume was substantially lower. Over 50 percent of the funds went toward continued construction at the polysilicon site in Charleston (Tennessee, USA). Acquisitions made in Q1 2014 resulted in a cash inflow of €25.8 million. This figure essentially represents the sum of cash and cash equivalents at Siltronic Silicon Wafer Pte. Ltd. (SSW), which was included in the consolidated financial statements for the first time.

The cash flow from investing activities came to €–177.2 million in the first half of 2014 (6M 2013: €–141.9 million). Alongside fixed-asset investments and acquisitions, it included cash receipts and payments for securities with a term of more than three months.

Net Cash Flow

Net cash flow comprises cash flow from operating activities (excluding advance payments received) and cash flow from long-term investing activities (excluding securities), taking account of additions from finance leases. The corresponding figure for the first six months of 2014 was €154.1 million, as against net cash flow of €26.1 million in the prior-year period.

Cash Flow from Financing Activities

The cash flow from financing activities came to €–166.2 million in the first half of 2014 (6M 2013: €240.5 million). It mainly comprises the cash outflow from the repayment of SSW's external financial debt following Siltronic's acquisition of a majority stake in that company. The capital increase and additional payments were used to redeem SSW's bank loans. The dividend payment by Wacker Chemie AG in the second quarter of 2014 led to a cash outflow of €24.8 million. In 2013, the cash received under the new issues of senior unsecured notes in the USA increased cash flow from financing activities.

Compared with December 31, 2013, cash and cash equivalents were down €83.9 million (6M 2013: increase of €291.1 million), and amounted to €347.9 million as of June 30, 2014 (Dec. 31, 2013: €431.8 million).

Division Results

January 1 through June 30, 2014

Sales

T 2.8

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
WACKER SILICONES	441.2	437.2	0.9	866.5	839.3	3.2
WACKER POLYMERS	285.5	273.4	4.4	524.2	500.1	4.8
WACKER BIOSOLUTIONS	46.6	40.5	15.1	87.3	81.0	7.8
WACKER POLYSILICON	273.2	203.3	34.4	535.2	438.7	22.0
SILTRONIC	210.4	200.1	5.1	414.2	371.3	11.6
Corporate functions/Other	39.5	46.1	–14.3	79.9	93.0	–14.1
Consolidation	–54.1	–50.3	7.6	–107.6	–96.8	11.2
Group sales	1,242.3	1,150.3	8.0	2,399.7	2,226.6	7.8

EBIT

T 2.9

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
WACKER SILICONES	37.5	46.4	–19.2	67.0	80.5	–16.8
WACKER POLYMERS	35.7	35.2	1.4	62.4	61.8	1.0
WACKER BIOSOLUTIONS	6.0	4.4	36.4	8.9	9.6	–7.3
WACKER POLYSILICON	29.6	4.4	> 100	151.3	–0.7	n. a.
SILTRONIC	–9.5	–14.7	–35.4	–36.2	–36.7	–1.4
Corporate functions/Other	–16.8	–24.7	–32.0	–35.1	–31.1	12.9
Consolidation	–0.4	1.5	n. a.	–2.4	1.3	n. a.
Group EBIT	82.1	52.5	56.4	215.9	84.7	> 100

EBITDA

T 2.10

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
WACKER SILICONES	57.4	66.3	–13.4	106.5	120.0	–11.3
WACKER POLYMERS	43.5	44.4	–2.0	77.7	80.1	–3.0
WACKER BIOSOLUTIONS	8.2	5.9	39.0	13.6	12.8	6.2
WACKER POLYSILICON	87.9	64.0	37.3	267.9	116.5	> 100
SILTRONIC	28.1	9.1	> 100	43.1	9.8	> 100
Corporate functions/Other	4.8	–3.0	n. a.	8.3	12.2	–32.0
Consolidation	–0.4	1.5	n. a.	–2.4	1.3	n. a.
Group EBITDA	229.5	188.2	21.9	514.7	352.7	45.9

Reconciliation with Segment Results

T 2.11

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
EBIT of reporting segments	**99.3**	75.7	31.2	**253.4**	114.5	> 100
Corporate functions/Other	**–16.8**	–24.7	–32.0	**–35.1**	–31.1	12.9
Consolidation	**–0.4**	1.5	n. a.	**–2.4**	1.3	n. a.
Group EBIT	**82.1**	52.5	56.4	**215.9**	84.7	> 100
Financial result	**–23.0**	–21.1	9.0	**–46.7**	–35.7	30.8
Income before taxes	**59.1**	31.4	88.2	**169.2**	49.0	> 100

WACKER SILICONES

WACKER SILICONES

T 2.12

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Sales						
External sales	**441.1**	437.0	0.9	**866.4**	839.1	3.3
Internal sales	**0.1**	0.2	–50.0	**0.1**	0.2	–50.0
Total sales	**441.2**	437.2	0.9	**866.5**	839.3	3.2
EBIT	**37.5**	46.4	–19.2	**67.0**	80.5	–16.8
EBIT margin (%)	**8.5**	10.6	–	**7.7**	9.6	–
Depreciation	**19.9**	19.9	–	**39.5**	39.5	–
EBITDA	**57.4**	66.3	–13.4	**106.5**	120.0	–11.3
EBITDA margin (%)	**13.0**	15.2	–	**12.3**	14.3	–
Investments	**17.7**	16.0	10.6	**33.2**	30.0	10.7
As of	June 30, 2014	March 31, 2014		June 30, 2014	Dec. 31, 2013	
Number of employees	**4,195**	4,148	1.1	**4,195**	4,109	2.1

WACKER SILICONES achieved total second-quarter sales of €441.2 million (Q2 2013: €437.2 million), up 1 percent on the strong prior-year quarter. Compared with Q1 2014 (€425.3 million), sales rose almost 4 percent. Amid healthy demand for its products and higher volumes, the division more than offset not only the unfavorable exchange-rate effects caused by the weak US dollar, but also the year-on-year drop in prices in certain product segments. First-half sales at WACKER SILICONES totaled €866.5 million (6M 2013: €839.3 million), up over 3 percent year on year.

In the quarter under review, business developed especially well for silicones used in industrial applications and the automotive industry, while pyrogenic silica volumes were also high. Silicones for the personal-care and paper-coating segments and for energy applications did not perform as well.

Pyrogenic silica production facilities operated at full capacity between April and June 2014. Plant utilization for siloxane – a raw material – averaged about 85 percent overall during the quarter under review, in spite of a scheduled plant shutdown for maintenance purposes at the Nünchritz site. In regional terms, second-quarter sales in Germany, Asia and the Americas were higher than a year earlier. Europe was at the prior-year level. Quarter-on-quarter sales rose in all regions, apart from Germany.

Higher Production Costs and Raw-Material Prices Weigh on Earnings

WACKER SILICONES' second-quarter EBITDA (earnings before interest, taxes, depreciation and amortization) totaled €57.4 million (Q2 2013: €66.3 million), a good 13 percent lower than a year earlier, but 17 percent higher than in the preceding quarter (€49.1 million). The EBITDA margin for the second quarter of 2014 was 13.0 percent, after 15.2 percent in the prior-year period and 11.5 percent in Q1 2014. For the six months through June 2014, WACKER SILICONES reported EBITDA of €106.5 million (6M 2013: €120.0 million) – around 11 percent below the year-earlier figure. Consequently, the first-half EBITDA margin was 12.3 percent (6M 2013: 14.3 percent).

There are various reasons why WACKER SILICONES' second-quarter EBITDA was below the prior-year figure. During the quarter under review, the Nünchritz site's siloxane facilities were shut down for scheduled maintenance work. The shutdown increased average siloxane production costs. In addition, methanol prices rose year on year, which reduced earnings slightly. To strengthen its profitability, WACKER SILICONES is aiming to implement price rises wherever market conditions and customer contracts allow.

WACKER SILICONES invested €17.7 million in the second quarter of 2014 compared with €16.0 million a year earlier. Capital expenditures primarily went toward expanding capacities for downstream silicone products. In the six months from January through June 2014, investments came in at €33.2 million (6M 2013: €30.0 million).

The number of employees at WACKER SILICONES was 4,195 as of June 30, 2014 (March 31, 2014: 4,148).

WACKER POLYMERS

WACKER POLYMERS

T 2.18

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Sales						
External sales	**279.4**	268.6	4.0	**512.8**	490.1	4.6
Internal sales	**6.1**	4.8	27.1	**11.4**	10.0	14.0
Total sales	285.5	273.4	4.4	524.2	500.1	4.8
EBIT	35.7	35.2	1.4	62.4	61.8	1.0
EBIT margin (%)	**12.5**	12.9	–	**11.9**	12.4	–
Depreciation	**7.8**	9.2	–15.2	**15.3**	18.3	–16.4
EBITDA	43.5	44.4	–2.0	77.7	80.1	–3.0
EBITDA margin (%)	**15.2**	16.2	–	**14.8**	16.0	–
Investments	**10.2**	5.3	92.5	**17.1**	13.2	29.5
As of	June 30, 2014	March 31, 2014		June 30, 2014	Dec. 31, 2013	
Number of employees	**1,399**	1,398	0.1	**1,399**	1,377	1.6

The usual spring upturn in the construction sector, which made for a strong start to 2014, continued to spur customer demand at WACKER POLYMERS in the second quarter as well. Between April and June, the division generated total sales of €285.5 million (Q2 2013: €273.4 million), up a good 4 percent compared with Q2 2013 and nearly 20 percent more than Q1 2014 (€238.7 million). In the six months through June 2014, WACKER POLYMERS generated sales of €524.2 million (6M 2013: €500.1 million) – almost 5 percent more than a year earlier.

Demand was particularly strong for dispersible polymer powders. Here, the division posted a double-digit increase in volumes both year on year and quarter on quarter. Dispersion business, especially adhesives and coatings, expanded too. Sales growth, however, was impeded by exchange-rate effects due to the strong euro. Overall, the prices of dispersions and dispersible polymer powders during the reporting period were somewhat below the prior-year level. But the prices of individual product groups did edge up quarter on quarter. Capacity utilization at WACKER POLYMERS' production facilities was strong, exceeding 80 percent in Q2 2014.

Viewed by region, sales grew mainly in Europe and the Americas compared with Q2 2013. Asia remained roughly at the prior-year level. During the reporting period, all regions experienced quarter-on-quarter sales growth, which reached double-digit figures everywhere, apart from in Germany.

Price Rises Aim to Offset Higher Raw-Material Costs

WACKER POLYMERS generated second-quarter EBITDA (earnings before interest, taxes, depreciation and amortization) of €43.5 million (Q2 2013: €44.4 million). Earnings were thus around 2 percent lower than in Q2 2013, but thanks to higher volumes, over 27 percent more than in Q1 2014 (€34.2 million). The EBITDA margin in the reporting quarter was therefore 15.2 percent, after 16.2 percent in Q2 2013 and 14.3 percent in Q1 2014. WACKER POLYMERS generated total first-half EBITDA of €77.7 million (6M 2013: €80.1 million). That corresponds to an EBITDA margin of 14.8 percent (6M 2013: 16.0 percent).

The much higher cost of vinyl acetate monomer had an impact on WACKER POLYMERS' earnings. To offset its higher costs at least in part, the division is introducing further price rises for its products. Effective May 1, 2014, WACKER POLYMERS raised its prices for VINNAPAS® dispersible polymer powders and solid resins worldwide. Where permitted by existing customer contracts, prices of dispersible polymer powders will increase by up to 7 percent, and those of solid resins by up to 9 percent.

WACKER POLYMERS invested €10.2 million in the second quarter of 2014 compared with €5.3 million a year earlier. In the first half of 2014, investments amounted to €17.1 million (6M 2013: €13.2 million). The division is currently expanding its production capacities for dispersible polymer powders at the site in Burghausen (Germany), where it is constructing a new spray dryer with an annual capacity of 50,000 metric tons. This facility is scheduled for completion in the first quarter of 2015 and will be one of the largest of its kind worldwide. Overall, some €20 million has been budgeted for this project. As already announced, there are also plans to expand dispersible polymer powder production capacities at the Nanjing site (China). A series of individual measures are intended to eliminate production bottlenecks at the site and, as a result, enhance productivity. Once these measures are completed, WACKER expects – depending on the product mix – to be able to produce up to 60,000 metric tons of dispersible polymer powder at Nanjing annually.

WACKER POLYMERS had 1,399 employees as of June 30, 2014 (March 31, 2014: 1,398).

WACKER BIOSOLUTIONS

WACKER BIOSOLUTIONS

T 2.14

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Sales						
External sales	46.6	40.5	15.1	87.3	81.0	7.8
Internal sales	–	–	n. a.	–	–	n. a.
Total sales	46.6	40.5	15.1	87.3	81.0	7.8
EBIT	6.0	4.4	36.4	8.9	9.6	–7.3
EBIT margin (%)	12.9	10.9	–	10.2	11.9	–
Depreciation	2.2	1.5	46.7	4.7	3.2	46.9
EBITDA	8.2	5.9	39.0	13.6	12.8	6.2
EBITDA margin (%)	17.6	14.6	–	15.6	15.8	–
Investments	1.1	1.5	–26.7	2.3	4.1	–43.9
As of	June 30, 2014	March 31, 2014		June 30, 2014	Dec. 31, 2013	
Number of employees	472	461	2.4	472	371	27.2

WACKER BIOSOLUTIONS achieved total second-quarter sales of €46.6 million (Q2 2013: €40.5 million), a rise of over 15 percent. Relative to the preceding quarter (€40.7 million), sales were up nearly 15 percent. For the six months from January through June 2014, the division's sales totaled €87.3 million, increasing almost 8 percent from €81.0 million in the year-earlier period. The rise is mainly due to the acquisition of Scil Proteins Production GmbH. In addition, higher sales of cyclodextrins and gumbase polymers had a positive impact on business.

WACKER BIOSOLUTIONS also increased its EBITDA (earnings before interest, taxes, depreciation and amortization). The division generated EBITDA of €8.2 million in the reporting quarter (Q2 2013: €5.9 million), up €2.3 million on the prior-year period and €2.8 million more than in Q1 2014 (€5.4 million). Growth was primarily due to the acquisition of Scil Proteins Production GmbH. The EBITDA margin for the second quarter of 2014 was 17.6 percent, compared with 14.6 percent a year ago and 13.3 percent in the preceding quarter. For the full first half of 2014, EBITDA at WACKER BIOSOLUTIONS amounted to €13.6 million (6M 2013: €12.8 million). That corresponds to an EBITDA margin of 15.6 percent (6M 2013: 15.8 percent).

Where permitted by existing customer contracts, the division substantially increased its prices for food-grade polyvinyl acetate (PVAc) in June 2014 in order to at least partially offset the considerable rise in the cost of vinyl acetate monomer (VAM). The price increases took effect immediately and applied worldwide. VAM is a crucial raw material used to manufacture PVAc solid resins.

In the reporting quarter, the division invested a total of €1.1 million (Q2 2013: €1.5 million). Capital expenditures in the first six months of 2014 amounted to €2.3 million (6M 2013: €4.1 million). Moreover, the division acquired Scil Proteins Production GmbH for around €14 million at the start of the year. Due to this acquisition, WACKER BIOSOLUTIONS now has bioreactors with a capacity of up to 1,500 liters.

WACKER BIOSOLUTIONS had 472 employees as of June 30, 2014 (March 31, 2014: 461).

WACKER POLYSILICON

WACKER POLYSILICON

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€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Sales						
External sales	247.7	180.7	37.1	483.1	397.3	21.6
Internal sales	25.5	22.6	12.8	52.1	41.4	25.8
Total sales	273.2	203.3	34.4	535.2	438.7	22.0
EBIT	29.6	4.4	> 100	151.3	–0.7	n. a.
EBIT margin (%)	10.8	2.2	–	28.3	–0.2	–
Depreciation	58.3	59.6	–2.2	116.6	117.2	–0.5
EBITDA	87.9	64.0	37.3	267.9	116.5	> 100
EBITDA margin (%)	32.2	31.5	–	50.1	26.6	–
Investments	57.2	89.9	–36.4	110.2	171.0	–35.6
As of	June 30, 2014	March 31, 2014		June 30, 2014	Dec. 31, 2013	
Number of employees	2,076	2,091	–0.7	2,076	2,102	–1.2

WACKER POLYSILICON expanded its business substantially in Q2 2014. Thanks to markedly higher volumes and better prices than a year ago, the division's total second-quarter sales rose a good 34 percent to €273.2 million (Q2 2013: €203.3 million). The division beat its Q1 2014 sales figure (€262.0 million) by over 4 percent because polysilicon prices again rose slightly quarter on quarter. It generated total first-half sales of €535.2 million (6M 2013: €438.7 million), a 22-percent increase on a year earlier.

The outlook for strong photovoltaic growth in countries such as China, Japan and the USA is stimulating customer demand for solar silicon. WACKER POLYSILICON's production plants remained at full capacity during the reporting quarter.

Back in Q1 2014, WACKER and the Chinese Ministry of Commerce reached an amicable agreement on the export of European-made polysilicon to China. The arrangement ensures that WACKER POLYSILICON will be able to continue supplying its solar silicon in China at market-oriented terms. Please refer to page 41 of the Q1 2014 report for details of this agreement.

EBITDA Grows 37 Percent Year on Year

From April through June 2014, WACKER POLYSILICON achieved earnings before interest, taxes, depreciation and amortization (EBITDA) of €87.9 million (Q2 2013: €64.0 million), an increase of 37 percent. The rise was due to higher volumes and better polysilicon prices.

In the first quarter, EBITDA (€180.0 million) had included income of €114.0 million from retained advance payments and damages received. If this non-recurring effect is disregarded, WACKER POLYSILICON's EBITDA in Q2 2014 rose some 33 percent quarter on quarter. No special income was posted during the reporting quarter. During Q2 2013, the division had recognized special income of €23.8 million from retained advance payments and damages received.

WACKER POLYSILICON's second-quarter EBITDA margin rose to 32.2 percent, after 31.5 percent in Q2 2013. Non-recurring effects had played a key role in Q1 2014, with an EBITDA margin of 68.7 percent.

The division generated EBITDA of €267.9 million from January through June (6M 2013: €116.5 million), corresponding to an EBITDA margin of 50.1 percent (6M 2013: 26.6 percent). Adjusted for the special income of €114.0 million explained above, the EBITDA margin for the first half of 2014 came in at 28.8 percent.

WACKER POLYSILICON's second-quarter investments totaled €57.2 million (Q2 2013: €89.9 million). This year-on-year decline of over 36 percent stemmed from project-related factors. In the first half of 2014, investments amounted to €110.2 million (6M 2013: €171.0 million). During the reporting quarter, investing activities continued to focus on completion of the new polysilicon production site in Charleston (Tennessee, USA). The plant facilities are expected to be completed by the middle of next year. Commissioning is to begin in the second half of 2015.

WACKER POLYSILICON had 2,076 employees as of June 30, 2014 (March 31, 2014: 2,091).

SILTRONIC

SILTRONIC

T 2.18

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Sales						
External sales	**209.2**	198.3	5.5	**412.0**	368.0	12.0
Internal sales	**1.2**	1.8	–33.3	**2.2**	3.3	–33.3
Total sales	210.4	200.1	5.1	414.2	371.3	11.6
EBIT	–9.5	–14.7	–35.4	–36.2	–36.7	–1.4
EBIT margin (%)	**–4.5**	–7.3	–	**–8.7**	–9.9	–
Depreciation	**37.6**	23.8	58.0	**79.3**	46.5	70.5
EBITDA	28.1	9.1	> 100	43.1	9.8	> 100
EBITDA margin (%)	**13.4**	4.5	–	**10.4**	2.6	–
Investments	**6.4**	8.3	–22.9	**13.0**	16.6	–21.7
As of	June 30, 2014	March 31, 2014		June 30, 2014	Dec. 31, 2013	
Number of employees	**4,293**	4,363	–1.6	**4,293**	3,746	14.6

Siltronic posted total second-quarter sales of €210.4 million (Q2 2013: €200.1 million). The rise is mainly the result of significantly higher volumes due to the consolidation of Siltronic Silicon Wafer Pte. Ltd. in the WACKER Group. Sales growth was impeded, though, by lower wafer prices and unfavorable exchange-rate effects due to the strong euro. Relative to the preceding quarter (€203.8 million), sales rose by a good 3 percent. This growth was due to slightly higher quarter-on-quarter volumes. Conversely, wafer prices continued to decline during the reporting quarter. In the six months to June 2014, Siltronic's sales totaled €414.2 million (6M 2013: €371.3 million), a rise of close to 12 percent.

Capacity utilization at Siltronic's production facilities was good in Q2 2014, varying from around 75 to over 90 percent depending on wafer diameter.

EBITDA Margin Climbs to Over 13 Percent

Despite persistent price pressure, Siltronic significantly increased its second-quarter EBITDA (earnings before interest, taxes, depreciation and amortization). The main reason for this increase over the prior-year period was the consolidation of Siltronic Silicon Wafer Pte. Ltd. in the Group's financial statements. In addition, the measures taken by Siltronic to reduce its production costs are showing results.

Second-quarter EBITDA of €28.1 million was more than three times the prior-year figure (€9.1 million). Compared with Q1 2014 (€15.0 million), EBITDA nearly doubled. The EBITDA margin improved accordingly, from 4.5 percent in Q2 2013 and 7.4 percent in Q1 2014 to 13.4 percent in the reporting quarter. For the first six months of 2014, Siltronic's EBITDA amounted to €43.1 million (6M 2013: €9.8 million). The first-half EBITDA margin was 10.4 percent (6M 2013: 2.6 percent).

Siltronic invested €6.4 million from April through June 2014 (Q2 2013: €8.3 million). Capital expenditures focused on technology improvements. In the first half of 2014, investments totaled €13.0 million (6M 2013: €16.6 million). In late January, Siltronic increased its stake in its former silicon-wafer joint venture with Samsung to 78 percent. Consideration for the new shares in Siltronic Silicon Wafer Pte. Ltd. was around €45 million. With the acquisition, the company's external financial liabilities were paid off. For further details of this transaction, please refer to pages 44, 68 and 69 of the Q1 2014 report and to pages 74 to 76 of this Interim Report.

Siltronic had 4,293 employees as of June 30, 2014 (March 31, 2014: 4,363).

Other

In Q2 2014, sales posted under “Other” totaled €39.5 million after €46.1 million a year earlier. “Other” EBITDA for the quarter was €4.8 million (Q2 2013: €–3.0 million).

In the six months from January through June 2014, sales amounted to €79.9 million (6M 2013: €93.0 million). EBITDA during the first half of 2014 was €8.3 million (6M 2013: €12.2 million).

As of June 30, 2014, the “Other” segment had 4,323 employees, compared with 4,327 on March 31, 2014. This figure includes, for example, site-management and infrastructure-unit employees at Burghausen and Nünchritz.

Risks and Opportunities

Risk Management and Opportunity Management Are Integral Parts of Corporate Management

As a globally active specialty-chemical and semiconductor company, WACKER is exposed to numerous risks directly attributable to the operational activities of its five divisions. The Group also has a particular responsibility to ensure plant safety and to protect human health and the environment. Active risk management is therefore an integral part of corporate management at the WACKER Group.

WACKER focuses on identifying, evaluating, managing and monitoring risks as part of a transparent risk management and control system for all company processes. The system is based on a defined risk strategy and an efficient reporting procedure. WACKER identifies risks at two levels: for the individual divisions, and at the Group level. All corporate areas are integrated into the risk management system.

WACKER's opportunity management system is a divisional and Group-level instrument. The business divisions, which possess the detailed product and market expertise needed, identify and exploit operational opportunities. Strategic opportunities of overarching importance – such as strategy adjustments, potential acquisitions, collaborations and partnerships – are handled at the Executive Board level.

Current Evaluation and Assessment of Key Risks Facing the WACKER Group

WACKER has defined categories for describing the probability that the relevant risks will occur. These categories provide a framework for understanding our evaluations of individual areas of risk. The categories define the range of probability as follows:

- Unlikely: under 25 percent
- Possible: 25–75 percent
- Likely: over 75 percent

Categories are also used to describe how the occurrence of the risks listed might impact the Group's earnings, net assets and financial position. The possible effect on earnings is assessed using the net method, i.e. after appropriate countermeasures, such as establishing provisions or hedging, have been taken. We have defined the possible financial impact of our three probability categories as follows:

- Low: up to €25 million
- Medium: up to €100 million
- High: over €100 million

The following table shows the current estimation of the extent to which the main risks facing WACKER are likely to occur and how their occurrence might impact the Group's earnings, net assets and financial position. The status describes any changes that may have occurred between the end of the quarter under review and the evaluation given in the Q1 2014 report. The statements refer to fiscal 2014.

Probability and Possible Impact of Our Risks in 2014

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Risk/Category	Probability	Possible Impact	Status
Overall economic risks			
Chemical business	Unlikely	Medium	●
Siltronic	Unlikely	Medium	●
Polysilicon	Unlikely	Medium	●
Sales-market risks			
Chemical-segment overcapacity	Unlikely	Medium	●
Cyclical fluctuations and intense competition on the semiconductor market	Possible	Medium	●
Polysilicon overcapacities and price risks	Possible	Medium	●
Procurement-market risks	Unlikely	Low	▼
Market-trend risks	Unlikely	Low	●
Investment risks	Likely	Medium	●
Production risks	Unlikely	Medium	●
Financial risks			
Credit risks	Unlikely	Low	●
Market-price risks and risks of fluctuating payment flows	Unlikely	Low	●
Liquidity risk	Unlikely	Low	●
Pensions	Unlikely	Low	●
Legal risks	Unlikely	Medium	●
Regulatory risks			
Energy transition	Unlikely	Low	▼
New regulations for upstream, intermediate and downstream products and for production processes	Unlikely	Low	●
IT risks	Unlikely	Medium	●
Personnel-related risks	Unlikely	Low	●
External risks	Unlikely	Low	●

● Unchanged ▼ Decreased ▲ Increased

Risk of Anti-Dumping Proceedings Eliminated

The global economic trend in the year to date clearly suggests that business at WACKER's five divisions will also develop positively in the second half of 2014. Sales at our chemical divisions, polysilicon business and semiconductor-wafer operations are expected to grow.

The WACKER Group's risks and opportunities changed in a number of areas relative to the end of the 2013 fiscal year.

In polysilicon, WACKER anticipates persistently strong solar-silicon demand and sees good prospects for stable prices, given the growth projections for photovoltaics. At the same time, though, the accelerating demand shift toward Asia and the USA, the consolidation processes to reduce supply-side overcapacity, and the regional differences in regulatory provisions involve risks that should not be underestimated. The agreement between WACKER and the Chinese Ministry of Commerce on imports of European solar-grade silicon to the Chinese market has been in place since May 1, 2014 and ensures that WACKER POLYSILICON will continue to be able to supply its products in China at market-oriented terms.

Contracts for the remaining subcontracting work were awarded to ensure that the new site in Charleston (Tennessee, USA) can begin ramping up production on schedule in the second half of 2015. As the chemical industry has initiated a series of large-scale projects to take advantage of the shale-gas boom in the USA, the resulting competitive situation means the cost of materials and assembly for the Charleston project will be higher than originally planned. On the basis of the contracts awarded, we consider it likely that the total investment volume will range from $2.3 billion to $2.4 billion. At the same time, further production-process improvements offer us an opportunity at the Charleston plant to achieve higher output than initially expected.

In semiconductors, market growth is chiefly driven by increased demand for 300 mm wafers. According to our estimates, price pressures will persist due to overcapacity. We currently see opportunities to increase prices selectively in individual product families. Siltronic's acquisition of a majority stake in the former Samsung joint venture in Singapore has strengthened its market presence and competitive position.

Since the WACKER Group's raw-material and energy expenditures account for a large part of the cost of goods sold, price trends on procurement markets and the availability of certain raw materials have a crucial impact on earnings and corporate success. Vinyl acetate monomer (VAM), in particular, has become considerably more expensive since the start of the year. However, we anticipate that VAM prices will decline somewhat during the second half of the year.

The regulatory risks and uncertainties posed by amendments to the German Renewable Energy Act ("EEG") and by special compensation rules for energy-intensive companies have diminished, due to Germany's conclusion of the legislative procedure and its agreement with the European Commission. On the basis of the amendments now passed, energy-intensive companies that compete on international markets will remain largely exempt from the EEG levy. The same applies to any electricity that companies generate themselves in existing plants. The German government and EU Commission have reached agreement over the future extent of rebates granted to industry under the system to promote eco-electricity. As a result, the risks from the EU's ongoing state-aid proceedings against the Federal Republic of Germany have lessened.

Additional detailed explanations regarding risks and opportunities facing WACKER's product portfolio and the specific risks and opportunities facing the individual divisions, corporate functions, market segments and sales regions, our assessment of their probability and the measures we take to counter these risks are described in detail in our 2013 Annual Report in the "Risk Management Report" section on pages 141 to 159 and in the "Opportunities Report" section on pages 160 to 162.

Executive Board Evaluation of Overall Risk

Global economic trends to date and current economic forecasts confirm our estimation that WACKER's operational business will remain on its positive trajectory in the second half of 2014. We see good prospects for lifting volumes further at every WACKER division and will use the opportunities that arise to increase the prices of our products, market conditions permitting.

The political and military conflicts in Eastern Europe and the Middle East pose a certain danger to the stability of global trade relations and to energy and raw-material supply security. According to our estimates, though, these risks are manageable.

In the solar industry, competitive conditions remain challenging. However, strong photovoltaic growth outside of Europe and accelerating demand for high-quality solar silicon offer us – as a technology and cost leader – good opportunities to continue expanding our polysilicon business in a profitable manner.

As of this report's publication date, the Group's Executive Board does not, overall, see any individual or aggregate risk that could endanger WACKER's future in any material way. WACKER remains strategically, financially and operationally well placed to take advantage of any opportunities that arise.

Munich, August 1, 2014
Wacker Chemie AG's Executive Board

Events after the Balance Sheet Date

June 30, 2014

WACKER terminated or restructured contracts with solar-sector customers in July 2014. This will result in special income for Q3 2014 of some €90 million from retained advance payments and damages received, which will increase EBITDA and EBIT at WACKER POLYSILICON and within the Group.

No further material events occurred between the balance sheet date of June 30, 2014 and the publication of this Interim Report. There were no fundamental changes in the WACKER Group's overall economic and business environment. The company's legal and organizational structures likewise remained unchanged.

Outlook and Forecast

Overall Economic Situation and Sector-Specific Conditions

Global Growth Is Strengthening – Key Impetus from Advanced Economies

According to the latest forecasts, global activity will strengthen during the second half of 2014 and accelerate slightly in 2015. Advanced economies and emerging-market and developing economies are likely to see the pace of activity pick up next year. The risks to world trade posed by the ongoing political and military conflicts in Ukraine and the Middle East persist. Reducing sovereign debt in the USA and southern European countries remains an important item on the international political agenda.

After global growth slowed somewhat in the first half of 2014, the International Monetary Fund (IMF) expects momentum to pick up through until the end of 2014 and beyond. The IMF forecasts that the global economy will grow by 3.4 percent this year and by 4.0 percent in 2015, with the advanced economies posting growth of 1.8 percent in 2014 and 2.4 percent next year. Economic activity in the emerging-market economies of Asia, South America and Eastern Europe is predicted to grow by 4.6 percent this year and 5.2 percent in 2015.[1]

Over the next 18 months, economic growth in Asia will gain some momentum, coming in at 6.4 in 2014 and 6.7 percent in 2015. China's growth dynamics are expected to weaken slightly, at 7.4 percent this year and 7.1 percent in 2015. On the other hand, the upturn in India – where GDP is forecast to rise by 5.4 percent in 2014 and 6.4 percent next year – appears to be gaining momentum.[1]

According to the latest estimates of the Organisation for Economic Co-operation and Development (OECD), the Japanese economy will recover from the setback of Q2 2014 during the second half. Economic expansion of 1.2 percent is projected for full-year 2014. The OECD expects growth in Japan to stabilize at 1.2 percent in 2015.[2]

The IMF is predicting a strong upturn in the USA next year, with growth rising from 1.7 percent this year to 3.0 percent in 2015.[1]

In the eurozone, the OECD anticipates that growth will increase by 1.2 percent in the current year and by 1.7 percent next year. However, much will depend on whether, and how, economic reforms move forward in southern and southeastern Europe, and also in countries such as France.[2] According to the latest Deutsche Bundesbank forecast, German GDP will increase by 1.9 percent this year and 2.0 percent next year.[3]

[1] International Monetary Fund, World Economic Outlook Update: An Uneven Global Recovery Continues, Washington, July 24, 2014

[2] Organisation for Economic Co-operation and Development (OECD), Economic Outlook No. 95, Paris, May 6, 2014

[3] Deutsche Bundesbank, Monthly Report, June 2014, Chapter: Outlook for the German economy, Frankfurt, June 13, 2014

The European Chemical Industry Council (Cefic) expects the chemical industry in Europe to lift production output by 2.0 percent in the current year and by 1.5 percent in 2015.[1] In Germany, the country's Chemical Industry Association (VCI) is predicting a similar trend there. After strong production growth in the first half of 2014, the VCI estimates that German chemical output will show a full-year increase of 2.0 percent. With prices falling slightly (–0.5 percent), the VCI expects chemical-sector sales to improve accordingly, by 1.5 percent to approximately €193 billion.[2]

In the semiconductor industry, Gartner's market researchers have upgraded their expectations substantially. For full-year 2014, they now predict that global volumes of semiconductor wafers (by surface area sold) will climb by 10.5 percent, with sales up 12.6 percent to around $8.94 billion. For 2015, Gartner anticipates that volumes (by surface area sold) will grow by only 3.1 percent. Global semiconductor-wafer sales for 2015 are projected to reach about $9.45 billion, an increase of 5.7 percent.[3]

Forecasts for the solar industry are optimistic. Analysts at UBS estimate that newly installed photovoltaic capacity will increase globally by 22 percent to around 45 gigawatts this year, and are forecasting growth of 17 percent to over 52 gigawatts in 2015. In both 2014 and 2015, China, Japan and the USA are expected to be the top countries in terms of newly installed capacity,[4] a trend confirmed by our own market surveys. WACKER expects newly installed photovoltaic capacity worldwide to be between 44 and 50 gigawatts this year and anticipates further growth for 2015.

Strategic Focus Stays on Profitable Growth in Selected Regions and Market Segments

Three priorities will continue to determine WACKER's business strategy over the next two years:

- Expansion into emerging markets and regions
- Innovations
- Substitution of existing products with WACKER products

Brazil, China, India, Southeast Asia and the Middle East remain the focal regions for further growth, with China offering the greatest potential. We also see opportunities for increasing sales in the USA, an established market.

As part of its policy of international expansion, WACKER will transfer even more operational responsibility to the regions in the future so that its products can be better geared to local requirements. To this end, the company will continue to expand its network of technical competence centers, sales offices and WACKER ACADEMY training facilities.

In past years, WACKER invested substantial capital in expanding its global production capacities. Capital expenditures focused primarily on major facilities for upstream products in order to secure further growth and increase the Group's worldwide presence. These major investment projects are now finished, except for the completion of the Tennessee production site in the USA.

[1] European Chemical Industry Council (Cefic), Chemical industry benefits from general economic recovery, Brussels, June 20, 2014
[2] VCI (German Chemical Industry Association), Press Release: Chemical companies are doing good business, Frankfurt, July 9, 2014
[3] Gartner Market Statistics, Forecast: Semiconductor Silicon Wafers, Worldwide, 2Q14 Update, Stamford (USA), July 10, 2014
[4] UBS, Solar Industry: Is grid parity around the corner?, London, June 10, 2014

In addition to completing this new site in Charleston, Tennessee, WACKER will concentrate on expanding its divisions' facilities for downstream products. Examples include the new spray dryer being built in Burghausen for dispersible polymer powders, and the planned expansion of polymer-powder capacity at the Nanjing site in China. The purpose of these activities is to strengthen WACKER's position in its sales markets and enable it to meet the anticipated growth in demand.

Over the next few years, WACKER's strategic focus will be on improving the profitability of its operating activities and generating a positive net cash flow. On the products side, the main emphasis will be on increasing the share of high-end products in the portfolio, thereby strengthening profitability.

Please refer to the "Outlook" section of WACKER's 2013 Annual Report (pages 165 to 178) for detailed comments on future products and services, R&D, production, procurement and logistics, sales and marketing, employees, financing, and our expected liquidity and financial position.

The targets, strategies and processes presented there did not change substantially in Q2 2014. At the moment, we do not envisage any major changes in the business policies, corporate goals or organizational orientation of the WACKER Group.

The "Group Business Fundamentals" and "Goals and Strategies" sections of WACKER's 2013 Annual Report (pages 55 to 71) provide detailed explanatory notes on the individual aspects of the Group's structure and activities, its management-process organization, its corporate goals, strategies, financing and operational-control instruments, and the strategies of the five individual WACKER divisions.

Group Sales Up in Full-Year 2014 Amid Higher Volumes, with Special Income Supporting Earnings

Two factors will have a decisive influence on WACKER's sales and earnings performance in full-year 2014:

- The first-time consolidation of Singapore-based Siltronic Silicon Wafer Pte. Ltd. will have a positive effect on Siltronic's sales and EBITDA. Since the start of the year, Siltronic has held a 78-percent stake in this former joint venture with Samsung.

- Special income from the restructuring of a supply contract with a solar-sector customer increased WACKER POLYSILICON's EBITDA and EBIT by €114.0 million in Q1 2014. Q3 2014 will see additional special-income items totaling around €90 million.

Both these factors have been given due consideration in projections of WACKER's performance in 2014.

WACKER's key financial performance indicators are unchanged – namely EBITDA margin, ROCE, EBITDA and net cash flow. WACKER's main assumptions in its planning relate to raw-material and energy costs, personnel expenses and exchange rates.

At the end of Q1 2014, we adjusted our exchange-rate assumptions to match the latest trends. Our planning for the final six months of 2014 remains based on euro exchange rates of $1.40 and ¥140.

WACKER expects volumes to rise at each of its divisions in 2014. In its planning assumptions, WACKER's Executive Board anticipates that silicon-wafer prices will remain low (at levels below those of the prior year), and polysilicon prices will be somewhat above the year-earlier level. We expect prices for semiconductor wafers to continue declining in Q3 2014. From our current perspective, there will be opportunities for selective price rises in individual product families. At the moment, we do not anticipate any significant changes in polysilicon prices in Q3 relative to the reporting quarter. Price trends in the chemical business are unlikely to be uniform. In dispersible polymer powders and dispersions, price rises are currently being implemented to compensate for increased raw-material costs. In silicones, we chiefly see opportunities for higher prices with standard products.

Overall, Group sales are projected to increase by a mid-single-digit percentage in 2014 and to grow further in 2015. This forecast assumes that the world economy will stay on its growth path – as predicted by key economic analyses and forecasts – and that there are no unforeseeable slumps in WACKER's major sales regions and market sectors.

From today's perspective, sales will grow not only at our chemical divisions, but also at WACKER POLYSILICON and Siltronic. In terms of regional trends, Asia offers the biggest sales and growth potential for WACKER products.

We have upgraded our expectations for Group EBITDA (earnings before interest, taxes, depreciation and amortization), and are now proceeding on the assumption that EBITDA will be at least one-third higher than a year earlier (previously: at least 10 percent). That will result in a significantly improved EBITDA margin (previously: a slight increase). In addition to the better operations trend, a key factor lifting earnings is special-income items at WACKER POLYSILICON. Retained advance payments and damages received, due to terminated or restructured polysilicon supply contracts, are currently anticipated to total around €210 million in full-year 2014. Higher volumes, further cost savings and the first-time consolidation of Siltronic Silicon Wafer Pte. Ltd. will also have a positive impact on EBITDA. In the silicon-wafer business, prices are likely to remain under pressure. Several standard chemical products could also face continued price pressure.

Amid higher depreciation and a tax rate of over 50 percent, we expect Group net income to be higher than a year earlier.

ROCE will show a marked improvement on 2013's 2.2 percent (previously: a slight rise).

We are aiming for a positive net cash flow in 2014 (previously: a balanced net cash flow). Net cash flow, though, will be substantially lower than last year, given our higher year-on-year investments and the fewer positive effects from our inventory management.

We expect investment spending to be around €550 million in 2014. Investments of a similar amount are budgeted for 2015.

Depreciation will come in at about €600 million in 2014. In this respect, our acquisition of a majority stake in our former joint venture with Samsung accounts for an increase of around €80 million.

Net financial debt will be higher than at the end of last year (€792.2 million), climbing by about €300 million (previously: €300 –400 million). The rise mainly stems from the acquisition of a majority stake in the Samsung joint venture and from current investment spending.

From today's vantage point, the key performance indicators at the Group level will develop as follows:

Outlook for 2014

T 2.18

	Reported for 2013	Outlook for 2014
Key Financial Performance Indicators		
EBITDA margin (%)	15.2	Substantial increase
ROCE (%)	2.2	Substantial increase
EBITDA (€ million)	678.7	At least one-third higher
Net cash flow (€ million)	109.7	Positive net cash flow
Supplementary Financial Performance Indicators		
Sales (€ million)	4,478.9	Mid-single-digit % increase
Investments (€ million)	503.7	Approx. 550
Net financial debt (€ million)	792.2	Increase of around 300
Depreciation (€ million)	564.4	Approx. 600

Divisional Sales and EBITDA Trends

We expect sales at WACKER SILICONES to increase slightly in 2014. Growth will be generated mainly in Asia, where rising affluence is prompting higher per-capita consumption of silicone products. Additionally, ever increasing quality demands are accelerating the process of substituting simple products with high-end versions that incorporate silicones. We expect the steepest growth from products for personal care, for the electrical and electronics sectors, and for medical technology. EBITDA is likely to be slightly lower than last year. One reason is the fact that the prior-year figure included a positive non-recurring effect of €13.7 million, stemming from the utilization of provisions for purchase contract obligations in China.

At WACKER POLYMERS, we anticipate that sales will grow compared with last year. The percentage increase is likely to be slightly above the average for the Group. Adhesive and coating applications are among the main growth drivers of dispersions business. In emerging-market economies, we expect further growth with our polymer products for the construction industry. We will continue to pursue market strategies tailored to individual regions in order to maximize growth potential. EBITDA is likely to be just below the prior-year level, mainly because of the higher cost of vinyl acetate monomer (a raw material).

At WACKER BIOSOLUTIONS, we expect sales in 2014 to grow at a percentage rate well above the Group average. The main reason for the increase is the acquisition of Scil Proteins Production GmbH, which is enabling us to expand our biologics business. WACKER BIOSOLUTIONS now has a fermenter with a capacity of up to 1,500 liters, which can be used to manufacture pharmaceutical actives not only for clinical testing, but also for the market-supply phase. EBITDA is projected to come in at roughly the prior-year level.

In WACKER's polysilicon business, both volumes and sales are expected to rise in 2014. Our assumption is that the photovoltaic market will continue on its growth trajectory in the second half of 2014. With demand rising, we expect the price environment for solar silicon to remain positive in the months ahead. Our full-year 2014 EBITDA forecast is for substantial growth compared with last year. EBITDA performance will be supported by special-income items from retained advance payments and damages received. The operating EBITDA margin is also likely to improve relative to the prior year.

At Siltronic, we anticipate that sales will grow in 2014 at a rate higher than the Group average. This growth is due primarily to the consolidation of Siltronic Silicon Wafer Pte. Ltd., which is now 78 percent owned by Siltronic. As previously, we expect price pressure to impede sales throughout the year. We see opportunities to increase prices selectively in individual product families. For 300 mm silicon wafers, we expect market growth to continue. In the 200 mm and smaller-diameter segments, our current estimate is for stable demand. We expect EBITDA to be considerably higher than in 2013 owing to the inclusion of Siltronic Silicon Wafer Pte. Ltd. in WACKER's consolidated financial statements.

Executive Board Statement on Overall Business Expectations

On the basis of the latest economic and industry forecasts, WACKER assumes that the global economy will remain on its growth trajectory in the second half of 2014 and in 2015.

We have upgraded a number of our expectations as regards WACKER's performance in full-year 2014. Now, our EBITDA projection is for a substantial increase of at least one-third compared with last year. EBITDA will be markedly influenced by special-income items from our polysilicon business. In addition, the inclusion of Siltronic Silicon Wafer Pte. Ltd. in the consolidated financial statements will have a positive impact on EBITDA. We are forecasting a slight decline in energy and raw-material costs – the main factors affecting the cost of goods sold – and, overall, expect them to be just under last year's levels.

ROCE will show a marked increase compared with a year earlier. Investments will edge up year on year, reaching about €550 million. Depreciation will be slightly above that figure, coming in at around €600 million – somewhat higher than last year. Our target for net cash flow is to post a positive result. Net financial debt will climb by about €300 million. Group net income is expected to be higher than last year.

WACKER supplies outstanding products and holds at least a No. 3 position in the markets of its four biggest divisions. The Group's technological and innovative strength and its presence in key markets offer us a firm basis for reinforcing and even expanding our market positions.

Given the current positioning of WACKER and our ongoing strategic approach, we consider the Group well equipped to continue growing profitably beyond 2014.

Munich, August 1, 2014
Wacker Chemie AG's Executive Board

Consolidated Statement of Income

January 1 through June 30, 2014

Consolidated Statement of Income

T 3.1

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Sales	**1,242.3**	1,150.3	8.0	**2,399.7**	2,226.6	7.8
Cost of goods sold	**–1,007.9**	–968.9	4.0	**–2,000.9**	–1,921.3	4.1
Gross profit from sales	**234.4**	181.4	29.2	**398.8**	305.3	30.6
Selling expenses	**–69.4**	–68.8	0.9	**–137.2**	–133.8	2.5
Research and development expenses	**–43.2**	–42.1	2.6	**–91.1**	–82.2	10.8
General administrative expenses	**–32.0**	–24.9	28.5	**–62.1**	–49.3	26.0
Other operating income	**24.8**	51.6	–51.9	**167.8**	172.3	–2.6
Other operating expenses	**–33.1**	–37.2	–11.0	**–60.8**	–109.6	–44.5
Operating result	**81.5**	60.0	35.8	**215.4**	102.7	> 100
Result from investments in joint ventures and associates	**0.6**	–7.5	n. a.	**0.5**	–18.0	n. a.
EBIT (earnings before interest and taxes)	**82.1**	52.5	56.4	**215.9**	84.7	> 100
Interest income	**1.7**	3.9	–56.4	**3.5**	7.9	–55.7
Interest expenses	**–10.7**	–11.0	–2.7	**–22.4**	–19.3	16.1
Other financial result	**–14.0**	–14.0	–	**–27.8**	–24.3	14.4
Financial result	**–23.0**	–21.1	9.0	**–46.7**	–35.7	30.8
Income before taxes	**59.1**	31.4	88.2	**169.2**	49.0	> 100
Income taxes	**–29.7**	–16.3	82.2	**–75.6**	–28.8	> 100
Net income for the period	**29.4**	15.1	94.7	**93.6**	20.2	> 100
Of which						
Attributable to Wacker Chemie AG shareholders	**32.0**	13.6	> 100	**99.0**	17.7	> 100
Attributable to non-controlling interests	**–2.6**	1.5	n. a.	**–5.4**	2.5	n. a.
Earnings per share in € (basic/diluted)	**0.64**	0.27	> 100	**1.99**	0.36	> 100
Average number of shares outstanding (weighted)	**49,677,983**	49,677,983	–	**49,677,983**	49,677,983	–

Consolidated Statement of Comprehensive Income

January 1 through June 30, 2014

January to June

T 3.2

€ million	2014			2013		
	Before taxes	Deferred taxes		Before taxes	Deferred taxes	
Net income for the period			93.6			20.2
Items not subsequently reclassified to the statement of income						
Remeasurement of defined benefit plans	–280.2	76.8	–203.4	116.2	–27.6	88.6
Sum of items not reclassified to the statement of income	–280.2	76.8	–203.4	116.2	–27.6	88.6
Items subsequently reclassified to the statement of income						
Difference from foreign currency translation adjustments	–5.0	–	–5.0	2.1	–	2.1
Of which recognized in profit and loss	–17.5	–	–17.5	–	–	–
Changes in market values of the securities available for sale	0.3	–	0.3	–0.3	–	–0.3
Changes in market values of derivative financial instruments (cash flow hedge)	–9.3	2.6	–6.7	–6.2	1.7	–4.5
Of which recognized in profit and loss	–8.0	2.2	–5.8	–0.7	0.2	–0.5
Effects of net investments in foreign operations	2.6	–	2.6	1.4	–	1.4
Of which recognized in profit and loss	2.6	–	2.6	–	–	–
Share of cash flow hedge in associates accounted for using the equity method	0.1	–	0.1	–0.7	–	–0.7
Non-controlling interests	0.7	–	0.7	–0.9	–	–0.9
Sum of items reclassified to the statement of income	–10.6	2.6	–8.0	–4.6	1.7	–2.9
Income and expenses recognized in equity	–290.8	79.4	–211.4	111.6	–25.9	85.7
Total income and expenses reported			–117.8			105.9
Of which						
Attributable to Wacker Chemie AG shareholders			–113.1			104.3
Attributable to non-controlling interests			–4.7			1.6

Consolidated Statement of Comprehensive Income

April 1 through June 30, 2014

April to June

T 3.3

€ million	2014			2013		
	Before taxes	Deferred taxes		Before taxes	Deferred taxes	
Net income for the period			29.4			15.1
Items not subsequently reclassified to the statement of income						
Remeasurement of defined benefit plans	–142.5	39.5	–103.0	64.6	–16.5	48.1
Sum of items not reclassified to the statement of income	–142.5	39.5	–103.0	64.6	–16.5	48.1
Items subsequently reclassified to the statement of income						
Difference from foreign currency translation adjustments	13.8	–	13.8	–23.4	–	–23.4
Of which recognized in profit and loss	–	–	–	–	–	–
Changes in market values of the securities available for sale	0.3	–	0.3	–0.2	–	–0.2
Changes in market values of derivative financial instruments (cash flow hedge)	–5.8	1.6	–4.2	4.7	–1.3	3.4
Of which recognized in profit and loss	–4.8	1.2	–3.6	–0.9	0.2	–0.7
Effects of net investments in foreign operations	–	–	–	–2.7	–	–2.7
Of which recognized in profit and loss	–	–	–	–	–	–
Share of cash flow hedge in associates accounted for using the equity method	–	–	–	–	–	–
Non-controlling interests	0.3	–	0.3	–1.5	–	–1.5
Sum of items reclassified to the statement of income	8.6	1.6	10.2	–23.1	–1.3	–24.4
Income and expenses recognized in equity	–133.9	41.1	–92.8	41.5	–17.8	23.7
Total income and expenses reported			–63.4			38.8
Of which						
Attributable to Wacker Chemie AG shareholders			–61.1			38.8
Attributable to non-controlling interests			–2.3			–

Consolidated Statement of Financial Position

June 30, 2014

Assets

T 3.4

€ million	June 30, 2014	June 30, 2013	Change in %	Dec. 31, 2013	Change in %
Intangible assets	**32.5**	22.3	45.7	20.4	59.3
Property, plant and equipment	**4,016.2**	3,909.3	2.7	3,784.1	6.1
Investment property	**1.5**	1.5	–	1.5	–
Investments in joint ventures and associates accounted for using the equity method	**19.1**	22.1	–13.6	18.9	1.1
Financial assets	**100.7**	273.0	–63.1	242.8	–58.5
Noncurrent securities	**94.1**	55.7	68.9	120.8	–22.1
Other assets	**3.3**	23.5	–86.0	25.3	–87.0
Income tax receivables	**7.5**	8.8	–14.8	7.6	–1.3
Deferred tax assets	**265.7**	172.2	54.3	165.7	60.4
Noncurrent assets	**4,540.6**	4,488.4	1.2	4,387.1	3.5
Inventories	**689.9**	667.1	3.4	616.9	11.8
Trade receivables	**741.6**	709.8	4.5	614.1	20.8
Other assets	**163.1**	148.4	9.9	191.1	–14.7
Income tax receivables	**37.9**	27.4	38.3	19.5	94.4
Current securities	**95.1**	108.6	–12.4	71.9	32.3
Cash and cash equivalents	**347.9**	483.7	–28.1	431.8	–19.4
Current assets	**2,075.5**	2,145.0	–3.2	1,945.3	6.7
Total assets	**6,616.1**	6,633.4	–0.3	6,332.4	4.5

Equity and Liabilities

T 3.5

€ million	June 30, 2014	June 30, 2013	Change in %	Dec. 31, 2013	Change in %
Subscribed capital of Wacker Chemie AG	**260.8**	260.8	–	260.8	–
Capital reserves of Wacker Chemie AG	**157.4**	157.4	–	157.4	–
Treasury shares	**–45.1**	–45.1	–	–45.1	–
Retained earnings	**2,048.1**	1,989.0	3.0	1,973.9	3.8
Other equity items	**–380.3**	–184.5	> 100	–168.2	> 100
Equity attributable to Wacker Chemie AG shareholders	**2,040.9**	2,177.6	–6.3	2,178.8	–6.3
Non-controlling interests	**25.2**	18.4	37.0	18.3	37.7
Equity	**2,066.1**	2,196.0	–5.9	2,197.1	–6.0
Provisions for pensions	**1,378.2**	1,145.6	20.3	1,079.3	27.7
Other provisions	**156.0**	158.2	–1.4	148.2	5.3
Income tax provisions	**39.8**	36.5	9.0	34.5	15.4
Deferred tax liabilities	**3.7**	2.8	32.1	1.5	> 100
Financial liabilities	**1,140.3**	1,285.0	–11.3	1,247.4	–8.6
Other liabilities	**605.4**	704.2	–14.0	565.8	7.0
Noncurrent liabilities	**3,323.4**	3,332.3	–0.3	3,076.7	8.0
Other provisions	**93.3**	118.6	–21.3	92.8	0.5
Income tax provisions	**64.4**	47.6	35.3	47.1	36.7
Income tax liabilities	**0.2**	0.9	–77.8	1.5	–86.7
Financial liabilities	**317.7**	183.0	73.6	169.3	87.7
Trade payables	**317.7**	350.1	–9.3	309.4	2.7
Other liabilities	**433.3**	404.9	7.0	438.5	–1.2
Current liabilities	**1,226.6**	1,105.1	11.0	1,058.6	15.9
Liabilities	**4,550.0**	4,437.4	2.5	4,135.3	10.0
Total equity and liabilities	**6,616.1**	6,633.4	–0.3	6,332.4	4.5

Consolidated Statement of Cash Flows

January 1 through June 30, 2014

Consolidated Statement of Cash Flows

T 3.6

€ million	Q2 2014	Q2 2013	Change in %	6M 2014	6M 2013	Change in %
Net income for the period	**29.4**	15.1	94.7	**93.6**	20.2	> 100
Depreciation/appreciation of noncurrent assets	**147.4**	135.7	8.6	**298.8**	268.0	11.5
Changes in provisions	**22.1**	26.0	–15.0	**50.5**	55.6	–9.2
Changes in deferred taxes	**–7.1**	–4.4	61.4	**–19.6**	–16.4	19.5
Changes in inventories	**–19.6**	–2.9	> 100	**–37.0**	44.5	n. a.
Changes in trade receivables	**–38.8**	–57.3	–32.3	**–122.6**	–108.9	12.6
Changes in other assets	**40.6**	25.3	60.5	**15.7**	34.1	–54.0
Changes in advance payments received	**–38.2**	–49.7	–23.1	**–73.6**	–108.0	–31.9
Changes in other liabilities	**–26.3**	–4.9	> 100	**48.9**	–0.8	n.a.
Changes from equity accounting	**1.1**	8.9	–87.6	**1.2**	19.4	–93.8
Other non-cash expenses, income and other items	**–0.9**	24.1	n.a.	**2.6**	–14.3	n. a.
Cash flow from operating activities (gross cash flow)	**109.7**	115.9	–5.3	**258.5**	193.4	33.7
Cash receipts and payments for investments	**–98.6**	–110.5	–10.8	**–205.2**	–285.8	–28.2
Proceeds from the disposal of noncurrent assets	**0.3**	10.0	–97.0	**1.4**	10.5	–86.7
Cash receipts and payments for acquisitions	**–**	–	n. a.	**25.8**	–	n. a.
Cash flow from long-term investing activities before securities	**–98.3**	–100.5	–2.2	**–178.0**	–275.3	–35.3
Cash receipts and payments for the acquisition/ disposal of securities	**–0.8**	71.1	n.a.	**0.8**	133.4	–99.4
Cash flow from investing activities	**–99.1**	–29.4	> 100	**–177.2**	–141.9	24.9
Distribution of profit from prior-year net income	**–25.7**	–31.2	–17.6	**–25.7**	–31.2	–17.6
Changes in financial liabilities	**3.6**	277.5	–98.7	**–140.5**	271.7	n.a.
Cash flow from financing activities	**–22.1**	246.3	n. a.	**–166.2**	240.5	n. a.
Changes due to exchange-rate fluctuations	**0.9**	–2.0	n. a.	**1.0**	–0.9	n. a.
Changes in cash and cash equivalents	**–10.6**	330.8	n.a.	**–83.9**	291.1	n.a.
At the beginning of the period	**358.5**	152.9	> 100	**431.8**	192.6	> 100
At the end of the period	**347.9**	483.7	–28.1	**347.9**	483.7	–28.1

Consolidated Statement of Changes in Equity & Reconciliation of Other Equity Items

January 1 through June 30, 2014

Consolidated Statement of Changes in Equity

T 3.7

€ million	Subscribed capital	Capital reserves	Treasury shares	Retained earnings	Other equity items	Total	Non-controlling interests	Total
January 1, 2013	260.8	157.4	–45.1	2,001.1	–271.1	2,103.1	18.2	**2,121.3**
Net income for the period	–	–	–	17.7	–	17.7	2.5	**20.2**
Dividends paid	–	–	–	–29.8	–	–29.8	–1.4	**–31.2**
Income and expenses recognized in equity	–	–	–	–	86.6	86.6	–0.9	**85.7**
June 30, 2013	260.8	157.4	–45.1	1,989.0	–184.5	2,177.6	18.4	**2,196.0**
January 1, 2014	260.8	157.4	–45.1	1,973.9	–168.2	2,178.8	18.3	**2,197.1**
Net income for the period	–	–	–	99.0	–	99.0	–5.4	**93.6**
Dividends paid	–	–	–	–24.8	–	–24.8	–0.9	**–25.7**
Income and expenses recognized in equity	–	–	–	–	–212.1	–212.1	0.7	**–211.4**
Change in scope of consolidation	–	–	–	–	–	–	12.5	**12.5**
June 30, 2014	260.8	157.4	–45.1	2,048.1	–380.3	2,040.9	25.2	**2,066.1**

Reconciliation of Other Equity Items

T 3.8

€ million	Changes in market values of securities available for sale	Difference from foreign currency translation adjustments	Changes in market values of derivative financial instruments (cash flow hedge)	Remeasurement of defined benefit plans	Effects of net investments in foreign operations	Total (excluding non-controlling interests)
January 1, 2013	1.4	3.8	2.4	–278.7	–	**–271.1**
Additions/disposals	–	–	–1.7	93.3	–	**91.6**
Other changes	–0.3	–	–3.0	–4.7	–	**–8.0**
Reclassification in the statement of income	–	–	–0.5	–	–	**–0.5**
Changes in exchange rates	–	2.1	–	–	1.4	**3.5**
June 30, 2013	1.1	5.9	–2.8	–190.1	1.4	**–184.5**
January 1, 2014	0.8	–50.9	10.4	–125.9	–2.6	**–168.2**
Additions/disposals	0.3	–	0.1	–203.4	–	**–203.0**
Other changes	–	–	–0.9	–	–	**–0.9**
Reclassification in the statement of income	–	–17.5	–5.8	–	2.6	**–20.7**
Changes in exchange rates	–	12.5	–	–	–	**12.5**
June 30, 2014	1.1	–55.9	3.8	–329.3	–	**–380.3**

Notes

January 1 through June 30, 2014

Accounting and Valuation Methods

The interim consolidated financial statements of Wacker Chemie AG as of June 30, 2014 have been prepared in accordance with Section 37w of the German Securities Trading Act (WpHG: Wertpapierhandelsgesetz) and with the rules of International Accounting Standard (IAS) 34 as applicable in the European Union, and are presented in condensed form. The accounting and valuation methods applicable in the 2013 fiscal year remain unchanged, but have been supplemented by the new accounting standards to be applied for the first time in 2014. The interim Group management report has been prepared in compliance with the applicable requirements of the German Securities Trading Act. New accounting standards were introduced in 2014, but they had no substantial impact on WACKER's accounting and valuation methods. Under new standards for Group accounting (IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities), consolidation methods have been changed and information in the Notes expanded. In the absence of relevant circumstances, the first-time application of these standards did not result in any change in WACKER Group accounting.

When the interim financial statements are being prepared, it is necessary to make assumptions and estimates affecting the amounts and the reporting of the recognized assets and debts, income and expenses, and contingent liabilities. All assumptions and estimates are based on projections that were valid on the reporting date. The actual values may differ from assumptions and estimates if the economic conditions referred to do not develop in line with the expectations as of the reporting date. Taxes are calculated using the same methods as at year-end, by determining the tax expenses as of the interim reporting date. The option pursuant to IAS 34 of making an estimate is not exercised.

As of each reporting date, the net defined benefit liability must be reassessed and the discount factor newly determined. As of June 30, 2014, discount factors of 3.15 percent in Germany and 4.13 percent in the USA were used to determine the net defined benefit liability (June 30, 2013: 3.75 percent in Germany and 4.76 percent in the USA). As of December 31, 2013, the actuarial interest rate was 3.8 percent in Germany and 4.75 percent in the USA.

As an information tool, interim financial reporting builds on the consolidated financial statements as of the end of fiscal 2013. The accounting, valuation and consolidation methods used and the exercising of options envisaged in IFRS are explained in detail in the Notes.

The Group's parent company, Wacker Chemie AG, is a listed company with headquarters in Munich, Germany. Its address is: Wacker Chemie AG, Hanns-Seidel-Platz 4, 81737 München, Germany. It is registered at the Munich District Court (Amtsgericht) under HRB 159705.

Seasonal Influences

Sales of polymer and silicone products to the construction industry are subject to seasonal fluctuations over the year. Because of the weather, volumes are higher in the summer months than in the winter, when the construction industry's order books are low. This effect can be cushioned by overseas business. Sales, particularly for the WACKER POLYMERS segment, are usually lower in Q1 and Q4 than in Q2 and Q3. Another area of business that is exposed to seasonal variation is road salt, which depends very much on the severity of winter weather in the first and fourth quarters.

Other Financial Obligations

For information on disclosures of other financial obligations, please refer to the Notes to the consolidated financial statements in the 2013 Annual Report.

No material changes have arisen in the current period under review compared with the information provided in the Annual Report for 2013.

New Accounting Standards

The following standards and interpretations of the IASB were applied for the first time in the first six months of 2014:

Standard/ Interpretation		Mandatory from	Endorsed by EU	Anticipated Impact on WACKER
IFRS 10	Consolidated Financial Statements	Jan. 1, 2014	Dec. 11, 2012	IFRS 10 changes the definition of "control" so that the same criteria are applied to all companies in determining control. The standard replaces the consolidation guidelines in the previous IAS 27 and SIC 12. The new rules may lead to major changes in the scope of consolidation compared with the method previously used pursuant to IAS 27. Application of the revised standard has no influence on the current determination of the scope of consolidation for WACKER.
IFRS 11	Joint Arrangements	Jan. 1, 2014	Dec. 11, 2012	IFRS 11 governs the accounting of arrangements where a company exercises joint control over a joint venture or a joint operation. The standard replaces IAS 31. In the future, joint ventures will be accounted for using the equity method only. The option of proportionate consolidation has been abolished. This has no impact on WACKER's earnings, net assets or financial position because WACKER has always accounted for joint ventures using the equity method in the past, as well. WACKER has examined the other effects of IFRS 11, also with respect to joint operations. The analysis did not result in any reassessment of the joint ventures accounted for up to now using the equity method.
IFRS 12	Disclosure of Interests in Other Entities	Jan. 1, 2014	Dec. 11, 2012	IFRS 12 regulates the disclosures in the consolidated financial statements that enable readers of the financial statements to assess the nature, risk and financial effects of the entity's involvement in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Application of the revised standard leads to a substantial broadening of the disclosures in WACKER's consolidated financial statements.

Standard/ Interpretation		Manda-tory from	Endorsed by EU	Anticipated Impact on WACKER
Amendments to IAS 27	Separate Financial Statements	Jan. 1, 2014	Dec. 11, 2012	IAS 27 now only deals with separate financial statements. The existing guidelines for separate financial statements remain unchanged. Application of the revised standard has no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.
Amendments to IAS 28	Investments in Associates and Joint Ventures	Jan. 1, 2014	Dec. 11, 2012	IAS 28 now also governs the accounting of joint ventures using the equity method. Application of the revised standard has no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition Guidance	Jan. 1, 2014	April 4, 2013	The purpose of the amendments is to clarify the transition guidance in IFRS 10. Additionally, they facilitate the transition to IFRS 10, IFRS 11 and IFRS 12. Application of the changes had no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	Jan. 1, 2014	Dec. 13, 2012	This amendment to IAS 32 clarifies the requirements for offsetting of financial instruments. Application of the revised standard had no substantial impact on WACKER's earnings, net assets or financial position.
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	Jan. 1, 2014	Nov. 20, 2013	The changes focus primarily on redefinition of the term "investment entity." In addition, investment entities are exempted from the obligation to consolidate majority-controlled subsidiaries in their consolidated financial statements. The amendments have no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.
Amendments to IAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	Jan. 1, 2014	Dec. 19, 2013	IFRS 13 "Fair Value Measurement" introduced a new rule amending IAS 36 "Impairment of Assets." It requires disclosure of the recoverable amount of every cash-generating unit (or group of cash-generating units) for which a substantial amount of goodwill or substantial intangible assets of indefinite useful life have been recognized. The change limits this disclosure requirement. This provision only applies if impairment or reversal of an impairment loss is recognized in the current period. The amendments in connection with IAS 36 have no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	Jan. 1, 2014	Dec. 19, 2013	Due to the EU regulation on OTC derivatives, central counterparties and trade repositories (also known as EMIR), clearing via a central counterparty is planned for standardized OTC derivatives. As per IAS 39 in its old version, the clearing obligation and the related novation to a central counterparty lead to termination of the hedging relationship under hedge accounting and thus to ineffectiveness compared to the prior hedging relationship. The amendment states that, under certain conditions, clearing via a central counterparty shall not lead to termination of the hedging relationship, and that the hedge shall continue to qualify for hedge accounting in accordance with IAS 39. The amendments in connection with IAS 39 have no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements since WACKER does not have any OTC derivatives that are subject to the clearing obligation.

Standard/ Interpretation		Publi-cation by IASB	Manda-tory from	Endorsed by EU	Anticipated Impact on WACKER
IFRIC 21	Levies	May 20, 2013	Jan. 1, 2014	June 13, 2014	IFRIC 21 "Levies" contains rules for the recognition of obligations to pay public levies that are not defined as taxes within the meaning of IAS 12 "Income Taxes." Application of this interpretation may result in an obligation to pay a levy being recognized in the accounts at a different point in time than previously, especially if the obligation to pay arises only if certain circumstances occur at a certain time. The amendments in connection with IFRIC 21 have no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.

The following standards were approved by the IASB between 2009 and 2014, but their application is not yet mandatory for the period under review or they have not yet been adopted by the EU.

Standard/ Interpretation		Publi-cation by IASB	Manda-tory from	Endorsed by EU	Anticipated Impact on WACKER
IFRS 9	Financial Instruments	Nov. 12, 2009	Jan. 1, 2018	Post-poned	In the future, financial assets will be measured either at amortized cost or at fair value, depending on the business model of the company in question. At the moment, WACKER cannot conclusively assess what impacts the first-time application of this standard will have, should it be endorsed by the EU in its current form.
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	Jan. 1, 2016	Expect-ed in Q1 2015	This standard allows entities preparing IFRS statements for the first time in accordance with IFRS 1 "First-Time Adoption of the International Financial Reporting Standards" to include in these statements so-called regulatory deferral accounts recognized under current national accounting standards for rate-regulated activities, and to allow the entities to continue to prepare their financial statements according to previously applicable accounting methods. The amendments have no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements since WACKER is not a first-time adopter in accordance with IFRS 1.

Standard/ Interpretation		Publi-cation by IASB	Manda-tory from	Endorsed by EU	Anticipated Impact on WACKER
IFRS 9 – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39		Nov. 19, 2013	Jan. 1, 2018	Post-poned	The amendments concern clarifications of the existing regulations as well as new regulations for the hedge accounting model. The goal of the new hedge accounting model under IFRS 9 is to better reflect risk management activities in the financial statements. Cash flow hedge accounting, fair value hedge accounting and hedging of a net investment in a foreign operation remain admissible hedging relationships. In each case, the number of qualifying underlying and hedging transactions was extended. As WACKER cannot yet assess what impact the first-time application of the standard will have, it is also not yet possible to evaluate the potential impact of these amendments to IFRS 9, IFRS 7 and IAS 39.
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	Nov. 21, 2013	July 1, 2014	Expect-ed in Q4 2014	The amendments clarify those regulations that concern the allocation of contributions by employees or third parties to service periods in cases where the contributions are linked to the same period of service. In addition, relief is granted in cases where the contributions are independent of the number of years of service. The amendments have no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.
Improve-ments to IFRS (2010–2012)		Dec. 12, 2013	July 1, 2014	Expect-ed in Q1 2015	The amendments affect IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. Their application has no substantial impact on WACKER's earnings, net assets or financial position.
Improve-ments to IFRS (2011–2013)		Dec. 12, 2013	July 1, 2014	Expect-ed in Q1 2015	The amendments affect IFRS 1, IFRS 3, IFRS 13 and IAS 40. Their application has no substantial impact on WACKER's earnings, net assets or financial position.
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	Expect-ed in Q1 2015	This amendment clarifies that the acquisition and accumulation of interests in joint operations that represent a business (as defined by IFRS 3 "Business Combinations") should be recognized by applying the accounting principles for business combinations in IFRS 3 and other applicable IFRSs, unless these conflict with IFRS 11. This clarification currently has no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	Expect-ed in Q1 2015	The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate since depreciation does not reflect consumption of the expected future economic benefits embodied in the asset. This also applies to intangible assets with a limited useful life. The presumption here, however, can be rebutted. The amendment also clarifies that a decline in sales prices of the goods produced can serve as an indicator of the commercial obsolescence of property, plant and equipment. WACKER uses only straight-line depreciation over the expected useful life of such assets. Thus, the clarification has no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.

Standard/ Interpretation		Publi-cation by IASB	Manda-tory from	Endorsed by EU	Anticipated Impact on WACKER
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2017	Expect-ed in Q2 2015	IFRS 15 sets out that an entity shall recognize revenue whenever the customer obtains control of, and can draw an economic benefit from, the promised goods and services. The transfer of significant risks and rewards of ownership is no longer of primary importance, as was still the case under the old IAS 18 "Revenue" rules. Revenue shall be recognized in an amount that reflects the consideration to which an entity expects to be entitled. The new model provides a five-step framework for recognizing revenue, which first identifies the contract with a customer and the performance obligations it entails, and then determines and allocates the transaction price. The revenue shall be recognized for each individual performance obligation when the customer obtains control of the good or service. WACKER is currently evaluating the new standard to determine its impact on the recognition of revenue. We presently expect the impact on WACKER's earnings, net assets and financial position to be minor. The new standard will result in broader disclosure details in WACKER's financial statements.
Amendments to IAS 16 and IAS 41	Financial Reporting for Bearer Plants	June 30, 2014	Jan. 1, 2016	Expect-ed in Q1 2015	IAS 41 currently requires all biological assets related to agricultural activity to be measured at fair value less estimated costs to sell. According to the amendments, bearer plants are henceforth to be accounted for in the same way as property, plant and equipment in IAS 16 because they are utilized in a similar way. However, the produce growing on bearer plants will remain within the scope of IAS 41. In the absence of relevant circumstances, the amendment has no impact on WACKER's earnings, net assets or financial position, or on the presentation of its financial statements.

Changes in the Scope of Consolidation

As of June 30, 2014, the scope of consolidation comprised 56 companies, including Wacker Chemie AG, and a special-purpose entity. Fifty-two companies were consolidated in the interim financial statements. The scope of consolidation has changed compared with December 31, 2013 as follows.

On January 2, 2014, Wacker Biotech GmbH, a WACKER subsidiary, acquired 100 percent of the shares in Scil Proteins Production GmbH, based in Halle, Germany, by means of a share deal. The acquisition is an opportunity for WACKER BIOSOLUTIONS to strengthen and expand its production capacities for therapeutic proteins. Scil Proteins Production GmbH has experience in protein refolding. Refolding is a key process step for achieving the desired active properties in proteins that cannot be produced in an active form in bacterial cells. This know-how represents a significant addition to WACKER BIOSOLUTIONS' process chain. WACKER will take over the company's production facilities as well as its patent portfolio and customer base.

The purchase price for this company amounts to some €14 million and comprises a lump-sum payment and milestone payments. These were taken into account during purchase price allocation. The milestone payments essentially depend on the achievement of various production, technology and marketing targets.

At the time of the acquisition, fair value of the acquired assets totaled €22.7 million, with €11.2 million in noncurrent assets and €11.5 million in current assets. Fair value of the acquired liabilities amounted to €9.2 million, with €4.3 million in noncurrent liabilities and €4.9 million in current liabilities. The transaction resulted in a small amount of goodwill of €0.3 million. The purchase price allocation was concluded on March 31, 2014. No substantial impact on the Group's sales and earnings resulted from the purchase.

On January 24, 2014, WACKER signed a contract to take over the majority of shares in the joint venture Siltronic Samsung Wafer Pte. Ltd. in Singapore (SSW), which had previously been jointly managed by Siltronic and Samsung on a 50:50 basis. Siltronic subscribed new shares in a capital increase for a total of SG$150 million (equivalent to €86.5 million) and will hold a 77.7-percent stake in the company in the future. Samsung did not subscribe any additional shares in the company, and will carry the company exclusively as a non-controlling interest to maintain good delivery relationships. Following the acquisition of a majority stake, the company was renamed Siltronic Silicon Wafer Pte. Ltd., Singapore.

Siltronic Silicon Wafer Pte. Ltd., Singapore, is a production site for 300 mm wafers in Asia. Since Siltronic's facilities for producing 200 mm wafers in Singapore are in the immediate vicinity, there will be additional benefits from synergies and cost advantages. Due to the declining prices for 300 mm wafers and high depreciation, the company posted negative equity as of the end of fiscal 2013. As part of modifying the joint-venture agreement, the partners agreed to refinance external debt.

To do so, Siltronic and Samsung made payments to repay €195.9 million of financing from external banks. In addition to the capital increase, Siltronic agreed to grant a shareholder loan totaling €28.6 million and make advance payments for future deliveries amounting to €20.0 million. Samsung also agreed to make advance payments for future deliveries amounting to €53.3 million that will serve to pay off external financing. As a result, €195.9 million of the existing total external debt at the time of acquisition (€227.6 million) was paid off. The debt repaid by WACKER was reported in the Group's statement of cash flows under cash flow from financing activities. These transactions had no impact on earnings.

Old shares in Siltronic Silicon Wafer Pte. Ltd. accounted for using the equity method at the time of initial full consolidation were posted with a value of zero due to cumulative losses. Further losses from this investment amounting to €20.6 million were offset with a shareholder loan classified as a net investment. A valuation carried out by an external expert using an actuarial model did not result in any value adjustment of the old shares. The valuation was based on company cash flow planning. As a result of the transition to full consolidation, foreign currency translation adjustments previously recognized directly in equity were realized in the income statement as a non-cash gain of €14.9 million.

The existing contractual relationships between Siltronic and SSW were recognized at fair value or concluded at market prices. These involve shareholder loans issued by Siltronic in the amount of €93.0 million and a shareholder loan carried as a net investment in the amount of €49.2 million. All shareholder loans have the option of conversion to equity. In addition, there are total prepayments and trade receivables or trade payables in the amount of €14.3 million. Furthermore, there is a license agreement, a long-term supply contract with SSW for polysilicon delivery and an obligation to accept delivery of 300 mm wafers. The valuation of these contractual relationships had no effect on earnings, with the exception of the consolidation effect from equity-method accounting in the amount of €20.6 million.

The €86.5 million of the capital increase paid by Siltronic in cash does not fully reflect the value of the newly acquired share in ssw. An amount of €41.3 million is attributable to accumulated losses and thus increases the value of the remaining non-controlling interest. Of this, €20.6 million was set off against the net investment in accordance with equity-method accounting. A further €20.7 million was recognized in profit and loss in connection with the capital increase in Q1 2014. Consideration for the newly subscribed shares therefore amounts to €45.2 million.

Exchange-rate gains from the disposal of the previous stake in the amount of €14.9 million and the compensation of ssw's accumulated losses in the amount of €20.7 million resulted in an overall loss on disposal of €5.8 million, which was recognized under other operating expenses.

The purchase price allocation was concluded on June 30, 2014. Only minor changes were made to the preliminary fair values of assets and liabilities. The following table shows the fair values of the assets and liabilities at the acquisition date:

Fair Value of SSW Assets and Liabilities

T 3.9

€ million	
Capital increase by Siltronic	86.5
Increase in liquidity from the capital increase for SSW	–86.5
Contractual and other relationships prior to acquisition	135.8
Valuation basis for determining goodwill	**135.8**
Financial liabilities*	227.6
Trade payables	8.7
Other liabilities	11.1
Total debt	**247.4**
Intangible assets	–9.8
Property, plant and equipment	–316.0
Inventories	–33.9
Trade receivables, other assets	–8.4
Cash and cash equivalents	–27.0
Total assets	**–395.1**
Non-controlling interests in equity	**12.5**
Goodwill	**0.6**

* Including third-party shareholder loans

The acquired receivables have a fair value of €8.4 million and exclusively comprise trade receivables. The fair value corresponds to the gross value of the receivables.

Samsung's non-controlling share amounts to €12.5 million.

In the period from January 1, 2014 through June 30, 2014, SSW posted sales of €81.8 million, EBITDA of €14.0 million and net income for the period of €–32.8 million.

Acquisition costs incurred in connection with the transactions were only minor, and were recorded in the statement of income.

Segment Reporting

Please refer to the interim management report for the required information on segments.

Information on Fair Value

The fair value of a financial instrument is the price that would be achieved in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table shows the carrying amounts and fair values of the Group's financial assets and liabilities.

Carrying Amounts and Fair Values of Financial Instruments (IFRS 7)

T 3.10

€ million	June 30, 2014		Dec. 31, 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Trade receivables	**741.6**	**741.6**	614.1	614.1
Other financial assets [1]	**377.2**	**388.4**	583.6	573.6
Available-for-sale securities	**194.1**	**194.1**	198.6	198.6
Loans and receivables	**171.8**	**171.8**	362.9	341.7
Available-for-sale financial assets [2]	**n.a.**	**11.2**	n.a.	11.2
Derivative financial instruments	**11.3**	**11.3**	22.1	22.1
Cash and cash equivalents	**347.9**	**347.9**	431.8	431.8
Financial liabilities	**1,441.2**	**1,425.5**	1,389.6	1,378.5
Liabilities from finance leases	**32.5**	**32.5**	38.2	38.2
Trade payables	**317.7**	**317.7**	309.4	309.4
Other financial liabilities [3]	**178.9**	**178.9**	141.4	141.4
Financial liabilities recognized at amortized cost	**146.2**	**146.2**	108.2	108.2
Derivative financial instruments	**32.7**	**32.7**	33.2	33.2

[1] Does not include tax receivables, advance payments made, or accruals and deferrals.
[2] This item contains available-for-sale financial assets the market values of which cannot be calculated reliably and which have been recognized at cost. This item, along with noncurrent loans, is shown in the statement of financial position under noncurrent financial assets.
[3] Includes other liabilities shown in the statement of financial position, with the exception of advance payments received, accruals and deferrals, and tax liabilities.

It was not possible to calculate the fair value of the equity instruments that WACKER measures at amortized cost as no stock-market prices or market values were available. The instruments in question are shares in unlisted companies for which there was no indication of a lasting impairment on the reporting date and the fair value of which cannot reliably be determined. WACKER had no intention of selling any of the shares reported as of June 30, 2014.

The financial assets and liabilities measured at fair value in the balance sheet were allocated to one of three categories in accordance with the fair value hierarchy described in IFRS 13. Allocation to these categories reveals which of the fair values reported were settled through market transactions and the extent to which the measurement was based on models in the absence of observable market transactions. Please refer to the Financial Instruments chapter in the Notes to the consolidated financial statements in the 2013 Annual Report for a definition of the fair value hierarchy and the allocation of financial assets and liabilities to the categories in this hierarchy.

The following table shows the fair-value-hierarchy classification of financial assets and liabilities measured at fair value:

Fair Value Hierarchy

T 3.11

€ million	Fair value hierarchy June 30, 2014				Fair value hierarchy December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Fair value through profit or loss								
Derivatives for which hedge accounting is not used (assets held for trading)	–	3.9	–	3.9	–	5.4	–	5.4
Fair value through other comprehensive income								
Derivatives for which hedge accounting is used	–	7.4	–	7.4	–	16.7	–	16.7
Available-for-sale financial assets	194.1	–	–	194.1	198.6	–	–	198.6
Total	194.1	11.3	–	205.4	198.6	22.1	–	220.7
Financial liabilities measured at fair value								
Fair value through profit or loss								
Derivatives for which hedge accounting is not used (liabilities held for trading)	–	2.0	–	2.0	–	0.8	–	0.8
Fair value through other comprehensive income/ through profit or loss								
Derivatives for which hedge accounting is used	–	30.7	–	30.7	–	32.4	–	32.4
Total	–	32.7	–	32.7	–	33.2	–	33.2

The market value determined in level 1 is based on quoted, unadjusted prices in active markets for the assets and liabilities in question or identical ones. The financial instruments allocated to level 2 are measured using valuation methods based on parameters that are either directly or indirectly derived from observable market data. These include hedging and non-hedging derivative financial instruments, loans and financial debt. In level 3, the market value is determined on the basis of parameters for which no observable prices are available. At the respective reporting date of each quarter, WACKER reviews whether its financial instruments are still appropriately allocated to the fair-value-hierarchy levels. As was the case in the consolidated financial statements for 2013, no reclassifications were carried out between the levels of the fair value hierarchy in the first six months of 2014.

In the period under review, no non-recurring fair value measurements were carried out.

Related Party Disclosures

IAS 24 stipulates that parties which control, or are controlled by, Wacker Chemie AG must be disclosed unless they are already included in Wacker Chemie AG's consolidated financial statements as a consolidated company. A shareholder is deemed to have control if it has more than half of the voting rights in Wacker Chemie AG or, by virtue of provisions in the Articles of Association or contractual arrangements, has the possibility of controlling the financial and business policy of the WACKER Group's Executive Board.

The WACKER Group is affected by the IAS 24 rules mainly with respect to the business relations with Wacker Chemie AG's joint ventures, major shareholders, and Executive and Supervisory Board members. The principles of IAS 24 also apply to all transactions with non-consolidated subsidiaries, associated companies and joint ventures, since Wacker Chemie AG exercises significant influence over them.

The WACKER Group is controlled by its majority shareholder, Dr. Alexander Wacker Familiengesellschaft mbH, which holds over 50 percent of the voting shares in Wacker Chemie AG.

Provision of services between Wacker Chemie AG and its majority shareholder Dr. Alexander Wacker Familiengesellschaft mbH, as well as with the shareholders of Dr. Alexander Wacker Familiengesellschaft mbH and their close family members, is of subordinate importance, and concerns the renting of office space and exchange of services. None of these services is of significant business scope. The provision of services takes place at standard market terms.

Wacker Chemie AG's pension fund is also considered a related party pursuant to IAS 24. Provision of services takes place between the two entities in the area of company pension plan benefits. WACKER makes payments to plan assets to cover pension obligations. Wacker Chemie AG also rents the headquarters building and the property on which it stands from a subsidiary of Pensionskasse der Wacker Chemie VVaG. Overall, expenditures in the period under review amounted to €21.7 million (Q2 2013: €18.4 million). As of June 30, 2014, WACKER had outstanding receivables from the pension fund of €20.4 million (Dec. 31, 2013: €40.3 million).

Apart from that, WACKER Group companies have not conducted any significant transactions whatsoever with members of Wacker Chemie AG's Executive or Supervisory Boards or with any other key management personnel or with companies of which these persons are members of executive or supervisory bodies. The same applies to close relatives of the aforementioned persons.

Business with non-consolidated subsidiaries, the pension fund, and joint ventures and associated companies is carried out under conditions that are customary between outside third parties. For joint-venture and associated-company product shipments, contractually agreed transfer-price formulas have been defined.

The following table shows the volume of trade receivables with the above-mentioned related parties:

Related Party Disclosures T 3.12

€ million	6M 2014		2014 June 30, 2014		6M 2013		2013 Dec. 31, 2013	
	Income	Expenses	Receivables	Liabilities	Income	Expenses	Receivables	Liabilities
Associated companies	2.1	55.1	1.2	11.8	2.0	48.4	2.0	7.6
Joint ventures	15.1	1.0	6.0	–	35.4	27.4	25.3	3.9
Other	–	–	–	–	–	–	–	0.2

In addition, €89.4 million was loaned to associated companies and joint ventures (Dec. 31, 2013: €231.6 million). The loans contain capitalized interest income for the period under review of €1.9 million (Dec. 31, 2013: €10.1 million). For further information, please refer to the consolidated financial statements of Wacker Chemie AG as of December 31, 2013.

Exchange Rates

During the reporting period and/or the previous year, the following euro/us dollar, euro/Japanese yen, euro/Singapore dollar and euro/Chinese renminbi exchange rates were used for translating foreign currency items and for the financial statements of companies that have the above currencies as their functional currency:

Exchange Rates

T 3.13

€ million	Exchange rate as of			Average exchange rate	
	June 30, 2014	June 30, 2013	Dec. 31, 2013	June 30, 2014	June 30, 2013
USD	**1.37**	1.30	1.38	**1.37**	1.31
JPY	**138.50**	128.87	144.72	**140.06**	128.87
SGD	**1.70**	1.65	1.74	**1.72**	1.63
CNY	**8.47**	8.01	8.34	**8.55**	8.04

Major Events during the Reporting Period

Events during the reporting period that are considered significant in terms of impact, nature and frequency are described in the interim management report.

Events after the Balance Sheet Date

WACKER terminated or restructured contracts with solar-sector customers in July 2014. This will result in special income for Q3 2014 of some €90 million from retained advance payments and damages received that will increase EBITDA and EBIT at WACKER POLYSILICON and within the Group.

Munich, August 1, 2014
Wacker Chemie AG's Executive Board

Rudolf Staudigl Tobias Ohler

Joachim Rauhut Auguste Willems

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the Group's earnings, net assets and financial position, and the Group's interim management report includes a fair review of the development and performance of the Group's business and position, together with a description of the principal opportunities and risks associated with the Group's expected development for the remaining months of the fiscal year.

Munich, August 1, 2014
Wacker Chemie AG's Executive Board

Rudolf Staudigl

Tobias Ohler

Joachim Rauhut

Auguste Willems

Review Report

To Wacker Chemie AG, Munich

We have reviewed the condensed interim consolidated financial statements of Wacker Chemie AG – comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the statement of consolidated cash flows, the statement of changes in equity and selected explanatory notes – together with the interim group management report of Wacker Chemie AG, for the period from January 1 to June 30, 2014 that are part of the semi-annual financial report according to Section 37w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the generally accepted German standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries directed at company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRSs applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, August 1, 2014
KPMG AG Wirtschaftsprüfungsgesellschaft

Pastor	**Prof. Grottel**
Auditor	**Auditor**

List of Tables and Figures

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2 Interim Group Management Report

3 Condensed Interim Financial Statements

2014 Financial Calendar

Oct. 30

Interim Report on the 3rd Quarter of 2014

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This report contains forward-looking statements based on assumptions and estimates of WACKER's Executive Board. Although we assume the expectations in these forward-looking statements are realistic, we cannot guarantee they will prove to be correct. The assumptions may harbor risks and uncertainties that may cause the actual figures to differ considerably from the forward-looking statements. Factors that may cause such discrepancies include, among other things, changes in the economic and business environment, variations in exchange and interest rates, the introduction of competing products, lack of acceptance for new products or services, and changes in corporate strategy. WACKER does not plan to update the forward-looking statements, nor does it assume the obligation to do so.

Due to rounding, numbers presented throughout this and other reports may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

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