WACKER

Annual Report

# 2014

## Harnessing Knowledge to Ensure Quality

Europe

# WACKER at a Glance

| € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| **Results/Return** | | | |
| Sales | **4,826.4** | 4,478.9 | 7.8 |
| EBITDA[1] | **1,042.3** | 678.7 | 53.6 |
| EBITDA margin[2] (%) | **21.6** | 15.2 | n.a. |
| EBIT[3] | **443.3** | 114.3 | > 100 |
| EBIT margin[2] (%) | **9.2** | 2.6 | n.a. |
| Financial result | **–78.1** | –83.3 | –6.2 |
| Income before taxes | **365.2** | 31.0 | > 100 |
| Net income for the year | **195.4** | 6.3 | > 100 |
| Earnings per share (basic/diluted) (€) | **4.10** | 0.05 | > 100 |
| ROCE (%) | **8.4** | 2.2 | n.a. |
| **Financial Position/Cash Flows** | | | |
| Total assets | **6,947.2** | 6,332.4 | 9.7 |
| Equity | **1,946.5** | 2,197.1 | –11.4 |
| Equity ratio (%) | **28.0** | 34.7 | n.a. |
| Financial liabilities | **1,601.5** | 1,416.7 | 13.0 |
| Net financial debt[4] | **1,080.6** | 792.2 | 36.4 |
| Capital expenditures (including financial assets) | **572.2** | 503.7 | 13.6 |
| Depreciation (including financial assets) | **599.0** | 564.4 | 6.1 |
| Net cash flow[5] | **215.7** | 109.7 | 96.6 |
| **Research and Development** | | | |
| Research and development expenses | **183.1** | 173.8 | 5.4 |
| **Employees** | | | |
| Personnel expenses | **1,246.9** | 1,133.0 | 10.1 |
| Employees (December 31, number) | **16,703** | 16,009 | 4.3 |

[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 and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.
[5] 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.

# Key Events in 2014

## January

Siltronic took over a majority stake in its Siltronic Samsung Wafer Pte. Ltd. joint venture. Siltronic subscribed new shares in a capital increase, to hold 78 percent of the joint venture. The company was renamed Siltronic Silicon Wafer Pte. Ltd., with Samsung retaining a 22-percent stake.

## February

WACKER received an award for outstanding services to social integration from the Upper Bavarian government. The award was in recognition of its sustained support of "Die Arche" (The Ark), a children's charity in the Moosach district of Munich. Since 2007, the company has donated €100,000 annually to this charity. The Ark provides assistance to children from socially disadvantaged families, many of whom are from abroad.

## March

Wacker Chemie AG and the Chinese Ministry of Commerce (MOFCOM) reached an amicable agreement on the issue of polysilicon exports to China. WACKER undertook not to sell polysilicon produced at its European sites below a specific minimum price in China. MOFCOM, in turn, refrained from imposing anti-dumping and anti-subsidy tariffs on this material.

## June

WACKER invested about €20 million in production capacities for dispersible polymer powders at its Burghausen site. The Group is constructing a new spray dryer there 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.

## August

The WACKER Silicone Award went to Akira Sekiguchi, a professor of organic chemistry at the University of Tsukuba in Japan. The €10,000 award was conferred on August 4, 2014 during the 7th European Silicon Days in Berlin. In 2003, Sekiguchi had been the first to synthesize molecules with stable silicon-silicon triple bonds and to verify them by means of X-ray crystallography. These and numerous other studies have made Sekiguchi a pioneer in the field of organosilicon research.

## August

Robert Bosch GmbH awarded WACKER its Preferred Supplier status for elastomers and thermosetting plastics. The Stuttgart-based technology and service provider gave WACKER top marks in the categories of quality, logistics, innovation and strategic collaboration. As a Preferred Supplier, WACKER can now participate even more in the development of this customer's new products and technologies. Bosch assigns its Preferred Supplier status annually to the best of its 4,000 suppliers in its subassemblies and materials groups.

## October

Wacker Chemie AG celebrated its 100th anniversary on October 13. That was the day, in 1914, when Alexander Wacker entered the "Dr. Alexander Wacker Gesellschaft für elektrochemische Industrie, KG" in the commercial register of Traunstein, thereby laying the foundations of the WACKER Group. Wacker was born in Heidelberg in 1846. A businessman, he initially joined forces with Sigmund Schuckert to spread electrification across Germany. In 1903, he established the "Consortium für elektrochemische Industrie," which is WACKER's present-day corporate research arm. That original seed would later grow into Wacker-Chemie GmbH (its name until 2005) and today's Wacker Chemie AG (since 2006). The company celebrated the day of its founding at an event in Munich with some 500 guests, including Bavaria's Minister President, Horst Seehofer.

## October

The Bavarian government presented WACKER with its Bavarian Energy Award in Nuremberg. The award cited the Group's highly efficient polysilicon manufacturing operations. Using advanced, patented technology and process optimizations, WACKER had lowered its specific energy consumption for polysilicon production by 29 percent. Hyperpure polysilicon is the main raw material for making solar modules and, consequently, plays a vital role in generating solar power.

Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

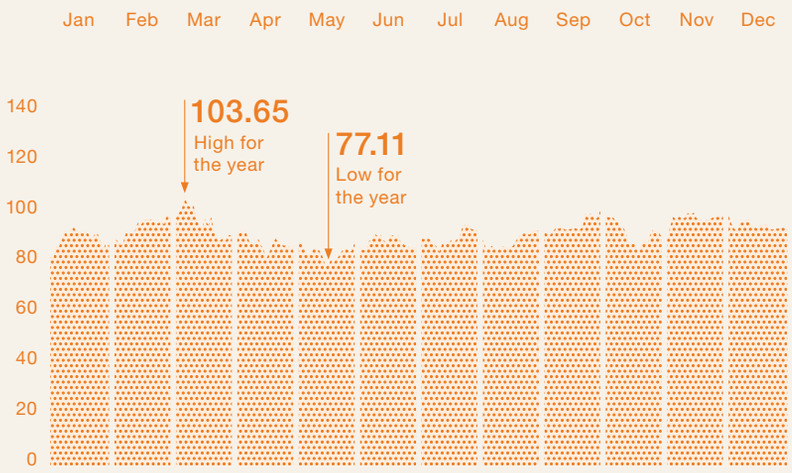
## Vision

As an innovative chemical company, WACKER makes a vital contribution to improving the quality of life around the world.

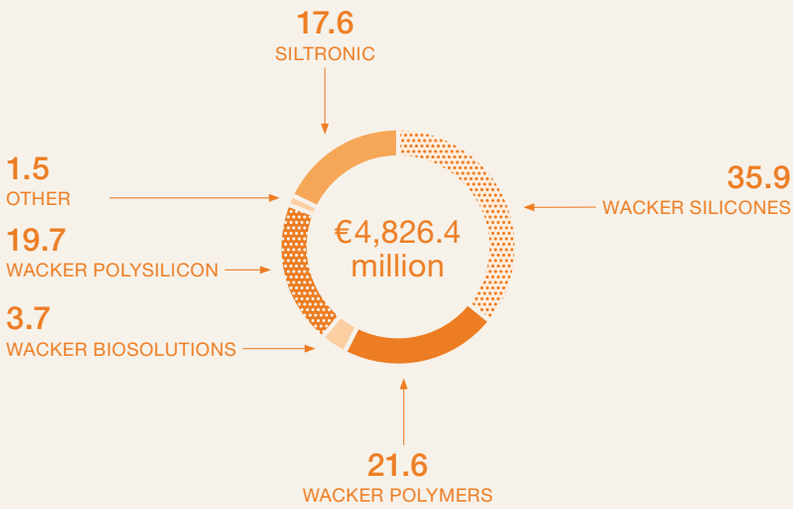
In the future, we want to continue developing and supplying solutions that meet our rigorous demands – creating added value for our customers and shareholders, and growing sustainably.

## Key Financial Indicators

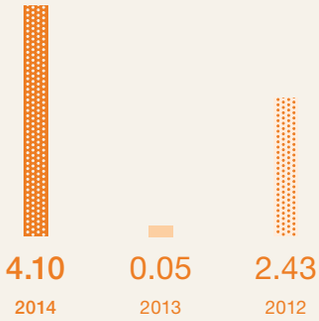
### WACKER Share Performance (€)



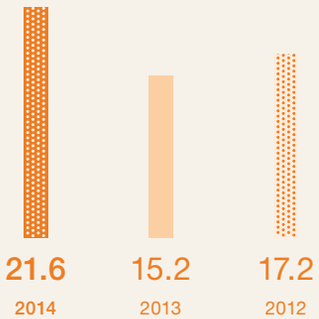

### Divisional Shares in Group Sales (%)




### Earnings per Share (€)




### EBITDA Margin (%)




### Return on Capital Employed (ROCE) (%)

# Annual Report 2014

# Harnessing Knowledge to Ensure Quality

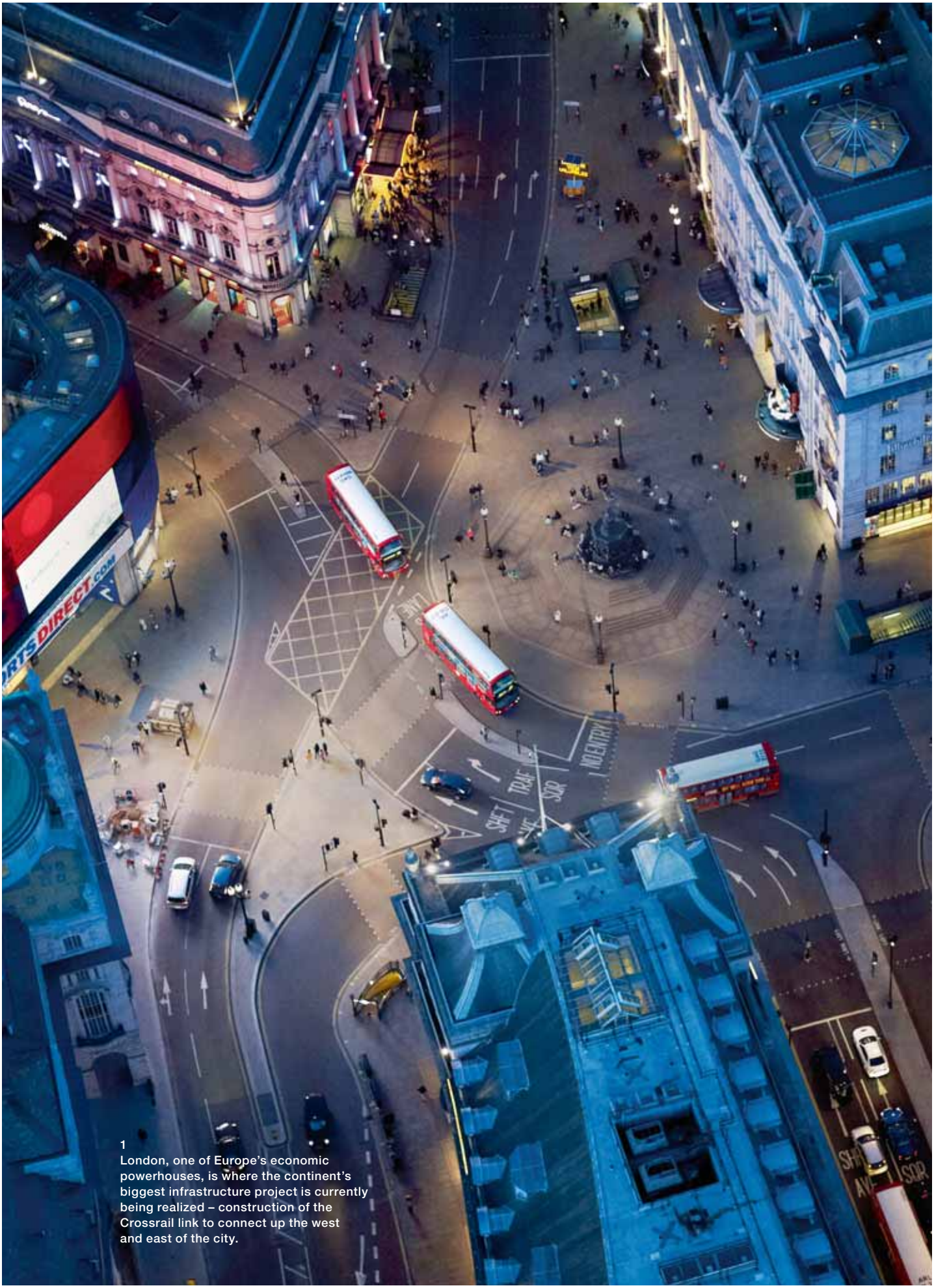
## Europe

# At Home in Europe

In establishing Wacker Chemie Nederland B.V. – our first non-German subsidiary – in 1972, we laid the foundation for tapping European markets. Now, over 40 years later, we have no hesitation in calling Europe our home market, where we are the leader in silicon chemistry and ethylene-based polymer products – a position we intend to keep in the future.

The key lies in the high quality of our products, the development of innovative applications and our excellent service. These factors set us apart from our competitors and enable us to add value for our customers. With Germany as the backbone of our global production network, we manufacture around 80 percent of our products in Europe, and sell them throughout the world.

This annual report relates four stories that illustrate the strategies and ideas that we use every day to consolidate and expand our strong market position in Europe, the stable foundation for our global business.




1
London, one of Europe's economic powerhouses, is where the continent's biggest infrastructure project is currently being realized – construction of the Crossrail link to connect up the west and east of the city.

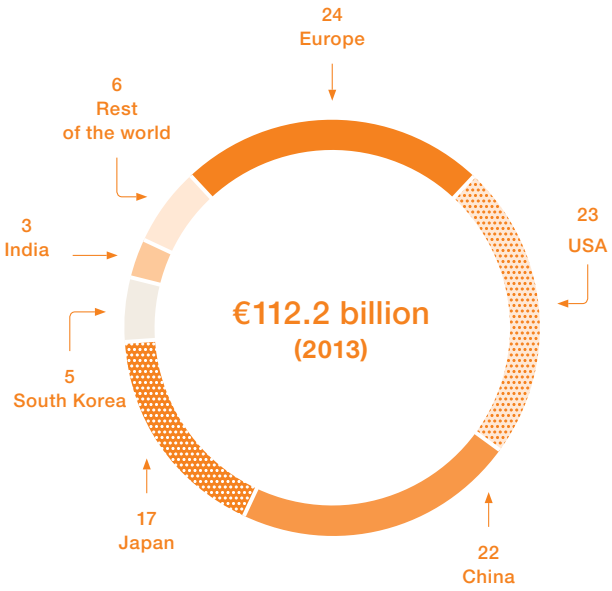
With surgical precision, eight gigantic tunnel-boring machines cut through the bowels of London, weaving between sewers and gas pipes, foundation piles and subway shafts. They must not deviate by more than a millimeter from the planned route. Yet even if they remain within this tolerance, they still sometimes pass within less than a meter of the arteries of this megacity.

The future of Europe is being built here beneath the streets of London. Leading economic research institutes would welcome more such projects in Europe, as the continent is recovering only sluggishly from the financial and sovereign-debt crisis. In 2014, for the first time in two years, the European economy started to grow again, albeit at a slow pace. Many countries are still struggling with high unemployment, heavy debt and low levels of investment. In France and Italy, two of Europe's major economies, growth is further hampered by the need for reform. Both the European Central Bank and many politicians in Brussels are demanding more investment in research, education and infrastructure to put the European economy back on track. After all, economics is 50 percent psychology, and Europe has an attitude problem: there's a lack of confidence in a strong recovery.

Particularly in Southern Europe, consumers are putting off purchases since they assume that products will continue to fall in price, with the threat of deflation. In addition, the rate at which European companies are investing has fallen. In 2007, they reinvested 24.7 percent of their profits. Since the financial and sovereign-debt crisis of 2008, this figure has dropped to between 21 and 22 percent.

## Global R&D Expenditure in the Chemical Industry

in %




Source: VCI-Oxford Economics Study, 2014

### Refocusing on Industry

Against this backdrop, Europe is once again focusing on the importance of its industry. The declared aim of the European Commission is for industry to contribute 20 percent to GDP by 2020. At present, it is less than 15 percent, with major differences between regions. In Germany, industry makes up 22 percent of GDP, contrasting with only 10 percent in the UK. But industry accounts for over 80 percent of EU exports, and private-sector research and innovations. Every additional job in manufacturing creates up to two jobs in other sectors. The EU has introduced measures to provide for cheaper and easier access to energy, raw materials and credit.

This will benefit the chemical sector, a key European industry. Almost three-quarters of total chemical production remains within the European internal market. And without chemicals, the Crossrail tunnel builders wouldn't get very far. The tunnel boring machines treat the soil with polymers and surfactants to make excavation faster and safer.

Crossrail, Europe's biggest infrastructure project, employs some 10,000 people. A new west-east rail link is being built through the center of London at a cost of £15 billion, requiring some 42 kilometers of tunnel to be dug. The link is not planned to open until late 2018, but investors are already developing major property projects close to the ten new train stations.

The many thousands of reinforced concrete rings that line the tunnel contain additives to make them durable and fire resistant. “With its large range of products and innovative solutions, the chemical industry is making an important contribution to the prosperity of the EU economy as a whole,” says Kurt Bock, CEO of BASF and former president of the European Chemical Industry Council (Cefic).

The chemical industry has achieved a positive trade surplus every year for the past ten years. The record year was 2013, when it reached €49 billion. The trend can be attributed mainly to the growth of the emerging economies. Some 85 percent of exports were for specialty chemicals and chemicals for consumer products. The main beneficiaries of this trend are German companies, which are responsible for over a quarter of chemical production in the EU. On an international scale, Germany is the fourth biggest chemical producer, behind China, the US and Japan. With sales of about €190 billion, chemicals are the third biggest industry in Germany, behind the automotive sector (€364 billion) and machinery construction (€223 billion).

## Energy Costs as a Brake on Growth

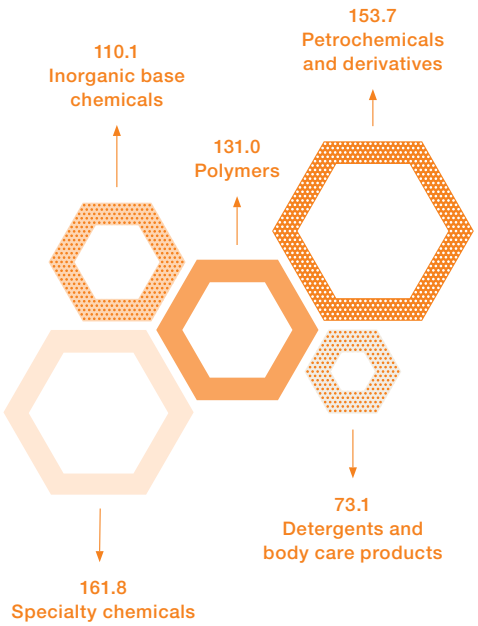
At first glance, it seems paradoxical that, though the German chemical industry is an export champion and the European chemical industry has almost doubled its revenue in the last 20 years, Europe’s share of the global market has dropped – from 35.2 to 17.8 percent. Why? The emerging markets have seen their share of global chemical sales more than triple in the past 20 years – from €1,300 billion to €4,100 billion. Europe was unable to benefit from this growth as much as it could have, according to the 2013/2014 Cefic sustainability report: “The decreasing extra-EU export market share is mainly due to declining competitiveness, resulting amongst others from high energy and feedstock prices. This affects particularly the European petrochemicals and polymers sector. The petrochemical sector currently provides the starting point for almost all value chains in the chemical industry.”

The European chemical industry does profit from cheap crude oil: its price fell by 40 percent to a five-year low between June and December, and the IMF predicts this will result in growth in the global economy of 0.8 percent in 2015. However, one main cause of the price drop – the fracking revolution in the US – also poses a big problem for the European process industry: America is flooding its economy with shale oil and gas; production has increased by three million barrels a day to 8.5 million barrels since 2010 – thereby triggering a new wave of reindustrialization. According to the IMF, US exports have grown by 6 percent as a result.

The European Union, on the other hand, has only 1 percent of global oil and gas reserves. Annual imports in 2013 are estimated to have been about €400 billion. Added to this are costs for the energy transition. German companies pay about two times as much for their electricity as their US competitors. Germany’s EEG

## Chemical-Industry Sales in Europe

in € billion



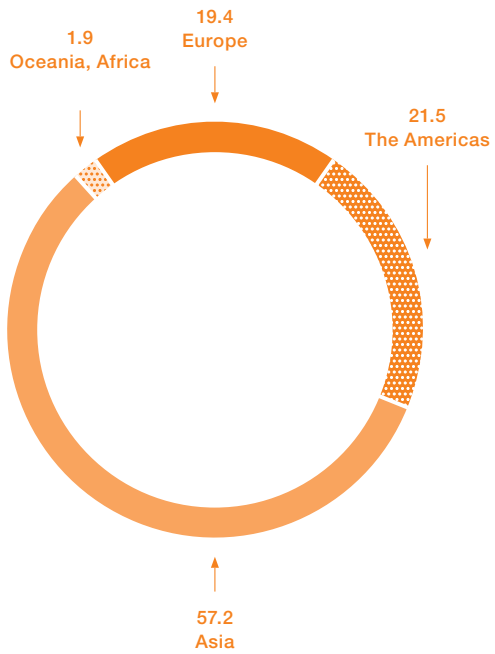

Source: Chemdata International, 2013

levy costs the chemical industry €1 billion per year.

New chemical plants to the tune of over $ 100 billion will have been built in the US by 2016, solely due to low energy prices. In Germany, by contrast, investments are below the level of depreciation. The German Chemical Industry Association (VCI) considers it an alarm signal for competitiveness that in 2012, for the first time in many years, the industry's foreign investment exceeded its domestic investment spending by over €1.4 billion.

ideas and applications created by the chemical industry. Automotive manufacturers are particularly resourceful in this respect. According to the Center of Automotive Management (CAM), innovations reached a record level of 1,010 in 2013. 41 percent of those were accounted for by only three companies: BMW, Daimler and Volkswagen. Most innovations were improvements in fuel consumption, alternative drives and digitalization of vehicles, such as driver assistance systems. These developments were supported by the chemical industry with, for example, innovative, weight-saving polymers or the base materials for making more efficient batteries and electronics. Even the energy transition would not be possible without the chemical industry. The increase in the performance of wind turbines from, on average, 164 kilowatts in 1990 to over 7 megawatts for modern high-performance wind parks is the result of a large number of new developments. Chemists have developed resins and curing agents, lubricants, flow improvers and new ultra-lightweight materials for turbine towers and rotors.

Global
Chemical Consumption
in %




Source: Chemdata International, 2013

## Innovation Is the Key to Europe's Future Success

The only way that resource-poor Europe can remain competitive is through a wealth of innovation. Manufacturers often profit from

Besides its inventiveness, Europe can also rely on growth in the countries that joined the EU in 2004, most of them Eastern European. In the first five years of their membership, the economies of the ten new member states grew by 23 percent, compared to only 8 percent in the old EU states. Poland, in particular, with its population of almost 40 million, has undergone an astonishing boom. Even during the global financial crisis, the Polish economy was the only one in Europe to grow, with a growth rate of about 3 percent in 2014. The World Bank predicts a doubling of Polish economic output in the next 15 years. Besides successful structural reforms, "low pay and the high work ethic of its workers" are the main drivers of the country's success, says The Economist. For instance, Volkswagen constructs 155,000 cars per year In the Polish city of Poznań, MAN manufactures trucks and buses, while Hugo Boss produces shoes there. In the medium term, however, Poland could be much more than the "extended workbench" of European supply chains, says Jerzy Langer, a physicist and the chairman of the European Institute of Innovation and Technology (EIT) in Wroclaw, which brings together companies and researchers particularly in the

fields of nanotechnology and biotechnology. "Germany used some of its Marshall Plan funds to build innovative, international companies after the Second World War," writes The Economist. "Poland could be doing the same with EU funds."

The conflict between Ukraine and Russia is dampening growth in Eastern Europe. For instance, overall trade with Russia fell by a fifth in 2014, according to the Association of German Chambers of Industry and Commerce (DIHK).

### Investment Program for Europe

However, drastically falling energy prices could turn into a huge economic recovery plan. According to an analysis by UniCredit, companies and consumers would benefit to the tune of €35 billion, around 1 percent of GDP. Quite apart from the turbulence on the oil market, Europe has recognized that a strict austerity policy can be damaging in the long term. The EU Commission therefore wants to boost the economy in 2015 with its "Invest in Europe" program. Its idea is that there are sufficient funds available globally – now more of them should find their way into the European economy. The European Investment Bank is providing around €20 billion in funds to guarantee high-risk investments and loans that have passed a rigorous vetting process. In this way, private investors are to be encouraged to get involved in digital, energy and infrastructure projects, leading to overall investments of about €300 billion.

Yet according to some, for example Michael Hüther, head of the Cologne Institute for Economic Research (IW), the success of the European project ultimately lies in striking the right balance between integration and national sovereignty. He goes on to warn against political union: "Europe relies on the self-confidence of its nations and on the ability of its nation states to act." Despite rapid globalization, European countries will remain each other's most important trading partners in the long term. About two-thirds of European trade takes place in the internal-European market. For Cefic, the strength of the chemical industry "comes from full and efficient integration of production across Europe." Michael Hüther, too, considers it constructive to develop Europe along shared supply chains. "But," he says, "we don't need to create a federation to do so." Regardless of the pace at which Europe pursues political integration – one thing seems certain: to survive in an ever-more competitive world, Europe's only choice is to intensify economic cooperation.

When, in December 1954, German Chancellor Konrad Adenauer announced his government's strategy of Western integration, he was concerned with security, peace and freedom – values that are essential for any economic engagement to thrive. Sixty years after Adenauer's speech, his sober words still hold true: "The unity of Europe was a dream of a few. It became a hope for many. It is a necessity for us all."

## The Biggest Chemical Companies in Europe

Sales in US$ million

| | | |
|---|---|---|
| 1 | BASF | 101,906 |
| 6 | LyondellBasell Industries | 44,062 |
| 7 | Shell | 42,279 |
| 10 | Bayer | 29,251 |
| 11 | INEOS | 27,864 |
| 12 | Total | 25,743 |
| 13 | Linde Group | 22,944 |
| 16 | Air Liquide | 20,974 |
| 17 | AkzoNobel | 20,099 |
| 18 | Johnson Matthey | 18,598 |
| 20 | Evonik | 17,735 |
| 28 | Merck Group | 14,741 |
| 29 | Syngenta | 14,668 |
| 31 | Yara International | 13,950 |
| 32 | Solvay | 13,691 |
| 34 | DSM | 13,250 |
| 38 | LANXESS | 11,434 |
| 40 | Borealis | 11,220 |
| 41 | Henkel Adhesive Techn. | 11,182 |
| 50 | BP | 8,628 |
| 52 | Arkema | 8,401 |
| 54 | Versalis | 8,071 |
| 55 | Styrolution | 7,990 |
| 65 | Clariant | 6,822 |
| 70 | PKN Orlen | 6,433 |
| 74 | WACKER | 6,170 |

Source: VCI

1

# Material Loop Creates Value

WACKER SILICONES produces approximately 3,000 different silicone products, a task made possible in large part by the unique integrated production system at the Burghausen site. The processes involved have been harmonized and optimized over decades, greatly reducing raw-material, transport, energy and disposal costs. This has made the sophisticated material-recycling system one of the most important factors helping the Group's largest site worldwide to thrive amid international competition.

The best way to gain an impression of integrated production is to start at the silicon grinder, right in the middle of the Burghausen site. About 80 percent of Group sales are based on silicon, while the other key raw material for integrated production – chlorine – is produced only a few steps away, in the chlorine-alkali electrolysis plant. The unit for manufacturing pyrogenic silica (HDK®) is within view, and you only have to cross the Alz canal to reach the siloxane plant, which manufactures the most important intermediate for silicones. "The integrated production system here at Burghausen is the only one of its kind in the world," says Dr. Thomas Frey. "The distances are short and our material loops are closely interconnected – and that allows us to reduce our use of raw materials and the transport of our intermediates to a minimum."

A process engineer, Frey is the production manager for Basics & Intermediates at WACKER SILICONES, and is responsible for manufacturing about 250 intermediates that are subsequently converted into about 3,000 different silicone products. Thanks to silicones, cars run properly, aircraft fly, or people recover faster from an illness. Potential applications are almost unlimited.

## A Competitive Edge

WACKER generates roughly 60 percent of its sales outside of Europe, yet manufactures over 80 percent of its products in Germany – this is not quite the contradiction that it seems to be, however. "What ultimately makes a chemical manufacturer competitive is its ability to maximize the quality of its products while keeping production costs to a minimum," points out Dr. Rudolf Braun, who heads WACKER SILICONES' Basics & Intermediates business unit. "Our sophisticated integrated production system at Burghausen gives us a competitive edge, even though our energy and personnel costs are high compared to those of other international players."

1
An extensive network of pipelines links up the individual production plants at the Burghausen site, supplying them with raw materials and process auxiliaries and removing end products.

2
Pipelines like those shown here in a silicone polymer plant are not only very efficient for material transport, but also extremely reliable.

3
Dr. Thomas Frey (left) and Dr. Rudolf Braun are responsible for producing precursors and intermediates in the WACKER SILICONES business division.

4
Chlorine electrolysis represents the starting point of an extremely comprehensive integrated production system.

During his tour, Frey walks under some of the site's 21 kilometers of pipe bridges. Winding through the site some five meters above ground, these bridges carry thick bundles of pipes and tubing that form the arteries of the plant, connecting its various systems. Some of these lines supply raw materials and process fluids, while others carry away the finished products. The pipe bridge system offers significant cost and safety benefits. Why? "For example because, to produce one metric ton of siloxane, our most important intermediate, we must move about five metric tons of corrosive chlorinated liquids and gases, which must undergo several production steps and therefore pass through several plants," says Frey. "That would not be possible without this pipe system."

## Tangible Results

Silicone products have been manufactured here in eastern Bavaria since the 1950s. Besides continuously improving the chemical processes involved, the company's engineers and chemists have also increasingly integrated these processes – with tangible results for manufacturing output, energy costs and yields. For example, specific energy required for siloxane production has been reduced by about a third in the past five years.

Raw-material yields represent another area where integrated production receives top grades. In addition to silicones, WACKER produces crystalline silicon for subsequent use in solar cells and computer chips at the Burghausen plant. Because the starting material for both production lines is silicon metal, the material is pulverized at the silicon grinder upon delivery to produce different grain sizes for different needs. "That way we can utilize virtually 100 percent of the raw material," says Frey. "It would be extremely difficult, if not impossible, to achieve that with only one product line."

Hydrogen chloride (HCl) produced from chlorine is also circulated within a largely closed material loop. Because HCl molecules are little more than auxiliaries in silicone and polysilicon production, the material can, with a certain extra effort, be fed back into the production process without compromising quality. By now, this recycling process has been optimized to the point that, statistically speaking, each chlorine atom passes through the material loop eight times before it leaves the plant as a by-product or – chemically bound up as common salt (NaCl) – as a residue. As a result, the site now needs only a quarter of the fresh HCl that it needed just a few years ago. In the same period, the divisions significantly increased their manufacturing output.

The pyrogenic silica (HDK®) plant plays a key role in the integrated production system. "Large amounts of tetrachlorosilane are produced as a by-product of polysilicon manufacturing. It can either be returned directly to the production process, or processed further to produce pyrogenic silica. So now, instead of disposing of the by-products from silicone manufacturing, we can use them as raw materials in HDK® production. The HCl that is liberated during this process returns to the integrated production loop," explains Frey. Producing HDK® is more than just a way of upgrading the company's silicones – WACKER also sells the material to external customers, who use it as a filler in insulation panels or in adhesives. With HDK®, WACKER thus achieves three objectives at once: creating added value for the site, while also reducing waste and helping to recycle HCl.

## Sharing Integrated-Production Expertise

The Burghausen plant exports its integrated production expertise to other sites as well. For example, since the purchase of the Nünchritz plant in 1998, siloxane production has been expanded to about 130,000 metric tons, seven times higher than originally. That even exceeds the current production in Burghausen. WACKER has also opened a major silicone production site in China, giving the company a presence there as well. Additional plants are to follow. "Our goal is to create a worldwide integrated network," says Braun, looking ahead.

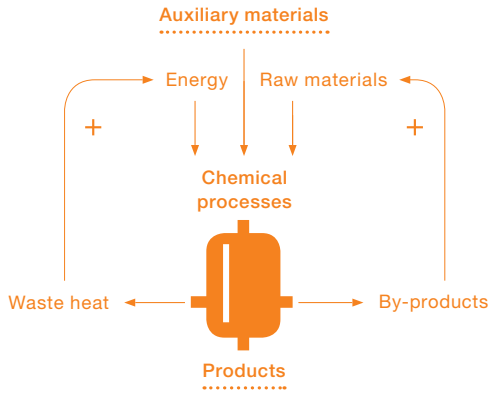
Capacity will also be increasing in Europe, however. Silicone market volume is growing by roughly 6 percent annually, and the Burghausen and Nünchritz sites have to keep pace with that growth by systematically subjecting their chemical, process-engineering and logistics processes to scrutiny and eliminating any production bottlenecks. According to Braun, "the aim is to increase our siloxane production over the next five years by 10,000 metric tons per year." Braun, a chemist, is certain of one thing: opportunities for optimizing the integrated production system in Europe have by no means been exhausted.


5


6

## WACKER's integrated production system forms the basis of the highly cost-efficient deployment of energy and resources

By-products and waste heat are fed back into production via highly complex material and energy loops and go on to create more value.



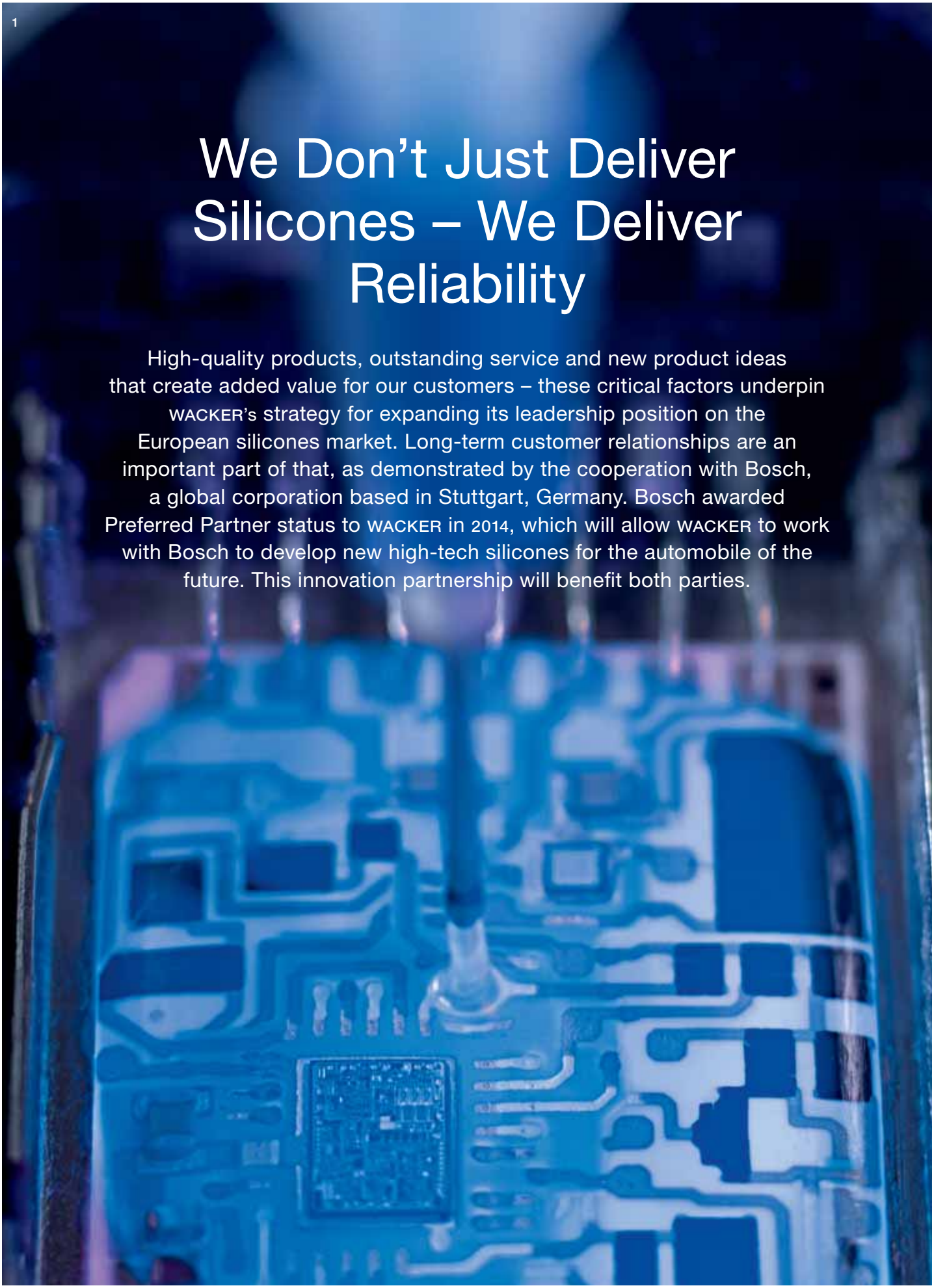

5
Vacuum unit for producing silicone polymers. Hot process steam supplies the necessary energy in this production step.

6
Pyrogenic silica ready for shipping. WACKER not only uses HDK® to enhance its own silicones, but also sells it to external customers.

1

# We Don’t Just Deliver Silicones – We Deliver Reliability

High-quality products, outstanding service and new product ideas that create added value for our customers – these critical factors underpin WACKER’s strategy for expanding its leadership position on the European silicones market. Long-term customer relationships are an important part of that, as demonstrated by the cooperation with Bosch, a global corporation based in Stuttgart, Germany. Bosch awarded Preferred Partner status to WACKER in 2014, which will allow WACKER to work with Bosch to develop new high-tech silicones for the automobile of the future. This innovation partnership will benefit both parties.



## A Key Role for Silicones

"There you are again with your prototypes," joke his colleagues as Dr. Markus Jandke comes in the door. Unperturbed, the silicone expert balances his collection of electronic components on a stack of paper and gingerly places them on the conference table. To the casual observer, they look like nothing more than unremarkable black plastic boxes. What's on the inside, however, is pure high tech: microprocessors, sensors, printed circuit boards and plugs. Jandke proudly points to one of the boxes, which has a narrow, shiny gray silicone bulge along its edge. "A Bosch ABS device," he explains. "Our silicone connects the control unit to the hydraulic unit and forms a seal at the same time."

The only distinguishing feature of the component is a silicone bead a few centimeters long – a detail that hardly seems worth mentioning at first glance. Yet the role that the silicone plays is essential: it has to protect the sensitive electronic components in the antilock brake system from moisture, exhaust gases and dust, says Jandke, a technical manager. That makes reliable silicone an extremely important concern for Bosch – after all, the company would not want to initiate a major recall at some point because the adhesive had disintegrated.

## Sales to Bosch Doubled

Bosch began building ABS antilock brake systems in 1978. Since that time, the ABS unit has developed from a massive block into a streamlined box weighing little more than a kilogram. For over 25 years, WACKER has been supporting Bosch's continued development work on this and other applications. "It's our silver anniversary," says Jandke reverently.

Key Account Manager Dr. Bianka Paul has not been on board quite that long. Her role as a major contact at WACKER for questions pertaining to Bosch began in the summer of 2014. Unlike her colleague Jandke, who provides technical support for Bosch, she is responsible for strategy and major commercial issues. That puts her in constant contact with Bosch's Purchasing Department, conducting price negotiations, offering quotes for new products, monitoring payments, coordinating executive-level meetings and discussing important aspects of the companies' collaboration. "Bosch is a highly technology-driven company," Paul observes. "Quality and technical specifications are almost always their biggest priority. That puts us under a lot of pressure as a material supplier." Working with Application Technology, she sets everything in motion that is needed to meet the customer's

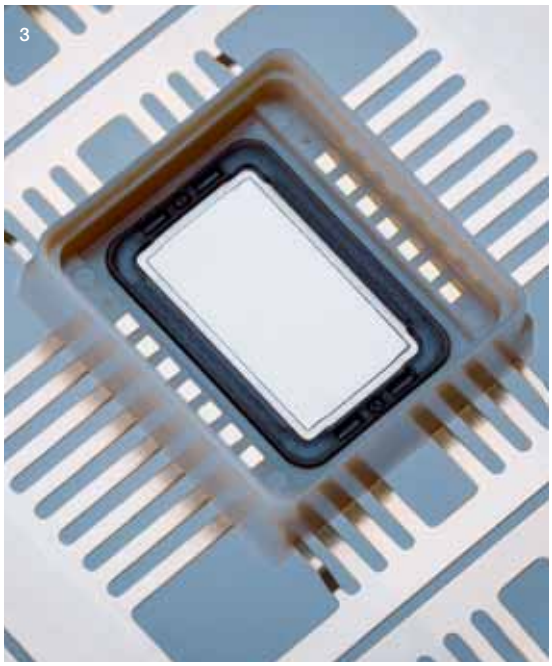
2

expectations and requirements. "When Bosch launches a new project, it involves the entire supply chain – that way we can find the best possible solution. After all, our customers rely heavily on us," she notes.

Over the past ten years, WACKER has doubled its sales to Bosch. Jandke, who specializes in silicone adhesives and sealants, has liased with Bosch for several years. During that time he has worked with over 200 contacts, at least half of whom he knows personally. "We started customizing silicones for Bosch over 30 years ago, in terms of both product and processing properties. A lot of those just involved niche applications, but unlike other companies, as silicone experts we know what we're doing in niche markets too." WACKER was also the only silicone supplier in Europe in a position to provide Bosch with appropriate contact persons. "Trust and personal relationships play a huge role," says Jandke.

1
An illuminating example: fluorescent encapsulation for an airflow meter.

2
From Stuttgart to the world: Robert Bosch GmbH, one of the biggest suppliers to the automotive industry implements new ideas globally.



## Maximum Flexibility Required

According to Jandke, the requirements are ultimately always fairly similar. The top priority is quality, of course, which has to be on the mark – only high-quality silicones provide reliable protection for electronic components. Understanding the production process plays a significant role too, however: manufacturers have to be able to process a new silicone easily with their existing equipment. Other important factors are supply security and maximum flexibility for times when the customer needs to find quick solutions or when production bottlenecks arise – as Jandke points out, WACKER is in a better position to meet those demands than others, because it also produces the key raw materials for its own silicone production. "When it comes right down to it, what we offer Bosch isn't just silicones – it's reliability."

3
ESP sensor for stability control in a premolded silicone housing.

4
Helping Bosch: Dr. Thomas Frese (left), Dr. Bianka Paul and Dr. Markus Jandke.

## Innovation Leaders Need to Network

And that pays off. In 2014, Bosch awarded Preferred Partner status to WACKER, which was selected from 4,000 suppliers of assembly parts and materials. "What especially impressed us was the extremely constructive, forward-looking collaboration," says Dr. Norbert Neumann, senior vice president of Purchasing and Logistics at Bosch, when presenting the award. Neumann also praised WACKER's quality, delivery reliability, innovation and strategic collaboration.

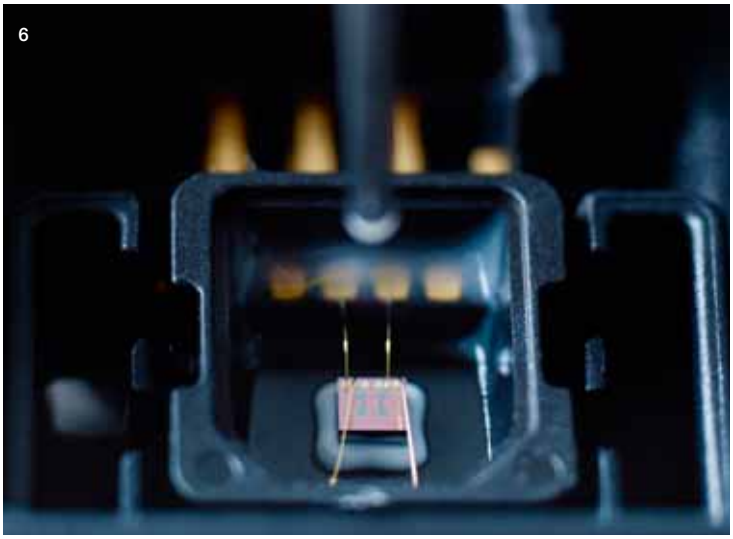
> "As a Preferred Supplier, we are able to cooperate with Bosch on a comprehensive and global basis."

The award demonstrates how important good suppliers are today for companies like Bosch. The number one automotive supplier in the world with sales of €49 billion, Bosch registers 18 patents per working day. European companies that want to be successful on the global market can do so only if they are leaders in innovation. Yet innovation does not work without reliable collaboration with strategically important suppliers. Aware of this, manufacturers like Bosch incorporate their suppliers' knowledge and perspectives at an early stage in the search for ideas. Networking and collaboration are in high demand.

## High Demand from the Automotive Industry for Silicones

Joining forces in this way also has a number of advantages for WACKER. "The award puts us much closer to new developments at Bosch," says Bianka Paul. "We're going to be involved in trends and plans for the future at a much earlier stage now." That will allow WACKER to gear its research and development more closely to the needs of customers in the automotive sector. "Ultimately," the key account manager observes, "companies like Bosch aren't just looking to buy some silicone – they're looking for a solution to a technical problem. What they need are special properties or better processes." High-tech silicones for the automotive sector represent a business with a future, Paul says. Our Engineering Silicones business unit already generates one-third of its sales from products for the automotive industry, where demand for silicones is on the rise.


5

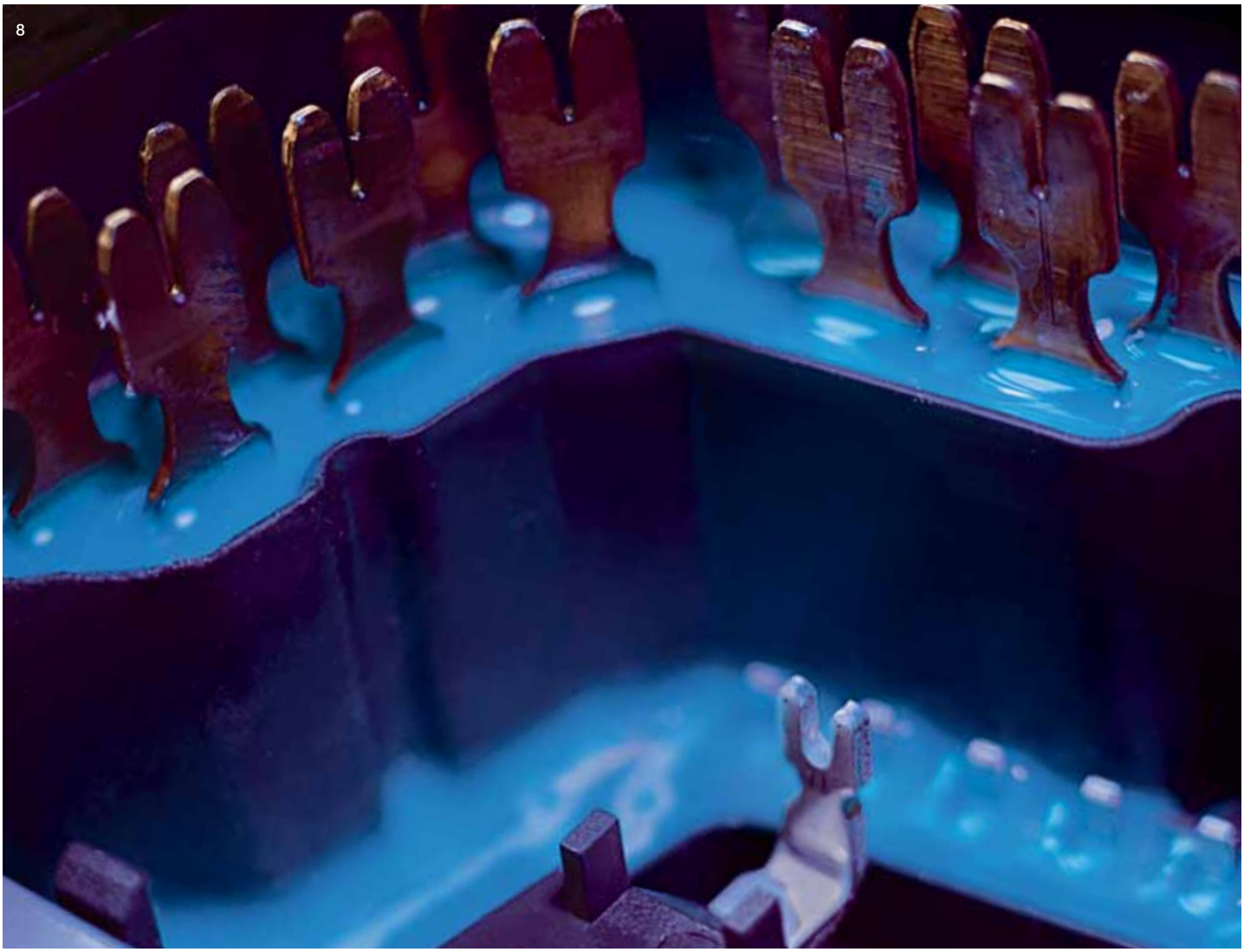


5
Practical test: fluorescent SEMICOSIL® adhesive in the WACKER dispensing lab.

6
A few drops are enough: a pressure sensor is encapsulated with SEMICOSIL® fluorinated silicone gel.

7
Fast, precise and cost effective: silicones from WACKER make production more efficient.

8
Protection for sensitive parts: plugs for steering control are encapsulated in silicone.




9
Quality counts: the WACKER dispensing lab makes high-tech silicones that function perfectly.

10
Reducing cycle times: for parts such as this ABS control unit, which are produced in large quantities, SEMICOSIL® 949 UV is ideal, as it cures in a few minutes under UV light.

"That's because cars are constantly being fitted with more and more electronic systems," explains Marketing Manager Peter Walter. Where there used to be just starters and turn signals, today's vehicles have dozens of control systems on board – and the trend is likely to continue. Walter also sees electromobility as a potential source of future sales. "For parts like cables, we're going to need all-new materials because of the high currents involved," he says. "That's where we have a lot to offer."

WACKER already sells over 30 different silicone products to Bosch in quantities both large and small. As Jandke explains, "Bosch has a major presence on the premium market, where volumes are often not very high. But when it comes to cars, today's luxuries are tomorrow's standard features." Plus, he adds, WACKER can use that expertise to its advantage in the semiconductor and electronics industries.

Jandke always takes his customers' standards seriously, even if only a few grams of silicone are at issue. One example of this is a silicone gel he developed especially for protecting sensitive pressure sensors in the exhaust system. "Ultimately, Bosch may only need a few milligrams per sensor, but then we're talking about a silicone that has been specially developed for this application and has no equivalent among standard silicones, either in terms of price or quality."

## Specialty Silicones in Use Around the World

Quality is the critical factor for these new high-tech silicones. Jandke's customers, for instance, expect new materials to work perfectly in production, which is why he regularly invites developers from Stuttgart to visit Burghausen. "Looking for the best way to encapsulate certain electronic parts is one example of what we do at our test facilities," he explains. And while physical proximity is a major advantage, it also helps that the two corporate cultures are similar: "We have the same mentality."

According to Jandke's colleague Dr. Thomas Frese, there are times when no one can really look back and say where the idea for a development actually came from. "Take self-adhesive liquid silicone rubber, for instance. That was an idea that has since become well established in the automotive industry," explains the technical manager. "It's even used in dishwasher control panels," Frese laughs.

## Greater Efficiency in Production

Collaboration often focuses on new processes. "We have to do our part to help Bosch develop more efficient, cost-effective workflows and manufacturing processes," says Jandke. European manufacturers have a large number of mass-production processes that are fully automated, he observes, adding: "For those processes it makes a big difference whether it takes days for the material to cure or just a few minutes." WACKER developed UV-curing silicones, for instance, that cut production cycle times from 30 minutes to nine seconds. "We also offer systems that reduce curing times from two or three days to just a few minutes. That allows manufacturers to conduct leak tests during the production phase." Having silicones that cure in the presence of UV light also eliminates the need for expensive ovens, slashing energy bills.

Jandke and Frese are also the go-to people whenever the production machines that process the silicone are tested or when Bosch starts up production. For these two technical experts, customer service means finding robust solutions – quickly and reliably – whenever a problem arises. "Anytime a problem needs to be ironed out in a plant somewhere in the world, we've got the expertise and we're ready to help," says Frese. And that holds true whether an engineer from China is on the line or a developer from Stuttgart urgently needs a WACKER laboratory to mold a few components.

1

# Growing through Our Own Resources

The stage is set for growth in the European polymer business. Products tailored to the local construction industry have generated exceptionally high growth in sales volumes for dispersible polymer powders in Russia, Eastern Europe and Turkey. WACKER is opening up lucrative markets in Western Europe as well, thanks to innovations and the use of polymers in new applications.

Circular towers and windowless, rectangular facades – from the outside, the building looks like a modern-day fortress. Stored on the ground floor of the warehouse are pallets, stacked with 25-kilogram bags and 1,000-kg big bags. And running in the background 24 hours a day, 365 days a year are the spray dryers, which take a milky-white dispersion and turn it into fine dust – VINNAPAS® dispersible polymer powder.

1
Poland, with its capital Warsaw, is WACKER's largest and most important market for dispersible polymer powder in Eastern Europe.

2
Ole Mecker heads the team that supplies the Eastern European construction industry with polymers.


The new spray dryer that just recently started up at Burghausen has an annual capacity of 50,000 metric tons of powder, making it the largest, most modern and efficient system of its kind anywhere in the world. WACKER installed this spray dryer to meet Europe's growing demand for dispersible polymer powders – as WACKER's sales of dispersible polymer powders rose 10 percent over the previous year. Thanks to VINNAPAS®, WACKER has been the undisputed world leader in this field for years, and currently enjoys a share of over 50 percent on the European market.

## Energy Saving Is Booming in Europe

The many bags in the warehouse give only a vague picture of how large this business really is. In the emerging markets of Eastern Europe, urbanization and the standard of living are on the rise, which drives up sales volumes of VINNAPAS®. Self-leveling flooring compounds, renders, powerful tile adhesives and energy-saving external thermal insulation composite systems (EIFS/ETICS) show huge potential.

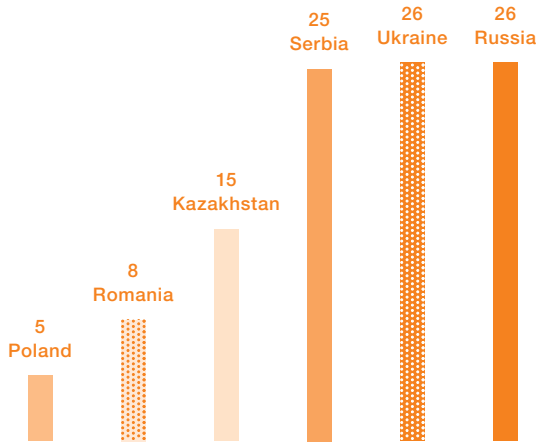
Energy conservation is an especially important factor driving the growth of these polymeric powders in Western Europe. In Germany alone, the federal government has set aside several billion euros over the next five years for renovating buildings through its Climate Action Program. A major portion of these state-sponsored investments are earmarked for thermal insulation in building facades. In these applications, polymeric binders are indispensable components of the mortar used for bonding individual layers together and for holding the insulation panels permanently in place over a building's exterior.

Saving energy is a booming business for Germany's neighbors as well. An additional test facility where manufacturers can assess new facade systems was recently opened at WACKER's Burghausen site. External thermal insulation composite systems are put to the test in this facility's two environmental chambers, which simulate an extremely wide variety of weather conditions, from rain to permafrost. Being able to subject materials to environmental extremes

## Growth in the East

WACKER's business with the Eastern European construction industry experienced growth from 2010 to 2014. Growth was strongest in:

Average annual growth, 2010 to 2014
in %




at this accelerated pace allows WACKER customers to launch their insulation systems on the market more quickly. A second test facility in Moscow provides assistance to Russian manufacturers.

### High-Quality Construction Chemicals Are in Demand

The Moscow technical competence center team helps construction industry customers address any other issues they may have surrounding mortar and related materials. WACKER was an early player in local efforts to develop innovations for Russia. Chemists in Moscow, for instance, are currently working with customers on adhesive formulations that can be processed at temperatures below freezing, so that thermal insulation installers do not have to interrupt their work between October and April.

Demand for high-quality, emission-free construction chemicals is rising in the countries of the CIS region, which is a positive development for WACKER. "That makes our products stand out," says Ole Mecker of Construction Polymers, where he is responsible for Eastern Europe, the Middle East and Africa. One example of this is the current popularity of large tiles in Poland, western Russia and southeastern Europe – tilers need modified adhesives in order to lay these heavy tiles, which are made of porcelain stoneware, porcelain or natural stone.

In Russia, WACKER is also becoming increasingly involved in specialty areas, as sales manager Sergei Bezruchko explains: "At our technical competence center in Moscow, we're currently noticing considerable interest in self-leveling flooring compounds for uses such as industrial flooring." In Poland and Turkey, on the other hand, ETICS adhesives are the big sellers. As a result, Mecker is very satisfied with dispersible polymer powder sales in Eastern Europe, Russia and the other CIS states. "The region's 2014 sales were 16 percent higher than the year before," the regional manager points out. "And we saw significant growth in absolute terms, too." The plans for the future are no less ambitious: Mecker and his team hope to see their region's sales volume increase by 50 percent by 2018.

Increasing prosperity is not the only factor entering into the team's calculations – in countries like Russia,

3
Sergei Bezruchko, sales manager, was on the move a lot in 2014. The Russian has just returned from Kazakhstan, where the capital city Astana is limbering up for Expo 2017. He is also preparing for the 2018 Soccer World Cup in Russia.

4
The technical competence center for construction applications in Moscow has been developing polymers tailored to the Russian market for 12 years.

5
The harsh Russian winter can be simulated in the climatic chamber.

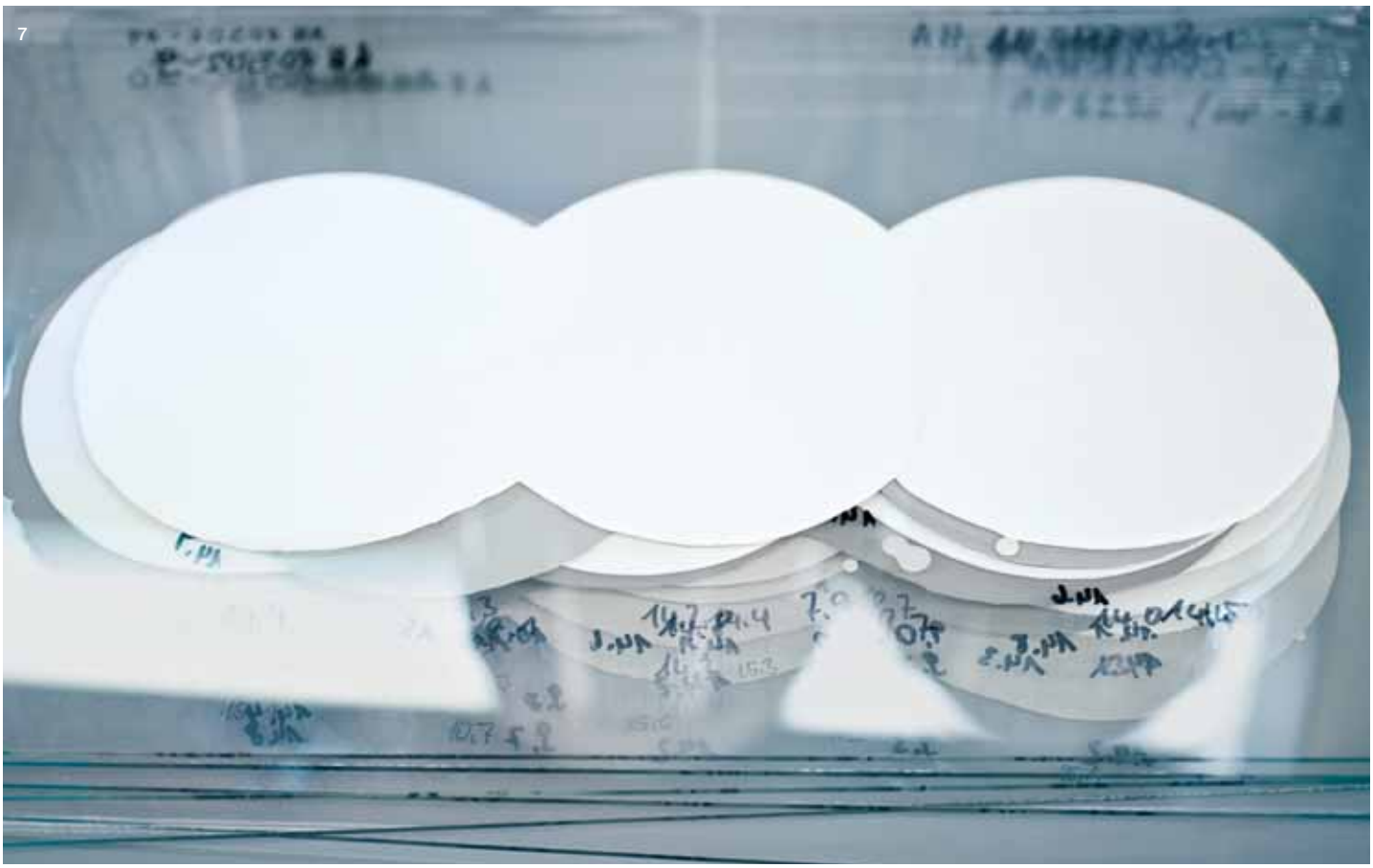
6
In Burghausen, too, ETICS manufacturers can test new facade systems. An additional test system has just been officially opened.

7
Modern self-leveling compounds undergo an application test.

4

5

6



7

# VINNAPAS® – a household all-rounder

WACKER's polymeric binders are used in a variety of applications – especially in modifying cementitious systems. The basic principle is always the same: as the mortar hardens, elastic polymer bridges form between the brittle mineral components. Among other advantageous properties, these enhance flexibility and bonding. Here are a few examples:


**1 Plasters**
Polymeric binders enhance adhesion to the substrate, as well as improving the abrasion resistance and workability of mineral plasters.

**2 Grout Mortars**
VINNAPAS®-modified grout mortars are water-repellent and reduce water absorption.

**3 ETICS/EIFS**
VINNAPAS® binders deliver excellent adhesion of external thermal insulation composite systems to all substrates and their flexibility enables them to compensate for the different expansion coefficients of various materials.

**4 Facades**
VINNAPAS® dispersions can be formulated for exterior paints with high dirt pick-up resistance and constant properties.

**5 Self-Leveling Flooring Compounds**
The leveling properties of dispersible polymer powders mean that smooth surfaces can be achieved in just one step.

**6 Tile Adhesives**
VINNAPAS® improves the flexibility of cementitious tile adhesives, is water repellent and prevents stress cracking between the wall and tile.

**7 Sealing Slurries**
Polymer-modified mineral sealing slurries are usually used for waterproofing damp and wet locations.

**8 Smoothing Mortar**
Dispersible polymer powders improve the plasticity of cementitious systems and thus enhance the adhesive bond to the substrate.

Poland and Turkey, Mecker and his colleagues are hoping that new dispersible polymer powders will make inroads in additional market segments where high-quality VINNAPAS® has not been attractive thus far. Last year, at MosBuild, an annual construction exposition in Moscow, Sergei Bezruchko showed his customers a binder for self-leveling flooring compounds that had been developed for the Russian market. Besides being efficient and environmentally safe, the binder is also ideal for cost-conscious customers. "With products like these, we're specifically targeting customers whose business is not within our core segment," explains Bezruchko, who has spent the past 15 years on the road for WACKER between St. Petersburg and Siberia.

As sales manager, he has a unique understanding of the construction market in Russia and the CIS states. "We have binders that are tailored to regional markets, which helps us compete well with domestic competitors," he observes. "Even though the ruble is weak." Bezruchko does not, incidentally, see the crisis in Ukraine as posing a threat to the polymer business. "Our products are primarily used for building renovations, which protects us from booms and bubbles – and, for the most part, fortunately shields us from crises too," he explains. The Russian ban on imports of specific goods from the European Union likewise has had no direct impact on business, Mecker adds.


8
Dr. Rainer Fischer, sales manager for Central and Eastern Europe, forecasts big opportunities for newly developed reactive dispersible polymer powders.

## New Construction Products

Production at Burghausen continues around the clock, as developers there are likewise working full speed on new construction products. These include new reactive polymers for use in construction applications, where they could replace liquid epoxy resins. This is one example of how polymers can make headway into completely new applications as substitutes for the technologies traditionally used there. "The advantages of these polymers are enormous," says Dr. Rainer Fischer, a sales manager responsible for Central and Eastern Europe as well as Turkey. He notes that the powders are easier to process than two-component liquid epoxy resins, and that they are more flexible and offer better adhesion. They are also non-allergenic, and are not subject to the corresponding labeling requirements, says Fischer. The biochemist can conceive of quite a few applications: "Examples of applications for reactive polymers could include floor coverings, highly resilient grout mortars, and coatings for concrete and roofs," he observes. "This huge market has been dominated by epoxy resins up to now."

## High-Tech Concrete with Potential

Polymeric binders could also have a new role to play in concrete. Experts in Burghausen are currently testing countless tunnel, railroad and freeway construction applications, such as pervious concrete, which absorbs sound and allows water to seep through, since it does not seal the surface. Deutsche Bahn, Germany's national rail company, has already used pervious concrete to renovate one set of tunnel tracks near Kassel – the project was so successful that work is now underway to renovate the other set.

Germany's Federal Highway Research Institute intends to test concrete modified with polymeric binders in the near future. The concrete, which will be used as surfacing for a test section of roadway, is expected to prevent hydroplaning and make traffic significantly quieter. "It always takes a few years for new materials to be approved for freeway construction," Mecker explains. "But once the market has embraced this solution, we foresee quite a lot of potential in Europe and beyond."

# Market-Oriented Research

How does basic research contribute to the Group's business success, what distinguishes Europe as a research center, and where is there room for improvement? An interview with Dr. Thomas Renner, head of WACKER's central research facility, the "Consortium für elektrochemische Industrie."

**1**
**Researchers at the Consortium use, e.g., a light-scattering detector for quantitative analysis of polymers.**

2
At the heart of the WACKER Group is the “Consortium für elektrochemische Industrie,” where researchers work on projects intended to open up new business fields for the company.

**There are many companies that highlight research and development as a success factor. So what makes R&D at WACKER different and better than at its competitors?**

Dr. Renner: Our R&D isn't completely different from that conducted at other chemical companies, of course, but there are a couple of important ways in which we differ. For one, we consistently orient our research to global megatrends and markets that will be important in the future. We also ask ourselves a number of questions: what challenges will the future bring? And how can we bring our specialized expertise to bear on finding solutions to those challenges? It's clear to us that customers expect chemical companies to do more than just produce chemicals. The markets demand functional materials, i.e. with specific properties to solve specific problems. That's why we no longer start by developing new chemicals and then trying to find applications for them. Instead, we take the exact opposite approach: we identify challenges that the market faces, work out what properties are needed to meet those challenges, and then, drawing on our core competencies, develop new, targeted materials.

**Could you give us an example?**

Take the issue of energy storage. All the electronic paraphernalia that has become an essential part of our day-to-day lives – smartphones, tablets, laptops and the like – can continue advancing only if we make batteries more efficient. The same applies to electromobility or decentralized power supply from renewable energy sources. And silicon – where WACKER has over 50 years of experience – is the most efficient medium for storing lithium ions. For that reason we're making battery technology a major focus of our research.

**Even though WACKER's Corporate R&D is headquartered in Germany, 80 percent of your sales come from abroad. Doing research in Europe for overseas growth markets – how does that tie up?**

In our case very well. We conduct our research centrally without sacrificing customer proximity during the development phase. At the Consortium – our central research division at the heart of our company – we focus our energies on long-term projects and on projects aimed at opening up new business areas in the future. At the regional level, our technical centers work with our customers to develop products tailored to concrete applications. This ensures the line of communication with users is open at all times. We also establish technical competence centers in those markets that set the global pace of development in certain fields of technology. South Korea, for example, leads the field of electronics, which is why we built our Center of Electronics Excellence there in order to develop silicones for electronics applications. The Center allows us to identify technological and market trends early on and offer customized solutions precisely when they're needed.

**What is your assessment of Europe as a place to do research – both now and in the future?**

Europe has some definite advantages, especially when it comes to research. That was also the conclusion reached by an Oxford Economics study recently published by the German Chemical Industry Association. The chemical industry is one of the world's most research-intense businesses, with global R&D expenditures reaching €112.2 billion in 2013. Nearly a quarter of that amount – €26.9 billion – was spent in Europe. Intense research efforts have a positive effect on our ability to compete, because product and process innovations are key ways of offering customers added value and offsetting cost disadvantages. Our most important resources in Europe are knowledge and education. Here in Europe, we have the big advantage of an extensive network of excellent, globally respected universities and state-sponsored research associations. WACKER is in continual, close dialogue with the scientific community, and pursues fruitful cooperative ventures. We work with the Technical University of Munich, for instance, to fund the Institute of Silicon Chemistry, which serves as an important source of

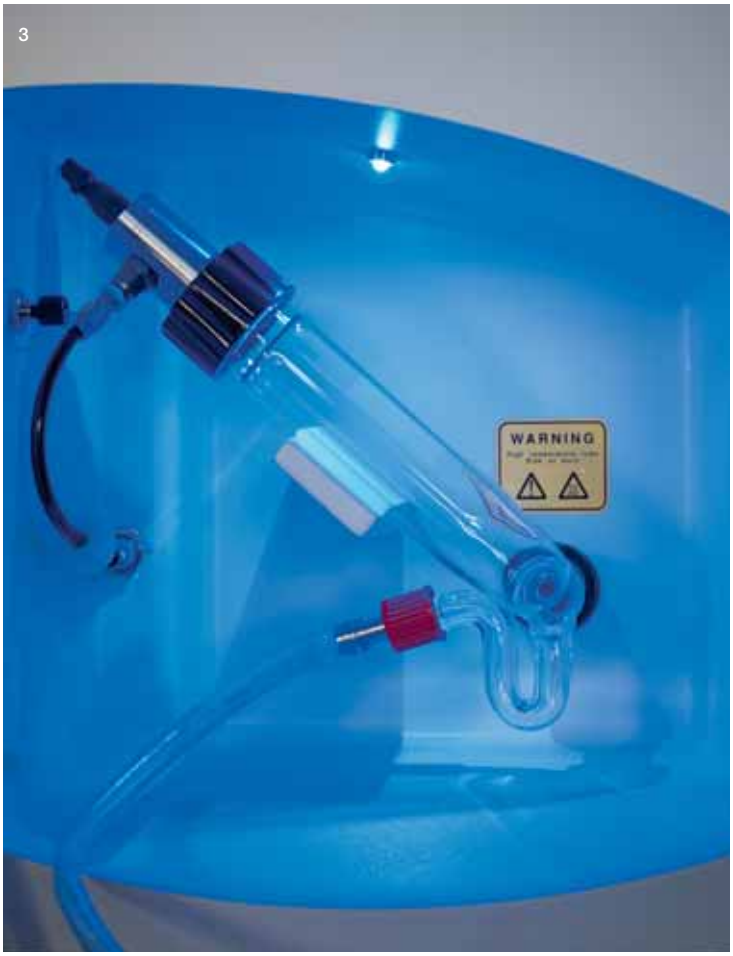
3
Spray chamber of an evaporative light-scattering detector. This instrument is used for chromatographic determination of the quantities of non-volatile compounds.

4/5
High-throughput screening (HTS) can be used to test, analyze and evaluate a wide range of biological samples within a short time.

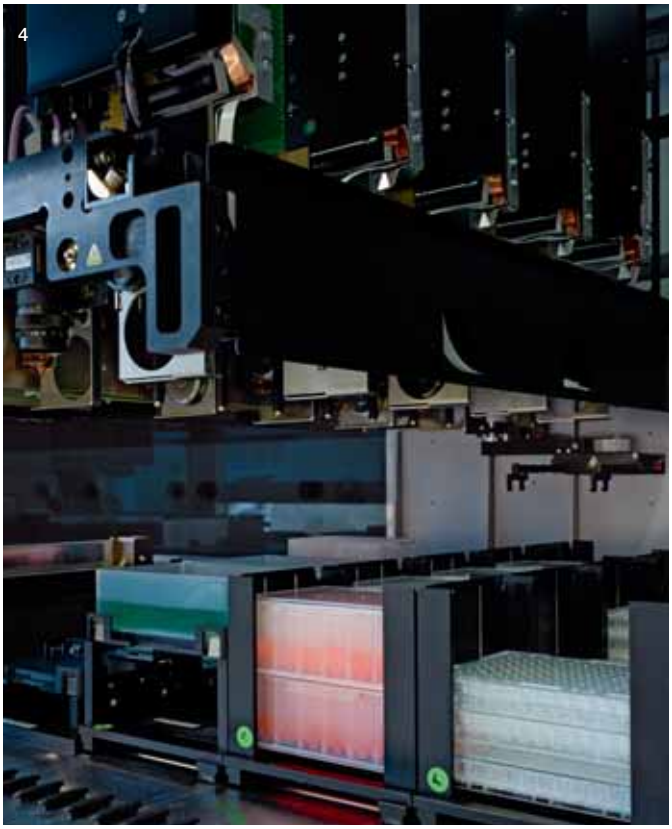
6
Lithium-ion batteries are tested at a constant temperature for their stability.

7
Inlet system for a time-of-flight mass spectrometer. The molecular mass of polymers and proteins is determined from their time of flight.

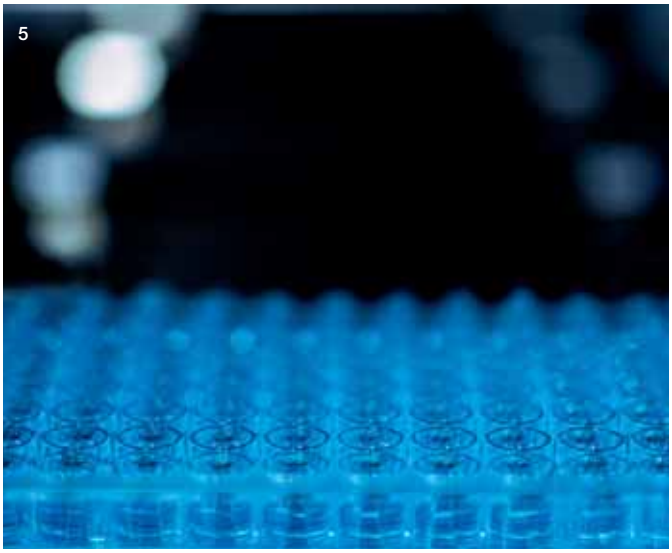
3




4



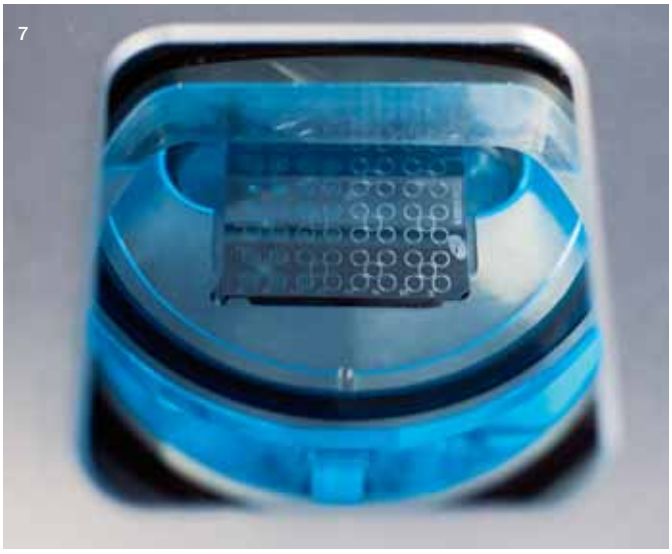
5



"The pace of innovation in Europe must be stepped up."

6

7



8
Dr. Thomas Renner heads the Consortium für elektrochemische Industrie, WACKER's central research facility in Munich.


ideas for our own research work. Intense collaboration between industry and academia is essential if Europe is to be competitive. In my view, another of Europe's advantages is our well-established, socially accepted legal systems for protecting intellectual property. That is much less the case in many other regions. What Europe does need, however, is a faster rate of innovation – we have to get ideas onto the market more quickly.

**How do we do that?**

Besides a stronger international network, we also need close cooperation with universities in matters of applications-related basic research and – in a similar way to the US – a deliberate entrepreneurial approach by research institutions, aimed at converting scientific findings into successful innovations. I'd like to see more of that in Europe.

"Our research is oriented toward applications and hallmarked by efficiency, measurable goals and clearly defined project plans and milestones."

**How does WACKER gauge the impact that research and development have on our business success? Can it be quantified at all?**

Before we plow resources into a research project, we carefully analyze the investment that the project will require and the potential sales and earnings it could yield. We then track costs and anticipated market potential throughout the course of the project, which allows us to take corrective action if need be. The fact that it pays to take a systematic approach is shown by our sales structure. Annually, we earn some €900 million, or around one-fifth of the Group total, from products that are no more than five years old.

# For Our Shareholders

# 1

## Energy & Electronics

Danger, high voltage ... Nowadays, the T&D sector would be unimaginable without POWERSIL® silicones from WACKER. They are being increasingly used in the manufacture of insulators, surge arresters, bushings, sleeves, cable terminations and connectors. Providing good insulation, POWERSIL® silicones prevent flashovers and power failures – which greatly benefits overhead power lines in coastal areas or in regions affected by high air pollution.

# For Our Shareholders

Dear Shareholders,

Fiscal 2014 was a good year for WACKER. We achieved a substantial increase in sales and earnings before interest, taxes, depreciation and amortization (EBITDA) in our centennial year, thanks to higher volumes at all our divisions and improved polysilicon prices. We also benefited from special income from advance payments retained and damages received in connection with amended or terminated contracts with solar-sector customers. Sales reached €4.83 billion overall, up almost 8 percent year on year. EBITDA rose by more than 50 percent to €1.04 billion.

These figures are testimony to our employees' great dedication, outstanding expertise and high levels of identification with the company – their strong performance was a key factor in our success. That is why I and my colleagues on the Executive Board wish to express our thanks to all WACKER employees.

The agreement reached last year with the Chinese Ministry of Commerce concerning polysilicon exports to China was of crucial importance to us. In accordance with the agreement, we have undertaken not to sell polysilicon manufactured at our European sites below a specific minimum price in China. In turn, the Chinese authorities will refrain from imposing anti-dumping and anti-subsidy tariffs on this material. As a result, we will remain in a position to offer our polysilicon in our biggest market at competitive prices.

Other key financial indicators, too, were in line with – or even exceeded – our expectations. Although net financial debt further increased in 2014 as planned, we achieved our goal of keeping it below €1.1 billion in total. Net cash flow almost doubled year on year to more than €200 million and net income for the year was substantially higher at €195 million.

As we want you, our shareholders, to share in this positive performance, the Supervisory and Executive Boards will be proposing to the Annual Shareholders' Meeting a dividend payment of €1.50. That means we will be distributing 37 percent of the company's profit for the year to you.

The acquisition of a majority stake in Siltronic Silicon Wafer in Singapore and the purchase of Scil Protein Productions in Halle, Germany, proved to be the right moves strategically, and both companies were quickly and successfully integrated into the WACKER Group. As a result of these acquisitions, Siltronic was able, in line with its strategy, to expand its business with 300 mm silicon wafers in Asia, while WACKER BIOSOLUTIONS now has additional prospects for growth in the field of pharmaceutical proteins thanks to additional capacity. This acquisition has already enabled us to conclude contracts with new customers.

On the whole, we can be more than satisfied with the performance of all our divisions, particularly with the good results achieved by WACKER POLYSILICON and Siltronic.

Record sales volumes, higher prices and further improvement in production costs are the key messages when it comes to our polysilicon business. Siltronic more than offset the price pressure in its market not only through substantially higher volumes and notable cost reductions, but also through high plant utilization rates. The closure two years ago of our site in Hikari, Japan, and of a production line in Portland, Oregon (USA), have proved to be the right decisions, and we reaped the benefits in 2014.

Our three chemical divisions posted healthy sales growth. This achievement was marred solely by the EBITDA trend, with which we were not entirely satisfied. High prices for vinyl acetate monomer, a raw material, and falling prices for silicone products dampened earnings. The important thing for us is that, in all our key regions, we continued to invest in our production facilities, which will enable us to profit from future growth in these markets. By the same token, we were successful in enhancing our global presence.

In many ways, 2015 will be a thrilling year for WACKER. We intend to commence production of polysilicon at our new production facility in Charleston, Tennessee (USA), at the end of the year and are working hard to achieve this goal.

Completion of the polysilicon production plant in Tennessee will mark a turning point in our investment strategy that will impact WACKER's financial figures. Although net financial debt is set to rise once again in 2015, it will decrease over the next few years. Capital expenditures, which are expected to come in at around €700 million in 2015, will decline in the following years, too. When the Charleston plant comes on stream, we will have concluded the phase of capital-intensive expansion projects during which we reinvested up to 25 percent of our revenue. The focus of our capital expenditures will then shift to facilities for the manufacture of intermediate and downstream products in our chemical divisions – products that are targeted at exploiting growth opportunities in all key markets.

We have set ourselves ambitious goals for 2015 – not only regarding the Tennessee plant. We want to build on the upward trend from 2014 and achieve percentage growth in sales in the high single-digit range. Although the start-up costs in Charleston will impact our EBITDA, we still expect to post a slight increase on a comparable basis, excluding special income. We want to achieve this even though the global economic and political environment is set to remain highly volatile. All over the world, we are seeing developments whose outcome we cannot predict, let alone reliably plan for, and this situation is unlikely to change going forward.

Despite these uncertainties, we are confident of being able to keep WACKER on its long-term trajectory of profitable growth – because we take the long view, because we factor the future into what we do today, and because we possess the ability to change and yet stay firmly grounded.

One of WACKER's greatest strengths is its wide array of sophisticated products for key industries. As globalization progresses and more and more people benefit from rising affluence, demand for higher-quality products in all areas of life will increase as well. This is precisely where we come into play with our high-quality products. Many markets in which we have only just gained a foothold are ripe for development.

In Germany, per-capita demand for chemical products is about €1,500 a year. The equivalent figure for China is around €150 and for India about €60. These figures underscore our exceptional prospects in these growth regions. But even established markets, in which we already have a strong position, offer us ample opportunity to increase our market share. We will do everything within our power to make the most of these opportunities, no matter where in the world they arise.

"Creating tomorrow's solutions" is our all-pervasive motto at WACKER. Every day, we have to work at turning this aspiration into a rule that we live by in practical terms. After all, a constant flow of new solutions will be needed in the future.

This is what motivates us. We invite you to accompany us as we continue on this path. My Executive Board colleagues and I wish to thank our customers and our suppliers for the trust they have placed in us and for the positive working relationship we share. We would also like to express our gratitude to you, our shareholders, for the open dialogue we enjoy. Let us continue shaping the future of WACKER together.

Munich, Germany, March 2015

**Dr. Rudolf Staudigl**
President & CEO of Wacker Chemie AG


Executive Board: Auguste Willems, Dr. Rudolf Staudigl, Dr. Joachim Rauhut and Dr. Tobias Ohler

# Executive Board

## Dr. Rudolf Staudigl

**President & CEO**
WACKER POLYSILICON
Executive Personnel
Corporate Development
Corporate Communications
Investor Relations
Corporate Auditing
Legal
Compliance

## Dr. Tobias Ohler

WACKER POLYMERS
Human Resources (Personnel Director)
Technical Procurement & Logistics
Raw Materials Procurement
Region: Asia

## Dr. Joachim Rauhut

SILTRONIC
Corporate Accounting and Tax
Corporate Controlling
Corporate Finance and Insurance
Corporate Engineering
Information Technology
Region: The Americas

## Auguste Willems

WACKER SILICONES
WACKER BIOSOLUTIONS
Sales & Distribution
Corporate Research & Development
Intellectual Property
Site Management
Corporate Security
Environment, Health, Safety
Product Stewardship
Regions: Europe, Middle East

# Report of the Supervisory Board

Dr. Peter-Alexander Wacker
**Chairman of the Supervisory Board of Wacker Chemie AG**

Dear Shareholders,

WACKER ended its centennial year of 2014 with good sales and earnings figures.

After two difficult business years – in which we lost more than €1 billion in sales, mainly due to massive polysilicon and semiconductor-wafer price declines – we were able to post substantial growth again in 2014. Our ambitious efficiency program played a major part in this success by enabling us to save €440 million in costs over two years. With great discipline, we achieved all our cost targets and were able to profit from these efforts even when only small improvements occurred in the underlying conditions. This particularly applies to our polysilicon business. What is more, lower oil prices and a

weaker euro boosted our business in the fourth quarter of 2014. Special income from advance payments retained and damages received from solar-sector customers also had a positive impact.

Siltronic's acquisition of a majority stake in the joint venture with Samsung proved to be the right strategic move, enabling the division to expand its production in the high-growth segment for 300 mm silicon wafers and consolidate its position in Asia, its most important market.

This success was largely attributable to WACKER's employees, whose ability to perform, outstanding expertise and high levels of commitment were major contributing factors to this postive trend. The Supervisory Board of Wacker Chemie AG thanks them for their achievement.

Fiscal 2015 could prove to be another successful year for WACKER. However, we see three factors beyond our influence that could severely impede economic growth.

These are the uncertainties surrounding the Ukraine conflict, the development of the euro, and a possible economic slow-down in China. In the future, market fluctuations are very likely to become more pronounced, which is why we are staying alert.

When it comes to the factors that we can influence ourselves, we remain optimistic about WACKER's future. We have succeeded in expanding our market position in all of our business segments. This shows us that we have products of recognized high quality and can serve customers in almost every key branch of industry across the globe. What is more, our technological expertise and innovative strength put us in a position to develop new applications for our products and find solutions for the megatrends that will define the next few decades.

For WACKER, 2015 will be a special year. At the end of the year, we intend to start polysilicon production at our newest site in Charleston, Tennessee (USA). This, the biggest single investment in the company's history, is the starting point for establishing an integrated production site in the world's second-largest chemical market. The conclusion of this investment project will mark a major milestone of having integrated production plants in all of our key regions around the world. That will be of the utmost importance for our strategy of ongoing expansion.

## Continuous Dialogue with the Executive Board

At WACKER, sound corporate governance and control are built on a relationship of trust between the Executive Board and Supervisory Board as they work closely together in the company's interest. In 2014, the Supervisory Board performed – with great diligence – the duties incumbent upon it under the law, the Articles of Association, and the internal rules of procedure. The Supervisory Board was involved at an early stage in every decision of fundamental significance for the company.

In both written and verbal reports, the Executive Board regularly provided us with timely and comprehensive information on corporate planning, strategic development, business operations, and the current state of Wacker Chemie AG and the Group, including the risk situation. Outside of the scheduled Supervisory Board meetings, the Chairman of the Supervisory Board also remained in close contact with the Executive Board, especially with the CEO, and was kept informed of the business situation, current trends and key business transactions. Any deviations from business plans and targets were explained to us in detail.

Wherever required by statutory provisions or the Articles of Association, the Supervisory Board voted on the reports and proposals of the Executive Board after detailed examination and discussion.

In the reporting year, we paid particularly close attention to investment projects, the current earnings situation, including the risk position and risk management, and the company's liquidity and financial position.

The Supervisory Board held four meetings in 2014, two in the first half of the year and two in the second. Between meetings, the Executive Board immediately informed us in detail by means of written reports about all projects and plans of particular importance to the Group. At its full meetings and in its committees, the Supervisory Board discussed in detail business transactions important to the company on the basis of the reports submitted by the Executive Board. The full meetings were prepared by shareholder and employee representatives in their own separate sessions. With the exception of Dr. Bernd W. Voss, who was unable to attend for personal reasons, every Supervisory Board member attended at least half of the meetings held in the reporting period during their term of office.

## The Supervisory Board's Main Areas of Deliberation

The development of sales, earnings and employment at the Group and its individual segments were the subject of regular deliberations in the full meetings. At each meeting, the Supervisory Board evaluated the Executive Board's performance – on the basis of Executive Board reports – and discussed strategic development opportunities and other key topics with the Executive Board. There was no need for additional monitoring measures, such as the inspection of corporate documents or the appointment of experts.

Major areas of deliberation dealt with by the Supervisory Board were:

- The anti-dumping proceedings against the solar industry in the USA, EU and China; their impact on WACKER; and corresponding courses of action
- The market-price level of polysilicon, demand fluctuations in this segment, and the consequences for WACKER
- Progress with constructing the polysilicon production site at Charleston, Tennessee (USA)
- The acquisition of a majority stake in, and financing of, our Singapore-based joint venture with Samsung
- Developments in the semiconductor industry
- Acquisition and integration in the Group of the SCIL company of Halle, Germany
- Performance of the share price
- Group financing measures

The Supervisory Board discussed the WACKER Group's plans for fiscal 2015 at its meeting of December 11, 2014. On that occasion, the Supervisory Board also dealt with medium-term corporate plans for 2015 to 2019, and discussed and approved the capital expenditure budget for 2015.

## Work in the Committees

The Supervisory Board is assisted in its work by the committees it has constituted. WACKER's Supervisory Board has created three committees – an Audit Committee, an Executive Committee, and a Mediation Committee (as per the German Co-Determination Act (MitbestG), Section 27, Subsection 3). With the exception of the Audit Committee, which is chaired by Dr. Bernd W. Voss, the Chairman of the Supervisory Board chairs the

committees. For personal reasons, Dr. Voss was unable to perform this task in 2014. Therefore, the Supervisory Board elected Franz-Josef Kortüm, an independent Supervisory Board member, to stand in for Dr. Voss on the Audit Committee and to act as that committee's chairman.

The Audit Committee met four times last year. Key aspects of its work included the audit of the annual financial statements of Wacker Chemie AG and the Group for 2013, and of the consolidated interim financial statements for the first half-year. It also discussed the consolidated quarterly reports and issues relating to risk management, compliance and auditing. Additionally, the Audit Committee awarded the auditing contract (including the focus of auditing) to the chosen auditors and submitted a proposal for the choice of auditors for 2014 to the full Supervisory Board.

The Executive Committee convened twice in fiscal 2014, of which once by conference call. The committee's discussions centered around personnel matters related to the Executive Board (compensation, goals and employment contracts) and the Supervisory Board (proposal of Dr. Andreas Biagosch as new Supervisory Board member).

The Mediation Committee did not need to be convened last year.

The Supervisory Board was regularly informed about the committees' work.

## Corporate Governance

Last year, the Supervisory Board again looked closely at corporate-governance standards. At its meeting of December 11, 2014, the Supervisory Board discussed the application of the German Corporate Governance Code and adopted the annual Declaration of Conformity that must be submitted jointly by the Executive and Supervisory Boards in accordance with Section 161 of the German Stock Corporation Act (AktG). Shareholders can access the Declaration on the company's website.

In its Corporate Governance Report, the Executive Board provides details – also on behalf of the Supervisory Board – on corporate governance at WACKER in accordance with Item 3.10 of the German Corporate Governance Code. For further details, refer to page 271 onward.

At its meeting in December 2014, the Supervisory Board also discussed the efficiency of its activities and found that it works efficiently – one reason being the regular preliminary discussions regarding the Supervisory Board meetings.

## Audit of the Annual Financial Statements of Wacker Chemie AG and the WACKER Group

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements of Wacker Chemie AG for fiscal 2014, the consolidated financial statements and the combined management report (as of December 31, 2014), as prepared by the Executive Board, including the relevant accounts.

The Supervisory Board's Audit Committee had awarded the auditing contract in accordance with the resolution of the annual shareholders' meeting of May 15, 2014. The auditors issued an unqualified audit report.

The auditors also examined the risk management system in accordance with Section 91 of the German Stock Corporation Act (AktG). The audit verified that the risk management system meets the legal requirements. No risks endangering the continued existence of the company were identified. The financial-statement documents (including the auditors' reports, the combined management report and the Executive Board's proposal for the distribution of profits) were submitted to all the Supervisory Board members in good time.

At its meeting of March 2, 2015, the Audit Committee closely examined the aforementioned financial statements and reports, as well as the auditors' reports on the separate and consolidated financial statements, and discussed and examined them in detail with the auditors before reporting to the full Supervisory Board. At its meeting of March 10, 2015, the full Supervisory Board closely examined and discussed the relevant annual accounting documents with knowledge and in consideration of both the report of the Audit Committee and the auditors' reports. At both meetings, the auditors took part in the deliberations. They reported on the main results of the audit and were available to the Audit Committee and the full Supervisory Board to answer questions and provide supplementary information.

After concluding our own examination, we found no grounds for disputing the annual financial statements of Wacker Chemie AG, the consolidated financial statements or the combined management report, or the auditors' reports.

We therefore approve the annual financial statements of Wacker Chemie AG and the consolidated financial statements as of December 31, 2014 as prepared by the Executive Board. The annual financial statements of Wacker Chemie AG are hereby adopted. We concur with the Executive Board's proposal for the distribution of retained profits.

## Changes in the Composition of the Supervisory and Executive Boards

Dr. Bernd W. Voss, a longstanding member of the Supervisory Board, stepped down effective December 31, 2014. We thank him for his valuable and beneficial support over the years and wish him all the best. He was succeeded by Dr. Andreas Biagosch, who was appointed to the Supervisory Board by court order effective January 26, 2015.

There were no changes in the Executive Board in fiscal 2014.

The Supervisory Board expresses its thanks to the Executive Board and to the company's employees and employee representatives. Their efforts have helped achieve another successful year for Wacker Chemie AG.

**Munich, March 10, 2015**
**The Supervisory Board**

**Dr. Peter-Alexander Wacker**
**Chairman of the Supervisory Board of Wacker Chemie AG**

# WACKER Stock in 2014

News from the solar and semiconductor industries influenced the performance of WACKER's share price in 2014. The stock additionally benefited from good business trends at the chemical divisions as of the third quarter.

The financial and debt crisis in Europe and the USA continued to have less of an impact on global financial-market sentiment in the first quarter. On the other hand, weak growth figures from Asia, especially China, unsettled capital markets. Another negative factor was the conflict between Russia and Ukraine precipitated by Russia's annexation of the Crimean peninsula in March 2014. This action and the associated political instability in Europe impacted capital markets substantially. WACKER stock profited from the positive market response to the agreement the company reached with the Chinese Ministry of Commerce (MOFCOM) on import duties for polysilicon. Effective May 1, 2014, WACKER and the Chinese Ministry of Commerce signed an agreement in which the Group undertakes not to sell European-manufactured polysilicon in China below a specific minimum price based on standard market prices. The Chinese Ministry of Commerce, in turn, will refrain from imposing anti-dumping or anti-subsidy duties on this material. Given these conditions, WACKER stock performed well during the first quarter of 2014. With a quarterly gain of 10.8 percent, WACKER's stock significantly outperformed Germany's DAX and MDAX equity indices – which essentially moved sideways. The DAX gained 1.7 percent in Q1 2014, while the MDAX edged down 0.3 percent in the same period.

WACKER's share price started the year at €80.00 on January 2, 2014. It rose to its first-quarter high of €103.65 on March 6, 2014. Several positive news items lifted the share price during this period. When it published its preliminary 2013 figures, for instance, the Group reported on a solid final quarter of 2013. WACKER's acquisition of a majority stake in its semiconductor-wafer joint venture with Samsung was just as well-received by market participants as the announcement concerning special income from restructuring a contractual and delivery relationship with a solar-sector customer. The share price declined again somewhat in the weeks thereafter, closing the quarter at €88.63. This corresponded to a market capitalization of about €4.4 billion.

The geopolitical situation in the rest of the year was dominated by repeated flare-ups of the conflicts in Ukraine, Syria and Iraq. Political and military strife in these countries caused market uncertainty about the global economy and the stability of international trade relations. The primary factor influencing capital markets was the stance taken by major central banks in the USA and Europe to continue their expansionary monetary policy. In response to low inflation and emerging deflationary fears in Europe, the European Central Bank (ECB) lowered the main refinancing rate, its most important policy rate, from 0.25 percent to 0.15 percent.

After gaining a good 10 percent during the first three months of 2014, WACKER stock had a more subdued performance from April through June. The share price lost some ground in that quarter, falling 6.3 percent. One reason for the decline was the fact that analysts had slightly lowered their expectations for short-term growth and earnings in the chemical sector. The DAX and the MDAX were also virtually unchanged during the same period, having gained 2.4 percent and 1.3 percent, respectively. On May 19, 2014, WACKER's share price reached its lowest closing price of €77.11. This movement was preceded by reports of very low figures for solar system installations in China, which affected expectations for the solar business. In addition, the trade dispute between China and the USA involving imports of solar modules into the USA and polysilicon exports to China intensified again.

Neither publication of the Q1 report on May 5 nor the Annual Shareholders' Meeting on May 15 had any noticeable impact on the share price. As the second quarter progressed, WACKER stock recovered, closing at €84.33 at the end of that quarter.

Geopolitical tensions and armed conflict in Ukraine and the Middle East dominated international financial-market sentiment in the third quarter. Concern about economic developments also held back equity markets. Between July and September, WACKER stock strongly outperformed both the DAX and the MDAX. It was quoted at €88 at the start of the quarter and climbed to a high of €98.45 on September 25. At the end of the third quarter, WACKER's share price was €95.81 – a gain of over 9 percent. In the same period, the DAX lost 4.3 percent and the MDAX was down 4.4 percent. There were several reasons why WACKER stock outperformed the market, including good news from the solar market, price stabilization in silicon wafers and better-than-expected sales volumes at the chemical divisions.

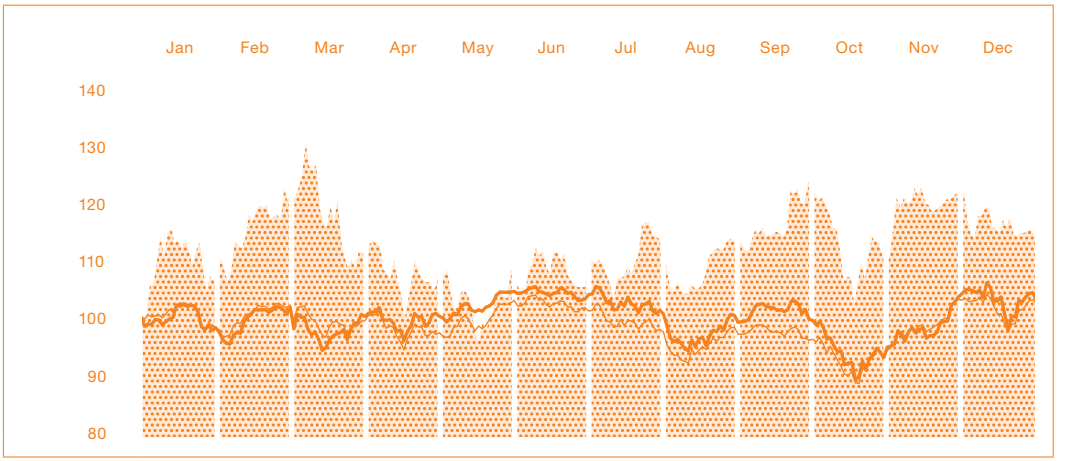
In the fourth quarter, plunging crude-oil prices, weakness of the euro against the US dollar and weak economic growth in major EU countries such as France and Italy determined the course of capital markets. The ECB's expansionary monetary policy drove the euro down from US$1.26 to below US$1.22 in the final three months of the year. Less-than-satisfactory figures from some chemical-industry companies caused analysts to lower expectations for the entire chemical sector. In light of the good Q3 results, WACKER raised its full-year forecast, which was rewarded by the market. The ongoing tariff dispute between China and the USA concerning solar-module imports to the USA and polysilicon exports to China prompted negative analyst commentary about future solar-industry growth, as did potential cutbacks in subsidies for new solar installations in Japan. WACKER stock opened Q4 at €96.46 and closed the quarter at €91.05 – a drop of 5.9 percent. The DAX and the MDAX, on the other hand, gained 4.5 percent and 7 percent, respectively, in Q4 2014.

## Performance of WACKER Stock Compared with DAX and MDAX

In full-year 2014, Germany's DAX and MDAX indices gained 2.65 percent and 2.17 percent, respectively. In contrast, WACKER's share price increased by 13.27 percent during the same period. The stock started the year at €80.38 (opening price on Jan. 2, 2014) and closed out the year at a quoted price of €91.05.

### WACKER Share Performance (indexed to 100)[1]

G 1.1




### Facts & Figures on Wacker Chemie AG's Stock

T 1.2

| € | | |
|---|---|---|
| | Year-high (on March 6, 2014) | 103.65 |
| | Year-low (on May 19, 2014) | 77.11 |
| | Year-end closing price (on Dec. 30, 2013) | 80.38 |
| | Year-end closing price (on Dec. 30, 2014) | 91.05 |
| | Performance for the year (without dividend) (%) | 13.3 |
| | Year-end market capitalization (shares outstanding; prior year: 4.0) (billion) | 4.5 |
| | Average daily trading volume[1] (prior year: 12.2) (million) | 18.0 |
| | Earnings per share (prior year: 0.05) | 4.10 |
| | Dividend per share (proposal) | 1.50 |
| | Dividend yield[2] (%) | 1.67 |

[1] Trading platforms (Xetra, Chi-X and Turquoise)
[2] Dividend proposal based on an average weighted share price of €89.62 in 2014

## Earnings per Share of €4.10

Earnings per share (EPS) is calculated by dividing net income allocable to Wacker Chemie AG shareholders by the weighted average of all shares in circulation during the year. In 2014, the number of shares in circulation was 49,677,983. On this basis, the EPS was €4.10.

## Useful Information on WACKER Stock

T 1.3

| | |
|---|---|
| ISIN | DE000WCH8881 |
| German security identification number (WKN) | WCH888 |
| Frankfurt Stock Exchange | WCH |
| Bloomberg | CHM/WCH.GR |
| Reuters | CHE/WCHG.DE |
| Capital stock | €260,763,000 |
| Number of shares (Dec. 31, 2014) | 52,152,600 |

## Dividend Payment of €0.50 per Share

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 (2013: €0.60). At a volume-weighted average share price of €64.47 in 2013 (2012: €60.28), this produced a dividend yield of 0.78 percent.

## Dividend Trends

T 1.4

| € | 2013 | 2012 | 2011 |
|---|---|---|---|
| Dividend | 0.50 | 0.60 | 2.20 |
| Plus special bonus per share | – | – | – |
| Dividend yield (%) | 0.78 | 1.0 | 2.0 |
| Net result for the year (allocable to WACKER's shareholders) (million) | 2.6 | 120.7 | 352.6 |
| Dividend payout (million) | 24.8 | 29.8 | 109.3 |
| Distribution ratio (%) | >100 | 24.7 | 31.0 |

## Trading Volume and Analysts

In 2014, the average daily trading volume for WACKER stock on the Xetra, Chi-X and Turquoise trading platforms was approximately 200,000 shares – nearly 7 percent above the prior-year figure of around 190,000 shares. Bank restructuring and high analyst turnover led to an overall decline in the number of analysts covering our company, their number dropping to 21 in 2014 (2013: 23). During the year, the analysts' consensus price target for WACKER stock rose. In Q1, the average price target for WACKER stock was €92.27 (15 estimates). At year-end 2014, however, analysts set their fair-value price target at €101 on average (13 estimates)[1], which was thus higher than at the start of the year.

[1] Consensus figures from VARA Research (Q1 = April 15, 2014/Q3 = Nov. 19, 2014)

### The Following Banks and Investment Firms Cover and Rate WACKER

T 1.5

| | |
|---|---|
| Bankhaus Lampe KG | J. P. Morgan Cazenove Ltd. |
| Bank of America Merrill Lynch (UK) | Landesbank Baden-Württemberg |
| Citi Investment Research | Macquarie Capital (Europe) Ltd. |
| Commerzbank Corporates & Markets | MainFirst Bank AG |
| Credit Suisse Securities (Europe) Ltd. | Metzler Equity Research |
| Deutsche Bank AG | Morgan Stanley & Co. International Ltd. |
| DZ Bank AG | Natureo Finance Investment Research |
| fairesearch GmbH & Co. KG | Nomura International Plc. |
| Hauck & Aufhäuser Institutional Research AG | Norddeutsche Landesbank Girozentrale |
| HSBC Trinkaus & Burkhardt AG | UBS Ltd. |
| Independent Research GmbH | |

As of the end of December 2014

On our website, we regularly report on the consensus of analysts' expectations for the current year. Moreover, our website offers extensive information on WACKER stock. In addition to financial reports, a Fact Book, presentations and publications (viewable online or downloadable), our website lists all our key financial-calendar dates, with contact information if you have any questions. Videos of our annual press conference and other events are also available for online viewing, or as an audio stream. Investors can additionally subscribe to an email newsletter that provides immediate updates on new developments in the Group. As we did last year, we are also offering an online version of our Annual Report for 2014. The easy-to-navigate online version facilitates access to information. Moreover, its interactive options, such as key-indicator comparisons and a toolbox, enable readers to work directly with the figures.

## Market Capitalization and Weighting (Weighting as of December 30, 2014)

WACKER's year-end market capitalization increased from €4.0 billion to €4.5 billion (total stock without treasury shares) due to share-price performance. WACKER's MDAX market capitalization based on the free float was €1.4 billion (€1.2 billion in 2013). WACKER thus had an MDAX weighting of 1.03 percent and currently ranks 14th (by 12-month trading volume) and 31st (by market capitalization) among the 50 companies in the index.

WACKER's GEX weighting was 9.9 percent. Deutsche Börse AG's GEX mid-cap index (introduced in January 2005) comprises owner-dominated companies listed in the prime standard on the Frankfurt Stock Exchange that went public no more than ten years ago. At year-end 2014, WACKER ranked 4th in the GEX weighting.

## WACKER Communicates Closely with Capital Markets

Key elements of our corporate strategy include organic growth and investment in promising markets, as well as a reduction of capital intensity across all segments. These priorities are reinforced through continuous and open communication with institutional and private investors and with analysts.

On many occasions, Executive Board members attended events in person to answer questions from capital-market participants. There were 15 roadshows with a total of 26 roadshow days in Germany, Europe, the USA and Asia. We held about 500 meetings in total, both in person and by telephone, as well as some 110 group discussions, and we participated in various international conferences. WACKER gave presentations at the following events, among others:

- HSBC Sustainability Conference SRI/Cleantech in Frankfurt
- Nomura Global Chemical Industry Leaders Conference in London
- 5th Southern German Capital Market Conference in Stuttgart
- Deutsche Bank: German, Swiss and Austrian Conference in Berlin
- Warburg Highlights in Hamburg
- Intersolar: Solar Trade Fair in Munich
- MainFirst One-on-One Forum in Zurich
- Commerzbank Sector Conference, Chemicals & Life Sciences in Frankfurt
- Baader Investment Conference in Munich
- Sanford C. Bernstein: 11th Annual European Strategic Decisions Conference in London
- Macquarie's 7th Alternative Energy Conference in London
- Bank of America Merrill Lynch: European Chemicals Conference in London
- HSBC Luxembourg Conference in Luxembourg
- German Equity Forum in Frankfurt

Wacker Chemie AG maintained its dialogue with private shareholders during the past year and presented the Group and its markets at various events with the SdK association of equity investors.

## Shareholder Structure

Wacker Chemie AG's largest shareholder is still Dr. Alexander Wacker Familiengesellschaft mbH, Munich, with over 50 percent of the voting shares (2013: over 50 percent).

Blue Elephant Holding GmbH (Pöcking, Germany) once again had no voting-share changes to report in 2014, with its holding in Wacker Chemie AG remaining at over 10 percent (2013: over 10 percent).

## Free Float: US Share Ownership Increases

Based on our shareholder analysis[1] (Dec. 31, 2014), the number of shareholders in the USA increased further during the year. In December 2013, the level of US-held shares was 24 percent. A year later, it was 35 percent. Thus, our strongest increase in shareholders was in the USA. Share ownership in Germany rose to 18 percent (2013: 15 percent). The number of Canadian shareholders was practically steady at 11 percent. Conversely, British and Swiss share ownership declined to 13 percent (2013: 23 percent) and 5 percent (2013: 7 percent), respectively, whereas other European share ownership (excluding Germany, Switzerland and the UK) remained the same.

[1] Shareholder structure analysis, based on the free float of 28.75% (= 100%)

## Short Positions in WACKER Stock

At the end of 2014, short sales of Wacker Chemie AG's stock amounting to 8.66 percent of the shares outstanding were reported as per Section 30h of the German Securities Trading Act ("WpHG"). The largest position amounted to 2.83 percent. Short positions exceeding 0.5 percent of the shares outstanding are published in Germany's Federal Gazette. www.bundesanzeiger.de

# Combined Management Report of the WACKER Group and of Wacker Chemie AG

# Group Business Fundamentals

# 2



Automotive Sector

A smooth operator … ELASTOSIL® silicone rubber easily copes with extremely tough conditions. Heat, moisture, dirt and UV light – no problem for silicone. ELASTOSIL® grades also function effectively in harsh environments such as exhaust systems. Heat-resistant silicone suspension mounts last for years and absorb vibrations and noises.

# Combined Management Report of the WACKER Group and of Wacker Chemie AG

## Group Business Fundamentals

# Group Business Fundamentals

## Business Model of the Group

WACKER is a global company with state-of-the-art specialty chemical products. Our portfolio includes over 3,200 products supplied to more than 3,500 customers in over 100 countries. WACKER products are found in countless everyday items, ranging from cosmetic powders to solar cells.

### Silicon Is Our Main Starting Material

Most of our products are based on inorganic starting materials. Silicon-based products account for 80 percent of WACKER sales, and products that are primarily ethylene-related for 20 percent. Our customers come from virtually every major sector, ranging from consumer goods, food, pharmaceuticals, textiles and the solar, electrical/electronics and base-chemical industries, to medical technology, biotech and mechanical engineering. As a manufacturer of silicones and polymers, WACKER is particularly well represented in the automotive and construction sectors. We are also a key supplier of silicon wafers to the semiconductor industry. In recent years, the market for polycrystalline silicon for the solar industry – an area in which WACKER is one of the world's largest manufacturers – has demonstrated strong growth.

### Technical Competence Centers Support Sales and Marketing Activities

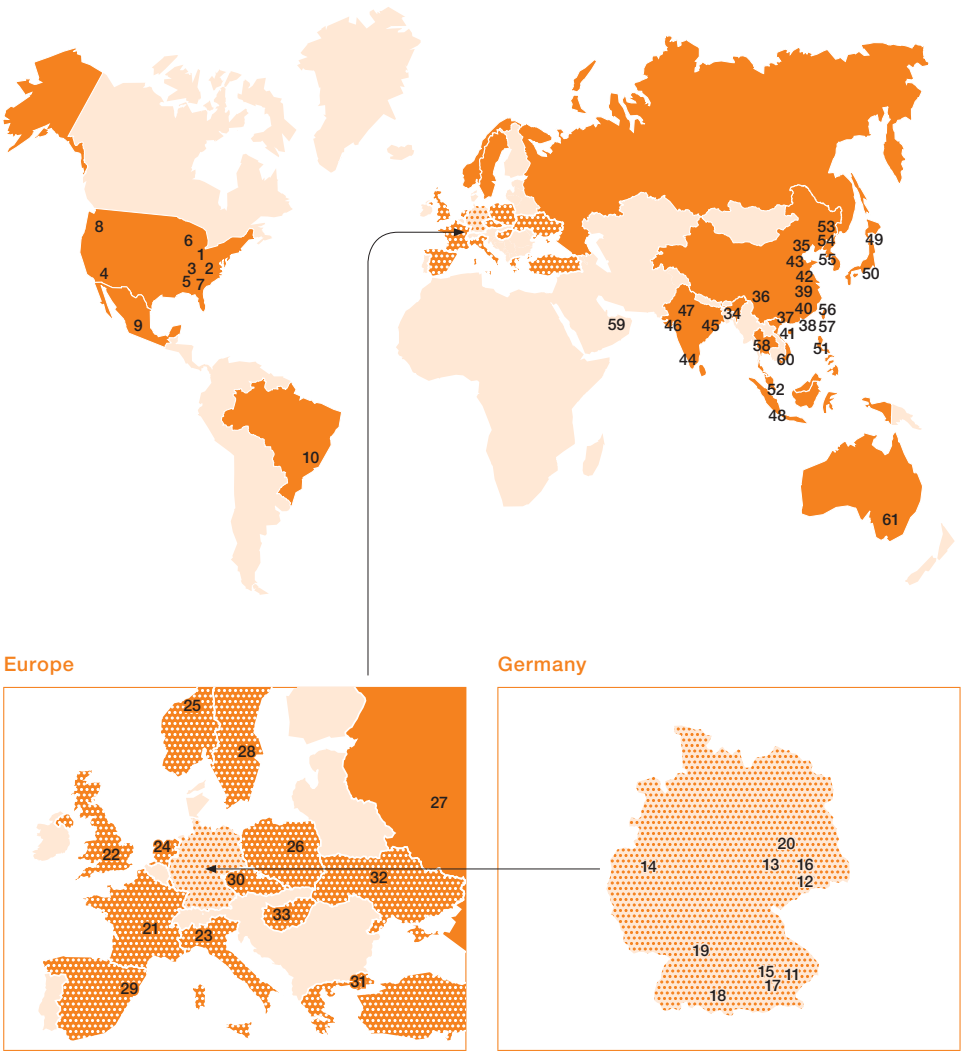
WACKER operates all over the world. Our sales strategy is centered around expanding our presence in growth markets. Our sales organization is supplemented not only by a network of technical competence centers, where customers learn about WACKER's product portfolio, but also by the WACKER ACADEMY, where we offer technical training sessions on our products and their application fields. In 2014, we expanded our existing technical competence center for silicone applications in Kolkata, India, and opened a new sales office in Manila in the Philippines. In total, WACKER has 52 sales offices in 28 countries.

### New Production Site in Germany

WACKER's integrated global production system consists of 25 production sites (2013: 24): nine in Europe, seven in the Americas and nine in Asia. With the acquisition of Scil Proteins Production GmbH, a site for therapeutic protein production in Halle, Germany, has been added to this system. The Group's key production location is Burghausen (Germany). At this site alone, we have some 9,700 employees (including temporary workers and trainees). In 2014, Burghausen's manufacturing output reached around 680,000 metric tons, accounting for over 50 percent of the Group's production output. Alongside Burghausen, Nünchritz is WACKER's second multidivisional site.

## WACKER's Production and Sales Sites and Technical Competence Centers[1]

G 2.1




**North and South America**

1 **Adrian, Michigan,** USA
2 **Allentown, Pennsylvania,** USA
3 **Calvert City, Kentucky,** USA
4 **Chino, California,** USA
5 **Dalton, Georgia,** USA
6 **Eddyville, Iowa,** USA
7 **North Canton, Ohio,** USA
8 **Portland, Oregon,** USA
9 **Mexico City,** Mexico
10 **Jandira, São Paulo,** Brazil

**Europe**

11 **Burghausen,** Germany
12 **Freiberg, Saxony,** Germany
13 **Jena,** Germany
14 **Cologne,** Germany
15 **Munich,** Germany
16 **Nünchritz,** Germany
17 **Riemerling,** Germany
18 **Stetten,** Germany
19 **Stuttgart,** Germany
20 **Halle (Saale),** Germany
21 **Lyon,** France
22 **Winkfield, Windsor,** Great Britain
23 **Milan,** Italy
24 **Krommenie,** Netherlands
25 **Kyrksæterøra, Holla,** Norway
26 **Warsaw,** Poland
27 **Moscow,** Russia
28 **Solna,** Sweden
29 **Barcelona,** Spain
30 **Plzeň,** Czech Republic
31 **Istanbul,** Turkey
32 **Kiev,** Ukraine
33 **Budapest,** Hungary

**Asia**

34 **Dhaka,** Bangladesh
35 **Beijing,** China
36 **Chengdu,** China
37 **Guangzhou,** China
38 **Hong Kong,** China
39 **Nanjing,** China
40 **Shanghai,** China
41 **Shunde,** China
42 **Wuxi,** China
43 **Zhangjiagang,** China
44 **Chennai,** India
45 **Kolkata,** India
46 **Mumbai,** India
47 **New Delhi,** India
48 **Jakarta,** Indonesia
49 **Tsukuba (Akeno),** Japan
50 **Tokyo,** Japan
51 **Makati City,** Philippines
52 **Singapore,** Singapore
53 **Jincheon,** South Korea
54 **Seoul,** South Korea
55 **Ulsan,** South Korea
56 **Hsinchu,** Taiwan
57 **Taipei,** Taiwan
58 **Bangkok,** Thailand
59 **Dubai,** United Arab Emirates
60 **Ho Chi Minh City,** Vietnam

**Australia**

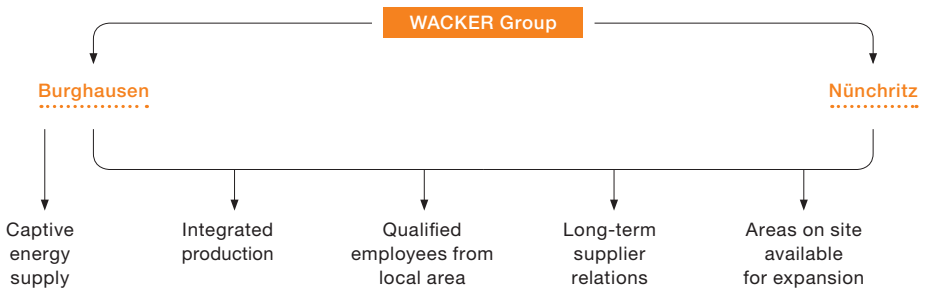
61 **Melbourne, Victoria,** Australia

Production site ● Sales site ▲ Technical competence center

[1]Only majority-owned subsidiaries and joint ventures

### Key Factors for Multidivisional Sites

G 2.2




## Legal Structure

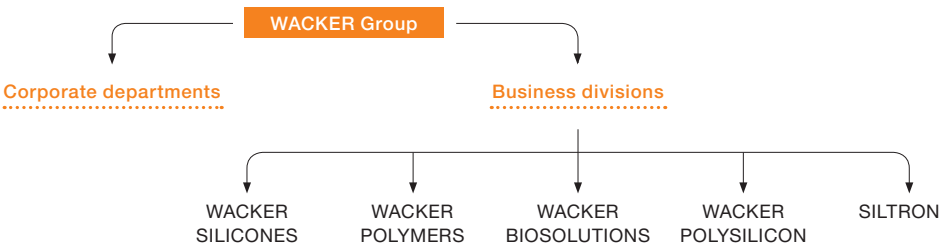
Our legal structure has not changed compared with the previous year. In November 2005, WACKER became a stock corporation (AG) under German law. Headquartered in Munich, Wacker Chemie AG holds a direct or indirect stake in 56 companies belonging to the WACKER Group. The consolidated financial statements cover 52 fully consolidated companies, and three accounted for using the equity method. One small company that is not part of our core operations has not been consolidated. You will find more information on changes in the scope of consolidation and the resulting effects in the Notes to the consolidated financial statements in the Acquisitions and Majority Takeovers in Fiscal 2014 chapter.

### Five Operating Divisions

WACKER is based on a matrix organization with clearly defined functions. The Group has five business divisions, each with global responsibility for its products, manufacturing facilities, markets, customers and results. Regional organizations are responsible for all business in their respective countries. WACKER's corporate departments primarily provide services for the whole Group, although some also have production-related functions.

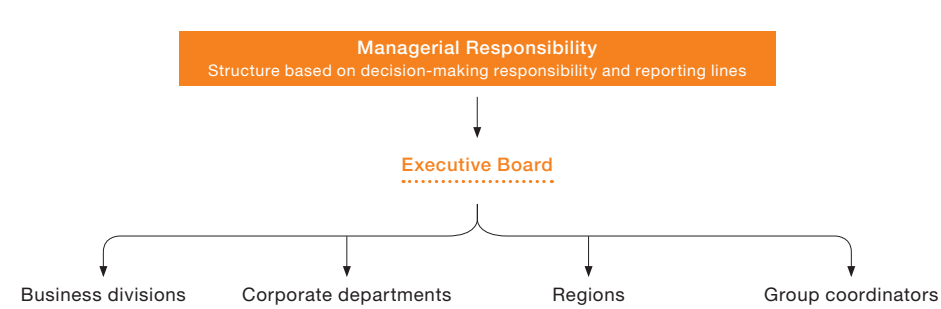
### Group Structure

G 2.3




### Group Structure in Terms of Managerial Responsibility

G 2.4



# Management and Supervision

In compliance with the German Stock Corporation Act (AktG), Wacker Chemie AG has a two-tier management system, comprising the Executive Board and Supervisory Board. The Executive Board has four members. Wacker Chemie AG is the parent company and thus determines the Group's strategy, overall management, resource allocation, funding, and communications with key target groups (especially with the capital market and shareholders).

## Executive Board Responsibilities

T 2.5

| | |
|---|---|
| Dr. Rudolf Staudigl | President & CEO<br>WACKER POLYSILICON<br>Executive Personnel, Corporate Development, Corporate Communications, Investor Relations, Corporate Auditing, Legal, Compliance |
| Dr. Tobias Ohler | WACKER POLYMERS<br>Human Resources (Personnel Director), Technical Procurement & Logistics, Raw Materials Procurement<br>Region: Asia |
| Dr. Joachim Rauhut | SILTRONIC<br>Corporate Accounting and Tax, Corporate Controlling, Corporate Finance and Insurance, Corporate Engineering, Information Technology<br>Region: The Americas |
| Auguste Willems | WACKER SILICONES<br>WACKER BIOSOLUTIONS<br>Sales & Distribution, Corporate Research & Development, Intellectual Property, Site Management, Corporate Security, Environment/Health/Safety, Product Stewardship<br>Regions: Europe, Middle East |

## Executive Board and Supervisory Board in Fiscal 2014

There were no changes in the Executive Board and Supervisory Board in 2014.

Dr. Bernd W. Voss, a Supervisory Board member, stepped down effective December 31, 2014. He was succeeded by Dr. Andreas Biagosch, who was appointed to the Supervisory Board by court order effective January 26, 2015.

## Declaration on Corporate Management

Submitted as per Section 289a of the German Commercial Code (HGB), the declaration on corporate management is included in the corporate governance report. This declaration is also part of the combined management report and is available online. It contains the Executive and Supervisory Boards' work procedures, the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), and information on key corporate management practices. www.wacker.com/corporate governance

## Executive and Supervisory Board Compensation

Executive Board compensation contains both fixed and variable components. The main features of the compensation system for the Executive Board and Supervisory Board are described in the compensation report contained in the corporate governance report. The compensation report is also part of the combined management report.

## Key Products, Services and Business Processes

Our divisions' range of products and services generally remained unchanged in 2014. In several application areas, however, we expanded our product portfolio. WACKER SILICONES provides customers with our broadest offering of over 2,800 products – ranging from silicone fluids and emulsions, resins, elastomers and sealants to silanes and pyrogenic silica. The division manufactures both specialty products tailored to customers' specific needs, and standard products primarily used as starting materials in the production of silicones.

WACKER POLYMERS manufactures state-of-the-art binders and polymeric additives (such as dispersible polymer powders and dispersions). These are used in diverse industrial applications or as base chemicals. Customers include the paints, coatings, paper and adhesives industries. The main customer for polymeric binders is the construction industry, which uses them as additives in tile adhesives, dry-mix mortars, self-leveling flooring compounds, and EIFS (exterior insulation and finish systems)/ETICS (external thermal insulation composite systems).

WACKER BIOSOLUTIONS, our smallest division, supplies customized biotech and catalog products for the fine-chemical sector. Products include pharmaceutical proteins, cyclodextrins, cysteine, polyvinyl acetate solid resins (for gumbase), organic intermediates and acetylacetone. The division focuses on customer-specific solutions for growth areas, such as food additives, pharmaceutical actives and agrochemicals.

WACKER POLYSILICON produces hyperpure polysilicon for the semiconductor, electronics and – above all – solar sectors. Most of this polysilicon is sent to external customers. Internally, we provide polysilicon to Siltronic.

Siltronic produces silicon wafers for leading semiconductor manufacturers. These wafers are the essential raw material for virtually all semiconductor products – whether for discrete semiconductor components (e.g. transistors and rectifiers) or microchips (e.g. microprocessors and memory chips).

### Integrated Production System – WACKER's Main Strength

The WACKER Group's key competitive advantages include the highly integrated material loops at its major sites in Burghausen, Nünchritz and Zhangjiagang. The basic principle of integrated production is the use of the byproducts from one stage as starting materials for making other products. Auxiliaries required for this process, such as silanes, are recycled in a closed loop and waste heat from one process is utilized in other chemical processes. The result is lower specific production costs compared to open production processes. At the same time, integrated production cuts energy and resource consumption, improves the use of raw materials in the long term, and integrates environmental protection into our processes. WACKER's integrated production sites also provide other benefits, including outstanding infrastructure, well-trained personnel, and reliable raw-material and energy supplies.

# Major Markets and Competitive Positions

In its four biggest divisions in terms of sales, WACKER ranks among the world's top three suppliers. We are also the global market leader for several other products, such as VINNAPAS® dispersible polymer powders for the construction industry. Asia is the key sales region for our products, followed by Europe and the Americas.

## Market Positions of WACKER's Divisions

WACKER SILICONES ranks a strong number 2 in the silicones market worldwide, and is the leading manufacturer in Europe. We are the global market leader for building-protection silicones. Offering a wide range of properties, silicones are used in every major industry. The largest growth potential lies in Asia, where rising living standards are boosting demand for silicone products.

WACKER POLYMERS is the world's largest producer of dispersions and dispersible polymer powders based on vinyl acetate-ethylene. Importantly, we are the only company in the market to have a complete supply chain for dispersions and powders in Europe, the Americas and Asia. In this market, too, we see the largest potential for growth in Asia. WACKER POLYMERS supplies not only the construction industry, but also the textile, adhesive, paint, surface-coating and carpet sectors.

### WACKER's Competitive Positions

T 2.6

| | Number 1 | Number 2 | Number 3 |
|---|---|---|---|
| WACKER SILICONES | Dow Corning | **WACKER**/Momentive | Shin-Etsu |
| WACKER POLYMERS | **WACKER** (dispersible polymer powders/VAE dispersions) | Akzo Nobel (Elotex) (dispersible polymer powders)/Celanese (dispersions) | Dairen (dispersible polymer powders/dispersions) |
| WACKER POLYSILICON | GCL-Poly | **WACKER** | OCI |
| SILTRONIC | Shin-Etsu | Sumco | **SILTRONIC** |

WACKER BIOSOLUTIONS is the global market leader in cyclodextrins and cysteine, and in polyvinyl acetate solid resins for gumbase. In the field of bacterial pharmaceutical protein production, we hold small but promising market positions that we are continually expanding. The newly acquired company Scil Proteins Production GmbH provides us with a platform for this development.

WACKER POLYSILICON operates in an intensely competitive and high volume-growth environment, chiefly shaped by solar-industry demand for polysilicon and market trends in the global solar sector. Our production capacity was 52,000 metric tons in 2014.

Siltronic is the world's third-largest manufacturer of silicon wafers and other products for the semiconductor industry. Its customers include all the major global semiconductor companies, which account for over 80 percent of our sales in this segment. In 2014, we improved our competitive position with the acquisition of a majority stake in Siltronic Siltronic Wafer Pte. Ltd.

# Economic and Legal Factors

WACKER sells its products and services to virtually every industry. Although economic fluctuations cannot be avoided in individual business divisions, their impact and onset may vary greatly. We are, however, able to mitigate the impact of these fluctuations thanks to our product portfolio and broad customer base.

## Orders

The terms for orders placed with WACKER vary from division to division. Most orders received by WACKER SILICONES are short-term, with a small number of long-term orders. Orders are usually shipped within three months of receipt of order. At WACKER POLYMERS, business is based on contracts and master agreements with terms of up to one year. Around 30 percent of incoming orders are short term. WACKER POLYSILICON's contracts are short, medium or long term. In certain instances, they include flexible volume-specific escalator clauses. Siltronic usually negotiates orders with the customer from one quarter to the next. As a rule, we aim for fixed contracts with negotiated prices and quantities. Due to varying order-placement procedures at the Group and its divisions, order-level reporting is not very meaningful and hence does not serve as an indicator in our monthly reports.

## Operational Metrics as Leading Indicators of Future Developments

By referring to specific leading indicators based on operational metrics, we try to consider potential developments in our business plans and to allocate capacities accordingly. Since our operations are based on diverse businesses and markets, we consult a number of leading indicators to gain insights into potential developments at each of our business divisions. As many of WACKER's products are destined for the construction industry, we deploy various analytical tools in order to assess future growth in this segment. These tools include WACKER market research, regular talks with customers, forecasts by B+L Marktdaten GmbH and Euroconstruct, and studies of our key national markets.

### Leading Operational Indicators

T 2.7

| Business Divisions | Leading Operational Indicator | Indicator of: |
|---|---|---|
| WACKER SILICONES<br>WACKER POLYMERS<br>WACKER BIOSOLUTIONS | Raw-material and energy price trends | Our cost trends |
| WACKER SILICONES | Orders received per month | Our capacity utilization |
| WACKER POLYSILICON | Medium- and long-term contracts | Our capacity utilization, further market trends |
| | Market research, talks with customer | Increase in solar capacity by country, our capacity utilization |
| SILTRONIC | Data on chipmakers' capacity utilization | Our capacity utilization |
| Every business division | Talks with customers, market research | Our sales trend, our product quality |
| | | Market trends, product innovations |

## Economic Factors Impacting Our Business

The main economic factors influencing WACKER's business remain unchanged in many areas. Energy and raw-material costs, at around 43 percent of production costs, had the largest impact in 2014.

- **Energy and raw-material costs**

As a chemical company, we belong to an energy-intensive industry and require diverse raw materials to manufacture our products. Consequently, higher energy and raw-material costs impact our cost structure. WACKER is taking steps to become more independent of this factor. By generating our own power at Burghausen and Nünchritz, we are reducing our energy-procurement needs and thereby the cost risk. Regulatory requirements or additional expenses, such as the electricity tax or levies relating to the German Renewable Energy Act (EEG), can affect WACKER's energy costs both directly and indirectly – for example, through higher grid fees, which lead to increased operating costs for grid operators. However, cost reductions in connection with the EEG levy can have a positive impact on energy costs. As part of our ongoing efforts to improve energy efficiency, we have initiated the POWER PLUS program. The goal is to reduce specific energy consumption by a third between 2007 and 2022. When procuring raw materials, we increase price flexibility by concluding new contracts with shorter terms, with more scope regarding volumes or with regular price adjustments that reflect wholesale market prices.

- **Exchange-rate fluctuations**

The weak Japanese yen against the euro has had a negative impact on Siltronic's business. As a rule, WACKER hedges against exchange-rate fluctuations. We use currency hedging (derivatives) to secure at least half of our dollar and yen exposures for each subsequent year. The hedging ratio for 2014 was around 50 percent. In determining sensitivity, we simulate a 10-percent devaluation of the US dollar against the euro. Without hedging, an increase in the euro against the US dollar would have negatively impacted EBITDA by €–60 million.

- **State-regulated incentive and feed-in tariff programs for renewable energy sources**

As one of the world's leading suppliers of hyperpure polycrystalline silicon, we are affected by regulatory changes to incentive and feed-in tariff programs for renewable energy sources. Substantially lower prices for solar modules and cells have greatly increased the competitive advantage of solar energy over fossil fuels and other methods of generating energy. As a result, the solar market's continued growth has become more independent of state-regulated incentive and tariff programs. At the same time, WACKER has kept its focus on improving productivity in order to maintain its competitive position. Our strong cost position, high product quality, international orientation, wide customer base and medium- to long-term supplier contracts all offer us competitive advantages over other producers.

## Legal Factors Impacting Our Business

In 2014, the most negative impact on WACKER's future operations resulted from anti-dumping and anti-subsidy proceedings instigated by the Chinese Ministry of Commerce against European polysilicon manufacturers. In March of 2014, WACKER and the Chinese Ministry of Commerce (MOFCOM) amicably resolved the issue of polysilicon exports to China, and an agreement to this effect was signed in Beijing. In this agreement, WACKER undertook not to sell polysilicon produced at its European sites below a specific minimum price in China. MOFCOM, in turn, will refrain from imposing anti-dumping and anti-subsidy tariffs on this material. The agreement took effect on May 1, 2014, and is valid until the end of April 2016. Its provisions ensure that WACKER can continue to offer its polysilicon at standard market conditions in China in the future. Both parties agreed

to treat the exact terms and details with confidentiality. The agreement has greatly reduced risks to WACKER.

At the same time, China imposed anti-dumping and anti-subsidy tariffs on polysilicon manufacturers in the USA. Polysilicon produced by our Tennessee site, still under construction, could theoretically be affected by these tariffs. Negotiations are currently being conducted between the USA and China with the aim of resolving the trade dispute regarding solar products, which would also benefit WACKER. However, after it starts production in Tennessee, WACKER also has the option of taking up direct contact with China to discuss an exemption from tariffs. The agreement signed by the European Union and China regulating the import of solar modules from Chinese solar companies still applies.

### Total of 171 Registration Dossiers Submitted as Part of REACH

According to the EU chemicals regulation REACH (Registration, Evaluation and Authorization of Chemicals in the European Union), we are obligated to register and classify by property all substances exceeding an annual amount of one metric ton. By late 2014, WACKER had submitted 171 registration dossiers to the European Chemicals Agency (ECHA). ECHA requires companies to provide additional information on part of the dossiers submitted in the first and second phase (2010 and 2013, respectively). We processed these requests in 2014. By the end of 2014, ECHA and EU-member-state agencies had jointly designated 161 substances that could be of particular concern for humans or the environment. Thirty-one of these substances are already subject to registration. WACKER has been only marginally affected to date, with only a few purchased substances, and none of its own. As part of the EU Commission's GHS (Globally Harmonized System of Classification and Labeling of Chemicals), all mixtures (some 7,000) will have been reclassified pursuant to EU-GHS by mid-2015. A central register for hazardous substances has been set up at the ECHA. We had already registered all relevant substances as of 2011.

The ICCA (International Council of Chemical Associations) has developed the Global Product Strategy (GPS), which governs how to assess the properties of chemicals and how to provide information on their safe use. In Europe, most GPS requirements are satisfied by REACH and by CLP (Classification, Labeling and Packaging of Substances and Mixtures). Manufacturers are asked to publish descriptions written in layman's terms on the safe and environmentally sound use of chemicals (Safety Summaries). By the end of 2014, we had published 75 Safety Summaries on the ICCA chemicals website for the substances we have registered under REACH.

# Goals and Strategies

## Strategy of the WACKER Group

Our vision and five strategic goals remain in place. Taken as a whole, they form the basis for our strategy and embody what we are striving to achieve. Our strategy is focused on profitable growth and attaining a leading competitive position in most of our business fields, while observing the principle of sustainable development. Our five strategic goals are:

- WACKER products and solutions are our customers' first choice.
- We want to be one of the world's best employers.
- We tap new markets via product and process innovations for tomorrow's world.
- We continuously increase our company's value.
- Our responsibility as a company extends beyond our business activities.

For further information, please visit our website at: www.wacker.com.

After a phase of large investments (2005 to 2012) in the expansion of our global production capacity – especially large installations for producing upstream products – we initiated the next strategic step in 2013. The strategic focus is on improving profitability and generating a positive net cash flow. This strategy is supported by a stringent cost-monitoring program at every business division. In 2014 alone, WACKER achieved cost savings of €200 million, attributable to the positive impact from increased production volumes. With the exception of 2015, capital expenditures for the coming years will remain at or below the amount of depreciation. The focus of investment is on facilities for manufacturing downstream products. On the product side, we have intensified our efforts to expand our market share for high-value products in the areas of health, personal care, medicine, electronics, automotive engineering and energy.

Our strategic goals are oriented toward the highly promising fields of energy, urbanization and construction, digitization, and rising affluence in emerging countries. WACKER offers products that will embrace these global trends.

### WACKER's Medium-Term Targets through 2017

T 2.8

| | Targets for 2017 |
|---|---|
| Sales | €6–6.5 billion |
| EBITDA | €1.2 billion |
| EBITDA margin | Approx. 20 percent |
| ROCE | Over 11 percent |
| Investments | At the level of or below depreciation |

## Strategy at Each Business Division

### WACKER SILICONES

The strategy at WACKER SILICONES is focused on high utilization of our production capacity and increasing the proportion of value added, while keeping raw-material consumption the same. We have established differentiated marketing strategies for selling standard and specialty products.

This strategy is accompanied by the development of new products that should increasingly contribute to revenue in the coming years. We have set our research priorities accordingly and realigned our innovation portfolio. The Asian region is an important focus of our market activities. We have had five new teams installed in this area since 2013 to assist customers locally and increase our presence in the region.

### WACKER POLYMERS

WACKER POLYMERS continues to firmly pursue its strategy of profitable growth in dispersions and dispersible polymer powders. The key is to develop regional production capacities for dispersions and polymer powders so that local and regional customer demand can be met both promptly and cost-effectively. To this end, it is important to develop product solutions that are specifically tailored to local application requirements. WACKER continued this systematic approach in 2014. In Germany, we are creating additional production capacity for dispersible polymer powders to meet growing demand, especially in Eastern European countries. An important aspect of our strategy is to develop new applications for our products, thereby also improving their properties so that they can replace other products.

### WACKER BIOSOLUTIONS

WACKER BIOSOLUTIONS continues to concentrate on the pharmaceutical, agrochemical and food industries. We increasingly draw on chemical-biotech synergies to provide our customers with complete solutions for their specific market needs. The success of our products in the industries we serve is based on a strong customer focus. Consequently, the division's organizational structure is firmly oriented to customers and markets. WACKER BIOSOLUTIONS will focus even more on innovation to achieve future revenue growth. The acquisition of Scil Proteins Production GmbH in 2014 was a step toward strengthening our business in pharmaceutical proteins.

### WACKER POLYSILICON

WACKER POLYSILICON's strategic aims are to maintain its quality and cost leadership as a hyperpure-polysilicon manufacturer, and to expand its production capacities in line with market growth. The Tennessee site, ready for production in 2016, will expand our capacities by another 20,000 metric tons. The cost position is a key factor for success in this competitive market, which is why we still focus on reducing costs through productivity improvements and on optimizing our supplier base.

### SILTRONIC

At Siltronic, there are four coordinated strategic priorities. By concentrating on lead sites, we enhance capacity utilization and cost structures. With regard to individual wafer diameters, our focus is on the fast-growing 300 mm silicon wafer segment in Asia. The acquisition of a majority stake in Siltronic Silicon Wafer Pte. Ltd. will continue to boost our competitive position in this region. One ongoing strategic task is to implement productivity, cost-saving and flexibility initiatives to improve production processes and workflows. Investments in product developments are aimed at fulfilling the latest design-rule specifications and implementing quality-enhancing measures. Investments are lower than the amount of depreciation. Siltronic is no longer working on 450 mm technology.

# Management Processes

## Value-Based Management Is an Integral Part of Our Corporate Policies

Value-based management is an integral part of our corporate policy of sustainably increasing our company's value in the long term. In our management processes, we distinguish between performance and budget parameters. Performance parameters serve the financial management of the company. They include the EBITDA margin and ROCE. The EBITDA margin indicates how successful the company is compared with the competition, while ROCE shows how efficiently the company employs its capital. Also important for management control are the budget parameters EBITDA and net cash flow. In addition to these indicators, BVC (Business Value Contribution) is used as a pure budget parameter in calculating the variable compensation for Executive Board members and senior managers at our divisions and corporate departments.

In this context, value management and strategic planning complement each other. We accordingly align the strategic positioning of a business entity with its contribution to increasing the company's value. As part of annual planning, we make fundamental decisions on capital expenditure and innovation plans, on harnessing new markets and on a variety of other projects.

The management decision-making process makes active use of key financial performance indicators. For example, lower-than-expected net cash flow could result in our adjusting investments during the year. Being highly flexible, WACKER can react to both positive and negative changes.

The EBITDA trend is considered to be the most important financial indicator for communication with capital markets.

### Key Financial Performance Indicators for the WACKER Group

In 2014, we continued to use the same key financial performance indicators for value management as in previous years. Value management is based on the following key performance indicators:

- EBITDA margin (EBITDA in relation to sales). We compare historical performance with planned performance and with the competition, and use the result to calculate a target EBITDA margin. We calculate the weighted divisional average as our target margin for the Group.

- ROCE or return on capital employed is a measure of the efficient use of capital. ROCE is defined as earnings before interest and taxes (EBIT) divided by capital employed. Capital employed comprises noncurrent assets and net current assets. ROCE clearly indicates how profitably the capital required for business operations is being employed. ROCE is influenced not only by profitability, but also by capital intensity with regard to noncurrent and net current assets. ROCE is reviewed annually as part of our planning process and is a key criterion for managing our capital expenditure budget.

- EBITDA (earnings before interest, taxes, depreciation and amortization). Our goal is to achieve a high level of profitability. The benchmark used is EBITDA, which demonstrates the operational performance capability of the company before cost of capital. We set absolute EBITDA targets for the business divisions and take the cost of capital into account by using BVC to determine the internal budget target. EBITDA is the starting point for calculating BVC, which is determined by deducting from EBITDA the cost of capital, non-operational factors, and depreciation and amortization. We call the resulting earnings after cost of capital the business value contribution, or BVC. The development of BVC is related mainly to changes in EBITDA. Changes in the cost of capital and in depreciation and amortization have only a marginal effect on BVC.

- Net cash flow (defined as the sum of cash flow from operating activities and long-term investing activities before securities and including additions from finance leases, less the change in advance payments received). Net cash flow shows whether we can finance ongoing operations and necessary investments from our own operating activities. WACKER's aim is to generate a sustained positive net cash flow. Apart from profitability, the main factors affecting net cash flow are the effective management of net current assets and the level of capital expenditures.

### Supplementary Financial Performance Indicators

Our key financial performance indicators are supplemented by additional performance indicators that provide us with information on the Group's sales and liquidity situation and debt levels.

These supplementary financial performance indicators include:

- Sales. Profitable growth is an important factor in increasing the company's value over the long term and one of the main drivers of a positive cash flow trend.

- Investments. As our business is capital intensive, managing capital expenditures is of crucial importance. In the course of our medium-term planning, we determine the focus of our capital expenditures and the corresponding budget. Investments of overriding importance for the company are decided on by the Executive Board on the basis of the Group's strategy. Other investments are planned by the individual divisions. The focus here is generally on expansion projects with a low specific level of investment and projects targeting the expansion of capacity for downstream products that add value. To this end, the individual business divisions regularly analyze their capacity utilization and anticipated capacity requirements. Both these factors are essential in determining capital expenditure requirements. The respective business divisions and Corporate Engineering at WACKER are responsible for the operational management of the individual investment projects (i.e. for handling, deadlines, budgets, quality, safety). Both current and planned capital expenditures are managed flexibly and aligned with market trends, enabling us to make ad hoc adjustments to our investment budget throughout the year. To this end, all capital-expenditure projects are regularly consolidated and analyzed at the Group level.

► Net financial debt. Net financial debt is a supplementary performance indicator that we use to monitor WACKER's financial situation. We define it as the sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities. Net financial debt is also an important factor in our financing activities. The financing agreements concluded by WACKER contain standard market credit terms and a net debt-to-EBITDA ratio as the only financial covenant. By monitoring and managing our net financial debt, we ensure that it remains within the limits set by the net debit-to-EBITDA financial covenant ratio agreed with our creditors.

## Non-Financial Performance Indicators

None of the non-financial performance indicators described in detail in the Annual Report are used universally for corporate decision-making, although certain indicators, such as the accident rate, are important in some parts of the company. The following table shows which non-financial performance indicators are used in individual parts of the company.

### Non-Financial Performance Indicators Used for Decision-Making in Parts of the Company

T 2.9

| Non-Financial Performance Indicators | Indicator for |
|---|---|
| Number of employees | Corporate departments and production |
| Order intake | Business divisions |
| New-product rate | Business divisions |
| Electricity/energy consumption | Business divisions and sites |
| Production utilization | Business divisions and sites |
| Key environmental indicators | Business divisions and sites |
| Accident rate | Business divisions and sites |

## Development of Key Financial Performance Indicators in 2014

**EBITDA margin:** In 2014, the target margin was 20 percent, with the Group posting an actual EBITDA margin of 21.6 percent. The higher margin was attributable to advance payments retained and damages received in the amount of €206.3 million in connection with restructured or terminated long-term polysilicon supply contracts. Better operating performance resulting from volume growth, positive price effects in individual business areas and strict cost management also had a positive effect on the EBITDA margin.

**ROCE:** WACKER's ROCE in 2014 was 8.4 percent. The increase in ROCE was mainly due to significantly higher profitability.

**EBITDA:** We were expecting EBITDA for 2014 to be substantially above the 2013 figure. At €1,042.3 million, it was €363.6 million higher than the previous year. Contributing substantially to this EBITDA growth were the improved operational performance and advanced payments retained and damages received in the amount of €206.3 million in connection with polysilicon supply contracts. In 2014, the cost of capital before taxes was 11 percent. Although we did not meet our BVC target at the Group level in 2014, the actual amount at €–114.4 million was much better than the prior year.

### Planned and Actual Figures

T 2.10

| € million | 2013 | Forecast 2014[1] | Reported 2014 |
|---|---|---|---|
| EBITDA margin (%) | 15.2 | Slight increase | 21.6 |
| ROCE (%) | 2.2 | Slight increase | 8.4 |
| EBITDA | 678.7 | At least 10% higher | 1,042.3 |
| Net cash flow | 109.7 | Balanced | 215.7 |

[1] March 2014 forecast

**Net cash flow:** Since our investment level was still high, we projected a balanced net cash flow for 2014. Due to substantially higher net income for the year and lower investment spending, we were able to significantly surpass this target with a positive net cash flow of €215.7 million.

### ROCE and BVC

T 2.11

| € million | 2014 | 2013 |
|---|---|---|
| EBIT | **443.3** | 114.3 |
| Capital employed[1] | **5,260.7** | 5,238.0 |
| ROCE[2] (%) | **8.4** | 2.2 |
| Pre-tax cost of capital (%) | **11.3** | 10.8 |
| BVC[3] | **–114.4** | –478.6 |

[1] Capital employed is the sum of average noncurrent fixed assets (less noncurrent securities), plus inventories and trade receivables less trade payables. It is a variable used in calculating the cost of capital.
[2] Return on capital employed is the profitability ratio relating to the capital employed.
[3] BVC is calculated by correcting EBIT for non-operational factors.

## Two-Stage Strategic Planning

Strategic planning determines how we can meet value-related and corporate goals. It is conducted in two stages. First, our divisions identify their market and competitive positions, and their value-related strength. We then use these results to formulate recommendations regarding strategic positioning and planned steps. This input is consolidated at the Group level and specific goals are set. All of this is supplemented by innovation and investment projects, and approved by the Strategy Conference.

Operational planning in the second half of the year addresses strategic-planning decisions with a five-year timeline. The Executive and Supervisory Boards jointly approve the annual plan. This forms the basis for determining basic forecasts for the current year in early February. We monitor whether we are meeting our forecasts by means of monthly comparisons of planned and actual figures. The overarching framework is based on a medium-term plan (five years).

### Strategic and Operational Planning

G 2.12


## Financing Strategy

The goal of WACKER's financing strategy is to ensure sustainable growth and stability for the Group. This strategy comprises both financing through our own resources and the use of debt instruments.

We satisfy our capital requirements with operating cash flow, and short-term and long-term financing.

We ensure the Group's permanent solvency with rolling cash-flow management and sufficient contractually agreed lines of credit. Financing requirements are calculated for the entire Group, with funding usually being granted at the Group level. Project-specific or regional funding is available in special cases.

## Financing Measures in 2014

The Group took several financing measures in 2014, enabling it to cover financing requirements for the coming years and to optimize loan maturities and term structures. In February 2014, Wacker Chemicals (China) Co. Ltd. concluded a long-term loan agreement with UniCredit Bank AG for CNY 400 million (€53 million) with a three-year draw period. This loan has been fully drawn.

In July 2014, Wacker Chemicals (Nanjing) Co. Ltd., Wacker Chemicals (Zhangjiagang) Co. Ltd. and Wacker Chemicals (China) Co. Ltd. concluded a loan agreement with Commerzbank totaling CNY 400 million with a maturity of three years. This loan was also drawn in four installments. Both CNY-denominated loans were used to repay existing loans. Wacker Chemie AG has provided a guarantee for both CNY loans.

In December 2014, WACKER prematurely refinanced a €200 million syndicated loan due in July 2015 with a syndicated loan for the same amount with a maturity of five years and two extension options of one year each. This loan is currently not being utilized.

### Financing Measures in 2014

T 2.13

| | Volume | Maturity |
|---|---|---|
| UniCredit Bank | €53 million | 2017 |
| Commerzbank AG | €53 million | 2017 |
| Syndicated loan | €200 million | 2019 |

In July 2014, WACKER completely drew down a loan for €80 million concluded with the European Investment Bank in July 2013 for financing research and development costs at Siltronic.

The financing agreements concluded in 2014 contain standard market credit terms and, in the case of the syndicated loan, a net debt-to-EBITDA ratio as the only financial covenant.

For all the loans that we negotiate, we structure the agreements carefully to ensure that the financial partners are treated equally (pari passu) and that the agreements can subsequently be monitored groupwide. Some of the liabilities to banks are fixed-interest while others have variable interest rates. As of December 31, 2014, WACKER had unused lines of credit of around €600 million with terms of over one year.

WACKER collaborates with a number of banks (core-bank principle), who must have an investment-grade credit rating and a long-term business model. To minimize counterparty and concentration risks, the share of any single bank in lines of credit committed to WACKER may not exceed 20 percent. The only exception is the European Investment Bank.

## Operational Control Instruments

We control operational processes via our integrated management system (IMS). This system stipulates uniform standards throughout the Group for issues relating to quality, environmental protection, health and safety. We have our Group management system analyzed by an international certification organization in accordance with uniform standards based on ISO 9001 (quality) and ISO 14001 (environment).

# Statutory Information on Takeovers

## Information Required by Section 315, Subsection 4 of the German Commercial Code (HGB)

T 2.14

The following table contains information required by Section 315, Subsection 4 of the German Commercial Code (HGB):

| | |
|---|---|
| § 315 (4) 1 | **Composition of subscribed capital**<br>Wacker Chemie AG's subscribed capital totals 52,152,600 non-par value voting shares. No other share classes have been issued. The total number of shares currently includes 49,677,983 held by external shareholders and 2,474,617 held by Wacker Chemie AG itself. WACKER's treasury shares were acquired by repurchasing Wacker-Chemie GmbH shares in August 2005 when it was still a private limited company. The Executive Board can use or sell these treasury shares only on the following conditions: 782,300 shares require Supervisory Board approval and an appropriate resolution by the Annual Shareholders' Meeting. The remaining 1,692,317 shares are subject to Supervisory Board approval. |
| § 315 (4) 2 | **Restrictions on voting rights or on the transfer of shares**<br>There are no restrictions on voting rights or the transfer of shares. |
| § 315 (4) 3 | **Direct or indirect capital stakes**<br>Each of the following holds a stake of over 10 percent of the subscribed capital: Dr. Alexander Wacker Familiengesellschaft mbH, based in Munich, Blue Elephant Holding GmbH, based in Pöcking, and Dr. Peter-Alexander Wacker, resident in Starnberg and to whom the voting shares of Blue Elephant Holding GmbH are attributable. |
| § 315 (4) 4<br>§ 315 (4) 5 | **Owners of shares entailing special rights**<br>**Method of voting-right control in the case of employee participation**<br>Shareholders have not been given any special rights that bestow control powers. Insofar as employees hold shares in Wacker Chemie AG's capital, they exercise their resultant control rights directly. |
| § 315 (4) 6 | **Statutory provisions and articles of association regarding the appointment and dismissal of executive board members and amendments to said articles**<br>The provisions to appoint and dismiss Wacker Chemie AG's Executive Board members are based on Section 84 et seq. of the German Stock Corporation Act (AktG). Wacker Chemie AG's Articles of Association do not contain any further provisions in this respect. Pursuant to Article 4 of the Articles of Association, the number of Executive Board members is fixed by the Supervisory Board, which also appoints an Executive Board member as President & CEO. Amendments to the Articles of Association are covered by Sections 133 and 179 of the German Stock Corporation Act. In accordance with Section 179 (1) sent. 2 of the German Stock Corporation Act, the Supervisory Board has been empowered to amend the Articles of Association if only the wording thereof is affected. |
| § 315 (4) 7 | **Authority of the executive board to issue or buy back shares**<br>In accordance with a resolution passed at the May 21, 2010 Annual Shareholders' Meeting, Wacker Chemie AG's Executive Board was authorized – in compliance with the legal provisions set out in Section 71 (1) no. 8 of the German Stock Corporation Act – to acquire treasury shares totaling a maximum of 10 percent of capital stock. No capital has been authorized for the issue of new shares. |
| § 315 (4) 8 | **Major agreements associated with control changes due to a takeover bid**<br>Various agreements with joint-venture partners include change-of-control clauses, which deal with what might happen if one of the joint-venture partners were taken over. These arrangements comply with the usual standards for such joint-venture agreements. In addition, several loan agreements contain change-of-control clauses. Here, too, the clauses are typical of this type of agreement. |
| § 315 (4) 9 | **Severance agreements with the executive board or employees in the event of a takeover bid**<br>There are no severance agreements or similar with employees or with Executive Board members in the event of a takeover bid (please refer to the compensation report). |

# Combined Management Report
# Business Report

# 3



## Automotive Sector

A perfect fit … ELASTOSIL® liquid silicone rubber is a good insulator with excellent mechanical properties. Components with complex geometries can be produced extremely economically by injection molding. That makes it ideal for high-volume production runs.

# Combined Management Report
# Business Report

# Business Report

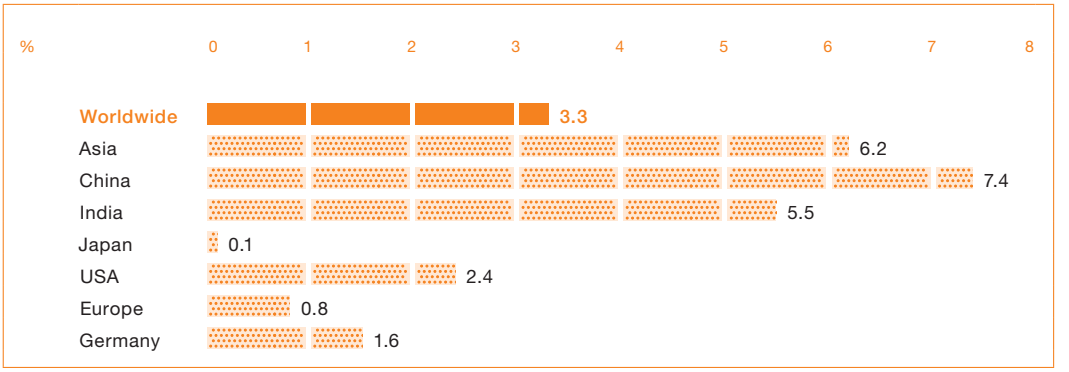
## Economic Trends

The conflict between Russia and Ukraine and the associated economic sanctions imposed by the USA and EU weighed on global economic growth. The situation in the Middle East has impacted economic activity as well. Although 2014 started out strongly, economic clouds gathered as the year progressed. In the eurozone, growth was weaker than expected, but did rise slightly for the first time in two years. The US economy continued to recover.

The International Monetary Fund (IMF) estimates that the world economy grew 3.3 percent in 2014 (2013: 3.3 percent). Originally, the IMF had expected growth of 3.7 percent.

GDP Trends in 2014

G 3.1




Sources – worldwide: IMF; Asia: ADB; China: National Development and Reform Commission; India: ADB; Japan: IMF; USA: IMF; Europe: IMF; Germany: Federal Statistics Office

### Stable Growth in Asia

In 2014, Asia remained on its stable growth path. The Asian Development Bank (ADB) expects GDP expansion of 6.2 percent (2013: 6.1 percent). Even though growth in China slowed down slightly, the country continues to play a key part in driving the region's economy. According to the National Development and Reform Commission, China's economy grew by 7.4 percent (2013: 7.7 percent). The new Indian government started to introduce major structural reforms to leverage growth potential more effectively. This brought about a change in sentiment. As a result, India's GDP expanded more strongly than in the previous year, according to ADB estimates. It climbed 5.5 percent (2013: 4.7 percent). Higher consumption taxes impacted the Japanese economy, particularly in the second half of the year. Based on IMF forecasts, Japan's GDP grew only 0.1 percent (2013: 1.6 percent).

### US Economy in Good Shape

The US economy performed robustly during 2014. While the long winter meant that the year got off to a subdued start, the economy picked up momentum as the year progressed. Unemployment dropped further, and investing activities stayed at a high level. Due to the economic revival, the American Federal Reserve gradually scaled back

its purchase of US government bonds. According to the IMF, GDP rose by 2.4 percent (2013: 2.2 percent).

### Eurozone Sees Slight Growth for First Time in Two Years

The eurozone economy expanded for the first time in two years, even though the growth rate was less than originally forecast. According to IMF calculations, GDP within the EU rose 0.8 percent (2013: –0.5 percent). In spite of this slight increase, Europe is still suffering from the effects of the sovereign-debt crisis, high unemployment and weak investment spending. The performance of individual EU member states varies considerably. Spain's economy is growing once more, whereas the situation in France, Italy and Greece remains critical.

### German Economic Growth Above Expectations

While the German economy expanded more strongly than in the previous year, momentum was noticeably lower than expected. Yet, Germany is still Europe's main growth engine. The rise in GDP was chiefly due to healthy domestic demand. Business analysts, however, criticize the German government for sending the wrong economic signals by burdening companies excessively through reforms relating to the introduction of a minimum wage, retirement at 63, and additional pension entitlements mainly for mothers of children born before 1992. Instead, these analysts demand that more should be invested in infrastructure, education and R&D. Data issued by the German Federal Statistics Office show that GDP increased by 1.6 percent (2013: 0.4 percent).

## General Sector-Specific Conditions

We supply products to a wide range of industries. Our main customers are in the semiconductor, photovoltaic, chemical, construction, electrical-engineering and electronics sectors.

### Rising Demand for Semiconductors and Silicon Wafers

The semiconductor industry grew in 2014. This increase largely stems from strengthening demand for chips for mobile end-user devices. Market researchers at Gartner expect sales for 2014 to be up some 7 percent at US$8.3 billion. Increased volumes year on year saw silicon-wafer sales rising 10.9 percent to US$8.8 billion (2013: US$7.9 billion). Silicon-wafer demand, in terms of surface area sold, is estimated at about 66 billion $cm^2$, up 9.8 percent on 2013. There was above-average growth in the 300 mm wafer market. Siltronic's market share remained at about 15 percent.

### Newly Installed PV Output Continues to Rise

The photovoltaic market continued on its growth trajectory in 2014. According to various market studies and our own estimates, almost 46 gigawatts (GW) of capacity were installed worldwide (2013: 40 GW), up 13 percent on the prior-year period. The focus of new installations shifted away from Europe toward Asia and the USA. China and Japan are the key markets here. Germany, on the other hand, continued to lose importance as a PV market, with only around 100 MW being installed there a month. According to Germany's Federal Network Agency, the installed output reached 1.9 GW (2013: 3.3 GW).

Market conditions remained tight in 2014. Global production capacities still outstrip demand. Given the strong price pressure in nearly all supply-chain stages, further companies became insolvent or exited the market. The restructuring or termination of contracts meant that WACKER retained advance payments and received damages.

Additionally, markets were also unsettled by anti-dumping proceedings by the European Union against Chinese solar companies and by the Chinese Ministry of Commerce (MOFCOM) against polysilicon manufacturers in the USA, South Korea and Europe. WACKER and the Chinese Ministry of Commerce have resolved the issue of polysilicon exports to China. An agreement to this effect was signed by both parties in Beijing in March 2014. WACKER has undertaken not to sell polysilicon produced at its European sites below a specific minimum price in China. MOFCOM, in return, has refrained from imposing anti-dumping and anti-subsidy tariffs on this material. The agreement took effect on May 1, 2014, and is valid until the end of April 2016. Its provisions ensure that WACKER can continue to offer its polysilicon at standard market conditions in China in the future. Overall, WACKER sold 51,000 metric tons of polysilicon in 2014 – an unparalleled quantity. During Q2 2014, prices recovered compared with the prior-year level.

**Installation of New PV Capacity in 2013 and 2014**

T 3.2

| | Installation of New PV Capacity (MW) | | Growth in 2014 |
|---|---|---|---|
| | 2014 | 2013 | % |
| Germany | **1,900** | 3,300 | –42 |
| Italy | **800** | 1,800 | –56 |
| France | **1,100** | 600 | 83 |
| Rest of Europe | **5,200** | 5,100 | 2 |
| USA | **7,000** | 4,700 | 49 |
| Japan | **9,500** | 7,100 | 34 |
| China | **13,100** | 12,900 | 2 |
| Other regions | **7,000** | 4,800 | 46 |
| Total | 45,600 | 40,300 | 13 |

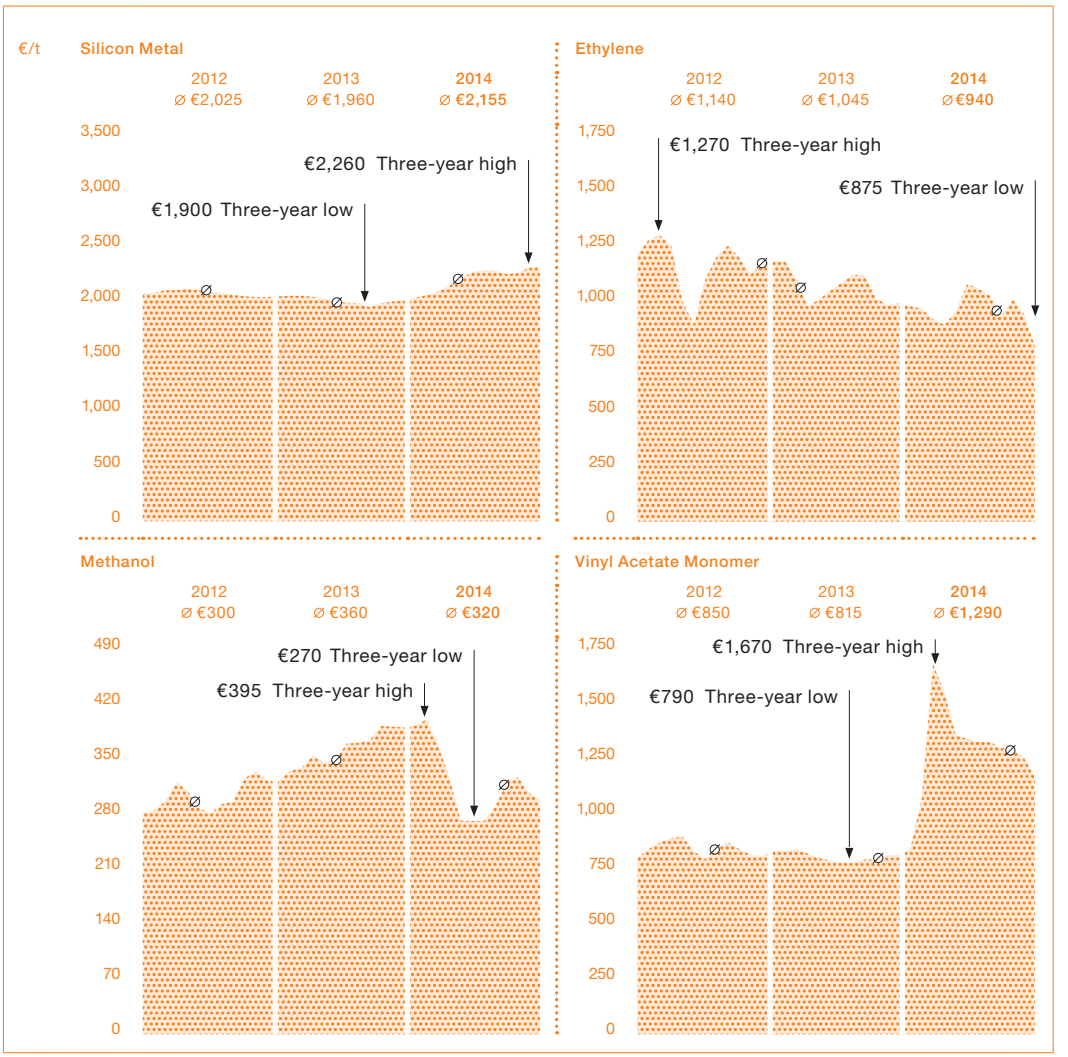
Sources: PV market in 2013: Citi Research
PV market in 2014–2015: IHS; Germany's Federal Network Agency; WACKER's own market research

## Chemical-Industry Growth Slows – WACKER's Chemical Divisions Report Good Sales Trend

In 2014, the chemical industry still did not show the momentum of previous years. Prices for chemical products decreased. Global consumption (including pharmaceuticals) in 2013 totaled €4.2 trillion, with Asia accounting for over 50 percent, Europe 20 percent, and the Americas about 25 percent. The German Chemical Industry Association (VCI) expects chemical production in Germany to expand by 1.5 percent. Capacity utilization at German chemical plants was 84.5 percent. While prices dropped slightly, sales edged up 0.5 percent to €193.6 billion (2013: €187.7 billion). Growth was primarily driven by Germany. Business outside Germany did not match expectations. China remains the most interesting growth market. In 2013, chemical exports to China increased to €5.6 billion. WACKER's chemical divisions posted higher year-on-year sales. The increase was achieved through volume gains and slightly better prices in a number of product segments. WACKER SILICONES recorded good demand for silicone products for construction, electronics, consumer goods, the automotive sector and medical technology, as well as other industrial applications. WACKER POLYMERS increased its sales of dispersible polymer powders and VAE dispersions. At WACKER BIOSOLUTIONS, sales of polyvinyl acetate solid resin for manufacturing gumbase rose as a result of price increases.

## Spot-Price Trends for WACKER's Key Raw Materials

G 3.3




∅ Annual average in each case

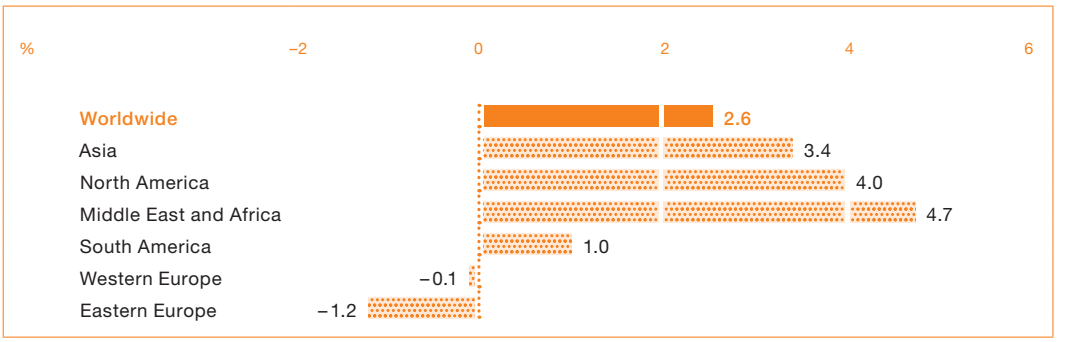
Price trends for our key raw materials were not uniform in 2014. Vinyl acetate monomer (VAM) became much more expensive. Silicon-metal prices rose slightly. After climbing in Q1 2014, the price of methanol dropped during the year to below 2013 levels. Ethylene prices were just under the prior-year level.

## Construction Industry Grows in 2014

According to market research institute B+L Marktdaten GmbH, the global construction industry grew by 2.6 percent in 2014 to US$8.3 trillion (2013: US$8.1 trillion). Construction contracts in Europe stayed at a low level, marginally falling by 0.1 percent in Western Europe. Sales in the German construction industry were US$329.3 billion in real terms (2013: US$323.8 billion). Eastern Europe saw a decline in construction contracts of 1.2 percent. China – at US$1.8 trillion – remains the largest market worldwide. In the USA, the property market continued to stabilize in 2014, spurring the construction industry, where volumes rose by 4.0 percent. Asia posted an increase of 3.4 percent.

Growth Rate of Construction by Region in 2014

G 3.4




Source: B+L Marktdaten GmbH

In construction applications, WACKER POLYMERS increased its sales further. Growth in dispersible polymer powders is driven by the market for dry-mix mortar in such countries as the USA and India and in Eastern Europe. In these areas, we achieved double-digit sales growth. Sales also rose by a high single-digit percentage in Western Europe and Asia. Construction business profited from a mild winter in Europe and from the recovery of the US real-estate market. Overall, we sold around 25,000 additional metric tons to the construction industry. As for dispersions, WACKER POLYMERS performed very strongly in Asia, particularly in India, where our sales of dispersions for environmentally sound adhesives rose 50 percent. In China, too, sales increased by a double-digit percentage. Alongside adhesives and sealants, water-based, environmentally friendly coatings represent a key market for our VAE dispersions.

At WACKER SILICONES, construction-application sales were up by 4 percent – with the three product segments of building protection, sealants and adhesives, and silane-modified polymers all posting gains. Business with hybrid silicone products performed particularly well. In the case of hybrid polymers, which are used for example in wood-flooring adhesives, we increased sales by around 40 percent year on year. In its largest segment, sealants and adhesives, WACKER SILICONES grew almost 5 percent. Following declines a year earlier, sales for 2014 climbed again in Germany (8 percent) and the rest of Europe (7 percent). Sales growth in Asia rose 4 percent. Our performance in India was particularly strong at 16 percent. Sales in China grew by 8 percent.

## Electrical and Electronics Industries Grow in Emerging Markets

With global sales of over €3.8 trillion, the electrical and electronics industries continued their uptrend in 2014. The German Electrical and Electronic Manufacturers' Association (ZVEI) estimates worldwide growth at 5 percent for 2014. China and the other emerging markets are the main driving force here, expanding by around 7 percent. In Germany, the fifth largest market worldwide, sales increased slightly. Based on ZVEI data, sales amounted to about €171.9 billion (2013: €167 billion). WACKER has three business divisions that supply customers in the electrical and electronics industries. Siltronic achieved stronger year-on-year sales to semiconductor customers, due to increased volumes. WACKER POLYSILICON sold around 10 percent of its polysilicon capacities to customers in the electronics industry in 2014.

WACKER SILICONES posted a sales increase of 10 percent for this market. We generated higher sales in media-resistant potting compounds, in highly specialized silicone rubber grades and silicone gels for automotive electronics, and in semiconductor-grade silanes. Transport and infrastructure projects in China continued to positively impact business in coatings for electric and traction motors. Pressure from Asian competitors remained, slowing down cable and insulator business in Europe. Our sales rose between 4 and 10 percent in all three key sales regions – Europe, the USA and Asia.

## Overall Statement by the Executive Board on Underlying Conditions

Global economic performance in 2014 was impacted by the conflict between Russia and Ukraine and the associated sanctions imposed on Russia by the USA and EU. It was also affected by the situation in the Middle East and the slower-than-expected pace of economic recovery in Europe. Germany continued to be a center of stability in Europe during 2014. In China, annual growth is between 7 and 8 percent. The change of government in India had a positive impact on the country's economic performance. The reforms announced there are expected to spur growth further.

WACKER's business developed well in 2014, despite the geopolitical risks. There are several reasons for this. Our polysilicon business benefited from the agreement with the Chinese Ministry of Commerce (MOFCOM) not to impose anti-dumping or anti-subsidy tariffs on WACKER's polysilicon deliveries. In addition, year-on-year polysilicon price increases and the market's continued growth bolstered our operations. In 2014, WACKER sold more polysilicon than ever before. Sales of semiconductors grew mainly due to the first-time full consolidation of Singapore-based Siltronic Silicon Wafer Pte. Ltd., a former joint venture. The three chemical divisions – WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS – increased their sales in 2014 thanks to higher volumes. Except for VAM prices, pressure from WACKER's main raw materials has eased further. Altogether, raw-material prices are slightly below the prior-year level.

In 2014, we increased sales in all our regions. The slight economic recovery in Europe enabled us to generate sales growth in 2014 after a decline a year earlier. Sales rose in the Americas, too. The biggest sales gain of over 11 percent was in Asia, where India is increasingly becoming a major market for our chemical products. At 42.3 percent, Asia again has the largest share in Group sales.

In the first few weeks of 2015, sales at each of our divisions were higher than in the prior year, thanks to higher volumes and due to exchange-rate fluctuations. WACKER got off to a good start in 2015.

## Key Events Affecting Business Performance

### Divestitures

WACKER did not divest any business fields or product business in 2014.

### Changes in Our Joint Ventures and Associates

Siltronic took over a majority stake in its Siltronic Samsung Wafer Pte. Ltd. joint venture in Singapore. Siltronic subscribed for new shares as part of a capital increase. As a result, Siltronic's stake rose to 78 percent, while Samsung's dropped to 22 percent. The transaction impacted the WACKER Group's net financial debt by some €150 million and the company was included in WACKER's consolidated financial statements effective January 1, 2014. Due to the acquisition of this majority stake, the company was renamed Siltronic Silicon Wafer Pte. Ltd.

### Investments

Capital expenditures rose over 10 percent year on year. In 2014, they totaled €572.2 million (2013: €503.7 million).

WACKER's investing activities remained centered on the construction of the new polysilicon site at Charleston, Tennessee (USA). About €310 million – somewhat more than half of all 2014 investments – went toward this project. Construction continued there as planned throughout 2014 and is scheduled for completion in the second half of 2015.

To support market growth in our chemical business, we invested in the expansion of production capacities for dispersible polymer powders and silicones at our Burghausen site. Here, we are not only building a new dispersible polymer powders plant with an annual capacity of 50,000 metric tons, but are also expanding a plant for modified siloxanes. Products from this plant are used in a wide variety of end products, such as silicone fluids, emulsions and resins. At our Calvert City site, the existing production facilities are being extended by a new dispersions reactor with an annual capacity of 85,000 metric tons.

## Comparing Actual with Forecast Performance

WACKER achieved the goal set at the start of 2014 to increase sales for the reporting year by a mid-single-digit percentage. The EBITDA trend was markedly better than projected in March 2014 and in the 2013 annual report. This improvement stemmed from good business trends at every division, from cost savings, and from advance payments retained and damages received due to the amendment or termination of long-term polysilicon supply contracts.

At WACKER POLYSILICON, solar-silicon prices rose at the start of the second quarter. In Siltronic's business, there was a significant year-on-year increase in 300 mm silicon-wafer volumes as a result of integrating Siltronic Silicon Wafer Pte. Ltd. into the Group. At the same time, prices for semiconductor wafers were significantly down on a year earlier. In total, they were over 10 percent lower on average than in 2013. In line with expectations, business at our three chemical divisions – WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS – developed positively due to a substantial rise in volumes and positive price effects in specific product segments. Higher personnel expenses and negative exchange-rate effects had an adverse impact. Overall, these three divisions increased their sales. EBITDA was slightly below the prior-year figure. Energy and raw-material cost trends varied. Raw-material costs were slightly higher, while energy costs stayed within expectations. The exchange rates of the US dollar and the yen against the euro developed somewhat more favorably than we had assumed in our projections at the beginning of 2014.

### Sales Projections Raised after Second Quarter

With the publication of the Q2 Interim Report in July 2014, WACKER raised its forecasts for EBITDA, EBITDA margin, and ROCE. EBITDA was now expected to rise by at least one-third instead of by at least 10 percent. As for the EBITDA margin and ROCE, WACKER now assumed they would grow strongly (previously, a slight increase had been assumed). Our sales projection remained unchanged. In the Q3 Interim Report, WACKER further specified its forecast. EBITDA for 2014 was predicted to total some €1 billion. The EBITDA margin would rise to over 20 percent. And for ROCE, WACKER continued to expect strong growth. As was the case in Q2, the sales projection did not change. Group sales in 2014 came in at €4.83 billion. The WACKER Group's 2014 EBITDA amounted to €1,042.3 million, considerably up from the prior-year figure, as expected. As a result of terminated or restructured supply contracts for polysilicon, we posted €206.3 million in income from

advance payments retained and damages received. This income is included in our 2014 EBITDA.

Excluding acquisitions, investments of about €550 million were forecast for 2014. At €572.2 million, investments were within our target corridor. The largest share of this sum went toward the ongoing expansion of our polysilicon production facilities.

### Comparing Actual with Forecast Performance

T 3.5

| | Results in 2013 | Forecast March 2014 | Forecast July 2014 | Forecast Oct. 2014 | Results in 2014 |
|---|---|---|---|---|---|
| **Key Financial Performance Indicators** | | | | | |
| EBITDA margin (%) | 15.2 | Slight increase | Substantial increase | Substantial increase to over 20% | **21.6** |
| ROCE (%) | 2.2 | Slight increase | Substantial increase | Substantial increase | **8.4** |
| EBITDA (€ million) | 678.7 | At least 10% higher | At least one-third higher | Approx. 1,000 | **1,042.3** |
| Net cash flow (€ million) | 109.7 | Balanced net cash flow | Positive net cash flow | Markedly positive net cash flow at the prior-year level | **215.7** |
| **Supplementary Financial Performance Indicators** | | | | | |
| Sales (€ million) | 4,478.9 | Mid-single-digit % increase | Mid-single-digit % increase | Mid-single-digit % increase | **4,826.4** |
| Investments (€ million) | 503.7 | Approx. 550 | Approx. 550 | Approx. 550 | **572.2** |
| Net financial debt (€ million) | 792.2 | Increase of between 300 and 400 | Increase of around 300 | Increase of around 300 | **1,080.6** |
| Depreciation (€ million) | 564.4 | Approx. 600 | Approx. 600 | Approx. 600 | **599.0** |

Net financial debt and net cash flow developed more favorably than expected at the beginning of the year. In March 2014, we had forecast that net financial debt would climb €300 million to €400 million by the end of 2014. We adjusted this forecast to about €300 million in our Q2 Interim Report. In fact, by year-end, net financial debt had risen by €288.4 million to €1,080.6 million. In March 2014, we expected net cash flow to be balanced. We revised this estimate in our Q2 report, when we assumed net cash flow would be positive. We once more raised our net cash flow estimate in the Q3 Interim Report and specified it as follows: markedly positive net cash flow at the prior-year level. As of December 31, 2014, net financial debt of €1,080.6 million and net cash flow of €215.7 million were both in line with our expectations.

R&D expenditures for the development of future products and solutions amounted to €183.1 million for full-year 2014, slightly higher than the figure forecast at the beginning of the year. This was due to the consolidation of Siltronic Silicon Wafer Pte. Ltd.

As anticipated at the start of the year, the workforce increased. As of the reporting date, WACKER had 16,703 employees, a year-on-year increase of 694, which was due to the acquisition of Halle-based Scil Proteins Production GmbH and WACKER's assumption of a majority stake in Siltronic Silicon Wafer Pte. Ltd.

The Executive and Supervisory Boards will propose a dividend of €1.50 per share for 2014 (dividend for 2013: €0.50) at this year's Annual Shareholders' Meeting.

## Deviations from Projected Expenses

Personnel expenses rose year on year, both in absolute terms and relative to sales. They increased about 10 percent in absolute figures. We were slightly below the 2014 target figure. The rise in personnel expenses is due to changes in the scope of consolidation and to non-recurring payments relating to the company's centennial. As a result of the acquisition of the majority stake in Siltronic Silicon Wafer Pte. Ltd. and of Scil Proteins Production GmbH, the personnel expenses of these companies were recognized in our figures for the first time in 2014. They are also the main reason for the increase in employee numbers. Over the medium term, we expect personnel expenses – excluding non-recurring effects – to account for about 25 percent of sales.

In absolute terms, raw-material costs fell slightly against the prior year; relative to sales, the year-on-year decline was considerable. A more favorable product mix and our programs to reduce raw-material consumption in our products had a positive impact. Conversely, raw-material price trends varied, with the price of vinyl acetate monomer, in particular, rising substantially during Q2. We were below our target for 2014 by more than one percentage point. In the medium term, we expect raw-material costs to remain flat relative to sales.

Energy costs, too, came in below our target, due to more favorable procurement conditions and a lower regulatory cost burden.

Depreciation in absolute terms was both well above the prior-year level and above our target. This was particularly due to the acquisition of the majority stake in Siltronic Silicon Wafer Pte. Ltd., as a result of which this company's depreciation was fully included in our figures. The 2014 target figure had not taken full account of this depreciation. In total, our depreciation amounted to €599 million, with some 39 percent of this sum being accounted for by our polysilicon facilities. Depreciation will rise further in the medium term owing to our investments in polysilicon-capacity expansion.

## Expenses by Cost Types

T 3.6

| % of sales | 2013 | Target 2014 | Reported 2014 |
|---|---|---|---|
| Personnel expenses | 25.3 | 26.3 | 26.2 |
| Raw-material costs | 28.2 | 27.4 | 25.5 |
| Energy costs | 10.2 | 9.4 | 8.8 |
| Depreciation | 12.6 | 12.0 | 12.4 |

# Earnings

The WACKER Group was able to substantially increase its sales and earnings in 2014. Driven by strong customer demand, sales grew by almost 8 percent. Despite the flat economy in the second half of the year, all our business divisions managed to sell higher volumes and to expand their sales year on year. Continuing growth of the photovoltaic market and higher polysilicon prices compared with 2013 had a positive impact on WACKER POLYSILICON's sales and earnings. The amicable agreement reached with the Chinese Ministry of Commerce (MOFCOM) regarding the export to China of polysilicon produced in Europe was of special significance for WACKER's business performance. Under the agreement, WACKER undertakes not to sell polysilicon below a specific minimum price that is based on standard market prices. In return, MOFCOM will refrain from imposing anti-dumping and anti-subsidy tariffs on WACKER's polysilicon. Sales growth was impeded by negative exchange-rate effects. In 2014, Siltronic consolidated Siltronic Silicon Wafer Pte. Ltd. (SSW) for the first time, which had a positive impact on the division's sales and EBITDA. The Group achieved a substantial year-on-year increase in EBITDA, which came in at €1,042.3 million (2013: €678.7 million). Non-recurring effects were another factor in this strong rise on the previous year. Net income for the year amounted to €195.4 million, substantially higher than a year earlier (€6.3 million).

## Group Sales of €4.83 Billion Almost 8 Percent Higher Year on Year

In 2014, WACKER's sales reached €4.83 billion (2013: €4.48 billion), up almost 8 percent year on year. This rise was largely attributable to slightly higher volumes and better prices for polysilicon. The Group's chemical divisions benefited from volume gains and slightly improved prices as well.

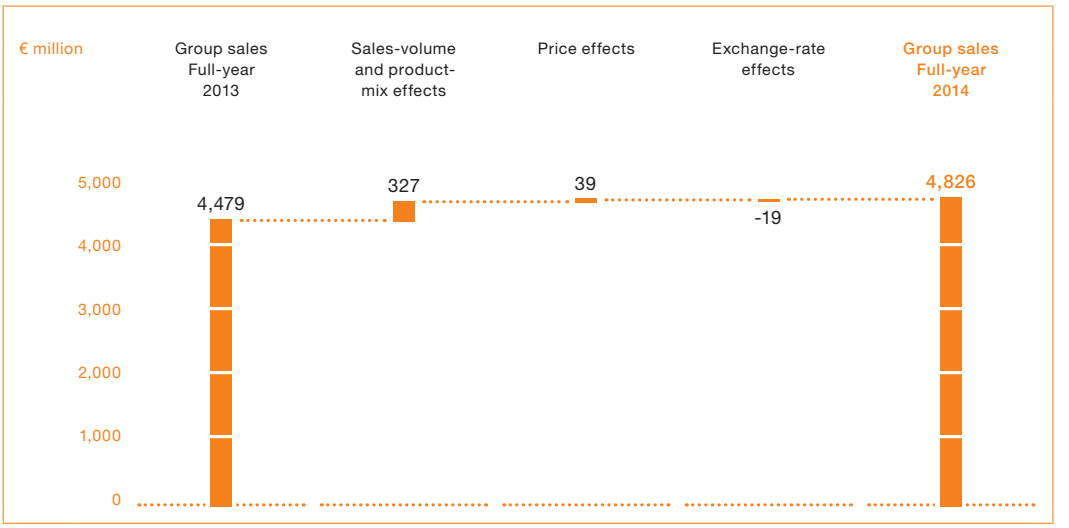
The chemical divisions generated sales of €2.97 billion (2013: €2.81 billion), up 6 percent year on year. WACKER SILICONES, the company's biggest business division, increased its sales to €1.73 billion (2013: €1.67 billion), almost 4 percent more than a year earlier. The rise was mainly the result of higher volumes. WACKER POLYMERS lifted its sales by almost 9 percent to €1.06 billion (2013: €978.7 million), with both dispersions and dispersible polymer powders contributing to this growth. WACKER BIOSOLUTIONS achieved sales of €176.2 million (2013: €158.4 million), a rise of 11 percent. Higher volumes and better prices had a positive effect here as well, as did the acquisition of Scil Proteins Production GmbH in Halle, Germany.

WACKER POLYSILICON profited from higher volumes and an increase in polysilicon prices. Sales amounted to €1.05 billion (2013: €924.2 million), up almost 14 percent year on year. Strong competition and excess capacity were again features of the market in 2014.

Siltronic posted a marked rise in 2014 sales, up 15 percent to €853.4 million (2013: €743.0 million). Here, the first-time consolidation of Siltronic Silicon Wafer Pte. Ltd. positively impacted the sales trend. At the same time, higher volumes more or less compensated for price declines.

### Year-on-Year Sales Comparison

G 3.7




Higher volumes had a positive impact on sales, adding €327 million. Price effects enhanced Group sales by €39 million, while exchange-rate effects had a negative impact of €19 million. The exchange rates of the US dollar, Japanese yen and Chinese renminbi to the euro played a decisive role here. The appreciation of the US dollar, especially in Q4 2014, benefited our sales. The major currencies developed as follows in relation to the euro:

### Average Exchange Rate

T 3.8

| | 2014 | 2013 |
|---|---|---|
| US dollar | **1.33** | 1.36 |
| Japanese yen | **140.50** | 136.61 |
| Chinese renminbi | **8.18** | 8.29 |

WACKER generated the majority of its sales outside Germany. During 2014, international sales reached €4.16 billion (2013: €3.83 billion) or 86 percent of total sales. Asia is by far WACKER's biggest market. WACKER delivers a large proportion of its polysilicon to Asia, and there is also strong demand from Asian customers for the Group's silicone and polymer products.

### Domestic and International Sales (by Customer Location)

T 3.9

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| External sales | **4,826.4** | 4,478.9 | 4,634.9 | 4,909.7 | 4,748.4 | 3,719.3 | 4,298.1 |
| Of which Germany | **663.7** | 647.0 | 686.0 | 899.4 | 887.3 | 774.6 | 948.6 |
| Of which international | **4,162.7** | 3,831.9 | 3,948.9 | 4,010.3 | 3,861.1 | 2,944.7 | 3,349.5 |

## Group EBITDA Exceeds €1 Billion Due to Non-Recurring Effects

WACKER's earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €1,042.3 million in 2014 (2013: €678.7 million), up by almost 54 percent on the prior year. The EBITDA margin rose significantly, from 15.2 percent to 21.6 percent. WACKER POLYSILICON benefited not only from non-recurring effects, but also from higher prices and volumes. That led to a sharp increase in EBITDA, which climbed to €537.0 million (2013: €233.9 million). The combination of high capacity utilization and cost-cutting measures caused operating costs to decline year on year. Despite higher volumes and, in some cases, higher prices, the chemical divisions were unable to increase EBITDA compared with the prior year. EBITDA came in at €382.9 million after €401.6 million a year earlier. In 2013, the use of provisions set aside in previous years to cover losses arising from purchase obligations in China had benefited chemical-division EBITDA in the amount of €13.7 million. At Siltronic, the first-time consolidation of Siltronic Silicon Wafer Pte. Ltd. had a positive effect. EBITDA increased from €26.5 million in 2013 to €114.0 million in 2014. Silicon wafer prices were, on average, substantially lower than in 2013. However, measures taken to lower operating costs, coupled with high plant-utilization rates, led to an improvement in the cost of goods sold.

Non-recurring effects were one of the main reasons for the strong increase in EBITDA in 2014. WACKER POLYSILICON terminated or restructured contractual relationships with a number of solar-industry customers. In this connection, the division retained advance payments and received damages. That resulted in income of €206.3 million (2013: €77.6 million). Adjusted for this effect, Group EBITDA in 2014 was €836.0 million (adjusted 2013: €601.1 million), rising 39 percent and yielding an EBITDA margin of 17.3 percent.

WACKER's earnings before interest and taxes (EBIT) reached €443.3 million in 2014 (2013: €114.3 million), thus almost quadrupling year on year. Adjusted for the special income already mentioned, EBIT amounted to €237.0 million. Depreciation and impairments have an impact not only on EBITDA, but also on EBIT. Depreciation totaled €589.5 million (2013: €527.4 million). This increase of 12 percent was due, in particular, to the first-time inclusion of Siltronic Silicon Wafer Pte. Ltd. in the consolidated financial statements. Minor impairment losses of €9.5 million were recognized (2013: €37.0 million). The EBIT margin for 2014 was 9.2 percent (2013: 2.6 percent). The non-recurring effects that influenced both EBIT and EBITDA in 2014 are shown in the following table:

### Non-Recurring Effects in 2014

T 3.10

| € million | 2014 |
|---|---|
| Advance payments retained and damages received | 206.3 |
| **Total non-recurring effects on EBITDA** | **206.3** |

### Non-Recurring Effects in 2013

T 3.11

| € million | 2013 |
|---|---|
| Use of provisions for losses from future purchase obligations in China | 13.7 |
| Advance payments retained and damages received | 77.6 |
| **Total non-recurring effects on EBITDA** | **91.3** |
| Retirement and impairment of noncurrent assets at Siltronic | –34.8 |
| **Total non-recurring effects on EBIT** | **56.5** |

## Cost of Goods Sold Up Slightly on Prior Year

Gross profit from sales climbed to €844.2 million, up 27 percent year on year (2013: €663.5 million). The gross margin amounted to almost 18 percent and was thus 3 percentage points higher than a year earlier, mainly the result of increased sales.

The cost of goods sold rose slightly in the reporting year. This was due in part to the first-time consolidation of Siltronic Silicon Wafer Pte. Ltd. The cost of goods sold came in at €3.98 billion (2013: €3.82 billion), up 4 percent. On the other hand, cost-cutting programs and high plant-utilization rates had positive effects, contributing toward good coverage of fixed costs. Overall, raw-material costs had a slightly negative impact on the cost of goods sold. The cost-of-sales ratio amounted to 83 percent in the reporting period, 2 percentage points better than in 2013 (85 percent).

## Functional Costs Higher

Other functional costs (selling, R&D and general administrative expenses) were 5 percent higher year on year, rising to €587.4 million (2013: €557.5 million). R&D costs, in particular, increased in the reporting period, while higher personnel costs impacted all functions.

## Other Operating Income and Expenses

In 2014, the balance of other operating income and expenses was €183.5 million (2013: €44.3 million). The positive result was mainly attributable to the advance payments retained and damages received in connection with terminated or restructured contracts with polysilicon customers. In the reporting period, this special income totaled €206.3 million (2013: €77.6 million). The Group posted a net exchange-rate gain of €17.1 million in 2014. In the prior year, the comparable figure of €–2.8 million was nearly balanced. Other operating income and expenses also includes costs for the start-up of operations at the new production plant in Tennessee (USA).

## Operating Result

Due to the effects described above, the operating result improved from €150.3 million to €440.3 million, thus more than doubling year on year.

## Result from Investments in Joint Ventures and Associates

The investment result – the total income from investments in joint ventures and associates and other income from participations – amounted to €3.0 million (2013: €–36.0 million). Since the beginning of 2014, Siltronic Silicon Wafer Pte. Ltd. has been fully included in WACKER's consolidated financial statements. In the past, this former joint venture was accounted for using the equity method. Consequently, this company's current earnings are now no longer recognized in the profit from investments in joint ventures and associates.

## Financial and Net Interest Result

WACKER's financial result was slightly better year on year, amounting to €–78.1 million compared with €–83.3 million in 2013. At €8.4 million (2013: €15.0 million), interest income was much lower, while interest expenses amounted to €46.2 million (2013: €41.8 million). The net interest result was €–37.8 million (2013: €–26.8 million). The effect of construction-related borrowing costs reduced interest expenses by €5.1 million (2013: €2.0 million).

The other financial result amounted to €–40.3 million (2013: €–56.5 million) and primarily comprised interest-bearing components of pension and other noncurrent provisions. It also included income and expenses from exchange-rate effects with respect to financial assets, which had a positive impact in 2014.

## Income Taxes

For 2014, the Group reported tax expenses of €169.8 million (2013: €24.7 million). The Group's tax rate was 46.5 percent (2013: 79.7 percent). The tax expenses were impacted by non-deductible start-up costs and losses incurred at some subsidiaries.

## Consolidated Net Income

As a result of the effects mentioned, consolidated net income rose strongly to reach €195.4 million (2013: €6.3 million).

## ROCE

The return on capital employed (ROCE) sets earnings before interest and taxes (EBIT) in relation to the capital employed for business activities.

In the reporting period, the return on capital employed (ROCE) reached 8.4 percent (2013: 2.2 percent), mainly as a result of higher net earnings. The higher ratio of tied-up capital due to our investments in new production facilities had only a minor effect on ROCE. Capital employed rose from €5,238.2 million to €5,260.7 million in 2014.

### Combined Statement of Income

T 3.12

| € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| Sales | 4,826.4 | 4,478.9 | 7.8 |
| Gross profit from sales | 844.2 | 663.5 | 27.2 |
| Selling, R&D and general administrative expenses | –587.4 | –557.5 | 5.4 |
| Other operating income and expenses | 183.5 | 44.3 | > 100 |
| Operating result | 440.3 | 150.3 | > 100 |
| Result from investments in joint ventures and associates | 3.0 | –36.0 | n.a. |
| EBIT | 443.3 | 114.3 | > 100 |
| Financial result | –78.1 | –83.3 | –6.2 |
| Income before taxes | 365.2 | 31.0 | > 100 |
| Income taxes | –169.8 | –24.7 | > 100 |
| Net income for the year | 195.4 | 6.3 | > 100 |
| Of which | | | |
| Attributable to Wacker Chemie AG shareholders | 203.8 | 2.6 | > 100 |
| Attributable to non-controlling interests | –8.4 | 3.7 | n.a. |
| Earnings per common share (€) (basic/diluted) | 4.10 | 0.05 | > 100 |
| Average number of shares outstanding (weighted) | 49,677,983 | 49,677,983 | – |
| Reconciliation to EBITDA | | | |
| EBIT | 443.3 | 114.3 | > 100 |
| Depreciation/appreciation of noncurrent assets | 599.0 | 564.4 | 6.1 |
| EBITDA | 1,042.3 | 678.7 | 53.6 |
| ROCE (%) | 8.4 | 2.2 | > 100 |

# Segments

## WACKER SILICONES

In 2014, WACKER SILICONES increased its sales by 3.7 percent to €1.73 billion (2013: €1.67 billion), mainly due to higher volumes and changes in the product mix. Slightly lower prices impeded sales growth, especially at the start of the year. WACKER SILICONES was able to lift its sales across all business sectors, posting above-average growth with specialty products. Silicone volumes were especially strong for electronics applications and the automotive industry. In regional terms, we achieved growth in Asia (+7 percent), the Americas (+3 percent) and the "Other" regions (+6 percent). Although sales in Europe as a whole remained at prior-year levels, 5-percent growth was achieved in Germany. EBITDA was lower year on year, declining 8.9 percent to €209.8 million (2013: €230.2 million). One of the main reasons for this decrease was the reversal in 2013 of a provision set aside to cover contingent losses from future purchase obligations from the joint venture with Dow Corning in China. This reversal had a positive impact on EBITDA in 2013 in the amount of €13.7 million. Overall, raw-material and energy costs in 2014 were on a par with the previous year – with hardly any change in the average prices of either silicon metal or methanol. Earnings growth was dampened by slight price pressure and general cost increases. The EBITDA margin declined to 12.1 percent (2013: 13.8 percent).

### Investments at Prior-Year Level

Investments rose only marginally year on year to €88.5 million (2013: €85.4 million), an increase of 3.6 percent. Capital expenditures went primarily toward expanding capacities for intermediate and downstream products.

### Continued Expansion of Sales Structures in Asia

To better serve the needs of our customers in Asia, we expanded our technical competence center at Amtala, which is near Kolkata, India. Thanks to its cutting-edge application technology and test equipment, the center enables customers from the construction, textile and personal-care industries to develop and test new products and applications. WACKER SILICONES had 4,240 employees as of December 31, 2014 (Dec. 31, 2013: 4,109).

**Key Data: WACKER SILICONES**

T 3.13

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Total sales | **1,733.6** | 1,672.2 | 1,648.0 | 1,593.8 | 1,580.5 | 1,238.8 | 1,408.6 |
| EBITDA | **209.8** | 230.2 | 189.3 | 182.9 | 229.9 | 157.9 | 167.9 |
| EBITDA margin (%) | **12.1** | 13.8 | 11.5 | 11.5 | 14.5 | 12.7 | 11.9 |
| EBIT | **128.9** | 151.1 | 106.4 | 103.3 | 150.0 | 33.5 | 86.3 |
| Investments | **88.5** | 85.4 | 158.8 | 106.3 | 92.9 | 102.2 | 107.0 |
| Employees (December 31, number) | **4,240** | 4,109 | 3,960 | 3,956 | 3,892 | 3,873 | 3,927 |

## WACKER POLYMERS

WACKER POLYMERS' sales rose substantially in 2014, climbing 8.8 percent to €1.06 billion (2013: €978.7 million). The increase was fueled by higher volumes for dispersions and dispersible polymer powders and by slightly higher prices. Raw-material costs climbed significantly year on year due to a sharp rise in the price of vinyl acetate monomer. This dampened earnings.

WACKER POLYMERS succeeded in enhancing its sales in all regions, with Eastern Europe showing the strongest growth (17 percent). Business also surged in India in 2014, where we achieved sales growth of 16 percent.

At €149.5 million, EBITDA was marginally higher than in 2013 (€147.8 million). The sharp rise in the price of vinyl acetate monomer weighed on earnings.

### Higher Investments Due to Expansion and New Construction

Capital expenditures climbed to €56.3 million after €36.8 million in 2013. Spending mainly focused on the expansion of production facilities for dispersible polymer powders in Nanjing (China) and on constructing a dispersible-polymer-powder plant in Burghausen (Germany) and a new dispersions reactor at our Calvert City site in the USA. These investments will enable us to satisfy growing demand in the market for dispersions and dispersible polymer powders. As of December 31, 2014, the business division had 1,408 employees (Dec. 31, 2013: 1,377), a slight rise on the previous year.

**Key Data: WACKER POLYMERS**

T 3.14

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Total sales | **1,064.4** | 978.7 | 1,003.1 | 928.1 | 810.0 | 743.8 | 867.9 |
| EBITDA | **149.5** | 147.8 | 147.4 | 111.8 | 122.6 | 117.2 | 108.9 |
| EBITDA margin (%) | **14.0** | 15.1 | 14.7 | 12.0 | 15.1 | 15.8 | 12.5 |
| EBIT | **118.7** | 112.9 | 110.7 | 76.2 | 82.2 | 77.8 | 64.9 |
| Investments | **56.3** | 36.8 | 58.8 | 30.4 | 13.1 | 40.0 | 74.4 |
| Employees (December 31, number) | **1,408** | 1,377 | 1,365 | 1,412 | 1,377 | 1,362 | 1,579 |

## WACKER BIOSOLUTIONS

At WACKER BIOSOLUTIONS, sales were markedly higher in 2014. They rose 11.2 percent to €176.2 million (2013: €158.4 million). This growth was due to the integration of Halle-based Scil Proteins Production GmbH, which was consolidated for the first time in 2014, as well as to higher volumes and prices. Sales growth was impeded by slightly negative exchange-rate effects. Whereas food and pharmaceutical proteins performed well, the situation was somewhat more difficult in the pharmaceuticals and agrochemicals segment. WACKER BIOSOLUTIONS posted strong sales growth in the Americas (+28 percent) and Europe (+17 percent). In Asia, business declined year on year (–8 percent). At €23.6 million, EBITDA in 2014 was on a par with the previous year (€23.6 million). The division's EBITDA margin edged down to 13.4 percent (2013: 14.9 percent).

Investments declined compared with the previous year, amounting to €8.4 million (2013: €10.2 million). In early 2014, the division also acquired Scil Proteins Production GmbH for about €14 million. Since this acquisition, WACKER BIOSOLUTIONS has had a fermenter with a capacity of 1,500 liters.

The number of employees at WACKER BIOSOLUTIONS rose to 484 as of December 31, 2014 (Dec. 31, 2013: 371), primarily due to the acquisition of Scil Proteins Production GmbH.

Key Data: WACKER BIOSOLUTIONS

T 3.15

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Total sales | **176.2** | 158.4 | 157.6 | 144.5 | 142.4 | 104.9 | 97.7 |
| EBITDA | **23.6** | 23.6 | 24.5 | 20.4 | 25.0 | 9.9 | 9.2 |
| EBITDA margin (%) | **13.4** | 14.9 | 15.5 | 14.1 | 17.6 | 9.4 | 9.4 |
| EBIT | **13.6** | 17.2 | 17.8 | 13.3 | 16.6 | 4.7 | 6.0 |
| Investments | **8.4** | 10.2 | 19.3 | 8.6 | 6.5 | 12.7 | 16.5 |
| Employees (December 31, number) | **484** | 371 | 357 | 354 | 363 | 344 | 259 |

## WACKER POLYSILICON

WACKER POLYSILICON's sales rose substantially in 2014, up 13.5 percent to €1.05 billion (2013: €924.2 million). The increase was due to higher volumes and better prices. The photovoltaic market continued expanding. The amicable agreement reached with the Chinese Ministry of Commerce (MOFCOM) regarding the export to China of polysilicon produced in Europe was of special significance for WACKER's business performance. Under the agreement, which came into effect on May 1, 2014, WACKER has undertaken not to sell polysilicon below a specific minimum price that is based on standard market prices. In return, MOFCOM has agreed not to impose anti-dumping or anti-subsidy tariffs on polysilicon made by WACKER. Regionally, Asia's importance as a sales market increased.

EBITDA more than doubled, climbing to €537.0 million (2013: €233.9 million). Factors supporting this positive earnings trend were higher polysilicon prices and special income. In total, the business division posted €206.3 million in income from the retention of advance payments and the receipt of damages in connection with the termination or restructuring of customer contracts. The EBITDA margin reached 51.2 percent (2013: 25.3 percent).

### Investments Rise

Investments at WACKER POLYSILICON increased in 2014, up 15.3 percent to €334.5 million (2013: €290.0 million). Most of these capital expenditures went toward construction of the new polysilicon site in Charleston, Tennessee (USA), where production is set to start up in the second half of 2015.

The division's workforce declined slightly, falling to 2,093 employees (Dec. 31, 2013: 2,102).

Key Data: WACKER POLYSILICON

T 3.16

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Total sales | **1,049.1** | 924.2 | 1,135.8 | 1,447.7 | 1,368.7 | 1,121.2 | 828.1 |
| EBITDA | **537.0** | 233.9 | 427.5 | 747.3 | 733.4 | 520.8 | 422.0 |
| EBITDA margin (%) | **51.2** | 25.3 | 37.6 | 51.6 | 53.6 | 46.5 | 51.0 |
| EBIT | **305.3** | 0.1 | 200.8 | 545.6 | 586.7 | 414.1 | 349.8 |
| Investments | **334.5** | 290.0 | 698.1 | 566.5 | 309.9 | 400.1 | 410.3 |
| Employees (December 31, number) | **2,093** | 2,102 | 2,349 | 2,251 | 1,763 | 1,600 | 1,289 |

## SILTRONIC

### Sales Well Above Prior-Year Figure

Siltronic achieved substantially higher sales in 2014 than in the previous year. Sales rose 14.9 percent to €853.4 million (2013: €743.0 million). This growth was mainly due to the first-time consolidation of Siltronic Silicon Wafer Pte. Ltd. in Q1 2014. The sales trend would have been even better had it not been for lower prices and slightly negative exchange-rate effects. Volumes were higher across all wafer diameters, especially 300 mm silicon wafers. As previously, the strongest region is Asia, where we succeeded in growing our sales by 25.6 percent.

EBITDA improved compared with the previous year, climbing to €114.0 million (2013: €26.5 million). The EBITDA trend was supported by the first-time consolidation of Siltronic Silicon Wafer Pte. Ltd., by measures to further reduce production-process costs and by high capacity-utilization levels. Negative price effects weighed on EBITDA. The EBITDA margin was 13.4 percent (2013: 3.6 percent) and was thus significantly higher than a year earlier.

### Higher Year-on-Year Investments

Investments at Siltronic increased in 2014 to €40.7 million (2013: €30.9 million), up 31.7 percent on the prior-year period. The funds flowed chiefly into enhanced technologies. In late January 2014, Siltronic raised its stake in Siltronic Silicon Wafer Pte. Ltd. to 78 percent as part of a capital increase. With the acquisition, the company's external financial liabilities were paid off.

Due to the consolidation of Siltronic Silicon Wafer Pte. Ltd., the number of employees at Siltronic rose significantly. As of December 31, 2014, the division had 4,165 employees (Dec. 31, 2013: 3,746).

Key Data: SILTRONIC

T 3.17

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Total sales | **853.4** | 743.0 | 867.9 | 992.1 | 1,024.8 | 637.5 | 1,360.8 |
| EBITDA | **114.0** | 26.5 | 0.7 | 49.2 | 87.7 | –162.4 | 357.3. |
| EBITDA margin (%) | **13.4** | 3.6 | 0.1 | 5.0 | 8.6 | –25.5 | 26.3. |
| EBIT | **–43.5** | –95.9 | –92.2 | –56.7 | –3.5 | –414.7 | 193.8. |
| Investments | **40.7** | 30.9 | 103.2 | 128.1 | 75.5 | 73.0 | 199.6 |
| Employees (December 31, number) | **4,165** | 3,746 | 3,978 | 4,974 | 5,025 | 5,096 | 5,469 |

## Other

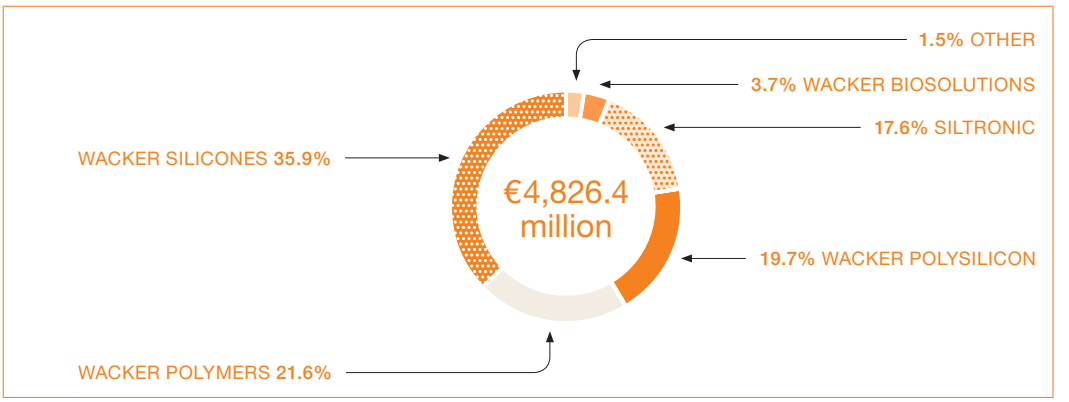
In 2014, sales reported under "Other" totaled €165.9 million (2013: €192.7 million), 13.9 percent down on one year earlier.

"Other" EBITDA came to €12.7 million in the year under review (2013: €14.7 million).

As of December 31, 2014, the "Other" segment had 4,313 employees (Dec. 31, 2013: 4,304). WACKER reports, for example, site management and infrastructure-unit employees at Burghausen and Nünchritz under this segment.

Divisional Shares in External Sales

G 3.18




## Regions

WACKER's operations are highly international. In 2014, 86.2 percent of the Group's €4.83 billion in sales (2013: €4.48 billion) were generated by international business. Germany accounted for 13.8 percent.

### Substantial Sales Growth in Asia

Asia is the region offering us the greatest business and growth opportunities. The main impetus is the rising standard of living in the region's emerging economies. With a 42.3-percent share of Group sales in 2014 (2013: 40.8 percent), Asia remains our principal market. Sales there reached €2.04 billion (2013: €1.83 billion). That is an increase of 11.7 percent. In the Greater China region (which includes Taiwan), sales grew to €1.22 billion (2013: €1.07 billion), up 14 percent year on year. WACKER also performed strongly in India, achieving growth of 15 percent. With the exception of WACKER BIOSOLUTIONS, all our business divisions posted sales growth in Asia.

### Europe Gains Momentum

In Europe (excluding Germany), where WACKER has always had a very strong market position, sales revived in 2014 after a contraction in the previous year, improving by 5.3 percent to €1.13 billion (2013: €1.07 billion). Europe accounted for a 23.4-percent share in Group sales (2013: 24 percent). In Germany, sales grew by 2.6 percent to €663.7 million (2013: €647.0 million).

### External Sales by Customer Location

T 3.19

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Germany | **663.7** | 647.0 | 686.0 | 899.4 | 887.3 | 774.6 | 948.6 |
| Rest of Europe | **1,130.5** | 1,073.8 | 1,090.7 | 1,186.7 | 1,175.4 | 944.1 | 1,008.2 |
| The Americas | **810.7** | 761.0 | 834.2 | 846.4 | 818.2 | 636.3 | 852.9 |
| Asia | **2,039.7** | 1,826.1 | 1,862.0 | 1,822.0 | 1,717.4 | 1,252.9 | 1,362.8 |
| Other regions | **181.8** | 171.0 | 162.0 | 155.2 | 150.1 | 111.4 | 125.6 |
| Group | 4,826.4 | 4,478.9 | 4,634.9 | 4,909.7 | 4,748.4 | 3,719.3 | 4,298.1 |

## Favorable Business Trend in the Americas

Business in the Americas developed positively in 2014, with sales increasing by 6.5 percent to €810.7 million (2013: €761.0 million). In the year under review, all of WACKER's business divisions posted sales growth in this region. The Americas accounted for 16.8 percent of Group sales (2013: 17.0 percent).

## Continued Growth in "Other" Regions

Sales in the "Other" regions continued to grow, rising 6.2 percent to €181.8 million (2013: €171.0 million). WACKER generates more than 40 percent of these sales in Middle Eastern countries. The "Other" regions account for 3.8 percent of WACKER's total sales.

### External Sales by Group Company Location

T 3.20

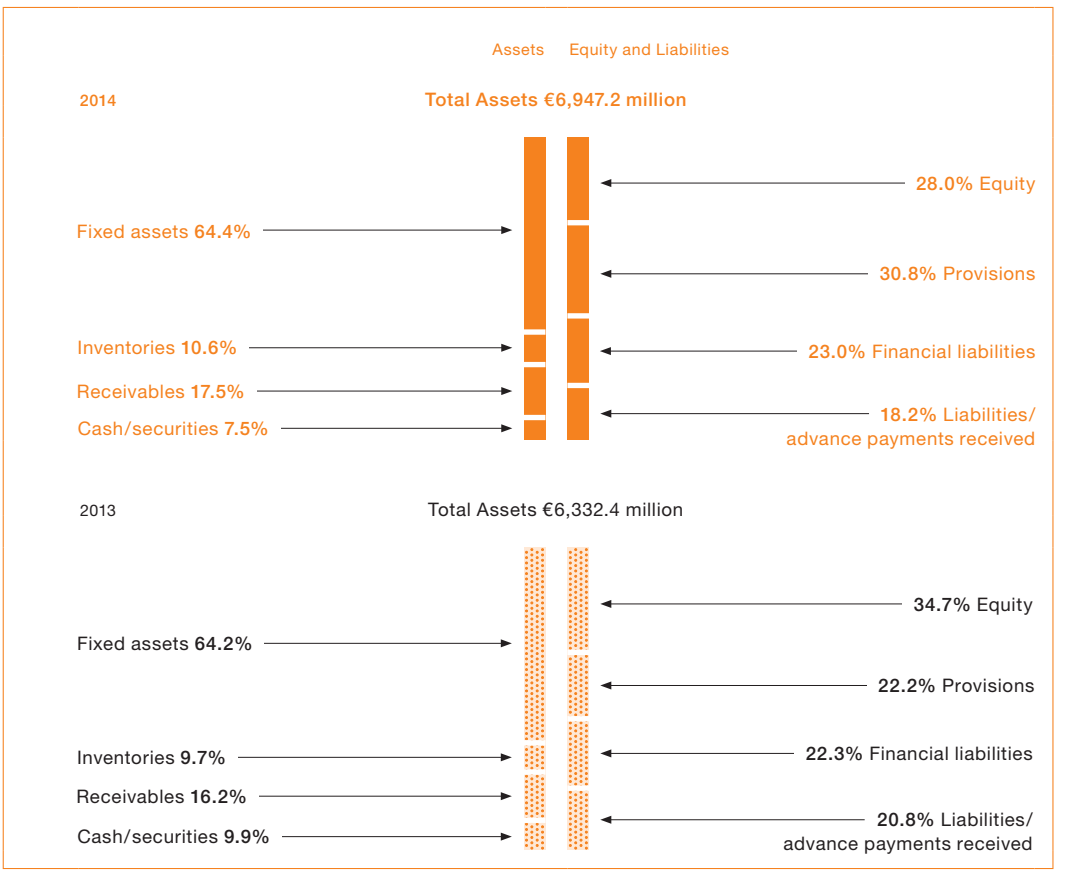
| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Germany | **4,006.5** | 3,782.3 | 3,972.9 | 4,250.8 | 4,150.9 | 3,272.0 | 3,746.8 |
| Rest of Europe | **137.8** | 144.7 | 156.8 | 138.3 | 74.3 | 23.5 | 29.4 |
| The Americas | **769.7** | 742.1 | 817.6 | 783.0 | 779.4 | 599.2 | 736.4 |
| Asia | **962.3** | 761.6 | 729.7 | 750.4 | 684.1 | 491.4 | 546.3 |
| Other regions | **7.6** | 7.0 | 6.8 | 7.4 | 6.3 | 3.5 | 2.2 |
| Consolidation | **–1,057.5** | –958.8 | –1,048.9 | –1,020.2 | –946.6 | –670.3 | –763.0 |
| Group | 4,826.4 | 4,478.9 | 4,634.9 | 4,909.7 | 4,748.4 | 3,719.3 | 4,298.1 |

# Net Assets

WACKER's total assets were 10 percent higher compared with December 31, 2013. They rose by €614.8 million to €6.95 billion as of December 31, 2014 (Dec. 31, 2013: €6.33 billion). There are several reasons for the substantial increase. During the reporting period, the appreciation of the US dollar and other currencies against the euro had a major impact on the Group's assets and liabilities. Currency-translation effects increased the balance sheet total by €297.3 million, especially in the categories of noncurrent assets, equity and financial liabilities. Full consolidation of Siltronic Silicon Wafer Pte. Ltd. and Scil Proteins Production GmbH, as well as construction-project progress on the polysilicon facility in Charleston, Tennessee (USA), added to property, plant and equipment. Loans that had been granted by WACKER to Siltronic Silicon Wafer Pte. Ltd. and were accounted for as financial assets are no longer included in the consolidated financial statements. Good operating performance led to both higher trade receivables and inventory levels. On the equity and liabilities side, the increase in financial liabilities was accompanied by a rise of €678.9 million in provisions for pensions that was due to lower discount rates. This also reduced equity by €520.2 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 193.

## Asset and Capital Structure

G 3.21



# Financial-Position Trends: Assets

## Current and Noncurrent Assets

Relative to the end of the previous year, noncurrent assets climbed by €467.0 million to €4.85 billion (Dec. 31, 2013: €4.39 billion), up 11 percent. They accounted for 70 percent of total assets (Dec. 31, 2013: 69 percent). Compared with December 31, 2013, current assets rose from €1.95 billion to €2.09 billion, an 8-percent increase. Their share of total assets fell slightly, by one percentage point, to stand at 30 percent. Acquisitions increased noncurrent assets during 2014. Effective January 2014, WACKER included Siltronic Silicon Wafer Pte. Ltd. in the consolidated financial statements for the first time after acquiring a majority stake in the company by means of a capital increase. In the previous year, this company had still been accounted for using the equity method. Scil Proteins Production GmbH, which WACKER acquired in its entirety, was fully consolidated as of January 2, 2014. Investment spending was slightly below depreciation. The increase in inventories and trade receivables is attributable to the positive operating performance. While noncurrent and current liquidity declined year on year, deferred tax assets increased.

## Intangible Assets, Property, Plant and Equipment, and Investment Property

Intangible assets, property, plant and equipment and investment property grew by €539.7 million to €4.35 billion as of December 31, 2014 (Dec. 31, 2013: €3.81 billion). The production plants of Siltronic Silicon Wafer Pte. Ltd. and Scil Proteins Production GmbH were included in the Group's property, plant and equipment for the first time in 2014. That is one of the reasons for the increase. Property, plant and equipment rose by €527.2 million through December 31, 2014, up 14 percent. Current investment spending on property, plant and equipment amounted to €572.2 million. More than half of this amount went toward construction of the production site in Charleston, Tennessee (USA), where WACKER POLYSILICON is building a new polysilicon production facility. Additional investments were made for WACKER SILICONES, WACKER POLYMERS and Siltronic. Depreciation and valuation allowances reduced noncurrent assets by €599.0 million in 2014 (2013: €564.4 million). Total depreciation was higher than a year earlier, primarily because of the current depreciation recognized at Siltronic Silicon Wafer Pte. Ltd. Exchange-rate differences increased the carrying amount of noncurrent assets by €244.1 million.

## Investments in Joint Ventures and Associates Accounted for Using the Equity Method

Higher earnings caused investments in joint ventures and associates accounted for using the equity method to rise slightly, to €20.5 million (Dec. 31, 2013: €18.9 million). The interest in Siltronic Silicon Wafer Pte. Ltd. ceased to be accounted for using the equity method as of January 2014. Its carrying amount had, however, already been reduced by high levels of current depreciation and finance expenses.

## Noncurrent Financial Assets and Securities

Other noncurrent assets totaled €487.9 million as of December 31, 2014 (Dec. 31, 2013: €562.2 million), a year-on-year decline of 13 percent. One cause of this drop was the full consolidation of Siltronic Silicon Wafer Pte. Ltd., which eliminated the shareholder loans of €142.2 million made to the company. On the other hand, deferred tax assets climbed by €168.6 million to total €334.3 million. That increase is primarily attributable to the provisions for pensions, which rose as a consequence of higher actuarial losses caused by low discount rates. Other noncurrent assets also include €37.6 million in noncurrent securities, as well as noncurrent derivative financial instruments and noncurrent tax receivables. Noncurrent securities totaling €83.2 million were reclassified as current.

### Current Assets

Current assets increased by nearly 8 percent year on year. They came in at €2.09 billion (Dec. 31, 2013: €1.95 billion). The inventory level has grown because the inventories of the companies newly included in the consolidated financial statements were reported for the first time. Sales growth increased inventories, which totaled €734.3 million as of December 31, 2014 (Dec. 31, 2013: €616.9 million), up 19 percent. Trade receivables amounted to €684.0 million as of December 31, 2014 (Dec. 31, 2013: €614.1 million). That was an 11-percent increase, primarily attributable to higher business volumes. Inventories and trade receivables combined accounted for 20 percent of total assets, an increase of one percentage point over December 31, 2013. Exchange-rate effects increased inventories and trade receivables by €42.0 million.

Other current assets posted a slight decline, falling from €714.3 million to €674.8 million – a drop of 6 percent. They mainly comprise securities and cash and cash equivalents. Current securities amounted to €157.4 million at the end of Q4 2014 (Dec. 31, 2013: €71.9 million). The increase represents WACKER's investment of liquid funds in fixed-term deposits. Liquid funds decreased from €431.8 million to €325.9 million at the balance sheet date. This drop stemmed not only from WACKER's redemption of external bank loans at Siltronic Silicon Wafer Pte. Ltd. in Q1 2014 as part of its acquisition of the majority stake, but also from payments made on investment projects at the Group's business divisions. Conversely, there were inflows of liquid funds from a long-term loan drawn in the amount of €80.0 million and from incoming payments of damages. Other current assets included income tax receivables of €15.2 million (Dec. 31, 2013: €19.5 million) and other tax receivables in the amount of €49.6 million (Dec. 31, 2013: €52.1 million). Other current assets accounted for 10 percent of total assets (Dec. 31, 2013: 11 percent).

## Financial-Position Trends: Equity and Liabilities

### Equity Reduced by 11 Percent

Group equity declined by €250.6 million relative to the previous year. It amounted to €1.95 billion as of December 31, 2014 (Dec. 31, 2013: €2.20 billion). As a result, the equity ratio was 28 percent (Dec. 31, 2013: 34.7 percent). Retained earnings increased by €203.8 million as a result of the Group's net income for the year. At the same time, the dividend payment diminished retained earnings by €24.8 million. Other equity items reduced 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 year-end caused actuarial losses to rise. These losses lowered equity by €520.2 million. Currency translation effects, on the other hand, increased equity by €121.4 million. The disposal of the previous stake in Siltronic Silicon Wafer Pte. Ltd. – which had been accounted for using the equity method – resulted in a decrease in equity of €14.9 million.

### Liabilities

Compared with the previous year, WACKER's liabilities climbed by €865.4 million, or 21 percent, and amounted to €5.00 billion (Dec. 31, 2013: €4.14 billion). They represented 72 percent of total equity and liabilities (Dec. 31, 2013: 65 percent).

## Noncurrent Liabilities

As of the balance sheet date, noncurrent liabilities were €3.84 billion (Dec. 31, 2013: €3.08 billion), a year-on-year increase of 25 percent. They accounted for 55 percent of total equity and liabilities (Dec. 31, 2013: 49 percent). Provisions for pensions grew by €678.9 million to €1.76 billion, up 63 percent. This increase is attributable to the discount rates being applied for the defined benefit plans, which were substantially lower than at year-end 2013. As of the balance sheet date, the discount rate was 2.3 percent in Germany and 3.8 percent in the USA (Dec. 31, 2013: 3.8 percent in Germany and 4.75 percent in the USA). As a result, actuarial losses due to the remeasurement of provisions for pensions increased. Provisions for pensions accounted for 25 percent of total equity and liabilities (Dec. 31, 2013: 17 percent). Other noncurrent provisions also rose, reaching €181.8 million (Dec. 31, 2013: €148.2 million). Here, too, the lower discount rate made an impact, especially on provisions for anniversary payments and for environmental protection.

Noncurrent financial liabilities increased by €70.8 million to €1.32 billion (Dec. 31, 2013: €1.25 billion). In Q3 2014, WACKER drew down a new long-term loan of €80.0 million. At the same time, noncurrent financial liabilities were reclassified as current liabilities in accordance with their maturities. Other noncurrent liabilities fell slightly overall, to €533.9 million (Dec. 31, 2013: €567.3 million). This was due to the change in noncurrent advance payments received. At year-end, they amounted to €523.0 million (Dec. 31, 2013: €564.4 million). Additions due to the first-time inclusion of Siltronic Silicon Wafer Pte. Ltd. in the consolidated financial statements increased the advance payments received. On the other hand, the retention of advance payments under restructured or terminated contracts with polysilicon customers led to a substantial decline.

## Current Liabilities

Current liabilities grew 10 percent, from €1.06 billion at year-end 2013 to €1.16 billion. In 2014, as in the previous year, they accounted for 17 percent of total equity and liabilities. Trade payables rose 21 percent relative to year-end 2013 and amounted to €374.5 million at the balance sheet date (Dec. 31, 2013: €309.4 million). Due to the high level of investing activities, especially at the future production site in Charleston, Tennessee (USA), trade payables for investment spending were substantially higher. Other current provisions and liabilities fell 13 percent to €507.1 million (Dec. 31, 2013: €579.9 million). Current advance payments received amounted to €166.1 million as of the balance sheet date (Dec. 31, 2013: €282.8 million). The ongoing elimination of advance payments received and of those retained under terminated or restructured contracts in the polysilicon business are responsible for this. Current income tax provisions and personnel liabilities, including those related to vacation, flextime and performance-related compensation, were higher as of the balance sheet date. Liabilities from currency-hedging derivatives were also higher as a result of US dollar and Japanese yen exchange-rate differences.

## WACKER Posts Net Financial Debt of €1.08 Billion

Current financial liabilities were 67 percent higher and amounted to €283.3 million as of December 31, 2014 (Dec. 31, 2013: €169.3 million). The primary reason for the increase was the reclassification of noncurrent items. Overall, financial liabilities grew 13 percent to €1.60 billion (Dec. 31, 2013: €1.42 billion) and accounted for 23 percent of total equity and liabilities. The depreciation of the euro against the US dollar and other currencies in the second half of 2014 caused financial liabilities to increase by some €70 million. Current liquidity (current securities, cash and cash equivalents) fell slightly, to €483.3 million (Dec. 31, 2013: €503.7 million). Noncurrent securities decreased from €120.8 million to €37.6 million. As of the balance sheet date of December 31, 2014, WACKER had net financial debt (the balance of gross financial debt and noncurrent and current liquidity) totaling €1,080.6 million (Dec. 31, 2013: €792.2 million). That is a rise of 36 percent compared with December 31, 2013.

## Unrecognized Assets and Off-Balance-Sheet Financial Instruments

An important asset that does not appear in our statement of financial position is the value of the WACKER brand and other Group trademarks. We consider the high profile and reputation of our trademarks to be a key factor influencing customer acceptance of our products and solutions. Moreover, there are other intangible assets that are vital for success and have a positive impact on our business – for example, long-standing customer relationships and customer trust in our product- and solution-related expertise. Just as important are our employees' in-depth skills and experience, and our many years of expertise not only in R&D and project management, but also in designing products and production- and business-process structures. In particular, our integrated production system gives us an edge over our rivals. Another key success factor is WACKER's sales network, which has evolved over many years and enables the Group to market and sell its range of products and services locally to customers. Various German legal forms of rented and leased goods (operating leases) reported on in Note 17 are also not included in the statement of financial position, nor are other self-constructed assets. WACKER does not use any off-balance-sheet financing instruments.

### Combined Statement of Financial Position

T 3.22

| € million | 2014 | 2013 | Change in % |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets, property, plant and equipment, and investment property | 4,345.7 | 3,806.0 | 14.2 |
| Investments in joint ventures and associates accounted for using the equity method | 20.5 | 18.9 | 8.5 |
| Other noncurrent assets | 487.9 | 562.2 | –13.2 |
| **Noncurrent assets** | 4,854.1 | 4,387.1 | 10.6 |
| Inventories | 734.3 | 616.9 | 19.0 |
| Trade receivables | 684.0 | 614.1 | 11.4 |
| Other current assets | 674.8 | 714.3 | –5.5 |
| **Current assets** | 2,093.1 | 1,945.3 | 7.6 |
| **Total assets** | 6,947.2 | 6,332.4 | 9.7 |
| **Equity and Liabilities** | | | |
| **Equity** | 1,946.5 | 2,197.1 | –11.4 |
| Noncurrent provisions | 1,983.7 | 1,262.0 | 57.2 |
| Financial liabilities | 1,318.2 | 1,247.4 | 5.7 |
| Other noncurrent liabilities | 533.9 | 567.3 | –5.9 |
| Of which advance payments received | 523.0 | 564.4 | –7.3 |
| **Noncurrent liabilities** | 3,835.8 | 3,076.7 | 24.7 |
| Financial liabilities | 283.3 | 169.3 | 67.3 |
| Trade payables | 374.5 | 309.4 | 21.0 |
| Other current provisions and liabilities | 507.1 | 579.9 | –12.6 |
| **Current liabilities** | 1,164.9 | 1,058.6 | 10.0 |
| **Liabilities** | 5,000.7 | 4,135.3 | 20.9 |
| **Total equity and liabilities** | 6,947.2 | 6,332.4 | 9.7 |
| **Capital employed** | 5,260.7 | 5,238.2 | 0.4 |

# Financial Position

## Financial-Management Principles and Goals

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. Financial management at WACKER comprises capital structure management, cash and liquidity management, and the management of market-price risk (currencies, interest rates). Financial management at the Group is centrally organized. A groupwide financial regulation sets out the corresponding tasks and responsibilities.

Capital-structure management involves shaping the capital structure of the Group and its subsidiaries. The latter are capitalized and financed in accordance with the principles of cost and risk optimization, which entails taking account of restrictions on the movement of capital as well as other capital and foreign-currency transfer constraints.

As part of liquidity management, we continuously monitor payment flows from operations and financial business. WACKER covers its resultant liquidity needs via suitable instruments, such as intra-Group financing through borrowings, or through external loans from local banks. We receive the necessary outside funding from contractually agreed lines of credit nominated in various currencies and with differing maturities. We invest liquidity surpluses on the money and capital markets at an optimum risk/return rate. Cash management centralizes procedures designed to calculate cash requirements and surpluses.

WACKER pursues a careful financing policy that targets a balanced financing portfolio, a diversified maturity portfolio and a comfortable liquidity buffer. In addition to the financing instruments already mentioned, WACKER expects to be able to tap the bond markets and other instruments, if necessary. Our aim is to maintain our corporate financial structures so that the Group's credit rating remains – at a minimum – in the investment-grade range.

WACKER's key liquidity source is the operations of its Group companies and the resultant incoming payments. As part of our cash-management systems, liquidity surpluses at individual Group companies are used to cover the financing needs of other Group companies. This centralized system of internal transfers reduces external borrowing requirements and interest expenses.

The purpose of managing market-price risks is to limit the effects of fluctuations in exchange rates and interest rates on the Group's bottom line. That involves first determining the Group's overall exposure to currency risks. On the basis of the information obtained, we can then make decisions as regards hedging – namely the volume to be hedged, the respective term of the hedge and the choice of hedging instrument.

## Financial Analysis

The Group's cash flow is a key instrument of liquidity management. Net cash flow serves as the internal indicator for liquidity measurement.

## Net Cash Flow

In 2014, WACKER complied with its long-term policy of essentially financing its investments from its own cash flow. Net cash flow totaled €215.7 million in 2014 (2013: €109.7 million), demonstrating that long-term investments are predominantly covered by the cash flow from operating activities.

### Net Cash Flow

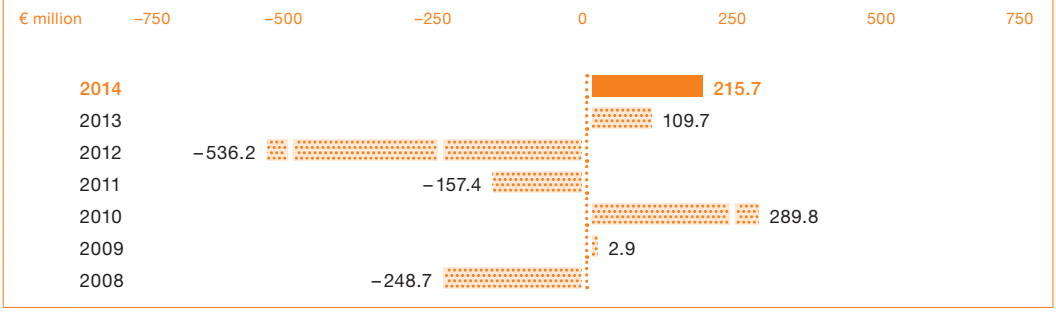
T 3.23

| € million | 2014 | 2013 |
|---|---|---|
| Cash flow from operating activities (gross cash flow) | 485.2 | 464.0 |
| Changes in advance payments received | 227.8 | 200.9 |
| Cash flow from long-term investing activities before securities | –497.3 | –555.2 |
| Net cash flow | 215.7 | 109.7 |

Net cash flow is the sum of cash flow from operating activities (excluding the change in advance payments) and cash flow from long-term investing activities (before securities), including additions due to finance leases.

### Net Cash Flow

G 3.24




## Net Financial Debt

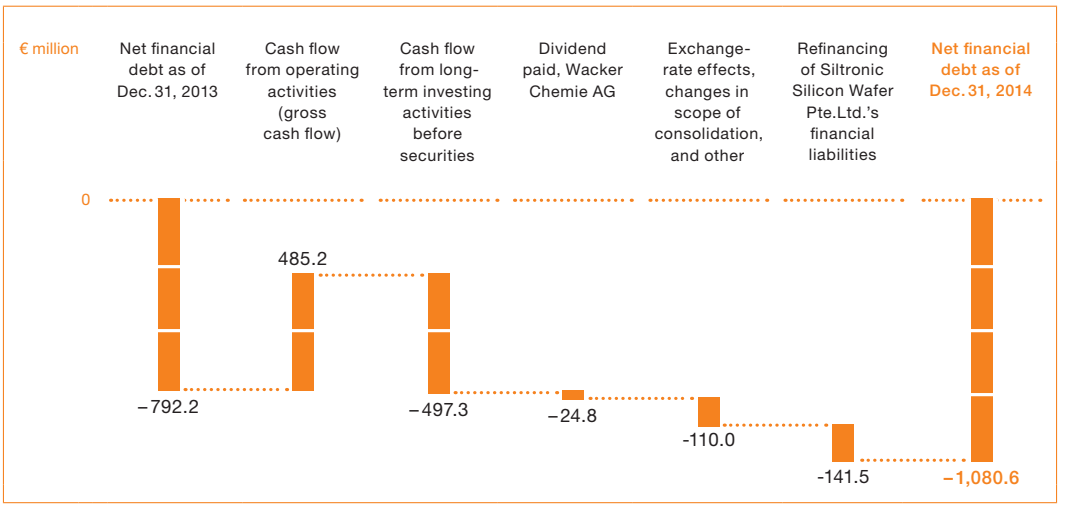
Financial liabilities amounted to €1.60 billion as of December 31, 2014 (Dec. 31, 2013: €1.42 billion), up €184.8 million year on year. In Q3 2014, WACKER drew down a new long-term loan of €80.0 million. In China, we took out new long-term loans at current market interest rates in Q1 to finance our companies there. The purpose of these loans is to refinance the existing working capital credit facilities and project financing. Financial liabilities increased by about €70 million due to currency effects.

WACKER defines net financial debt – which is one of its financial indicators – as the balance of gross financial debt (current and noncurrent financial liabilities) and existing noncurrent and current liquidity, consisting of securities, cash and cash equivalents. In the period under review, net financial debt grew substantially. The increase of €288.4 million to €1,080.6 million (Dec. 31, 2013: €792.2 million) is basically due to investments and the refinancing of Siltronic Silicon Wafer Pte. Ltd. In 2014, WACKER invested €572.2 million, which corresponds to an investment ratio of 12 percent (2013: 11 percent), based on Group sales.

Aside from the financial liabilities disclosed in the report on net assets, WACKER has at its disposal adequate unused syndicated loans for some €600 million with maturities of over one year. In December, WACKER replaced an existing unused syndicated line of credit with a line of credit of €200 million with a maturity of five years. The latter is available as a liquidity reserve. Our existing lines of credit provide us with enough financial scope to secure the Group's continued growth. The Group does not use any off-balance-sheet financing instruments.

### Net Financial Debt

G 3.25




### Trend in Cash and Cash Equivalents

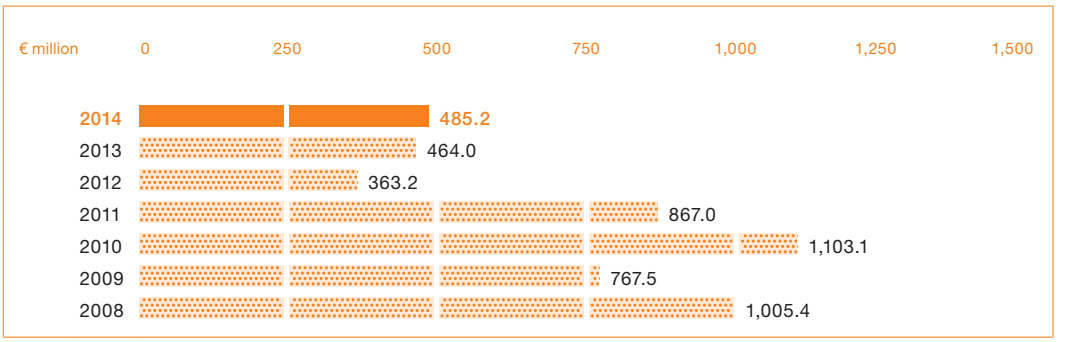
Cash flow (with its components) shows the change in cash and cash equivalents in the period under review.

### Gross Cash Flow

Cash flow from operations (gross cash flow) totaled €485.2 million in 2014 (2013: €464.0 million), an increase of almost 5 percent. The higher net income for the year of €195.4 million had a positive impact. It comprised non-cash expenses and income amounting to €–48.7 million. Depreciation totaling €599.0 million (2013: €564.4 million) and changes in provisions in the amount of €87.0 million (2013: €47.3 million) had a positive effect on gross cash flow. The increase in working capital (trade receivables less trade payables, plus inventories) reduced gross cash flow by €107.8 million. In particular, trade receivables and inventories increased as business volumes grew. Advance payments received for polysilicon deliveries changed during the year by €–227.8 million (2013: €–200.9 million) due to deliveries made and advance payments retained in connection with restructured or terminated contracts.

### Cash Flow from Operating Activities (Gross Cash Flow)

G 3.26

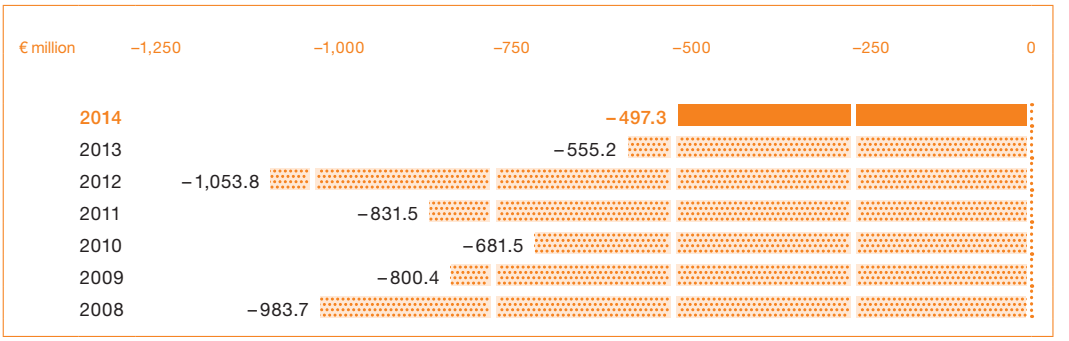



## Cash Flow from Investing Activities

The Group's investment projects influence cash flow from long-term investing activities. In 2014, more than half of investment spending went toward construction of the polysilicon production plant in Charleston, Tennessee (USA). Cash flow from long-term investing activities decreased from €555.2 million in 2013 to €497.3 million. 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., which was included in the consolidated financial statements for the first time.

### Cash Flow from Long-Term Investing Activities before Securities

G 3.27




Cash flow from long-term investing activities during the reporting period amounted to €–505.6 million (2013: €–449.5 million). Alongside investments in noncurrent assets and acquisitions, it included cash receipts and payments for securities and fixed deposits with maturities of more than three months.

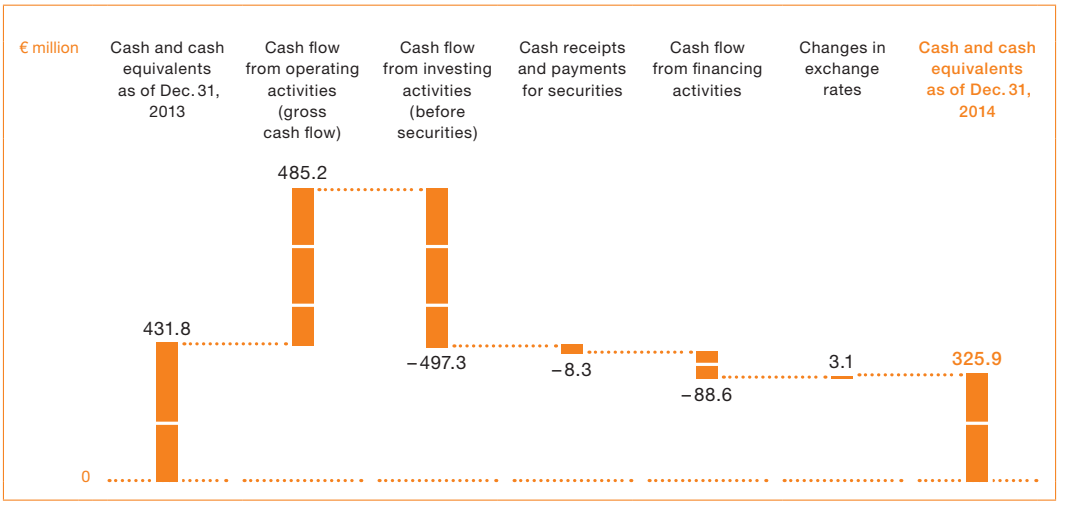
## Cash Flow from Financing Activities

Cash flow from financing activities totaled €–88.6 million in 2014 (2013: €227.6 million). It mainly comprises the cash outflow from repayment of Siltronic Silicon Wafer Pte. Ltd.'s external financial liabilities following Siltronic's acquisition of a majority stake in that company. The capital payment and additional payments were used to redeem ssw's bank loans. The dividend payment by Wacker Chemie AG in the second quarter of 2014 also led to a cash outflow of €24.8 million. In Q3 2014, WACKER's cash flow from financing activities increased by €80 million when a long-term loan was drawn down. In 2013, the cash received under the new private placement of US$400 million had enhanced cash flow from financing activities.

Cash and cash equivalents decreased by €105.9 million compared with December 31, 2013. In 2013, the company had posted a cash inflow of €239.2 million. As of December 31, 2014, cash and cash and cash equivalents amounted to €325.9 million (December 31, 2013: €431.8 million).

### Changes in Cash and Cash Equivalents

G 3.28




### Proposal on Appropriation of Profits

Wacker Chemie AG posted a retained profit under German Commercial Code accounting rules of €960.5 million in 2014. The Executive and Supervisory Boards will propose a dividend of €1.50 per share at the Annual Shareholders' Meeting. Based on the number of shares entitled to dividends as of December 31, 2014, the cash dividend corresponds to a payout of €74.5 million. Calculated in relation to WACKER's average share price in 2014, the dividend yield is 1.7 percent. At the Annual Shareholders' Meeting, the Executive and Supervisory Boards will propose treating the remaining amount as profit carried forward.

### Rating

WACKER has sufficient lines of credit with banks and does not issue rated financial instruments such as bonds and commercial paper. Consequently, WACKER has not published a credit rating so far.

## Executive Board Statement on Business Development and on the Group's Economic Position

Higher volumes in all five business divisions and improved polysilicon prices influenced operations at WACKER during 2014. In addition, high special income from terminated or restructured contracts with solar-sector customers had a positive impact on the earnings trend. On the whole, the Group met, and in some cases, outperformed its annual forecast with regard to all its key performance indicators.

Chemical sales continued to rise primarily due to volume gains. As a result of price pressure and higher raw-material costs, particularly at WACKER POLYMERS, the chemical divisions' overall EBITDA remained slightly below the prior-year figure. At WACKER POLYSILICON, the agreement with the Chinese Ministry of Commerce on the import of polysilicon to China has given us legal certainty and planning security. Thanks to healthy demand, polysilicon production was running at full capacity for almost the entire year. In our semiconductor business, Siltronic continued to increase sales and EBITDA from

quarter to quarter and, from October to December 2014, achieved a full-year EBITDA margin of nearly 17 percent. Much higher volumes more than compensated for lower semiconductor-wafer prices. Acquisition of the majority stake in Siltronic Silicon Wafer Pte. Ltd. and the measures taken by Siltronic to increase productivity and cut costs had a positive impact on earnings.

Personnel expenses rose both relative to sales and in absolute terms. There was a year-on-year decline in raw-material costs relative to sales and in absolute figures. Energy costs, too, were lower than our target figure. Depreciation, conversely, climbed against the prior year and reflected the target figure. The acquisition of the majority stake in Siltronic Silicon Wafer Pte. Ltd. increased our depreciation.

At €1.95 billion, Group equity fell €250.6 million against the prior year's balance sheet date due to higher actuarial losses from the remeasurement of defined benefit plans. The equity ratio fell to 28.0 percent as a result. As expected, the Group's net financial debt rose almost €300 million, totaling €1.08 billion as of December 31, 2014. As had been announced, capital expenditures of €572.2 million once again remained below the level of depreciation. The net cash flow was much better than expected and, at €215.7 million, almost double the prior-year figure.

# Supplementary Report

No major events occurred between the closing date (December 31, 2014) and the date of preparing the consolidated financial statements (March 2, 2015). There were no fundamental changes in our overall economic and business environment.

The Group's organizational and legal structures remained unchanged in the first few weeks of 2015.

# Non-Financial Performance Indicators and Other Information

This section provides further information on our non-financial performance indicators. While not used for corporate decision-making, these indicators play a key role in WACKER's continued successful development.

## Research & Development

WACKER's research and development pursues three goals.

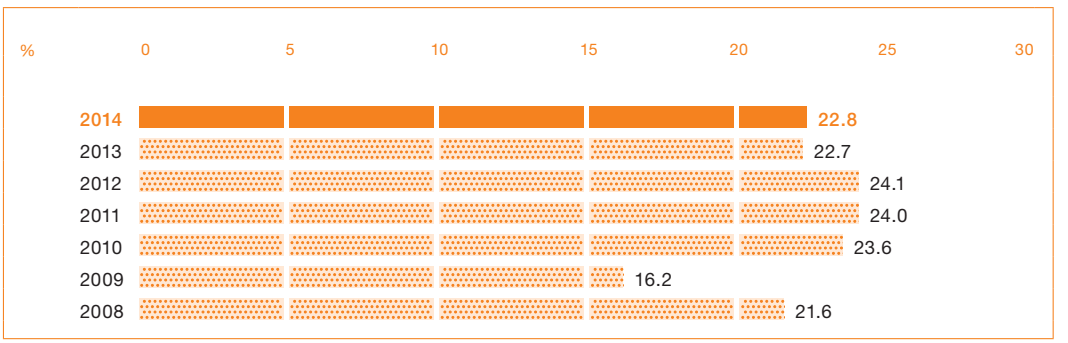
- Firstly, we search for solutions that meet our customers' needs and contribute to their market success.
- Secondly, we optimize our processes in order to be the technology leader and to be sustainably profitable.
- Thirdly, we concentrate on creating innovative products and applications for new markets and on serving future trends, such as higher energy requirements, urbanization, digitization and growing prosperity.

**R&D Expenses** T 3.29

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Research and development expenses | **183.1** | 173.8 | 173.7 | 172.9 | 165.1 | 164.0 | 163.2 |

In 2014, R&D expenses amounted to €183.1 million (2013: €173.8 million). At 3.8 percent (2013: 3.9 percent), the R&D rate – research and development spending as a percentage of Group sales – was down slightly from the previous year's figure due to the positive sales trend.

**New-Product Rate (NPR)[1]** G 3.30

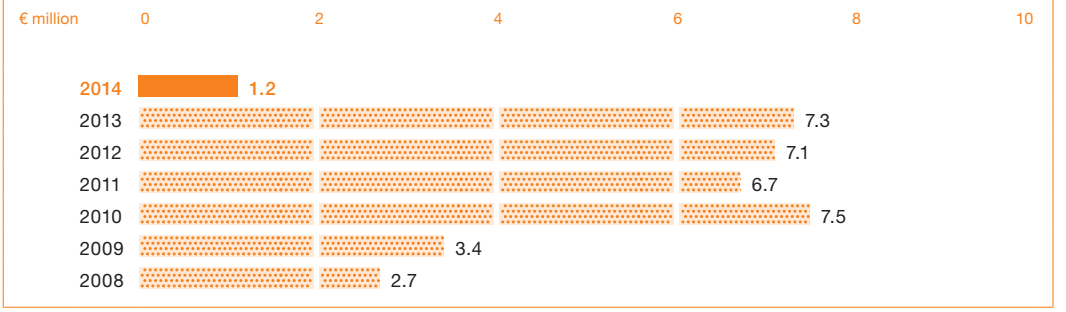



[1] Percentage of sales accounted for by products launched in the last five years

We received about €1.2 million from licensing agreements in 2014 (2013: €7.3 million). The year-on-year reduction reflects the acquisition of a majority stake in Siltronic Samsung Wafer Pte. Ltd. in Singapore and the expiration of licensed patents. WACKER's innovative strength is reflected in the number of patents held and patent applications submitted. In 2014, we filed 111 patent applications (2013: 123). Our portfolio contains about 5,200 active patents worldwide, as well as 2,100 patent applications currently pending.

**Licensing Income**

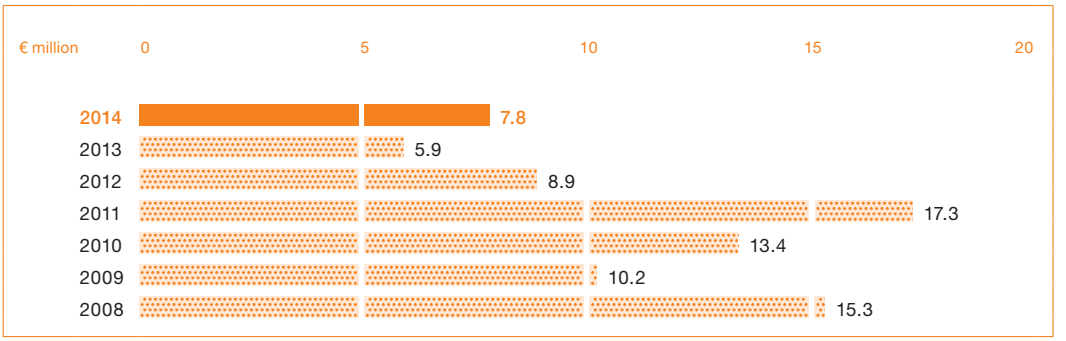
G 3.31




In 2014, WACKER invested €7.8 million in R&D facilities (2013: €5.9 million). This is a substantial increase over the prior-year figure and clearly affirms WACKER's commitment to innovation. Among our investments in 2014 were new pilot plants where promising laboratory results are scaled up in an intermediate stage prior to full production. Examples include a plant in which we investigate the generation of trichlorosilane, and a new polymerization process. Further investment spending funded laboratory equipment to investigate full cells of lithium-ion batteries, for example. We have additionally invested in analytical equipment that will provide us with quick and precise results for use in the evaluation of experiments.

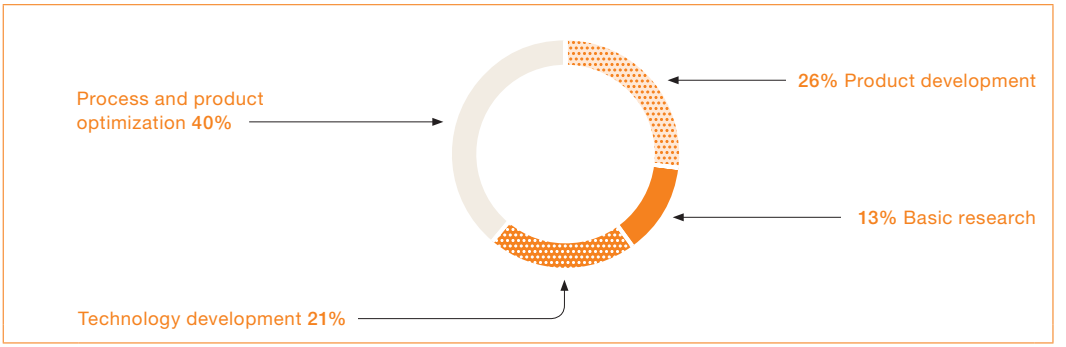
**Investment in R&D Facilities**

G 3.32




**Breakdown of R&D Expenditures**

G 3.33



Most of the €183.1 million (2013: €173.8 million) in R&D costs was spent on the development of new products and production processes. WACKER scientists are currently working on some 270 projects based on more than 40 technology platforms. Over 20 percent of these topics are key strategic projects, which account for 41 percent of all project costs (totaling €71.5 million) incurred in 2014. WACKER operates in highly promising fields, ranging from energy, electronics, construction and automotive engineering to household and personal-care products, food and biotechnology. We launched the New Solutions initiative in 2013. Its goal is to develop technically and commercially superior solutions for new applications. Expertise from various areas in the company is consolidated groupwide and applied to projects as needed. In 2014, we worked on ten projects in this program. The market and technology evaluations conducted under the initiative revealed potential additional sales worth hundreds of millions. Initial solutions developed through the New Solutions initiative have already been placed with customers for application testing.

In 2014, we spent some €768,000 (2013: €170,000) on R&D expertise from third parties. The rise in these expenditures, which are distributed among three partners, is due to the acquisition of a know-how package.

Some of the research projects we completed in 2014 were subsidized by government grants. Here are two examples:

- In the Fusion Proteins project, the German Federal Ministry of Education and Research (BMBF) and the Bavarian Ministry of Economic Affairs, Infrastructure, Transport and Technology (STMWi) funded research on optimizing the industrial-scale production of proteins. This is being done through the secretion of fusion proteins in specific E. coli K-12 bacterial strains.

- In the Olefinic Fatty Acids project, the German Federal Ministry of Food, Agriculture and Consumer Protection (BMELV) funded work on new methods for cleaving, transforming and functionalizing olefinic fatty acids. We developed a method by which olefinic specialty chemicals can be manufactured.

During 2014, our business divisions and Central R&D submitted applications for eight more projects (in the areas of lightweight construction, energy storage, biologics and electronics) to government sponsors, with approvals pending. Our externally-funded research projects are coordinated by our Public Funding office, which evaluates candidate programs, submits our project proposals and manages contacts with funders.

## Research and Development at Two Levels

WACKER conducts R&D at two levels: centrally at our Corporate Research & Development department and locally at our business divisions. Corporate R&D coordinates activities on a company-wide basis and involves other departments, such as Corporate Engineering (during process development). We also use a management process to keep our R&D projects transparent throughout the Group. In 2014, we further optimized the Project System Innovation (PSI) program we use to manage our projects, focusing on making the compiled data more relevant in terms of actual benefits for projects and the portfolio.

## Strategic Collaboration with Customers and Research Institutes

Our business divisions conduct application-driven R&D. They focus on product and process innovations in semiconductor technology, silicone and polymer chemistry, and biotechnology, as well as on new processes for producing polycrystalline silicon. To

achieve successful research results more quickly and efficiently, we collaborate with customers, scientific institutions and universities. In 2014, WACKER worked together with more than 40 international research institutes from three continents on some 50 research projects.

Our collaborative efforts cover topics that include electricity storage, biotechnology, process simulation and process development. In the field of process development, we have established new partnerships with universities in Munich and Stuttgart.

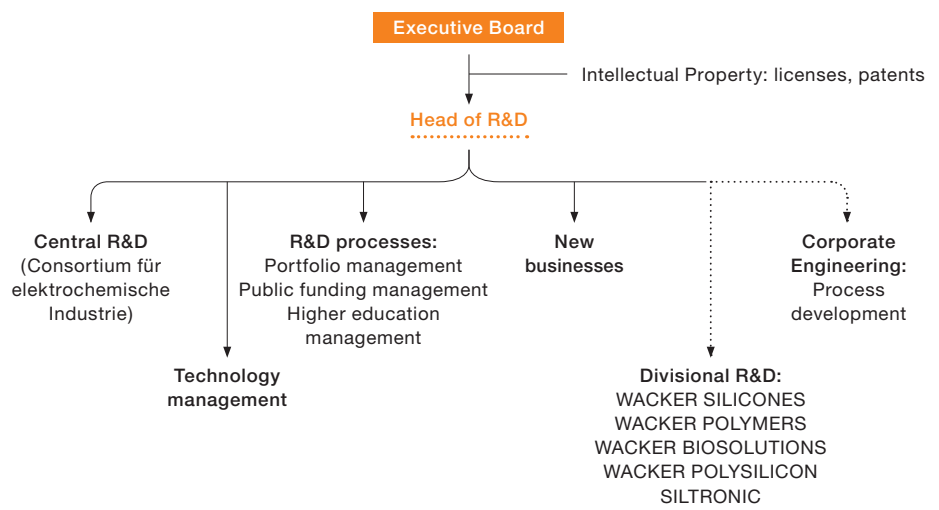
WACKER has also created a worldwide network of 21 technical competence centers that liaise between sales offices and local production sites. Specialists in these centers customize products to regional requirements, taking account of climatic conditions, national standards and local raw materials, for example. They develop formulations for customers' new products and also optimize existing recipes.

## Research Work at WACKER

As the center of WACKER's R&D activities, Corporate R&D has the task of researching scientific correlations to develop new products and processes efficiently. Another task is to harness and develop new business fields that complement the Group's core competencies.

### R&D Organization

G 3.34




WACKER had 1,061 research and development staff in 2014, which represents 6.4 percent of the Group's employees. Our scientists and engineers conduct basic research, develop new products and processes, and improve existing processes. The lab and technical staff at our R&D, applications-technology and production-support facilities work in our laboratories and in our production and pilot plants, or on-site at our customers' plants. Our other R&D personnel construct research equipment in our workshops, or perform administrative functions in such fields as market research and trend analysis.

## Employees in R&D as of December 31, 2014

T 3.35

| Number | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| **Group R&D employees** | **1,061** | 987 | 1,008 | 1,100 | 1,057 | 1,072 | 1,078 |
| R&D ratio[1] in Group (%) | **6.4** | 6.2 | 6.2 | 6.4 | 6.5 | 6.9 | 6.8 |
| R&D employees, Germany | **833** | 817 | 849 | 868 | 855 | 860 | 836 |
| R&D employees, international | **228** | 170 | 159 | 232 | 202 | 212 | 242 |
| **R&D employees, Germany, by qualification** | **833** | 817 | 849 | 868 | 855 | 860 | 836 |
| Scientists and engineers | **322** | 318 | 339 | 346 | 337 | 332 | 311 |
| Lab staff and technicians | **341** | 329 | 332 | 350 | 344 | 349 | 345 |
| Other personnel | **170** | 170 | 178 | 172 | 174 | 179 | 180 |
| **R&D employees, international, by qualification[2]** | **114** | 102 | 92 | 93 | 95 | 90 | 113 |
| Scientists and engineers | **45** | 38 | 32 | 35 | 31 | 30 | 34 |
| Lab staff and technicians | **37** | 34 | 32 | 30 | 32 | 29 | 34 |
| Other personnel | **32** | 30 | 28 | 28 | 32 | 31 | 45 |
| **R&D employees, international, Siltronic AG only (without differentiation by qualification)** | **114** | 68 | 67 | 139 | 101 | 122 | 127 |

[1] Ratio of R&D employees to total number of Group employees
[2] Excluding R&D employees at Siltronic AG

### Alexander Wacker Innovation Award

Wacker Chemie AG presented the Alexander Wacker Innovation Award to a project team in recognition of its pioneering work on WACKER's proprietary ESETEC® 2.0 secretion system. The researchers conducted a fundamental analysis of the E. coli-based production system for pharmaceutical proteins, and made enhancements to it that enable even highly complex molecules such as antibody fragments to be produced cost-effectively and efficiently. Named after the company's founder, the Alexander Wacker Innovation Award has been presented every year since 2006 – alternating between the categories of product innovation, process innovation and basic research. In 2014, the €10,000 in prize money was awarded for innovation in basic research.

### Siltronic Inventor Award

Siltronic AG confers its Inventor Award on employees who have delivered technological innovations. Eight employees received this award in 2014 for their imaginativeness and the systematic implementation of their inventions. In 2014, the two categories "Most Important Invention" and "Best Inventor" each awarded €10,000 in prize money. With their projects, the award winners have optimized wafer-treatment processes.

### Selected Corporate R&D Research Topics

Their good gas permeability makes silicones suitable as a membrane material for all kinds of applications. When combined with gas-selective materials, such membranes could be used for separating gases. The hydrophobic nature of silicone films combined with their high water-vapor permeability also makes them interesting as materials for textile applications and air-filtration systems. We are conducting tests in a development project to determine how such material systems might be used.

In the Si-HTF project, we are developing high-temperature silicon-based heat-transfer fluids for use in solar-thermal power plants with parabolic collectors. In contrast to those achievable with existing heat-transfer systems, these products should make higher operating temperatures possible in future systems, thus resulting in greater efficiency. This could lower the cost of electricity generation. One particularly beneficial feature of the new solution is its broad range of operating temperatures, which eliminates the need for expensive trace heating. We are also investigating their use in industrial heat-transfer applications.

## Selected Divisional Research Projects

At WACKER SILICONES, research activity on electrically active silicone polymers was accelerated in 2014. Very thin films of these polymers lend themselves to energy recovery, and are also used for actuators and sensors. We are developing silicone resins that modify the proppants used in modern oil and gas production technologies. Novel silicone resins are also replacing organic binders in composites and synthetic stone. We are supporting new LED-based vehicle headlamp technologies by developing highly transparent silicone rubber compounds, which are used to make components for secondary optical devices. The additive manufacture of silicone parts in three-dimensional printing processes is another research field of the future.

During 2014, WACKER POLYMERS continued to focus its research on polymers that enable the formulation of low-emission end products that will meet the requirements of the most stringent ecolabels. In the spirit of sustainability, we have developed and improved products that are free of alkylphenol ethoxylate (APEO) surfactants and formaldehyde, and which are low in volatile organic compounds (VOCs). Examples include dispersible polymer powders based on VAE (vinyl acetate-ethylene copolymer) for cement applications and products based on VAE dispersions, such as those for carpet adhesives or for sealants. We have developed dispersible polymer powders based on PVC (polyvinyl chloride) copolymers for use as binders in dry-mix mortars. Our innovative entry-level products for construction applications such as cement and emulsion paints demonstrate our commitment to respond even more effectively to regional market requirements. High-performance processes continue to help us enhance our productivity.

WACKER BIOSOLUTIONS introduced nature-identical hydroxytyrosol for nutritional supplements. This antioxidant has therapeutic effects on blood pressure, joints and the immune and cardiovascular systems. As a free-radical scavenger, hydroxytyrosol can mitigate the effects of skin aging and lighten the skin. We have also developed products for nutritional supplements that enhance the bioavailability of active ingredients. Our researchers at Wacker Biotech enhanced the E. coli-based secretion technology for the production of pharmaceutical proteins. With ESETEC® 2.0, we now have an efficient method for producing high yields of antibody fragments for medical therapies. The method was first applied for the US company MedImmune, a subsidiary of AstraZeneca.

To improve the energy balance of solar cells and reduce costs, we are striving to reduce energy consumption in polysilicon production even further. WACKER POLYSILICON continued to optimize the processes in its closed production loop, once again reducing energy consumption during deposition and conversion. In the reporting year, we received the Bavarian state government's Energy Award for our highly efficient polysilicon manufacturing operations. Thanks to patented technology advancements and process optimizations, we lowered our specific energy consumption for polysilicon production by 29 percent between 2005 and 2013. We made further improvements to surface conditioning for granular polysilicon so as to allow the product to be used for all industrial crystallization processes.

The performance of semiconductor devices doubles about every two years. Among the key performance-boosting parameters are the design rules achieved on a silicon wafer, which determine how many transistors fit on a device per square centimeter. Today, the semiconductor industry's standard design rules are 22 and 16 nanometers (nm). In the coming years, they will decrease to 11 and eventually 8 nm. Siltronic is currently developing processes to produce 300 mm wafers that can be used for 11 and 8 nm design rules. In the reporting year, we started regular shipments of 11 nm wafers to our customers. We developed our 8 nm wafer technology further. We also worked on wafers for power and LED applications.

## Transferring Knowledge Locally

Our WACKER ACADEMY locations serve as forums for industry-specific knowledge transfer between customers, distributors and WACKER experts. The focus is on industry-specific courses, which now cover silicone applications in addition to polymer chemistry, such as for cosmetics and paints. The training centers' proximity to our development and test laboratories promotes the sharing of ideas and enables participants to conduct practical on-site tests. We work with company research facilities, universities and institutes to ensure our seminars remain state-of-the-art.

WACKER attaches considerable importance to fostering young scientific talent and maintaining close contacts with universities. In 2014, we sponsored some 200 final-degree theses and internships with students at over 50 universities internationally. In addition, Wacker Chemie AG and the Technische Universität München (TUM) extended their existing partnership in silicon research for another six years, with the agreement on the extension being signed by TUM and WACKER in February 2014. We are sponsoring the Institute of Silicon Chemistry, located on the research campus in Garching near Munich, with a total of up to €2.5 million. This sum will finance doctoral positions and the associated material resources. WACKER and TUM founded the Institute of Silicon Chemistry in 2006. In recent years, more than 30 research projects have been conducted there, resulting in ten patents and over 35 scientific publications.

In 2014, WACKER partnered with the Technische Universität Berlin to organize an international scientific convention. The 17th International Symposium on Silicon Chemistry (ISOS XVII) and the jointly organized 7th European Silicon Days attracted some 600 researchers from the field of silicon and silicone chemistry to Berlin. During the convention, WACKER presented – for the 15th time – the WACKER Silicone Award for outstanding achievements in this area of research. The winner this time was Akira Sekiguchi, a professor of organic chemistry at the University of Tsukuba in Japan.

## Key Product Launches in 2014

T 3.36

| Product | Description | Application | Sector |
|---|---|---|---|
| ELASTOSIL® N9132s-KR | Room-temperature-curing silicone rubber | Adhesive and sealant for household appliances and electronic components | Household appliances, electronics |
| ELASTOSIL® RT 728 | Self-adhesive liquid silicone | Production of media-resistant gaskets that withstand temperature extremes | Automotive industry |
| ESETEC® 2.0 | E. coli-based secretion technology | Manufacture of proteins and antibody fragments for biologics | Pharmaceuticals |
| GENIOSIL® XL 70 | Arylalkoxysilane monomer | Water scavenger for silane-crosslinking adhesive and sealant formulations | Adhesives and sealants industry |
| HTEssence® | Nature-identical hydroxytyrosol | Antioxidant in food supplements, functional beverages, cosmetics | Foodstuffs, cosmetics |
| SEMICOSIL® 871 TC | Thermally conductive silicone rubber | Attachment of control modules in automotive electronics | Automotive sector |
| SEMICOSIL® 975 TC | Thermally conductive silicone rubber | Attachment of power electronic devices to heat sinks | Electronics |
| VINNAPAS® 4220 L | Dispersible polymer powder | Self-leveling flooring compounds with a low VOC content (in line with environmental standard EMICODE® EC1+) | Construction |
| VINNAPAS® 8620 E | Dispersible polymer powder | Modification of dry-mix mortars, formulation of low-emission tile adhesives | Construction |
| VINNAPAS® 4417 N | Dispersible polymer powder | Formulation of tile adhesives specifically tailored to Brazil | Construction |
| VINNAPAS® EF 3818 | VAE dispersion | Formulation of environmentally compatible, low-odor interior paints specifically for the Middle East and Africa | Paints |
| WACKER® HC 321 | Water-based silicone emulsion | Water-based additive for reimpregnating outdoor clothing | Household products, textiles |
| WACKER® HC 401 | Solvent-based silicone emulsion | Impregnant for professional textile laundering | Dry cleaners |
| WACKER® SG 3377 | Silicone-fluid-based low-temperature demulsifier | Highly efficient release agent for eliminating water during crude-oil production | Petrochemicals |

# Employees

## Employee Numbers Rise

WACKER's workforce increased slightly in 2014. We had 16,703 employees worldwide as of December 31, 2014 (Dec. 31, 2013: 16,009), up 4.3 percent on the prior-year period. The increase is mainly attributable to the acquisition of a majority stake in Siltronic Silicon Wafer Pte. Ltd. in Singapore and to the acquisition of Scil Proteins Production GmbH in Halle, Germany.

Siltronic continued with the organizational merger of the Burghausen and Freiberg sites that commenced in 2013. In Germany, the number of employees at Siltronic was reduced by 112 through intra-Group transfers, phased early retirement and voluntary severance packages.

### Number of Employees on December 31, 2014

T 3.37

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Germany | **12,366** | 12,322 | 12,635 | 12,813 | 12,235 | 11,925 | 12,110 |
| International | **4,337** | 3,687 | 3,657 | 4,355 | 4,079 | 3,693 | 3,812 |
| Group | 16,703 | 16,009 | 16,292 | 17,168 | 16,314 | 15,618 | 15,922 |

12,366 WACKER employees (74.0 percent) work in Germany and 4,337 employees (26.0 percent) at non-German sites. WACKER also employed 527 temporary workers in the year under review.

### Number of Temporary Workers on December 31, 2014

T 3.38

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Germany | **393** | 286 | 14 | 48 | 374 | 247 | 80 |
| International | **134** | 58 | 77 | 65 | 114 | 53 | 58 |
| Group | 527 | 344 | 91 | 113 | 488 | 300 | 138 |

As a manufacturing company, WACKER has a large contingent of industrial employees (54.3 percent), about a seventh of whom are women (13.4 percent).

Personnel expenses rose to €1,246.9 million (2013: €1,133.0 million), up 10.1 percent from the previous year. These expenses included outlays for social benefits and the company pension plan amounting to €238.8 million (2013: €231.7 million). Apart from the higher number of employees and pay-scale increases, the main reasons for the increase were a bonus to mark WACKER's centennial and the payment of variable compensation.

### Personnel Expenses

T 3.39

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Personnel expenses | **1,246.9** | 1,133.0 | 1,196.8 | 1,282.5 | 1,135.7 | 1,090.3 | 1,086.1 |

In addition to their fixed base salary (which includes vacation and Christmas bonuses), WACKER employees usually also receive some variable compensation – a voluntary payment to employees on both the standard and above-standard pay scales. It consists of a profit-sharing amount and a personal-performance component. Employees in Germany received no profit-sharing or performance-related payments in 2014 for the 2013 fiscal year in light of the Group's business performance in that year. The Executive Board and Executive Personnel contributed by forgoing 10 percent of their fixed salaries from March through November 2013. One-half of this solidarity contribution was paid back to Executive Personnel in 2014.

The IG BCE trade union and chemical-industry employers agreed on a new 14-month collective-bargaining agreement in February 2014. The standard pay scale increased by 3.7 percent, and WACKER increased the salaries of above-standard-pay-scale employees by 4 percent.

A WACKER company pension is an important compensation component and is available at most of our German and non-German sites, except for regions where the statutory pension appears sufficient or legal provisions are inadequate. Wacker Chemie AG's pension fund – Pensionskasse der Wacker Chemie VVaG – provides a company pension to WACKER employees in Germany. The fund has around 17,000 members and provides pension payments to some 7,700 retirees. The average pension paid was around €630 per month. WACKER pays in up to four times its employees' annual pension contributions, with the exact amount being determined by the type of agreement. Employees can supplement their company pensions by making their own additional contributions. WACKER matches supplementary contributions as provided for by the collective-bargaining agreement. For the base amount, employees receive a 28-percent match called "Chemieförderung I"; additional contributions receive the 13-percent "Chemieförderung II" match. For salary over and above the pension insurance contribution assessment ceiling, employees in Germany also receive an additional supplementary pension.

## High School Student Marketing Is Expanded

In its personnel development activities, WACKER also relies on vocational training. In 2014, 176 young people began their training at WACKER or at the Burghausen Vocational Training Center (BBiW). In total, the company employed 635 trainees, slightly fewer than a year earlier (2013: 664). At 4.9 percent, the percentage of trainees (ratio of trainees to Group employees in Germany) is slightly below the previous year's level (2013: 5.2 percent). 541 trainees are in scientific and technical disciplines and 94 in business-related fields. In 2014, WACKER offered jobs to the majority of suitable trainees – 162 graduates – hiring 111 of them temporarily and 51 permanently. The BBiW also provides training for 18 partner companies. The public foundation set up by WACKER thus satisfies an intercompany training mandate – in 2014, partner companies sent 58 trainees to start courses at the BBiW.

The BBiW intensified its marketing efforts targeting high school students during the reporting year in response to the decline in applicant numbers resulting from demographic change. The training center thus revamped its website and invested in advertising on public buses. It also invited its trainees to participate in tradeshows and school visits, and provide high school students with first-hand accounts about life on the job.

The high quality of BBiW's training is evidenced by all the awards won by its trainees. In 2014, 31 trainees completed their training with the highest possible grade, and their excellence was recognized by the Chamber of Industry and Commerce. The Nünchritz

site once again produced Saxony's best chemical technician – for the third time in succession.

WACKER will remain innovative and competitive as long as it has highly-skilled employees, which is why we offer all our employees opportunities for additional training. At least once a year, employees and supervisors discuss development measures during performance reviews. This approach applies to all levels of the corporate hierarchy. In 2014, our employees completed about 74,000 e-learning sessions (2013: about 88,000), and more than 16,400 participants (2013: more than 17,500) attended seminars, advanced training programs and conventions, or received tutoring.

In the reporting year, WACKER completed the first cycle of the talent-management process (launched in 2013), which ended with the Executive Board conference on succession planning. The aim is to identify and encourage talent at an early stage, so that WACKER can fill challenging positions with highly-qualified in-house candidates in the medium and long term. The talent-management process is directed at Executive Personnel and all other employees above the standard pay scale. Employees are discussed according to uniform criteria at conferences held during the annual talent-management cycle. These conferences initially take place within a corporate sector (business division, corporate department or subsidiary), and are subsequently conducted across corporate sectors. At the annual performance review, employees and supervisors discuss the views expressed in the conferences and jointly determine development measures. This groupwide approach allows us to offer employees in small units and at subsidiaries perspectives, too.

Overall, WACKER invested €7.0 million in personnel-development measures and advanced training in 2014 (2013: €7.0 million).

### Potential Managers Rate WACKER a Top Employer

WACKER is striving to remain competitive in the face of demographic trends. Accordingly, we are intensifying our contacts with graduates in critical disciplines. In 2014, the HR Marketing department further expanded its system of talent relationship management in order to form closer ties with external candidates. We intensified our contacts with students whom we got to know during internships with us and whom we considered suitable candidates for subsequent employment. In the annual survey conducted by the German online recruitment and career guidance specialist ABSOLVENTA, WACKER took third place in the "Employer Quality" category. The over 7,500 interns who participated gave WACKER an average rating of 4.62 on a scale of 1 (dissatisfied) to 5 (very satisfied). The company emerged as the winner in the "Pharmaceutical/Medical Technology/Chemical" category.

### Idea Management: Fewer Suggestions, Increased Benefit

Employee ideas help WACKER improve. The number of improvements suggested by our employees fell in 2014 for the first time after four uninterrupted years of increases. In total, we received 7,672 suggestions (2013: 9,159) – roughly 16 percent fewer than in the previous year. The participation rate (number of submitters per 100 employees) fell slightly to 30 percent (2013: 32 percent). Our goal is still for every second employee to contribute ideas. The calculable benefit rose to €8.3 million (2013: €7.7 million).

### Idea Management

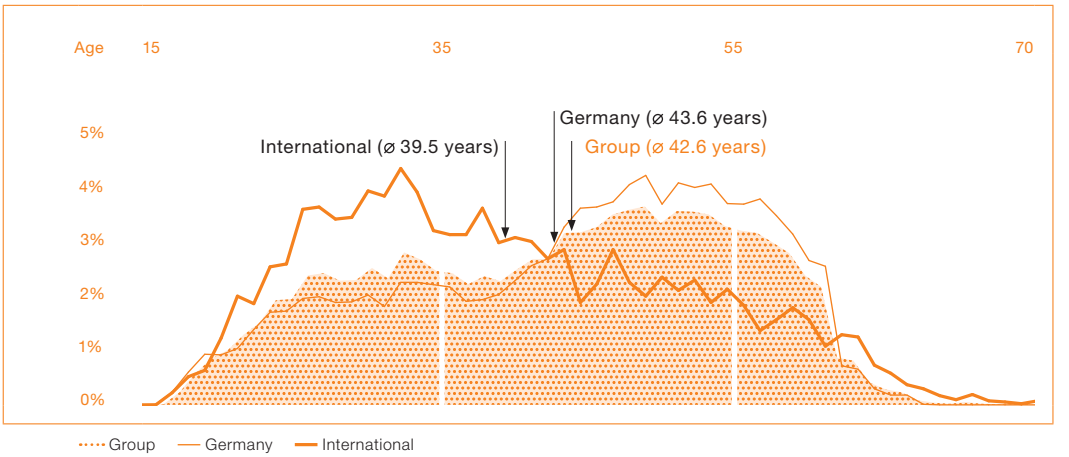
T 3.40

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Number of improvement suggestions | **7,672** | 9,159 | 8,982 | 8,220 | 7,702 | 5,724 | 5,808 |
| Participation rate (%) | **30** | 32 | 34 | 34 | 33 | 28 | 28 |
| Calculable benefit (€ million) | **8.3** | 7.7 | 4.9 | 7.8 | 10.5 | 11.2 | 13.5 |

WACKER has been addressing the demographic trend for many years. The average age of the Group's workforce at the reporting date was 42.6. Employees at non-German sites are younger (average age: 39.5) than in Germany (43.6). The age structure abroad varies greatly from region to region. Staff at Asian sites are comparatively young (average age: 34.6), while staff at US locations have an average age of 47.7. Regional variations in age structure are not exclusive to WACKER; they reflect the age structures of the populations in each continent and country.

### Demographic Analysis of German and International Sites in 2014

G 3.41




### Health Management Focuses on Back Health

We have set ten strategic goals to maintain our long-term innovative and competitive strength at WACKER. Long-term measures for the workforce range from training opportunities to health programs. In health management, the focus is on five fields. We seek to avoid spinal disorders and cardiovascular diseases in our workforce, increase mental resilience, enable age-appropriate work and find suitable jobs for staff with health restrictions. In 2014, Health Services launched a groupwide initiative aimed at raising awareness about back health among WACKER employees and presenting preventative measures. According to reports issued by health insurers, more than 20 percent of all medical certificates submitted by German employees are for health problems related to the musculoskeletal system. And at WACKER, back problems are the leading cause of sick days.

The "Fit for Your Shift" project launched in 2013 in collaboration with Deutsche Rentenversicherung Süd (the southern regional branch of Germany's statutory pension insurance system) was turned into a permanent program in 2014. In this health program tailored specifically to shift workers, participants are taught habits that can help them deal better with the pressures of shift work in the long term. The program consists of four

modules: a one-week stay at a rehabilitation clinic, a three-month program of training at the workplace, a six-month period during which workers continue the training on their own, and a final refresher weekend. The European Chemical Industry Council (Cefic) bestowed a special commendation on "Fit for Your Shift" as part of the 2014 European Responsible Care Awards.

Since 2012, we have been offering preventive checkups to management-level 3 ("FK3") employees over 45 years of age at all locations in Germany. In addition to organ examinations, the FK3 checkups also focus on giving employees advice on how to deal better with mental stress situations. The preventive program has been very well received: 87 percent of all eligible managerial employees took part in the checkups during the reporting year.

Construction of the new health center at the main Burghausen site has now been completed. This means we have a modern, efficient infrastructure for providing occupational and acute medical care to about 10,000 employees.

Since 2014, WACKER has been offering its employees options for organizing their working time in a more personalized way than in the past. Employees now have access to a variety of leave options and part-time models for personal situations, such as providing care for family members with serious health conditions, pursuing further education or taking a sabbatical. Unpaid leave can be taken up to a maximum period of two years. The new arrangements are provided for in the "Working Life and Demography" collective-bargaining agreement and offer employees a wide range of options for balancing the demands of their careers and the different stages of their lives.

Good social benefits, competitive compensation and motivating tasks make WACKER an attractive employer. This is demonstrated by the long-term commitment of our employees to our company – the average length of service in Germany (permanent staff) was 18.1 years (2013: 17.3 years). In 2014, the employee turnover rate rose to 4.1 percent groupwide (2013: 3.4 percent), while in Germany it was only 0.8 percent (2013: 0.9 percent). At non-German sites, the rate amounted to 13.8 percent (2013: 11.9 percent).

**Employee Turnover Rate**

T 3.42

| % | 2014 | 2013 | 2012 | 2011 | 2010[2] | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Germany | **0.8** | 0.9 | 0.9 | 0.9 | 0.6 | 0.7 | 0.9 |
| International | **13.8** | 11.9 | 30.8[1] | 8.9 | 8.7 | 8.6 | 9.3 |
| Group | **4.1** | 3.4 | 7.9 | 2.9 | 2.5 | 2.5 | 2.9 |

[1] Higher employee turnover rate due to closure of Siltronic's production site at Hikari (Japan) and the job cuts at the Portland (USA) site.
[2] Figures changed to reflect current data from the Sustainability Report for 2009/2010.

## A Popular Employer Among Managers

As viewed by its own managerial employees, WACKER was once again one of the most popular chemical-sector employers in Germany in 2014. In the annual satisfaction survey conducted by Germany's Association of Chemical-Industry Executives (VAA), the association's members gave WACKER a grade of 3.01 – slightly below the 2013 figure (2.80). On average, the 23 chemical, pharmaceutical and medical-technology companies participating in the survey scored 3.2 on a scale of 1 to 6, where 1 is the highest grade. In terms of its overall ranking, WACKER fell from sixth place in 2013 to twelfth. Experience shows that these results correlate with the company's financial success.

# Sustainability

## Managing Sustainability

Companies can be profitable in the long term only if they take their responsibility toward the environment and society seriously. That is why sustainability has been firmly rooted in our business processes for many years. The importance of sustainability to us is demonstrated by the fact that we have made it one of our five strategic goals and have compiled our own Code of Sustainability. Sustainable development means balancing economic, ecological and social factors in everything we do.

Two voluntary global initiatives form the basis for sustainable corporate management at WACKER: Responsible Care® (the chemical-industry initiative) and the UN's Global Compact. Through this voluntary commitment, WACKER undertakes to protect the environment, employees and society above and beyond legal requirements. We expect our suppliers to observe the principles of the UN's Global Compact and the Responsible Care® initiative, and have included this in our general terms of procurement. Together with some 40 other chemical companies, WACKER Greater China renewed its commitment to the Chinese Responsible Care® program in 2014. The WACKER region had joined this initiative of the Association of International Chemical Manufacturers in China in 2008.

Substantial progress was made on strategic sustainability-management projects in 2014:

- **Group Certificate**

Our Group certification ensures that customer-driven specifications and our corporate standards are implemented at all WACKER sites. In the reporting year, we included the technical competence center in Mumbai, India, in the Group certification for ISO 9001 and ISO 14001. Almost all WACKER production sites are now included in the Group certificate. Not yet included are the sites in Brazil, the Kolkata plant of Wacker Metroark Chemicals Pvt. Ltd., India, and the Halle (Germany) site acquired from Scil Proteins Production GmbH in 2014. All these sites, however, have corresponding individual certificates.

- **Greenhouse Gas Emissions**

In 2012, we began calculating our indirect greenhouse-gas emissions in accordance with Greenhouse Gas Protocol Scope 3. These emissions include all those generated along the supply chain, e.g. by suppliers or through waste disposal and the transportation of products. In 2014, we added further Scope 3 categories and adapted our calculation methodology to the GHG Protocol guidance for the chemical industry. The Group's carbon footprint is an important tool for improving climate protection.

oekom research AG, a German sustainability rating agency, gave WACKER a good overall rating of B–. According to oekom's rating methodology, our company is classified as "Prime." The status makes WACKER's publicly traded securities eligible for investment from an environmental and social perspective. oekom's clients include financial service providers with over €600 billion in assets invested on the basis of the rating agency's sustainability research. oekom has been assessing WACKER since 2008.

- **Sustainability Platform**

In 2013, our new IT system for sustainability reporting (SPIRIT) was implemented groupwide, replacing various individual systems. We use the new software to collect and manage environmental and energy data, environment- and safety-related incidents and Integrated Management System (IMS) audits. The tool went live at all of our major production sites during the reporting year, replacing over 70 percent of our existing systems.

## Compliance Management Takes Aim at Cybercrime

WACKER's ethical principles of corporate management exceed legal requirements. Employees can direct their questions to 22 compliance officers worldwide, who are based in Germany, the USA, China, Taiwan, Japan, India, South Korea, Brazil, Mexico, Singapore, Russia and the United Arab Emirates. Compliance issues in countries other than those listed are handled in Germany by the Group Compliance Officer.

Employees are instructed to inform their supervisors, the compliance officers, the employee council or their designated HR contacts of any violations they notice. In 2014, Compliance Management consulted with the international sites to ensure that globally applicable measures comply with local requirements. Emphasis was also placed on preventing cybercrime. Accordingly, employees in at-risk areas such as accounting and finance were informed about effective strategies against cyber attacks.

## Workplace and Plant Safety – Global Focus on Machinery Safety

Managing plants and processes in a way that poses no risk to people or the environment is an important objective at WACKER. We therefore operate a groupwide safety management system that covers both workplace safety and plant safety. We will align our processes and workplace safety standards with the international OHSAS 18001 standard by 2015.

Systematic workplace safety includes the regular evaluation of hazards and work-area monitoring. The first step in ensuring plant safety is to identify the risks systematically and then assess them. This includes analyzing how well we control the energy (e.g. pressure, heat) present in a process and determining what influence an individual error might have on a chain of events that could lead to the escape of a substance or to an accident. On completion of this comprehensive analysis, we specify safety measures to prevent undesirable incidents.

In 2013, we had placed the focus of the ANSIKO project for machinery safety on the German production sites. In 2014, we inspected machinery at all our international sites, identifying equipment that poses a risk of injury. We then critically reviewed this machinery to make it even safer for employees.

WACKER attaches particular importance to providing its safety experts with ongoing training. We hold regular training sessions, for example, on plant safety and explosion damage protection. In Adrian (USA) and Zhangjiagang (China), we trained our specialists on machinery safety, in particular, during the year under review. We also conducted safety assessments of our sites in Ulsan (South Korea), Nanjing and Zhangjiagang (China), and Kolkata (India).

Our goal for occupational safety is to reduce our groupwide accident rate (the number of workplace accidents per million hours worked) to below 2.0 in 2015. Working toward this overall goal, we set an interim target for 2014 of bringing the number of workplace accidents per million hours worked to below 3.0 at our German sites. This target was almost achieved: we had 3.3 workplace accidents with missed workdays per 1 million hours worked in Germany in the reporting year. The groupwide rate was 2.8, 26 percent lower than the previous year (2013: 3.8 accidents). In terms of reportable accidents (accidents with more than three days of absence), WACKER's numbers are far better than the German chemical industry average. The reportable accident rate in 2014 was 1.2 per 1 million hours worked (2013: 1.4), whereas in 2013, Germany's BG RCI (the statutory employer liability insurance carrier of the basic materials and chemical industries) registered 9.3 reportable accidents per 1 million hours worked in chemical companies.

Very few of the accidents at our sites are chemical in nature. The most common causes are tripping, slipping, falling, and inattentiveness during manual activities. Not satisfied with our accident rate, we are stepping up our occupational-safety efforts. We are systematically implementing our new WACKER Safety Plus (WSP) program, which incorporates successful safety elements from sites with particularly low accident rates. Such elements include safety patrols, discussions with the workforce and emergency drills. The goal of WACKER Safety Plus is to recognize and avoid unsafe behavior – on the way to and from work, in the office, at the plant, when operating machinery, or when handling chemicals.

At its German sites, WACKER placed particular emphasis in 2014 on reviewing and updating hazard assessments. As a consequence, we improved protective concepts and safety measures in many areas. The program will be continued at all German sites until 2016.

### Workplace Accidents Involving Permanent Staff and Temporary Workers

T 3.43

| Number | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Accident rate for Group employees: accidents[1] per 1 million hours worked | **2.8** | 3.8 | 4.7 | 3.9 | 4.3 | 4.0 | 3.7 |
| Accident rate for Group employees: reportable accidents[2] per 1 million hours worked | **1.2** | 1.4 | 2.1 | 1.4 | 1.2 | 1.2 | 1.0 |

[1] Accidents leading to at least one day off work
[2] Accidents leading to over three days off work

## Minor Deficiencies in Hazardous Goods Transportation

WACKER ensures that its products are transported and stored safely worldwide. Before loading vehicles, we carry out stringent checks on them, especially if they are carrying hazardous goods. In 2014, nearly 7,800 trucks were inspected on our behalf. If a vehicle fails an inspection, we continue sending it back until it passes. Failure rates have been low for years now. The 2014 failure rate for shipments of hazardous goods in Germany dropped further to 0.3 percent (2013: 1.2 percent). WACKER normally audits hazardous-goods shippers every two years.

We rely on well-trained personnel for transport safety. In 2014, we instructed some 1,200 employees in Germany alone in classroom seminars on how to transport hazardous goods safely. Another 1,000 employees completed an online training program focused mainly on securing freight. At our international production sites, comparable training courses are in place.

We regularly review aspects of transport safety with our logistics providers, e.g. during the annual Logistics Day. If deficiencies are found, we agree on improvements and then follow up on their implementation. WACKER uses in-house criteria and internationally recognized systems, such as the Safety and Quality Assessment System (SQAS) operated by the European Chemical Industry Council (Cefic), to select logistics service providers and evaluate their performance. Our evaluation criteria include drivers' qualifications and training, vehicle equipment and accident response. Through the use of standards and specifications, WACKER ensures that even the subcontractors working for our logistics providers meet our stringent safety requirements.

In 2014, we recorded 8 transport incidents (2013: 8). This number includes not only accidents involving the distribution of our intermediates and products where we commissioned the transport, but also incidents not involving hazardous goods, whether or not they adversely impact people or the environment. These incidents, too, form part of our shipper assessments.

For products with elevated hazard potential, we use packaging and tanks that meet the highest quality standards, which in some cases go beyond legal requirements. Wherever possible, we evaluate the routing of planned road shipments.

### Transport Accidents

T 3.44

| Number of Accidents | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Road | 5 | 4 | 8 | 6 | 4 | 5 | 11 |
| Rail | 2 | 1 | 2 | 1 | 1 | – | 4 |
| Sea | 1 | 2 | – | 1 | – | – | 2 |
| Inland waterways | – | 1 | – | – | – | – | – |
| Air | – | – | – | – | – | – | – |

## Social Responsibility: Supporting Science Education and Social Projects

To be commercially successful, businesses must also have society's trust, which is why we take our social responsibilities seriously, especially in communities near our sites. The scientific and technical education of young people is important to us, as we will need committed chemists, engineers and laboratory assistants in the future if we are to remain competitive.

2014 was the ninth time that we had taken the helm as statewide sponsor and organizer of the "Young Scientists" competition in Bavaria. We also once again sponsored the Dresden/East Saxony regional heat of "Young Scientists."

We attach particular importance to projects that help children and young people. Since 2007, WACKER has supported "Die Arche" (The Ark), a Christian charity that aids children and adolescents from socially disadvantaged families in several German cities. In the reporting year, WACKER presented its eighth annual donation of €100,000 to the charity's Munich branch. The government of Upper Bavaria presented WACKER with its honorary award for outstanding integration work, recognizing the company's sustained support of the charity.

WACKER's own Burghausen Vocational Training Center (BBiW) accommodated eight unaccompanied adolescent refugees from West and Central Africa in its guest house. The young refugees are taking intensive German lessons to help them in their new life in Germany. They are also taking an integration class at the Mühldorf vocational school with the goal of obtaining the necessary educational qualification for a vocational-training place.

## Sites Participate in Open House Day

WACKER participated in the Open House Day organized by the VCI (German Chemical Industry Association) in 2014. On September 20, some 27,000 employees, family members, neighbors and other guests took the opportunity to go behind the scenes at WACKER's sites in Burghausen, Freiberg, Cologne and Nünchritz – and join in the company's centennial celebrations.

The VCI honored three companies nationwide for outstanding site communications projects. WACKER's Burghausen site took second place with its "Get to Know and Trust WACKER" project. The site runs a systematic communications program that reaches out to neighbors, regional political bodies and non-governmental organizations.

## Environmental Protection

All WACKER's processes focus on the need to protect the environment and to manufacture products safely. We attach particular importance to integrated environmental protection, which commences with product development and plant planning. In accordance with the core ideas of the Responsible Care® initiative, our environmental protection measures often go beyond what is legally required. In 2014, WACKER invested €5.1 million in environmental protection (2013: €5.4 million). In the same period, environmental operating costs amounted to €88.2 million (2013: €89.4 million). WACKER continuously works on improving its production processes to conserve resources. One of our main tasks is to close material loops and recycle byproducts from other areas back into production, enabling us to reduce or prevent emissions and waste.

Since 2011, our key environmental indicators have included our silicon-metal plant in Holla (Norway), acquired in 2010. The environmental impact of metallurgical production there differs greatly from that of WACKER's typical chemical operations. Airborne emissions, in particular, have risen as a result of the acquisition. 2014 was the first year when the accounting of key environmental indicators included consolidated reporting on 300 mm wafer production in Singapore.

In 2013, we had optimized the Burghausen site's gas turbine during a scheduled shutdown. In 2014, the longer availability of this facility – and increased electricity production at the Burghausen power plant – resulted in higher direct emissions of carbon dioxide. At Nünchritz, we improved steam-generation processes within the integrated production system, thereby reducing direct emissions of carbon dioxide. Total direct carbon-dioxide emissions in 2014 were at the prior-year level. As for total emissions of non-methane volatile organic compounds (NMVOCs), we amended our accounting methodology in 2014. The prior-year data were adjusted to reflect the new methodology. The rise of the figures during 2014 was due to production increases. Higher production volumes raised Burghausen's demand for cooling water, which climbed back up to the 2012 level. Groupwide, emissions to wastewater (chemical oxygen demand – COD) fell. Optimized wastewater treatment at the Nünchritz site reduced the COD load. The Group's total waste volume rose slightly. The increase stemmed from various factors, including consolidated reporting of the Singapore site and the expansion of the Calvert City site, where considerable amounts of rubble had been produced.

In 2014, our indirect $CO_2$ emissions from procured energy (pursuant to Greenhouse Gas Protocol Scope 2) rose to 1,420 kt (2013: 1,241 kt). This was due to increased production volumes, particularly of polysilicon at the Burghausen and Nünchritz sites. We used energy-efficiency measures to reduce weighted specific energy consumption and the associated specific $CO_2$ emissions – while maintaining a comparable product portfolio.

The Group's carbon footprint is an important tool for improving climate protection. Having determined our indirect greenhouse gas emissions from procured energy (pursuant to Greenhouse Gas Protocol Scope 2) for the first time in 2011, we have also been measuring our Scope 3 emissions since 2012. These include all emissions generated along the supply chain, e.g. by suppliers or through waste disposal and the transport of products. In 2014, we once again forwarded these emissions data to the Carbon Disclosure Project (CDP), which WACKER joined in 2007. Founded in London in 2000, CDP is a not-for-profit organization working to achieve greater transparency in greenhouse gas emissions.

In 2014, WACKER was listed for the first time in the Carbon Disclosure Leadership Index (CDLI) for the German-speaking region (Germany, Austria, Switzerland and South Tyrol) having achieved a score of 95 B. We thus outperformed our peer group in the MDAX in this respect. Following our score of 86 B in 2013, we defined our $CO_2$ reduction target and elaborated our reporting on opportunities and risks and on indirect emissions generated along the supply chain (Scope 3).

Since the fall of 2013, we have been participants in the "myccf" project of co2ncept plus – a German association of businesses with interests in emissions trading and climate protection issues. In this project, which is supported by the German Federal Environmental Foundation (DBU), we are further developing our corporate carbon footprint (CCF). We want to expand our reporting on indirect emissions generated along the supply chain (Scope 3).

## Environmental Indicators from 2008 to 2014

T 3.45

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| **Air** | | | | | | | |
| $CO_2$ emissions[1] | | | | | | | |
| Direct (kt) | **1,249** | 1,251 | 1,311 | 1,341 | 986 | 969 | 976 |
| Indirect (kt) | **1,420** | 1,241 | 1,133 | 1,075 | – | – | – |
| $NO_x$ nitrogen oxides (t)[2] | **1,960** | 2,010 | 2,225 | 2,221 | 926 | 963 | 997 |
| Non-methane volatile organic compounds (NMVOCs) (t)[3] | **830** | 750 | 720 | 670 | 620 | 530 | 560 |
| **Water** | | | | | | | |
| Water consumption (thousand $m^3$) | **241,973** | 220,908 | 242,072 | 268,657 | 252,151 | 264,532 | 241,286 |
| Chemical oxygen demand (COD) (t) | **1,230** | 1,320 | 1,460 | 1,680 | 1,820 | 2,730 | 4,782 |
| Halogenated organic hydrocarbons (AOX) (t) | **2** | 2 | 3 | 5 | 6 | 6 | 7 |
| **Waste** | | | | | | | |
| Disposed of (t) | **49,260** | 31,560 | 39,920 | 47,410 | 48,520 | 80,860 | 87,293 |
| Recycled (t) | **108,940** | 110,500 | 96,880 | 80,290 | 77,030 | 63,430 | 74,327 |
| Hazardous (t) | **75,630** | 73,380 | 73,620 | 68,230 | 69,320 | 100,860 | 108,458 |
| Non-hazardous (t) | **82,570** | 68,680 | 63,180 | 59,470 | 56,230 | 43,430 | 53,161 |
| **Energy** | | | | | | | |
| Electricity consumption (GWh) | **4,927** | 4,526 | 4,559 | 4,372 | 3,759 | 2,702 | 2,405 |
| Primary energy consumption Natural gas (GWh) | **4,978** | 5,051 | 5,927 | 5,771 | 5,463 | 5,378 | 5,372 |
| Solid fuels (coal, charcoal, wood) (GWh) | **839** | 872 | 862 | 886 | 432 | – | – |
| Heat supplied by third parties (steam and district heating) (GWh) | **244** | 236 | 223 | 218 | 228 | 209 | 195 |
| Heating oil (GWh) | **20** | 17 | 18 | 16 | 13 | 8 | 9 |

[1] $CO_2$ emissions are measured as per The Greenhouse Gas Protocol (GHG Protocol: "A Corporate Accounting and Reporting Standard"), published by the World Resources Institute and World Business Council for Sustainable Development. Scope 1: direct emissions (no $CO_2$ equivalents). Scope 2: indirect emissions from the consumption of purchased energy (no $CO_2$ equivalents for purchased energy). In accordance with the recommendations of the GHG Protocol, Wacker Chemie AG's direct and indirect emissions were recalculated retroactively due to amendments to the system boundaries, starting from the reference year (2012) for the $CO_2$ target.
[2] Corrected $NO_x$ emissions for 2013 for the Holla site, since exact figures did not become available until later.
[3] The method for calculating the total volume of non-methane volatile organic compounds (NMVOCs) emitted by our production facilities was amended in 2014. We harmonized the data analysis, took additional substances into account and adjusted the prior-year figures on the basis of the new methodology.

## Water Consumption Tested Using the Global Water Tool©

In many parts of the world, clean water is particularly scarce, and obtaining and purifying water is very expensive. As a global player, we take such conditions into account in our production processes and during transport. We use the Global Water Tool© (GWT) developed by the World Business Council for Sustainable Development (WBCSD) to analyze the annual relative water stress index of the countries where our main global production sites are located.

This analysis was conducted for the first time in 2012, based on analyses using the water stress index developed by the Water Systems Analysis Group of the University of New Hampshire, USA. This index provides information on the relationship between water consumption and the availability of renewable fresh water. The outcome of the analysis is that our most important production sites are located in regions with a low relative water stress index. These regions account for more than 97 percent of our annual water use and over 90 percent of our production volume. Production sites in countries for which no GWT-based water stress index information is available account for less than 0.5 percent of our water consumption.

A special Employee Suggestion Program initiative entitled “Save Wastewater and Make a Profit” was launched at the Nünchritz site in December 2014. The purpose of the initiative is to encourage employees to develop ideas for conserving and recycling water in production. The campaign runs through June 30, 2015. In 2014, a similar campaign took place at the Burghausen site: employees there made 72 improvement suggestions, nine of which have been implemented to date in areas such as wastewater treatment.

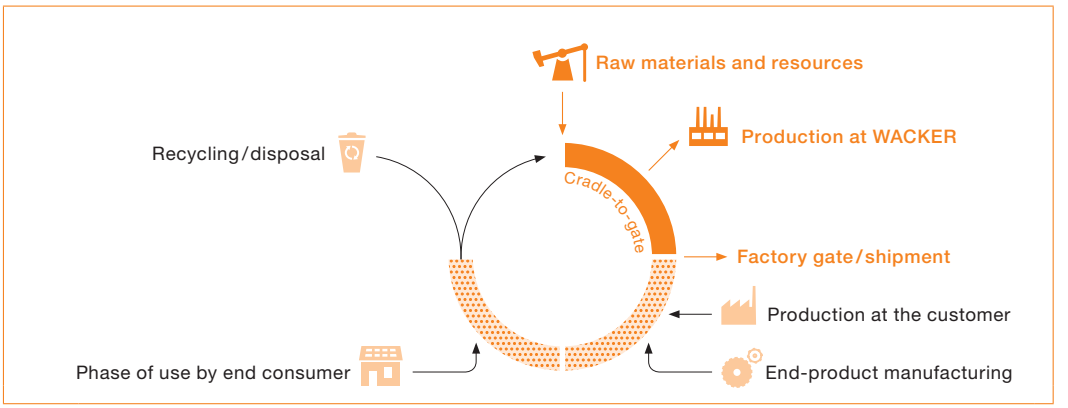
## Product Stewardship

WACKER takes criteria for environmental and health protection as well as for safety into account at every stage of the product lifecycle. In research and development projects, we examine the sustainability aspects of our new products and processes, starting with the raw materials used. We try to minimize raw-material consumption while selecting materials that offer maximum ecological benefit.

Our products are generally supplied to business customers for further processing – not directly to end customers. Our lifecycle assessments (LCAs) look at the environmental impact caused by a specific product family throughout its lifecycle – a “cradle-to-gate” assessment extending from manufacturing to the factory gate. They allow us to gage the sustainability of our products and production processes, and to improve them accordingly.

### Product Lifecycles

G 3.46




Since 2012, we have been using the WACKER® Eco Assessment Tool to systematically evaluate the opportunities and risks of our product line from an environmental perspective. The tool factors in the material, water and energy consumption of a product, as well as its ecotoxicity, over the entire lifecycle.

## Energy Management

The chemical industry is one of the most energy-intensive sectors. In Germany alone, it uses around 20 percent of all the electricity consumed by industry. That is why WACKER, too, is continually improving the energy efficiency of its processes. This enables us to remain globally competitive and to support climate protection. Many chemical reactions generate heat that can be put to use in other production processes. We have been using integrated heat-recovery systems in Burghausen and Nünchritz for years and are continually improving them. In this way, we can reduce the amount of primary energy (as a rule, natural gas) that our power plants consume.

To enhance energy efficiency and reduce specific energy consumption (amount of energy per unit of net production output), the Executive Board has defined energy targets for WACKER Germany. The goal is to reduce weighted specific energy consumption by a third between 2007 and 2022.

Our energy goals ensure that we meet one of the requirements of the energy management system as per ISO 50001, which we have introduced and certified at all sites of Wacker Chemie AG, Siltronic AG and Alzwerke GmbH in Germany. We are thus already in full compliance with the legal obligation to have an energy management system in place by 2015.

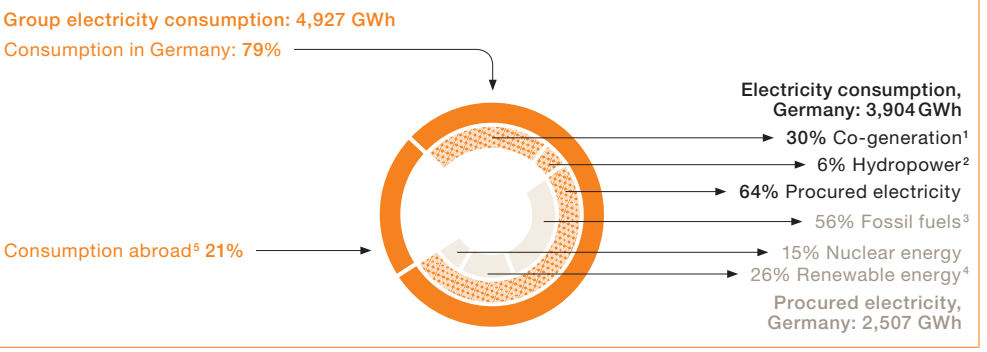
In 2014, Wacker Chemie AG received the Bavarian state government's Energy Award, which was conferred in recognition of the Group's highly efficient polysilicon manufacturing operations. Thanks to patented technology advancements and process optimizations, we lowered our specific energy consumption for polysilicon production by 29 percent. Hyperpure polysilicon is the main raw material for making solar modules and, consequently, plays a vital role in generating solar power. The Bavarian Energy Award is conferred every two years for outstanding innovations in responsible energy management.

## Generating Energy Efficiently

Burghausen uses hydroelectric power to generate electricity. Our Norwegian site, Holla, also generates its electricity mainly from water power. Our primary source of energy, though, is climate-friendly natural gas. At WACKER's large Burghausen and Nünchritz sites, we produce steam and electricity in cogeneration systems. These combined heat and power (CHP) plants have more than 80-percent fuel efficiency, which is significantly higher than that of conventional plants, where electricity and heat are generated separately.

### Electricity Supply

G 3.47




[1] Burghausen and Nünchritz
[2] Burghausen
[3] Coal, lignite, oil, gas; modified calculation method: since 2014, data in line with Germany's energy mix; source: BDEW (German Association of Energy and Water Industries)
[4] Hydro, wind, solar power; modified calculation method: since 2014, data in line with Germany's energy mix; source: BDEW (German Association of Energy and Water Industries)
[5] Outside Germany, we purchase electricity from third parties based on the local standard energy mix

In 2014, absolute electricity consumption rose slightly to 4,927 GWh (2013: 4,526 GWh) although specific energy consumption was lowered by energy-efficiency measures. The rise stemmed from the high level of polysilicon-plant utilization throughout the year. The Group's power plants – the hydroelectric and CHP (gas and steam turbine) generating stations in Burghausen and the CHP in Nünchritz – produced around 1,405 GWh in 2014 (2013: 1,457 GWh). This means that WACKER covered about 30 percent of its total electricity needs itself. Groupwide, carbon dioxide emissions from captive power plants subject to emissions trading rules and from silicon-metal production in Holla (Norway) totaled about 1.1 million metric tons in the reporting period (2013: 1.2 million metric tons).

WACKER's German production sites accounted for 79 percent (2013: 78 percent) of its total electricity needs. In Germany, we purchased enough electricity from utilities to cover 64 percent (2013: 59 percent) of our electricity requirements there. In line with the German energy mix, 56 percent of this electricity was generated from fossil fuels (2013: 51 percent). 15 percent came from nuclear energy (2013: 18 percent) and 26 percent from renewable energy sources (2013: 31 percent). Heat consumption, which includes the use of solid carbon-based and biogenic fuels (coal, charcoal, wood) for silicon-metal production at Holla (Norway), fell marginally across the Group to 3,572 GWh (2013: 3,724 GWh). We have modified our calculation method for the electricity-generation mix: since 2014, our data are based on Germany's energy mix as published by the BDEW.

### Energy Consumption

T 3.48

| GWh | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Electricity consumption | **4,927** | 4,526 | 4,559 | 4,372 | 3,759 | 2,702 | 2,405 |
| Heat consumption[1] | **3,572** | 3,724 | 3,755 | 3,862 | 3,374 | 2,794 | 2,782 |
| **Primary energy** | | | | | | | |
| Natural gas | **4,978** | 5,051 | 5,927 | 5,771 | 5,463 | 5,378 | 5,372 |
| Solid fuels[2] (coal, charcoal, wood) | **839** | 872 | 862 | 886 | 432 | – | – |
| Heat supplied by third parties (steam and district heating) | **244** | 236 | 223 | 218 | 228 | 209 | 195 |
| Fuel oil | **20** | 17 | 18 | 16 | 13 | 8 | 9 |

[1] Since 2010, heat consumption figures have reflected the use of solid fossil and biogenic fuels (coal, charcoal and wood) at the silicon-metal plant in Holla, Norway.
[2] Used as a reducing agent at the silicon-metal plant in Holla, Norway

## Procurement and Logistics

WACKER's procurement volume increased in 2014, primarily due to higher investment spending and the integration of Siltronic Silicon Wafer Pte. Ltd. in Singapore. Volumes are broken down into raw materials and energy, and into services, materials and equipment, with a high proportion for investments. WACKER spent €3.19 billion (2013: €3.08 billion) on raw materials, other materials and services. The 2014 figure includes investment project-related purchases of €572 million (2013: €504 million). Our procurement rate – the volumes purchased for raw materials, services and other materials in relation to sales – was 66 percent (2013: 68.8 percent). In 2014, we procured some 1,300 different raw materials, and numerous technical goods and services for plant-engineering and maintenance-related purposes. Our suppliers number about 11,500 (10,500 at Technical Procurement & Logistics and 1,000 at Raw Materials Procurement).

### Energy and Raw-Material Procurement Volumes Slightly Above Prior-Year Level

At €1.65 billion, the Group's energy and raw-material procurement volumes were slightly higher than in the previous year (2013: €1.64 billion). Higher purchase quantities were largely offset by lower prices. The price trends of our most important raw materials varied. Production stops by several suppliers led to a strong increase in the price of vinyl acetate monomer (VAM) starting in March 2014. The price of methanol dropped back to 2013 levels during the year. Silicon metal saw a slight year-on-year increase in price, but the provisions of our contracts virtually offset this higher price level. Energy prices fell substantially in 2014. This was attributable to one of the Group companies no longer being subject to the German EEG levy (a renewables surcharge) and to lower market prices for electricity. On the other hand, WACKER is now subject to higher grid charges because of a change in applicable law. Natural-gas prices also fell as a consequence of the mild winter.

### Procurement Volumes (incl. Procurement for Capital Expenditures)

T 3.49

| € million | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|
| Procurement volumes | **3,187** | 3,076 | 3,493 | 3,418 | 2,799 | 2,342 | 2,660 |

The markets for the raw materials that we require are so liquid that we generally sign medium-term contracts with terms of one to three years.

In North America, we connected a pipeline from our Calvert City site to a local ethylene producer in the fourth quarter. This will enhance supply security and substantially reduce transport risks relative to the previous solution (transport of refrigerated liquefied ethylene by rail).

### Technical Procurement & Logistics

The order volume at the Technical Procurement & Logistics corporate department was slightly above the prior-year level. We were able to avoid price increases for technical materials and services. Delivery times were below the prior-year level. WACKER – including Siltronic – placed a total of around 420,000 orders worldwide. At Technical Procurement & Logistics, 10 percent of our suppliers cover 90 percent of our procurement volume.

In 2014, we signed major multi-year master agreements in particular segments such as logistics and graphite. The initiative launched in 2013 to lower the risk of dependence on individual suppliers is beginning to show measurable results and is being broadened out. Our Project Procurement unit handled ten projects at various stages of planning in 2014. The largest of these were the polysilicon expansion project in Tennessee (USA) and the new dispersion reactor in Kentucky (USA).

During investment projects in the USA, Asia and Europe, we worked with a large number of qualified local suppliers. We will continue this collaboration so that WACKER benefits from the advantages of a global procurement market and from enhanced competition among our long-standing suppliers. In doing so, our goal is to optimize our procurement costs, delivery times and quality, as well as to tap additional supply sources quickly.

Systematic review of supplier risks is an important tool at WACKER for correctly evaluating our supplier relationships. Reviews are conducted using analyses from rating agencies, our own supplier assessments and, increasingly, direct contact with our partners. With the assistance of Technical Procurement, we reviewed 375 suppliers in 2014.

### Percentage of Electronic Procurement Transactions Continues to Rise

Electronic procurement is of crucial importance at WACKER. This includes the entire procurement process – from initial inquiries at suppliers through to payment of invoices. The number of orders created through automated processes is a key measure. Technical Procurement's activities at our major sites account for some 460,000 order items out of a total of more than 600,000 worldwide at Technical Procurement and Raw Materials Procurement (2013: around 600,000). In 2014, we created roughly 70 percent of these order items through automated processes at the German sites. We obtain a particularly high degree of automation through the use of e-catalogs for procurement. Electronic ordering processes make up a consistently large share of procurement activities at our larger sites. Accordingly, we are now seeking to achieve similarly high levels at our smaller sites within and outside Germany. Additional e-catalogs have been introduced in the USA and China. Around 160 suppliers currently use e-catalogs.

## Direct Contact with Our Suppliers

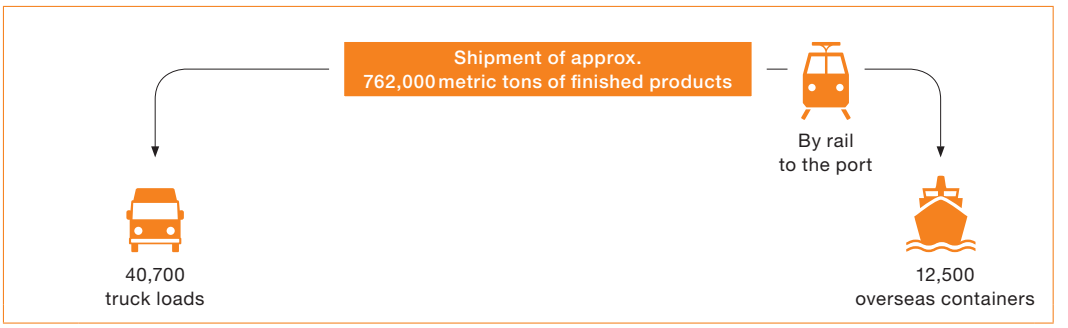
At WACKER, we have always valued direct contact with our suppliers. About 320 companies participated in our 19th Supplier Day in Nünchritz. FEAG Sangershausen GmbH was chosen as the best supplier in the Process Innovation category. Josef Riepl Hoch- und Tiefbau GmbH of Burghausen took the honors for Best Long-Term Partner. The award for Best Global Collaboration at all WACKER sites went to Endress+Hauser Messtechnik GmbH&Co. KG. 170 freight forwarders converged on Burghausen for WACKER's Logistics Day. For its outstanding performance in the transport of hazardous goods, Tralo GmbH was named Safest Shipper for 2013. The Best Freight Forwarder award was conferred on Karl Schmidt Spedition GmbH&Co. KG. Wies Holzwerk GmbH convincingly won the title of Best Packaging Supplier for 2013. WACKER values its long-term collaboration with suppliers, and at the same time, focuses on reducing its dependence on individual ones. In Germany, which remains our largest procurement market, we cooperate with some 6,500 suppliers. The average length of business relationships between Technical Procurement & Logistics and its suppliers is ten years. In 2014, for the first time, WACKER organized a Supplier Day in Shanghai for its Chinese suppliers.

## Shipping Volume Up

Shipping volume rose year on year. As the Group's largest logistics hub, Burghausen alone increased its shipping volume by about 2 percent to around 762,000 metric tons (2013: 750,000 metric tons), with a slight rise in the number of truck loads and overseas containers – up to 40,700 and 12,500, respectively.

### Transport Volumes for the Burghausen Logistics Hub

G 3.50




## Burghausen's Combined Road and Rail Terminal Now in Operation

At the Charleston site in Tennessee, polysilicon expansion continues. Project logistics is playing a central role in ensuring that plant components arrive for assembly at the right place and right time. In parallel to this, the logistical processes for start-up and production are being developed. At the Zhangjiagang site, a new storage and distribution center is being constructed to handle the growing volumes of incoming raw materials and outgoing finished products even more efficiently. It is scheduled for completion by mid-2015. Operations at the new public combined road/rail terminal commenced in the fall of 2014. In addition to expediting container traffic for exports, we are working with the operator to shift more freight from road to rail using the new terminal. Since fall 2014, the combined road and rail terminal has also been linked to the plant via the new North Gate for trucks, which will make shipments into and out of Burghausen quicker and easier.

# Production

## Year-on-Year Increase in Production Output

In 2014, production output increased compared with the previous year. WACKER POLYSILICON sold higher volumes than ever before. Our chemical divisions, too, saw their volumes increase and plant utilization was high, at over 80 percent. Apart from the temporary shutdown of a vinyl acetate monomer facility at WACKER POLYMERS at year-end, there were no major facility shutdowns in 2014. Production costs were up 5 percent. Maintenance costs were slightly above prior-year levels and totaled €370 million.

### Plant Utilization in 2014

T 3.51

| % | Plant Utilization |
|---|---|
| WACKER SILICONES | 95 |
| WACKER POLYMERS | 85 |
| WACKER POLYSILICON | 100 |
| SILTRONIC | 90 |

Investments in new production facilities amounted to €572.2 million in 2014 (2013: €503.7 million), with most funds flowing into the expansion of our polysilicon facilities in Tennessee (USA), where a new polysilicon production site has been under construction since April 2011.

All of the projects announced for 2014 are now in operation.

### Key Start-Ups

T 3.52

| Location | Projects | Start-Up |
|---|---|---|
| Burghausen | Polysilicon cleaning plant | 2014 |
| Zhangjiagang | Emulsion plant | 2014 |
| Burghausen | Expansion of Silicones 1 | 2014 |
| Nanjing | Solid resins | 2014 |
| Burghausen | New steam turbine | 2014 |

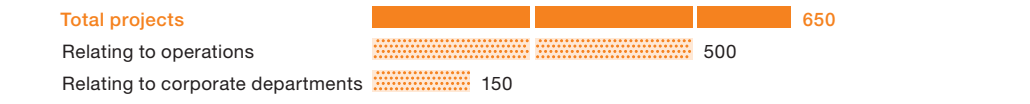
Corporate Engineering is responsible for implementing all investment projects at WACKER.

## Productivity Program Focused on Higher Plant Utilization

High productivity throughout the supply chain is a key to WACKER's success. WACKER boosts productivity along the entire supply chain via its Wacker Operating System (WOS) program. Our goal is to continue reducing specific operating costs every year, and 2014 saw the implementation of more than 650 projects in operational business and at corporate departments. Almost 500 of these concerned operational business, while the corporate departments accounted for 150. Last year, the focus of WOS was on improving plant utilization levels, specific energy consumption and raw-material yields, and on optimizing specific maintenance costs.

Productivity Projects According to Focus

G 3.53




During the year under review, our WOS ACADEMY (founded in 2009) held seven training courses at which some 80 employees were trained in the application of new productivity methods, such as Six Sigma. We also trained more than 50 employees in Six Sigma techniques at the non-German sites.

## Sales and Marketing

### Sales of WACKER Products Rise

Overall sales of our products were higher in 2014, and we increased revenues year over year at all of the business divisions.

Our business is characterized by high repeat-purchase rates. 95 percent of Siltronic's 2014 product sales were transacted with customers we had supplied in 2013. At WACKER POLYMERS, the repeat-purchase rate was 95 percent (by sales), and the rate at WACKER SILICONES was around 90 percent. The repeat-purchase rate at WACKER POLYSILICON is not meaningful, since there are customers who have completely withdrawn from the solar business.

Customer satisfaction is an important criterion at WACKER for ensuring long-term business success. In 2014, we assembled a team to further improve the quality of WACKER's customer service worldwide.

WACKER customers break down into three groups: global key accounts, customers, and distributors. Key accounts are customers of special strategic significance for WACKER and with high sales levels. WACKER currently has 36 key accounts with whom we generated around 25 percent of our 2014 revenue at the chemical divisions (WACKER SILICONES, WACKER POLYMERS, WACKER BIOSOLUTIONS). Over 55 percent of our chemical-related revenue was from our approximately 8,000 other active customer relationships and around 20 percent from distributors.

The share of sales transacted through electronic sales platforms continued to rise in 2014. Such platforms are in place in 73 countries. Around 45 percent of our sales at the chemical divisions are handled electronically worldwide.

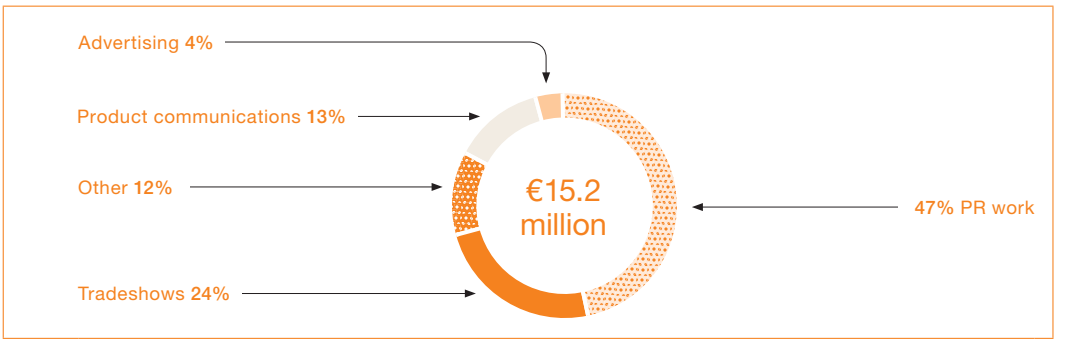
### Sales and Distribution Network Expanded

In 2014, we made further additions to our distributor networks in China and India, where we collaborate with local distributors. Our distribution business in Central and Eastern Europe is now mostly centered on our major international partner IMCD. The total number of distributors has increased to approximately 300 (2013: 280), with the top 50 generating some 80 percent of sales. The number of distributor groups with which we collaborate remains unchanged at five. With the aid of new development and management processes implemented in 2014, we are seeking to manage our distributors even better, and to grow our business with them.

Marketing communications is a key element in strengthening WACKER's branding and providing effective support to product sales. In 2014, we spent €15.2 million (2013: €14.8 million) on marketing communications.

### Percentage of Marketing Costs

G 3.54

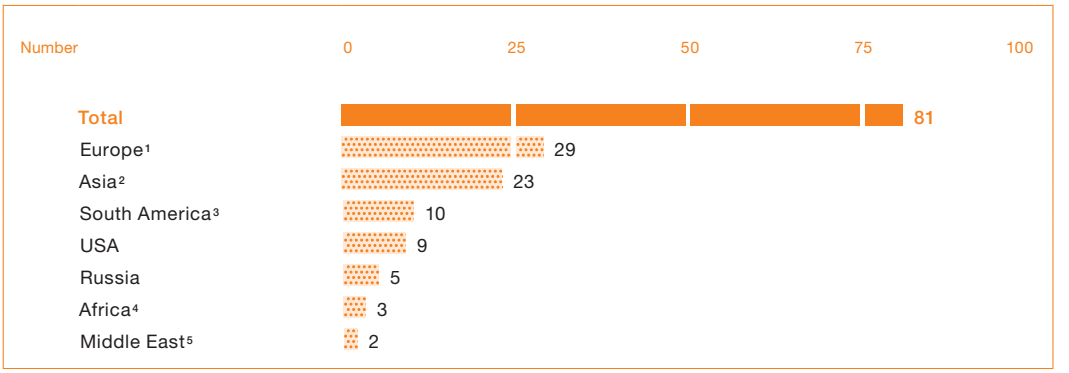



## Attendance at 81 Tradeshows Worldwide

WACKER's tradeshow presence remained at a high level in 2014. We had a booth at 81 tradeshows in total (2013: 88). The most important tradeshows for us in 2014 were in-cosmetics in Hamburg (where we presented new hair- and skin-care products), Compamed in Düsseldorf, and construction application tradeshows in Mumbai (Paint India), Atlanta (ACS) and Dubai (MECS). We analyze the success of our tradeshow communications in both qualitative and quantitative terms, with 24 shows reviewed in 2014 (2013: 24).

### Tradeshows in 2014

G 3.55




[1] Austria, Belgium, Czech Republic, Denmark, France, Germany, Spain, Sweden, Switzerland, Turkey, UK
[2] China, India, Indonesia, Malaysia, Thailand, Vietnam
[3] Brazil
[4] Ghana, Kenya, Morocco
[5] Dubai

# Management Report of Wacker Chemie AG

**(Summary as per the German Commercial Code)**

The management report of Wacker Chemie AG and the Group management report for fiscal 2014 are combined in accordance with German Commercial Code (HGB) Section 315, Subsection 3 in connection with Section 298, Subsection 3. The annual financial statements of Wacker Chemie AG, prepared in accordance with the German Commercial Code (HGB), and the combined management report are published simultaneously in the "Elektronischer Bundesanzeiger" (the electronic version of Germany's Federal Gazette).

Further to our report on the WACKER Group, we explain developments at Wacker Chemie AG. As required by German law, the combined management report includes a separate section covering all mandatory reporting elements pertaining to Wacker Chemie AG.

Wacker Chemie AG is the parent company of the WACKER Group and is headquartered in Munich, Germany. The parent company operates through four business divisions – WACKER SILICONES, WACKER POLYMERS, WACKER BIOSOLUTIONS and WACKER POLYSILICON – which generate a substantial part of the Group's sales. In fiscal 2014, Siltronic AG was affiliated with Wacker Chemie AG on the basis of a profit-and-loss transfer agreement. Wacker Chemie AG's business is also strongly characterized by its directly and indirectly held subsidiaries and investments located in Germany and abroad. Wacker Chemie AG has 56 subsidiaries, joint ventures and associated companies in total. The company also handles the Group's corporate functions. Wacker Chemie AG's Executive Board exercises key leadership functions for the whole Group. This Board determines the Group's strategy, allocates resources (such as funds for investment) and is responsible for the management of executive personnel and of corporate finances. It also oversees communication with important target groups, especially capital markets and shareholders.

Key performance indicators used in the management decision-making process are applied groupwide in all business divisions. Corporate goals for the divisions are defined and reported on a groupwide basis. Even though Wacker Chemie AG is an independent entity, no separate key performance indicators are defined or reported. For more information, please refer to the respective details provided on the WACKER Group as a whole. The general business and financial conditions of Wacker Chemie AG principally correspond to those of the Group and are stated in section 3.

Wacker Chemie AG had 9,435 employees as of December 31, 2014.

The annual financial statements of Wacker Chemie AG were prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). Major deviations from the IFRS figures exist in relation to fixed assets, depreciation and amortization, provisions for pensions, and deferred taxes. On the EBITDA front, there are only slight differences between IFRS and HGB figures.

## Earnings Performance of Wacker Chemie AG as per the German Commercial Code

### Statement of Income

T 3.56

| € million | 2014 | 2013 |
|---|---|---|
| **Sales** | **3,343.3** | 3,143.3 |
| Changes in inventories | **21.4** | –49.1 |
| Other capitalized self-constructed assets | **28.8** | 27.4 |
| **Operating performance** | **3,393.5** | 3,121.6 |
| Other operating income | **333.1** | 188.6 |
| Cost of materials | **–1,471.2** | –1,492.9 |
| Personnel expenses | **–768.3** | –720.5 |
| Depreciation and amortization | **–319.6** | –331.7 |
| Other operating expenses | **–615.5** | –608.1 |
| **Operating result** | **552.0** | 157.0 |
| Result from investments in joint ventures and associates | **56.8** | –46.2 |
| Net interest income | **–71.2** | –41.8 |
| Other financial result | **3.2** | –4.8 |
| **Financial result** | **–11.2** | –92.8 |
| **Pre-tax income** | **540.8** | 64.2 |
| Income taxes | **–191.6** | –52.6 |
| **Net income** | **349.2** | 11.6 |
| Profit carried forward from the previous year | **636.1** | 654.3 |
| Dividends paid | **–24.8** | –29.8 |
| **Retained profit** | **960.5** | 636.1 |
| **EBITDA*** | **871.6** | 488.7 |

* EBITDA is the operating result before depreciation and amortization.

Wacker Chemie AG's earnings performance was very good in 2014, exhibiting a higher operating result due to the positive impact of non-recurring effects. As a result, net income improved, rising from €11.6 million to €349.2 million.

The operating result tripled, climbing from €157.0 million to €552.0 million year on year. WACKER POLYSILICON, in particular, benefited from higher prices and volumes. That led to an improved operating result. The business division also terminated or restructured contractual relationships with a number of solar-industry customers, retaining advance payments and receiving damages in the process. That generated income in the amount of €206.3 million (2013: €77.6 million). The profit-and-loss transfer agreement with Wacker-Chemie Dritte Venture GmbH had a positive impact on the result from investments in joint ventures and associates, which amounted to €56.8 million. In 2013, the result from investments in joint ventures and associates had been negative (€–46.2 million) due to the transfer of losses generated by subsidiaries. Net interest income was impacted in particular by interest expenses from provisions for pensions. The increase in the tax expense was mainly due to the improved operating result and the positive effects generated by the transfer of profits under corresponding agreements.

Overall, pre-tax income grew to €540.8 million (2013: €64.2 million), while net income climbed to €349.2 million (2013: €11.6 million).

Wacker Chemie AG's sales rose by 6 percent to €3.34 billion (2013: €3.14 billion), once again reaching the level last posted in 2012. All of the business divisions contributed toward this growth. WACKER POLYSILICON benefited from higher prices and higher volumes. The division's sales rose to €1.05 billion (2013: €896.1 million), an increase of 17 percent. The other business divisions put in a good performance as well. WACKER SILICONES increased its sales by 2 percent to €1.33 billion (2013: €1.31 billion). WACKER POLYMERS' sales grew to €673.5 million (2013: €625.0 million) – a rise of 8 percent year over year. Sales at WACKER BIOSOLUTIONS grew 5 percent to €124.8 million (2013: €118.6 million). Operating performance increased by €271.9 million to €3.39 billion.

The cost of materials declined slightly in fiscal 2014 and amounted to €1.47 billion (2013: €1.49 billion). This drop reflected lower energy expenses. The prices of strategic raw materials such as ethylene, methanol and silicon metal were, on average, somewhat lower than in 2013. However, this positive effect was in part canceled out by an increase in the price of vinyl acetate monomer.

Personnel expenses rose to €768.3 million (2013: €720.5 million), an increase of almost 7 percent. The reasons for this were the collective bargaining agreements reached for 2014, the bonuses paid in connection with Wacker Chemie AG's centennial, and a higher amount of variable compensation than in 2013. Wacker Chemie AG had 9,435 employees as of December 31, 2014 (Dec. 31, 2013: 9,370).

Depreciation and amortization decreased by €12.1 million to €319.6 million (2013: €331.7 million).

The other operating result, consisting of other operating income less other operating expenses, improved markedly, reaching €–282.4 million (2013: €–419.5 million). This was due for the most part to advance payments retained and damages received in relation to terminated or restructured contracts with polysilicon customers. In 2014, these payments amounted to €206.3 million (2013: €77.6 million).

The company posted a net exchange-rate gain of €6.7 million (2013: €–2.0 million). Income from the reversal of provisions led to an increase of €8.4 million in the other operating result (2013: €14.2 million). In addition to currency-exchange effects, other operating expenses comprised selling expenses, repairs, maintenance, other contractor work and the assumption of costs of subsidiaries.

The company's R&D expenses grew marginally to €111.1 million (2013: €102.4 million).

The operating result came in at €552.0 million and was thus substantially higher than in 2013 (€157.0 million). This increase was attributable to a profit from operations in combination with advance payments retained and damages received. The improvement in operating performance caused the material-to-sales ratio to decline to 43.4 percent (2013: 47.8 percent). In addition to higher revenues, better coverage of fixed costs played a part in this trend. The employee-expense ratio declined as well, falling to 22.6 percent (2013: 23.1 percent).

The result from investments in joint ventures and associates comprises income from profit-and-loss transfer agreements and dividend payments together totaling €61.2 million (2013: €67.1 million). This amount includes the profit/loss of Wacker-Chemie Dritte Venture GmbH, which holds the stake in Siltronic AG, under its profit-and-loss-transfer agreement. The former's income included Siltronic AG's dividend payment in the amount of €242.6 million and a resulting impairment of €200.0 million. Losses of only a minor amount were transferred under agreements of this kind in fiscal 2014. In 2013, transfer of the loss generated by Wacker-Chemie Dritte Venture GmbH had led to negative investment income. Losses under profit-and-loss transfer agreements amounted to €–105.3 million that year.

The net interest result was lower, amounting to €–71.2 million (2013: €–41.8 million). This was mainly due to the lower discount rate used for pension obligations, which led to higher interest expenses in the amount of €56.1 million (2013: €39.6 million). Interest expenses for financial liabilities were lower year on year, as was interest income from securities and fixed-term deposits.

Income tax expenses amounted to €191.6 million (2013: €52.6 million) and included current taxes paid by Wacker Chemie AG and taxes paid on behalf of its domestic subsidiaries.

Net income came to €549.2 million. Retained profit for 2014 – calculated as the profit carried forward from 2012 less €24.8 million in dividends paid – amounted to €960.5 million (2013: €636.1 million).

## Net Assets and Financial Position of Wacker Chemie AG as per the German Commercial Code

### Statement of Financial Position

T 3.57

| € million | 2014 | 2013 |
|---|---|---|
| **Assets** | | |
| Intangible assets | 8.9 | 5.1 |
| Property, plant and equipment | 1,464.9 | 1,639.4 |
| Financial assets | 1,974.6 | 1,700.0 |
| **Fixed assets** | 3,448.4 | 3,344.5 |
| **Inventories** | 426.5 | 388.6 |
| Trade receivables | 377.3 | 347.3 |
| Other receivables and other assets | 736.0 | 593.2 |
| **Receivables and other assets** | 1,113.3 | 940.5 |
| Securities | 89.2 | 58.1 |
| Cash on hand, demand deposits | 28.8 | 337.8 |
| **Current assets** | 1,657.8 | 1,725.0 |
| **Accruals and deferrals** | 3.4 | 2.5 |
| **Total assets** | 5,109.6 | 5,072.0 |
| **Equity and Liabilities** | | |
| Subscribed capital | 260.8 | 260.8 |
| Less nominal value of treasury shares | –12.4 | –12.4 |
| **Issued capital** | 248.4 | 248.4 |
| Capital reserves | 157.4 | 157.4 |
| Other retained earnings | 1,000.0 | 1,000.0 |
| Retained profit | 960.5 | 636.1 |
| **Equity** | 2,366.3 | 2,041.9 |
| Provisions for pensions and similar obligations | 609.1 | 571.1 |
| Other provisions | 342.6 | 328.4 |
| **Provisions** | 951.7 | 899.5 |
| Financial liabilities | 949.9 | 1,113.7 |
| Trade payables | 153.1 | 155.9 |
| Other liabilities | 649.6 | 861.0 |
| **Liabilities** | 1,752.6 | 2,130.6 |
| **Accruals and deferrals** | 39.0 | – |
| **Total equity and liabilities** | 5,109.6 | 5,072.0 |

The amount of total assets held by Wacker Chemie AG was almost unchanged year on year, totaling €5.11 billion at the end of 2014 (Dec. 31, 2013: €5.07 billion). Individual balance-sheet items had counteracting effects.

Fixed assets grew slightly in 2014 to €3.34 billion (2013: €3.45 billion), with property, plant and equipment, on the one hand, and financial assets, on the other, following different paths. On balance, property, plant and equipment declined slightly, as depreciation in the amount of €315.9 million (2013: €328.1 million) exceeded investment spending. Wacker Chemie AG invested €151.9 million in property, plant and equipment during the reporting year, primarily investing in plant and machinery. Financial assets grew from €1.70 billion to €1.97 billion. The greater part of this increase comprised the €270.1 million added to the equity base of Wacker Polysilicon North America, LLC, an intermediate holding company for production purposes. This measure ensured financing for construction of the Tennessee production site. Fixed assets continue to account for 67 percent of total assets, almost unchanged year on year.

The level of inventories increased year on year to €426.5 million (Dec. 31, 2013: €388.6 million), a rise of 10 percent. This was mainly due to high plant-utilization rates. Similarly, trade receivables increased from €347.3 million to €377.3 million as business volumes grew.

Other receivables and other assets grew by 24 percent to reach €736.0 million (Dec. 31, 2013: €593.2 million), which included an amount of €636.0 million (Dec. 31, 2013: €475.6 million) in receivables from affiliated companies. This increase was due in part to ongoing financing provided by the production company Wacker Polysilicon North America, LLC, for construction work taking place at the new production site in Charleston, Tennessee (USA). This company is funded by its US parent, Wacker Chemical Corporation. Loans to Siltronic AG served, among other things, to finance the acquisition of Siltronic Silicon Wafer Pte. Ltd.

Other assets decreased by 10 percent to €96.3 million (Dec. 31, 2013: €107.4 million) and mainly comprised tax receivables, advance payments and reimbursement claims.

As of December 31, 2014, Wacker Chemie AG held €85.0 million in commercial paper, €75.0 million of which was for terms of less than three months. Wacker Chemie AG's cash on hand and demand deposits amounted to €28.8 million as of December 31, 2014 (Dec. 31, 2013: €337.8 million), with loans granted to subsidiaries being the main reason for this decline. Examples of financing therefore include the investments in the production plant at Charleston, Tennessee (USA) and the acquisition of a majority stake in Siltronic Silicon Wafer Pte. Ltd.

Equity amounted to €2.37 billion as of the reporting date (Dec. 31, 2013: €2.04 billion). That corresponds to an equity ratio of 46.3 percent (Dec. 31, 2013: 40.3 percent). At the annual Wacker Chemie AG shareholders' meeting, a resolution was passed to distribute €24.8 million in retained profit from 2013 as dividends. The remaining retained profit of €611.3 million was carried forward. Retained profit as of December 31, 2014 primarily comprised the current net income in 2014 of €349.2 million and the non-distributed profit of €611.3 million carried forward from 2013.

As expected, provisions for pensions and similar obligations continued to rise compared with the previous year, increasing by €38.0 million to €609.1 million (Dec. 31, 2013: €571.1 million). Other provisions increased in fiscal 2014 by 4 percent to €342.6 million (Dec. 31, 2013: €328.4 million). This balance-sheet item is comprised primarily of provisions for taxes, personnel and environmental protection. The reason for the increase was, in particular, additions to provisions for taxes and for personnel. Overall, provisions accounted for 19 percent of total equity and liabilities.

As of the reporting date, financial liabilities amounted to €949.9 million (Dec. 31, 2013: €1.11 billion). This decrease of 15 percent was attributable to a decline in liabilities due to affiliated companies, which fell by €241.0 million to €45.5 million as of the reporting date (Dec. 31, 2013: €286.5 million). A positive influence here was the dividend paid by Siltronic AG to Wacker-Chemie Dritte Venture GmbH. Bank loans, on the other hand, rose to €899.4 million (Dec. 31, 2013: €819.1 million). In Q3 2014, Wacker Chemie AG drew down a new long-term loan of €80.0 million. Overall, the share of financial liabilities in total equity and liabilities declined to 19 percent (Dec. 31, 2013: 22 percent).

Trade payables remained nearly constant in comparison with 2013, amounting to €153.1 million (Dec. 31, 2013: €155.9 million). Other liabilities decreased from €861.0 million in 2013 to €649.6 million at the reporting date. This was primarily due to the drop in

advance payments received under polysilicon contracts. These payments decreased in the course of 2014 by €218.5 million to €617.5 million (Dec. 31, 2013: €836.0 million). Deliveries for advance payments already received from polysilicon customers as well as amounts retained following the termination or amendment of contracts with polysilicon customers were the reason for this steep decline. Advance payments received for polysilicon deliveries accounted for 12 percent of total equity and liabilities.

In 2014, Siltronic AG made a compensatory payment of €39.0 million to Wacker Chemie AG in return for the planned future transfer of employees to the latter. This payment covers tax amounts that will be imposed on Wacker Chemie AG in the future. It was recognized as deferred income and will be reversed over the remaining period of service of the employees in question.

Cash flow from operating activities rose year on year from €317.2 million to €428.2 million – a gain of over 35 percent. This is basically due to the substantially higher operating result of €552.0 million (2013: €157.0 million). On the other hand, working capital increased, especially due to higher inventories and trade receivables. However, the operating result included non-cash income from polysilicon deliveries for which we had already received advance payments. In addition, advance payments for contracts that were terminated were retained in 2014, also contributing to non-cash income.

At €–446.8 million, Wacker Chemie AG's cash flow from investing activities was considerably higher than 2013's level of €–229.9 million. In 2013, cash flow from investing activities had included non-recurring income from sales of securities in the amount of €170.9 million. Adjusted for this income from securities, the cash outflow from investing activities amounted to €400.8 million in 2013. Investments in property, plant and equipment increased only slightly, amounting to €151.9 million in 2014 (2013: €153.2 million). The funds were invested in the continued expansion of polysilicon production at the Nünchritz site and in ongoing investments at the Burghausen site. Financial investments also rose and mainly comprised capital increases for Wacker Polysilicon North America, LLC for funding construction of the Charleston, Tennessee production site in the USA. Financing was secured through an intermediate holding company.

Net cash flow – the balance of investing activities and operating activities, less securities and changes in advance payments received – improved again in 2014, coming in at €209.9 million (2013: €101.3 million).

Impacted by outflows for intra-Group financing, cash flow from financing activities amounted to €–266.6 million. Wacker Chemie AG extended loans to its subsidiaries in an aggregate amount of €319.2 million. The dividend payout of €–24.8 million for 2013 also impacted cash flow. On the other hand, a long-term loan taken out in the amount of €80.0 million increased cash flow. In the prior year, a net inflow from financing in the amount of €176.5 million was largely attributable to the repayment of intra-Group financing.

Liquidity – defined as the sum of securities in current assets, shares in closed-end investment funds, and cash on hand and demand deposits – decreased from €595.9 million at year-end 2013 to €315.1 million at year-end 2014. This had a negative impact on the balance of liquidity and liabilities to financial institutions. At the end of 2014, net financial debt amounted to €584.3 million (2013: €223.3 million).

## Risks and Opportunities

Wacker Chemie AG's business performance is subject to the same risks and opportunities as those facing the WACKER Group. Wacker Chemie AG's exposure to the risks associated with its subsidiaries and investments depends on the size of its stakes in the respective entities. Through our subsidiaries and holdings, we could face impairments arising from legal or contractual contingencies (especially financing). These contingencies are explained in the Notes of Wacker Chemie AG.

As the parent company of the WACKER Group, Wacker Chemie AG is integrated in the groupwide risk management system.

For further details, see pages 256 to 258 of this Annual Report. The description of the internal control system for Wacker Chemie AG, as mandated by Section 289, Subsection 5 of the German Commercial Code (HGB), can be found in the section on Internal Control System (ICS) and Internal Control System for Accounting starting on page 144.

## Outlook

WACKER's main assumptions in its planning relate to raw-material and energy costs, personnel expenses and exchange rates. Our planning for 2015 is based on an exchange rate of US$1.15 and ¥135 to €1.

Essentially, Wacker Chemie AG's prospects for 2015 mirror the business trend at WACKER, which is fully explained in the Group's Outlook section. Please refer to pages 167 to 180 of this Annual Report.

Wacker Chemie AG and Wacker-Chemie Dritte Venture GmbH mutually terminated their profit-and-loss transfer agreement effective as of fiscal 2015. Siltronic AG is no longer part of the Wacker Chemie AG tax consolidation group.

We project that sales will increase year on year by a mid-single-digit percentage and that like-for-like EBITDA – i.e. without special income from damages payments or from the restructuring of contractual and supply relationships with our solar customers – will grow slightly compared to the previous year.

We expect Wacker Chemie AG to post a positive result for the period, though below the prior-year figure.

## Publication

The annual financial statements of Wacker Chemie AG have been submitted to the publisher of the online German Federal Bulletin and can be viewed on the website of the German register of companies. KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements and provided them with an unqualified audit certificate. The statement of financial position and the statement of income are the main documents published here. Wacker Chemie AG's annual financial statements are published together with those of the WACKER Group. The annual financial statements can be requested from Wacker Chemie AG, Hanns-Seidel-Platz 4, 81737 München, Germany. They can also be accessed on the internet at: www.wacker.com

# Risk Management Report

**Description and Statement Relating to WACKER's Internal Control and Risk Management System**

## Risk Management Is an Integral Part of Corporate Management

Risk management is an integral part of corporate management at WACKER. As a global company, WACKER is exposed to numerous risks directly attributable to our operational activities. Starting from an acceptable level of overall risk, the Executive Board decides which risks we should take to utilize opportunities available to the company. The goal of risk management at WACKER is to identify risks as early as possible, evaluate them appropriately, and take appropriate steps to reduce them. We define risks as internal and external events that have a negative effect on the attainment of our targets and forecasts. Compared with the previous year, we made no fundamental changes to the existing risk management system in 2014. The scope of consolidation for risk reporting purposes comprises all WACKER majority shareholdings, as well as companies consolidated using the equity method.

As a specialty-chemical and semiconductor company, we have a particular responsibility to ensure plant safety and to protect health and the environment. All our production sites have coordinators who manage plant and workplace safety, alongside health and environmental protection. Our risk management complies with legal requirements and is a component in all our decisions and business processes. The Executive and Supervisory Boards are regularly informed about the current risk status in the Group and at each business division.

### Risk Management

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. It involves the Executive Board regularly reviewing and enhancing our risk strategy, particularly with regard to our groupwide processes for strategic planning and reporting. The Supervisory Board's Audit Committee receives regular briefings on existing risks from the Executive Board. Opportunities, however, are neither systematically identified as part of risk management, nor are they communicated in the context of internal Group management reporting.

All corporate areas are integrated into the risk management system. It consists of three intermeshed aspects:

- Division-specific risk management and early-warning systems
- Groupwide risk coverage
- Groupwide risk mapping

## Risk Management Structures and Tools

This groupwide system draws on existing organizational and reporting structures, supplemented by additional elements:

- The risk management manual: this contains the system's principles and processes. It explains reportable levels of risks and how risks are to be covered and mapped.
- The risk management regulation: it stipulates groupwide reporting requirements, including when a specific committee must be informed.
- The risk management coordinator: this coordinator is responsible for the risk management system and is supported by local risk coordinators.
- The risk list: this records each specific risk facing our divisions and other corporate sectors. Reporting is mandatory for individual risks where the effect on earnings would exceed €5 million.

## Risk Identification

WACKER identifies risks at two levels: for the individual divisions, and at a Group level. We employ various instruments to ascertain and identify risks. These include order intake development, market and competition analyses, customer talks and ongoing observation and analysis of the economic environment.

### Risk Management System

G 3.58


## Assessment, Quantification and Management of Risks

We analyze each identified risk's probability of occurrence and potential effects on earnings. Corporate Controlling compiles a monthly report to inform the Executive Board of current and expected business developments and their associated risks. We evaluate and balance risks and opportunities at regular meetings with our divisions.

Corporate Controlling ensures that our risk management standards are implemented and that our risk management process is refined. Groupwide, it not only records all the substantial risks, but also evaluates them systematically according to uniform criteria. Major risks and those endangering the continued existence of the company are communicated immediately via ad-hoc reporting. Because the divisions are responsible for their own profit and loss, this process is closely interwoven with operational controlling. Individual divisional risks are identified and evaluated on a monthly basis. Operational risk management is thus firmly rooted in the divisions. At the same time, Corporate Finance and Insurance, Corporate Accounting and Tax, Raw Materials Procurement, Technical Procurement&Logistics, Corporate Engineering, and Legal are involved in risk controlling at the Group level.

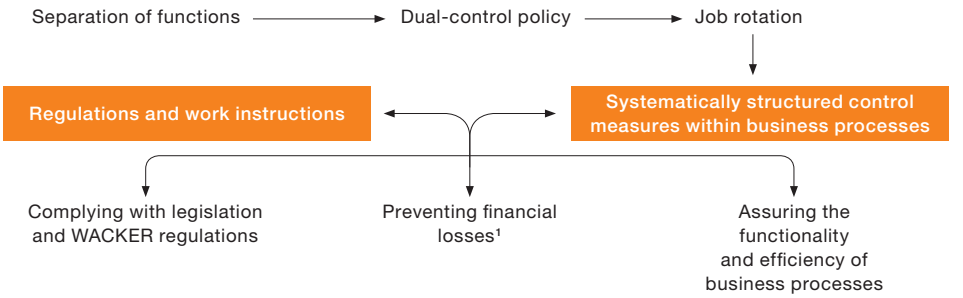
Financial risks are managed by Corporate Finance, which is responsible for all measures relating to exchange-rate and interest-rate hedging transactions and ensuring adequate Group liquidity. The operational framework set out in detailed specifications and regulations covering, for example, separation of trading and settlement functions. Corporate Accounting and Tax monitors receivables management vis-à-vis customers and suppliers.

## Internal Control System (ICS) and Internal Control System for Accounting

Our internal control system (ICS) is an integral component of our risk management system.

### Basis of Our Internal Control System (ICS)

G 3.59




[1] Possible financial losses due to the intentional or inadvertent misconduct of our employees or third parties.

Our internal accounting control system is aimed at ensuring consistent compliance with statutory requirements, generally accepted accounting principles and International Financial Reporting Standards (IFRS) – and thereby avoiding misstatements in Group accounting and external reporting. The objective of the internal accounting control system is to ensure that, despite identified financial-accounting risks, Wacker Chemie AG's annual financial statements and the consolidated financial statements sufficiently comply with regulations. This compliance is essential for providing our stakeholders (such as investors, banks and analysts) with proper and reliable information.

In addition to the ICS principles already mentioned, we perform assessments and analyses to help identify and minimize any risks that may directly influence financial reporting. We continually monitor changes in accounting standards and provide the employees handling them with regular and comprehensive training. We enlist external experts to reduce the risk of accounting misstatements in complex and challenging issues, such as pensions.

Our internal accounting control system is designed to ensure that our accountants process every business transaction promptly, uniformly and correctly and that reliable data on the Group's earnings, net assets and financial position are available at all times. Our approach here complies with statutory provisions, accounting standards and internal accounting rules. These are binding for all Group companies included in our consolidated financial statements. A key accounting regulation is the accounting manual in effect groupwide and available on the WACKER intranet. It specifies binding rules for groupwide accounting and assessment. The Group regulation on accounting contains uniform stipulations for the organizational responsibility of accounting-related topics. Additionally, organizational workflows are defined in accounting and organizational regulations, and in book-entry instructions. A groupwide calendar of deadlines guarantees the complete and timely processing of financial statements. Corporate

Accounting monitors compliance with reporting obligations and deadlines. By separating financial functions between accounting, statement analysis and strategy, we ensure that potential errors are identified prior to finalization of the statements and that accounting standards are complied with. To safeguard the completeness and accuracy of processes, we have implemented access rules for IT systems and dual-control policies for accounting at individual entities and for Group consolidation reports within WACKER.

Our subsidiaries ensure that all regulations are implemented in their local regions. Corporate Accounting assists them and monitors the process. Additionally, country-specific accounting standards exist that must be complied with. After local management has approved the subsidiary's separate financial statements, they are fed into a centralized consolidating system. The reported data is verified both by automatic system validation, and by reports and analyses. This ensures data integrity and compliance with reporting procedure. Comparisons with respective prior-year figures serve to explain the data entered into the system. After ensuring the plausibility of data, we commence the consolidation process. Here, too, we carry out both system-based and manual monitoring of the individual consolidation steps. Any errors or differences are systematically reviewed and corrected by hand. Finally, we analyze the statement of income and the Group statement of financial position with a view to trends and variances.

We safeguard the effectiveness of controls not only by gathering feedback from employees involved, but also by continually monitoring key financial indicators in our monthly management reports and in system-based test runs. Moreover, regular external audits are carried out, as well as external reviews at year-end and for each quarter.

On a quarterly basis, managers at our divisions, corporate departments and subsidiaries confirm for their areas that all key issues for quarterly and annual financial statements have been reported.

The Supervisory Board is also integrated into the internal control system through the Audit Committee. In particular, the Audit Committee monitors the accounting process and the effectiveness of the internal-control, risk-management and auditing systems. Moreover, it reviews the documents for Wacker Chemie AG's separate financial statements and the WACKER Group's annual and quarterly financial statements and the combined management report for these statements, and discusses them with the Executive Board and the auditors.

We protect all financial systems from misuse with user-authorization systems, data-release policies and access restrictions. Information Technology, a corporate department, carries out regular system backups and maintenance measures to minimize both the risk of data loss and of a breakdown of accounting-related IT systems. However, even with adequate and functioning systems in place, we cannot guarantee that the internal control system will be 100-percent effective.

### Internal Controls

Corporate Auditing is part of our risk management system. On behalf of the Executive Board, this department performs regular, process-specific reviews of all corporate entities, placing its focus on internal control systems. The Executive Board – in consultation with the Audit Committee – adopts a risk-driven approach when choosing audit topics, which, if necessary, are adjusted during the year to take account of changes in underlying conditions. The auditing emphasis in 2014 was on sales and marketing topics, and on the settlement of investments and external maintenance work. In addition, cross-functional audits were used to review the business processes of five subsidiaries. In total, Corporate Auditing conducted 29 audits in 2014 (2013: 30 audits), basically completing the approved auditing schedule, with five issues to be finalized in early 2015. No major complaints came to light. We systematically implement and follow up on process-optimization recommendations made in the audits.

### External Controls

When auditing our annual financial statements, the external auditor examines our early-warning system for detecting risks. The auditor then reports to the Executive and Supervisory Boards.

## Central Risk Areas

### Defining the Probability and Impact of Risk Occurrence

We have defined categories for describing the probability that risks we identify will occur. They provide a framework for understanding our assessment 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

We also use categories to describe how the occurrence of the risks listed might impact the Group's earnings, net assets and financial position. We assess the possible effect on earnings using the net method, i.e. after taking appropriate countermeasures, such as establishing provisions or hedging. The following categories define the ranges:

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

The following table shows our estimation of the probability of risks and of how risk occurrence might impact the Group's earnings, net assets and financial position. The statements refer to the forecast period, thus to fiscal 2015.

## Probability and Possible Impact of Our Risks in 2015

T 3.60

| Risk/Category | Probability | Possible Impact |
|---|---|---|
| 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 | High |
| Procurement-market risks | Unlikely | Low |
| Market-trend risks | Unlikely | Low |
| Investment risks | Possible | 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 | Possible | Low |
| Environmental risks | Possible | Low |
| Tax-related risks | Possible | Low |
| Other risks | Unlikely | Low |
| Regulatory risks | | |
| Energy transition | Possible | Low |
| Anti-dumping proceedings | Possible | Low |
| New regulations for upstream, intermediate and downstream products and for production processes | Likely | Low |
| IT risks | Unlikely | Medium |
| Personnel-related risks | Unlikely | Low |
| External risks | Unlikely | Low |

## Overall Economic Risks

**Scenario**: Economic slowdown.

**Impact on WACKER**: Production-capacity utilization drops, specific manufacturing costs rise, and the Group's sales and earnings decline.

**Measures**: We counter this risk by continuously monitoring economic trends in our key sales markets. If we detect economic weakness, we take early precautions to adjust production capacities, resources and inventories in line with customer demand. In such cases, we concentrate capacity utilization, for example, on production locations with the best cost position and temporarily shut down some production facilities. To counter an economic slowdown, we also use the instrument of short-time work and do not extend temporary employment contracts.

**Evaluation**: Analysts expect global economic growth to continue in 2015. They are forecasting economic expansion both in advanced economies and in the emerging markets of Asia, South America and Eastern Europe. At the same time, political and structural challenges remain high. The conflicts between Russia and the EU and USA, the unstable situation in several Middle East regions and the impact of the financial and sovereign-debt crisis in Europe continue to pose risks for the global economy.

**Risk Assessment**: We presently see no specific signs that economic trends will diverge substantially from the experts' forecasts. Given the risks mentioned, however, we cannot completely rule out that the global economy in 2015 could perform below current projections.

Our chemical business supplies a large number of customers from a broad range of industrial sectors worldwide. This enables us, as experience has shown, to at least partially compensate for temporary weaknesses in some sectors and sales regions. If global economic growth should turn out to be weaker than currently forecast, the impact on our chemical-earnings trend will probably be low. However, if a recession should unexpectedly occur and significantly dampen demand for our products in a number of key sales markets and sectors, this would reduce our chemical earnings at least to a medium degree.

In Siltronic's semiconductor-wafer business, volume and price trends depend essentially on two factors. First: on the trend in consumer and industrial demand for electronic equipment – for example, computers, smartphones and tablet PCs. Second: on the balance between global production capacities and semiconductor-manufacturer demand. Both factors are closely interlinked. If, contrary to expectations, the consumer climate should cool off noticeably, this would probably have a medium impact on Siltronic's earnings trend.

The future development of our polysilicon business will primarily be determined by the regulatory framework for solar-power use and for international trade in photovoltaic systems and solar silicon. By comparison, economic influences play a subordinate role. Should the world economy prove weaker than currently forecast, this would have a medium impact on earnings in WACKER's polysilicon business.

### Sales-Market Risks

**Scenario 1**: Chemical-segment overcapacity.

**Impact on WACKER**: Price and volume pressures on our products.

**Measures**: WACKER minimizes this risk in various ways. For example, we align production with demand and perform quantity controls to ensure appropriate plant-utilization rates. Our approach also includes structured price management, process optimization and intense development of growth markets. Importantly, a key ongoing goal is to increase the share of cyclically resilient product groups in our portfolio and to rank among the global leaders in all our business fields. By cooperating closely with customers, we aim to quickly open the way to novel applications, thus fostering long-term customer loyalty.

**Evaluation**: We expect overcapacity-related risks for our products to remain the same in 2015. At WACKER POLYMERS, we see overcapacity for dispersions and dispersible polymer powders in Asia. Nevertheless, we expect plant utilization to be strong despite this overcapacity. WACKER SILICONES faces overcapacity for siloxane production in China and for certain segments (such as liquid silicone rubber) – which could reduce plant utilization. Price pressure on our chemical divisions' products will persist in 2015.

**Risk Assessment**: It is unlikely that individual areas of our chemical business will experience overcapacity and, consequently, price pressure. We have already taken account of this possibility in our planning and forecasts.

Any potential impacts on Group earnings beyond that would be of medium scale.

**Scenario 2**: Cyclical fluctuations and intense competition on the semiconductor market.

**Impact on WACKER**: Volumes and prices decline.

**Measures**: Siltronic tries to reduce these risks through systematic cost management and through flexible structures and production operations. We are working on aligning our capacity for < 200 mm diameters with market trends. In the 300 mm wafer segment, Siltronic is continuously improving the efficiency of its production and business processes to strengthen its cost basis.

**Evaluation**: Semiconductor market growth is chiefly driven by increasing demand for 300 mm silicon wafers. For 2015, we currently foresee volume growth and also, in individual product families, opportunities to increase prices. Siltronic's acquisition of a majority stake in Siltronic Silicon Wafer Pte. Ltd. in Singapore has strengthened the division's market presence and competitive position. Market researchers expect global volumes of semiconductor-sector silicon wafers to increase by almost 3 percent in 2015. At the same time, global sales are projected to rise by around 5 percent amid somewhat better prices. We expect stronger demand, in particular for 300 mm silicon wafers. Volumes for wafer diameters below 300 mm might decline in 2015.

**Risk Assessment**: In our semiconductor business, we anticipate that volumes in 2015 will be higher than last year. This scenario forms the basis for our planning and forecasts. We consider it possible that volumes and prices will diverge substantially from our expectations. If volumes came in considerably below our current estimates, this would have a medium impact on Siltronic's earnings.

**Scenario 3**: Polysilicon overcapacities and price risks, difficult market conditions due to a rollback of government incentive programs, and the tight financial situation of many customers.

**Impact on WACKER**: There will be volume risks if excessive and hurried cuts to government solar incentives negatively impact the photovoltaic market. Overcapacity could lead to intense price competition, exerting pressure on margins. Both factors could result in declining sales and earnings and impact the asset value of our polysilicon production facilities.

**Measures**: We counter these risks by continuously improving our cost positions and by optimizing our product and customer portfolio in line with market developments. If demand slows, we flexibly adjust our production capacities to the market trend. The production start-up at the new Charleston site in Tennessee (USA) remains scheduled for the second half of 2015.

**Evaluation**: The photovoltaic industry is still dominated by production overcapacity and by the unsatisfactory earnings situation of most solar companies. Prices, however, stabilized along the entire supply chain last year. The industry's consolidation process is not yet over and will probably continue in the coming years. Given our good cost and quality position, we generally expect to emerge from this consolidation process with renewed strength. However, as long as global production capacity exceeds market demand, there is little chance of prices increasing noticeably at any stage of the supply chain. In certain European countries, we expect to see a tendency for further cuts in state incentives for photovoltaics. Conversely, incentive programs outside Europe – for example in China and the USA – will probably be expanded. At the same time, falling prices for photovoltaic components are making solar energy more competitive. In the renewable-energy sector, pholtovoltaics is becoming one of the most cost-effective technologies for generating electricity. This trend will help promote access to new markets and spur further growth in the global market for photovoltaic applications.

**Risk Assessment**: In all probability, the consolidation process in the solar industry will continue in 2015. As long as this process remains in place and global production capacities exceed market demand, polysilicon prices are unlikely to change substantially against current levels. Our planning and forecasts anticipate the continuation of this situation. Should solar-silicon demand clearly exceed supply, this would presumably benefit earnings at WACKER POLYSILICON. Conversely, a slump in demand for WACKER's solar silicon would probably have a high impact on earnings in this business. We consider there to be a possible risk of falling prices.

### Procurement-Market Risks

**Scenario**: Higher raw-material and energy prices, and bottlenecks in the supply of certain raw materials.

**Impact on WACKER**: Earnings dampened by higher raw-material and energy prices. Any supply bottlenecks could lead to longer customer delivery times and volume losses.

**Measures**: On an annual basis – and if necessary, ad hoc – we prepare systematic procurement plans for strategic raw materials and energy, along with an evaluation of the procurement risk. Whenever possible, we counter any procurement risks deemed significant with corresponding measures. Examples of such measures include long-term supply contracts with partners, structured procurement from multiple suppliers under contracts with various maturities, expansion of our supplier base, and higher safety stocks. With our silicon-metal production site in Holla (Norway), we have achieved partial backward integration for one of our key raw materials, considerably reducing our dependence on external suppliers. We are now in a position to produce – in-house and to a high quality standard – just under one-third of the quantities we need.

**Evaluation**: WACKER has positioned itself in energy and raw-material procurement in such a way that we can effectively manage the risks inherent in both economic upturns and downturns. If the world economy weakens markedly, our contracts for key raw materials allow us to adjust our purchase volumes flexibly and to benefit – wherever possible – from price decreases through escalator clauses. If the world economy grows, we have volume guarantees. As a result, we do not see any major risks affecting the supply of our raw materials. Prices could, of course, markedly increase in such a situation. There is, however, the possibility of at least partially compensating for these additional costs with higher selling prices for our own products. Overall, we see the risks facing WACKER in the area of raw-material procurement and raw-material prices as currently being low.

To date, energy-intensive companies or corporate entities have been able, for the most part, to obtain an exemption from the levy imposed by the German Renewable Energy Act (EEG). Some entities at WACKER also profit from this exemption.

Any restriction on the rules for exemption would considerably reduce the competitiveness of these individual corporate entities. During 2014, the EU adopted new state aid rules for renewable energy sources. At the same time, the German Federal Government passed a new version of the EEG limiting the levy (a renewables surcharge) on very energy-intensive companies or corporate entities. This has greatly enhanced WACKER's legal certainty. The next revision of EEG legislation is expected in 2018, and could lead to renewed risks for WACKER. Although wholesale prices for electricity have dropped in Germany over the past few years, the price trend (wholesale prices, grid fees, capacity market) clearly depends on how German and European policy shapes the future development of the energy transition.

**Risk Assessment**: In the area of raw-material procurement and raw-material and energy prices, we currently consider the risks facing WACKER to be low. Accordingly, we estimate that they would have a low impact on Group earnings. Now that energy-intensive companies competing on international markets remain largely exempt from the EEG levy, we do not expect the energy-cost situation to result in any significant additional burden for our business compared with the prior year.

### Market-Trend Risks

**Scenario**: An incorrect projection of market trends, and lack of customer acceptance for newly developed products.

**Impact on WACKER**: If we misjudge future market trends, this could impact our market strength and earnings position. New product developments that fail to meet market needs could negatively impact our sales and earnings.

**Measures**: WACKER works closely with its customers and, therefore, has reliable information for developing new products and applications. At the same time, we monitor the market and our competitors very closely (all the way down to a business-field level), hold customer and supplier interviews and regularly attend tradeshows that are important to WACKER. In individual cases, we commission market research. We minimize risks relating to product developments by collaborating with customers on specific projects. WACKER also cooperates with universities and scientific institutions on R&D projects to stay abreast of state-of-the-art technological and product-development trends.

**Evaluation**: WACKER has many years of market experience and can update its detailed planning as soon as market developments change.

**Risk Assessment**: We consider the risk of misjudging market trends, or not reacting to them appropriately, to be low. If this should, nevertheless, occur in individual application fields, the impact on our earnings trend would probably be low.

## Investment Risks

**Scenario**: Bad investments, higher-than-expected investment costs, postponed plant start-ups, deterioration of original market projections, and assumption of risks from investments in joint ventures and associates.

**Impact on WACKER**: Bad investments lead to idle-capacity expenses and/or impairments of assets and investments, which can result in major effects on earnings. Higher investment costs mean higher cash outflows and, in the future, higher depreciation expenses in our operating result. Postponed start-ups expose us to the risk of being unable to fulfill supply agreements and, thus, of posting lower sales and earnings.

**Measures**: WACKER has numerous measures in place for countering investment risks. We check the completeness and plausibility of plans for new projects with an investment volume exceeding €1.5 million. The Group's corporate departments are involved in this check. Economic feasibility is assessed using comparative studies that look at other plant projects, including those of competitors. Investments are approved in stages only. Intensive project-budget management helps prevent or minimize delays.

By establishing a partnership with Dow Corning, we have reduced our own investment risk. In this regard, however, the partnership involves long-term purchasing and financing commitments with the respective associated company. The result from investments in joint ventures and associates influences our profitability.

**Evaluation**: Over the past few years, WACKER has demonstrated that it can complete complex technical investment projects on schedule, or even earlier than planned. At our new site in Charleston, Tennessee (USA), contracts for the remaining subcontracting work have been awarded to ensure that the new site can begin ramping up polysilicon production on schedule in the second half of 2015. On the basis of the contracts awarded, we consider it likely that the total investment volume will be some $2.4 billion. Due to the shale-gas boom, the chemical industry will be implementing a number of large-scale projects in the USA over the next few years. As a result of this competitive situation, the cost of materials and labor for the assembly of the Charleston site is higher than originally planned. We have identified opportunities, though, to achieve higher output than initially expected through production-process enhancements at Charleston.

**Risk Assessment**: We consider it possible that investment costs in Tennessee could come in higher than expected. The EURO/US dollar exchange rate could influence investment costs. These two factors could have a medium impact on capital expenditures and net cash flow.

## Production Risks

**Scenario**: Risks relating to the production, storage, filling and transport of raw materials, products and waste.

**Impact on WACKER**: Potential personal injury, property damage and environmental impairment; production downtimes and operational interruptions; and the obligation to pay damages.

**Measures**: WACKER coordinates its operational processes through its integrated management system (IMS). The system regulates workflows and responsibilities, attaching equal importance to productivity, quality, the environment, and health and safety. Our IMS is based on legal regulations, and on national and international standards, such as Responsible Care® and the Global Compact, which go far beyond legally prescribed standards. We monitor maintenance extensively and regularly perform inspections to ensure the highest possible level of operational safety at our production sites. We

conduct thorough safety and risk analyses, from the design stage through to commissioning, to ensure our plants' safety. We regularly hold seminars on plant and workplace safety and explosion protection. Every WACKER site has its emergency response plan to regulate cooperation between internal and external emergency response teams, and with the authorities. When we work with logistics providers, we ensure that hazardous-goods transport vehicles are always checked prior to loading and that faults are systematically recorded and tracked.

**Evaluation**: Risks stemming from the production, storage, filling and transport of raw materials, products and waste can never be completely ruled out.

**Risk Assessment**: Even though it is generally possible for risks to materialize regarding the production, storage, filling and transport of raw materials, products and waste, we currently consider a serious loss event to be unlikely. Nevertheless, if such an event should occur, it could have a medium impact on WACKER's earnings.

## Financial Risks

WACKER is exposed to financial risks from ongoing operations and financing. Such risks include credit, market-price, financing and liquidity risks. They are managed by the individual WACKER departments responsible for them. We employ primary and derivative financial instruments to cover and control the financial needs and risks necessitated by our operations. Such financial instruments are not permitted, however, if they are not based on actual or planned operational activities. The Notes to the consolidated financial statements provide extensive information about risk hedging using derivative financial instruments. For further details, see pages 256 to 260 of the Notes section.

### Controlling Financial Risks

T 3.61

| Risk | Corporate Department Responsible |
|---|---|
| Credit risks | Corporate Finance and Insurance, Corporate Accounting and Tax |
| Market-price risks | Corporate Finance and Insurance |
| Liquidity risks | Corporate Finance and Insurance |
| Currency-exchange and interest-rate risks | Corporate Finance and Insurance |
| Raw-material price risks | Raw Materials Procurement |

## Credit Risks

**Scenario**: Customers or business partners fail to meet their payment obligations.

**Impact on WACKER**: Losses on trade receivables, and failure of banks to fulfill their obligations to WACKER (loan disbursements, repayment of deposits and compensatory payments arising from derivatives transactions).

**Measures**: We use a variety of instruments to reduce the risk of any loss on receivables. Depending on the nature of the product or service provided, we may demand collateral, including retention of title. Other preventive measures range from references and credit checks to the evaluation of historical data from our business relationship to date (particularly payment behavior). We limit default risks by means of credit insurance, advance payments and bank guarantees. We prevent counterparty risk vis-à-vis banks and contractual partners by carefully selecting these partners. We strictly limit cash investments and derivative dealings to banks with a minimum rating of A– from Standard&Poor's or a comparable rating agency. Investment activities are additionally subject to maximum investment and term limits. In exceptional cases, investments or derivative dealings may be conducted with banks of lower creditworthiness within tight limits and terms.

**Evaluation**: The credit risks stemming from customer business are manageable. Credit risks arising from contractual obligations to financial institutions are related to financial assets and derivative financial instruments. Globally, our Corporate Finance and Insurance department conducts all transactions in currency and interest-rate derivatives and manages liquidity centrally.

**Risk Assessment**: We consider it unlikely that credit risks stemming from customer business will occur. We assume that our risk concentration with regard to bank failures is low, thanks to our approach to counterparty risk. If, however, credit risks stemming from customer business or from a bank failure unexpectedly occurred, their impact on WACKER's earnings would probably be low.

### Market-Price Risks and Risks of Fluctuating Payment Flows

**Scenario**: Fluctuations in currency-exchange and interest rates.

**Impact on WACKER**: Effect on earnings, liquidity and financial investments.

**Measures**: Currency risks primarily arise from exchange-rate fluctuations for receivables, liabilities, and cash and cash equivalents not held in euros. The currency risk is of particular importance with respect to the US dollar, Japanese yen, Singapore dollar and Chinese renminbi. WACKER hedges the net exposure exceeding a certain level using derivative financial instruments. The use of such instruments is governed by WACKER's foreign exchange management directive. We work with forward-exchange contracts, foreign-exchange swaps and currency-option contracts. Foreign exchange hedging is carried out mainly for the US dollar, Japanese yen and Singapore dollar. We also counter exchange-rate risks through our non-eurozone production sites.

Interest-rate risks arise due to changes in market rates that impact future interest payments for variable-rate loans and investments. Thus, the changes have a direct influence on the Group's liquidity and financial assets. When exposure is identified, interest-rate hedging is performed. The use of derivative financial instruments is governed by internal regulations that separate trading and settlement functions, and is subject to strict controls within the entire processing procedure. We continually monitor the effectiveness of any measures taken.

**Evaluation**: We hedge part of our US dollar, yen and Singapore dollar business. The possible impact or income from exchange-rate fluctuations is partially cushioned by hedging measures. Consequently, we do not expect any major effects from exchange-rate shifts in 2015.

**Risk Assessment**: From today's perspective, we consider it unlikely that exchange-rate and interest-rate changes in 2015 will substantially differ from our planning assumptions. Nevertheless, if this were to occur unexpectedly, we believe that it would have a low impact on Group earnings.

## Liquidity Risks

**Scenario**: Lack of funds for payments, and tougher access to credit markets.

**Impact on WACKER**: Higher financing costs, and modifications to further expansion plans.

**Measures**: Liquidity risk is managed centrally at WACKER. Our Corporate Finance and Insurance department employs efficient systems for both cash management and rolling liquidity planning. In order to counter financing risks, WACKER holds adequate long-term, contractually agreed lines of credit, and has set aside sufficient liquidity. By means of cash pooling, liquid funds are passed on internally within the Group as required.

**Evaluation**: As expected, WACKER's liquidity decreased in 2014 compared with the previous year amid continued high investment spending and despite new loans. Liquidity totaled €520.9 million at the reporting date. At that time, financial liabilities exceeded liquidity (consisting of current and noncurrent securities, and cash and cash equivalents) by €1,080.6 million. The loans contain a net debt-to-EBITDA ratio as the only financial covenant. Concurrently, there were unused lines of credit with terms of over one year totaling some €603.5 million. We invest liquid funds only in issuers or banks that have a credit rating within the sound investment-grade range. The investment of liquid funds is, moreover, subject to limits that we have defined.

**Risk Assessment**: We consider the occurrence of financing and liquidity risks to be unlikely. At the moment, we see no risks relating to financial-covenant infringements. Nevertheless, if financial or liquidity bottlenecks were to occur, their impact on Group earnings would be low.

## Pensions

**Scenario**: The greater life expectancy of pension-fund beneficiaries, additional obligations due to pay and pension adjustments, and falling discount factors increase the volume of pension obligations. Significant changes in the composition of the invested fund assets and capital-market interest rates produce a rise or fall in fund assets. Altered criteria used in the measurement of pension plans influence the net pension cost for the period.

As of 2013, IAS 19 requires enterprises to report actuarial gains and losses, as well as other changes in value, immediately and in full in other comprehensive income. This leads to greater volatility in equity. Other future changes to the principles applied in accounting for pensions may adversely affect the Group's earnings, net assets and financial position.

**Impact on WACKER**: A large portion of WACKER's pension guarantees are covered by the Wacker Chemie VVaG pension fund, by pension-related funds and special-purpose assets, and by insurance plans. The largest contribution comes from the pension fund. A rise in pension obligations, a decline in plan assets, and a possible injection of financial resources into the pension fund or into the plan assets will affect the financial position and earnings of the Group. Over and above the basic pension plan, there are defined-benefit pension plans in the form of direct commitments. Additionally, employees have the option of converting part of their remuneration into direct benefit commitments. The greater life expectancy of pension-fund beneficiaries, adjustments to pay and pensions, and the discount factor (used in calculating the net present value of a final capital amount) also impact WACKER's equity and earnings to a substantial extent.

**Measures**: A large portion of WACKER's pension guarantees are covered by the Wacker Chemie VVaG pension fund, by pension-related funds and special-purpose assets, and by insurance plans. The pension fund manages the pension insurance of our German-based employees in accordance with its Articles of Association and General Terms and Conditions of Insurance. To ensure a sufficient rate of return and to limit investment risks, the fund diversifies its investment portfolio among various asset classes and regions. In managing its assets and liabilities, the pension fund controls and optimizes all asset items to attain the required return within specified risk limits. As one of the fund's sponsoring entities, WACKER makes payments to it (when necessary), thereby ensuring sufficient coverage for pension obligations. We periodically adjust the calculation parameters of the other defined-benefit pension commitments (e.g. the minimum interest rate).

**Evaluation**: Pension-fund beneficiaries are living longer, and capital-market interest rates have steadily declined in recent years. The rate of return will probably be insufficient to fulfill pension obligations in the long term. The contribution for Wacker Chemie AG's defined-benefit pension commitments thus rose from 350 percent of the employee contribution in 2013 to 400 percent in 2014 to protect the pension fund.

**Risk Assessment**: We consider it unlikely in 2015 that WACKER will have to make higher payments to the pension fund or increased pension payments to cover its other commitments. Furthermore, we estimate the impact on WACKER Group earnings as low. Nonetheless, the likelihood that we will have to make higher payments to the pension fund in the future is greater. See further details starting on page 234 of the Notes section.

## Legal Risks

**Scenario**: Diverse legal risks related to tax, trademarks, patents, competition, antitrust proceedings, the environment, labor and contracts could arise from our international business.

**Impact on WACKER**: Drawn-out legal disputes that could impact our company's operations, image and reputation, and that could be costly.

**Measures**: We limit legal risks with centralized contract management and legal review by our legal department. If necessary, we also seek highly qualified and specialized external legal advice.

Our Intellectual Property department protects and monitors patents, trademarks and licenses. Before initiating R&D projects we conduct searches to determine whether existing third-party patents and intellectual property rights could prevent us from marketing any newly developed products, technologies or processes.

We limit risks arising from possible legal infringements by means of compliance programs. WACKER's Code of Conduct defines and stipulates binding rules of behavior for all employees. Through training programs, WACKER enhances awareness of these issues and attempts to prevent reputation-related risks.

**Evaluation**: We currently do not foresee any legal disputes, patent infringements or other legal risks that could significantly influence our business.

**Risk Assessment**: Due to the varied nature of our business activities in all major regions of the globe, the occurrence of legal risks, for example in the form of legal disputes, is always conceivable in principle. We do not, however, see any specific indication of any such events that would have a significant impact on our business and currently categorize their occurrence as possible. Should they occur, there would be a low impact on Group earnings.

## Regulatory Risks

### Energy Transition in Germany

**Scenario**: The transition in Germany to 80 percent renewable energy in the electricity sector by 2050 (known as the "Energiewende" or energy transition) creates a regulatory environment that will probably be marked by constant legislative amendments in Berlin and Brussels (the German "EEG" or Renewable Energy Act reform, special compensation rules for energy-intensive companies, the grid charge, self-generated electricity, EU investigation into EEG state aid procedures, state aid rules, the 2030 EU Green Paper, and capacity mechanisms).

**Impact on WACKER**: Additional costs due to rising government levies on the cost of electricity procurement.

**Measures**: We continually monitor regulatory activity in Germany and in the EU. Whenever we anticipate changes in the current legal situation, we try to introduce our viewpoint into legislative procedures through discussions with policymakers and by participating in trade associations. In addition, we search for, and take advantage of, market opportunities arising, for example, from renewable energy (e.g. industrial demand-response management).

**Evaluation**: We expect the regulatory environment surrounding the energy transition to remain in flux for the next few years. WACKER is following the implementation of the energy transition at the regional, federal and EU level.

**Risk Assessment**: The regulatory risks from amendments to the EEG and from the special compensation rules for energy-intensive companies diminished during 2014. Now that the legislative procedure in Germany is complete and agreement has been reached with the European Commission, we do not expect these risks to cause any substantial strain on our business in 2015. Should it be decided, however, to completely abolish not only the rules relieving energy-intensive companies with regard to EEG feed-in tariffs, but also the privilege for self-generated electricity, and the grid charge, then there would be a high impact on WACKER's earnings in the medium term. We consider this to be a possible risk.

### Anti-Dumping Proceedings

**Scenario**: Completion of anti-dumping proceedings by the Chinese Ministry of Commerce against polysilicon imports from the USA. The anti-dumping proceedings of the EU against Chinese solar companies have been concluded and are of no relevance to WACKER's business.

**Impact on WACKER**: Negative impact on the company's earnings, net assets and financial position; influence on sales volumes, impact on long-term customer relations.

**Measures**: WACKER would be affected by the completion of anti-dumping proceedings if we were to sell US-manufactured polysilicon in China. By holding numerous discussions with policymakers in the USA and China, we are striving to avoid the imposition of punitive tariffs (US tariffs on Chinese solar modules and cells, as well as Chinese tariffs on polysilicon from the USA) and hence their impact on WACKER's US-made polysilicon. According to Chinese anti-dumping laws, we can also apply to have the tariffs individually reviewed and have their level set, since WACKER has not, in fact, imported any polysilicon yet from the USA to China during the investigation period of the anti-dumping proceedings. We will apply for such a "New Shipper Review." What is more, we will sell US-made polysilicon preferably to customers in other countries.

**Evaluation**: The tariffs on polysilicon imports from the USA to China are in effect until January 2019. In our view, it is not predictable as to whether the US Department of Commerce and the Chinese Ministry of Commerce will reach a new agreement on this issue.

**Risk Assessment**: It is possible that WACKER will be affected by punitive tariffs on US-made polysilicon intended for shipment to China. At the time these punitive tariffs were imposed, we had not yet made any polysilicon in the USA for shipment to China. Consequently, we see opportunities of reaching an individual solution with the Chinese Ministry of Commerce via its "New Shipper Review." We also have the opportunity of extensively selling US-made polysilicon to customers in other countries. Should we be affected by punitive tariffs, this would have a low impact on Group earnings in 2015.

### New Regulations for Upstream, Intermediate and Downstream Products That WACKER Produces Itself or Uses and Their Effects on Our Production Processes

**Scenario**: The production and use of chemical substances will be more strictly regulated due to new legal regulations. New legal provisions necessitate changes in WACKER's production processes.

**Impact on WACKER**: Additional investments in production facilities and revenue losses in individual application fields.

**Measures**: WACKER continually monitors the regulatory environment surrounding its products and production processes so that it can react promptly to impending changes. This is why we have begun to technologically enhance individual silicone production plants in preparation for possible regulatory changes.

**Evaluation**: In principle, it is always possible that new legal regulations will make it necessary to modify our product portfolio or production processes.

**Risk Assessment**: We consider it likely that new legal provisions will require additional investment in our production facilities or changes to our product portfolio. Should such changes occur, the impact on WACKER's earnings would be low, at most.

## IT Risks

**Scenario**: Attacks, system errors and unauthorized access to IT systems and networks, threatening data security.

**Impact on WACKER**: Negative impact on the company's earnings, net assets and financial position, on production processes and on workflows; loss of know-how.

**Measures**: We continually monitor our use of information technology and do everything we can to ensure that IT-supported business processes function reliably. Our IT-security and risk-management specialists are responsible for handling hazards in a cost-efficient way. Their work is based on ISO 27001. Using risk analyses, we define the requirements for WACKER's central systems – in terms of availability, and data integrity and confidentiality. We anchor these requirements in SLAs (service level agreements) at our business divisions and corporate departments, and continually monitor compliance with those agreements. For our central ERP systems (Enterprise Resource Planning), we set – and exceeded – an availability goal of 99.5 percent for 2014. To achieve such a level, we design our systems for maximum availability, with an associated backup and recovery procedure. We have taken appropriate precautions to cover emergency situations (business continuity management).

We minimize project-related IT risks with the help of a uniform project and quality-management method. It ensures that changes are integrated into our system landscape in a controlled manner. Before new IT solutions are rolled out, we ensure that development and security requirements have been observed. Systematic enterprise-architecture management reduces complexity and risks.

As part of the risk management process, we log and evaluate any operations-related risks that arise and initiate countermeasures. We also optimize IT service management processes on an ongoing basis. We use state-of-the-art hardware and software solutions to counter network downtime, data loss or manipulation, and unauthorized access to our network. We use efficient software security programs to protect ourselves against malware. We have set up an international security team, which addresses problems involving data and system confidentiality, integrity and availability by means of organizational and technical measures and awareness programs. Information events and training on IT security ensure that our employees have the necessary skills to heighten information security at the company. In addition, we regularly conduct comprehensive penetration tests and audits at domestic and international sites to prevent the risk of hacker attacks.

**Evaluation**: We can never completely rule out system errors and attacks on our IT systems and networks. A long-term failure of IT systems or a major loss of data can considerably impair WACKER's operations.

**Risk Assessment**: Thanks to our precautionary measures, we consider the occurrence of such events – and the risks associated with them – to be unlikely. However, if one of our IT systems experienced downtime, a service disruption or a hacker attack affecting a significant number of users or lasting a longer period of time, there would be a medium impact on Group earnings.

## Personnel-Related Risks

**Scenario**: Demographic change, lack of qualified technical and managerial employees, and problems in filling executive positions.

**Impact on WACKER**: The lack of technical and managerial employees could dampen our continued growth and lead to the loss of our technological edge.

**Measures**: We counter these risks through personnel-policy measures. These particularly include our new Talent Management Process and the development plans derived from it. In addition, we offer a wide variety of training programs, good social benefits and performance-oriented compensation. We also offer our employees in Germany a wide range of working-time models and arrangements to better balance career demands with the different phases of life.

WACKER has a detailed, groupwide successor-planning process in place for all key positions in the company, including all positions held by executive personnel. For every upper management position, we observe up to three candidates to assess their potential and performance. In successor planning, WACKER distinguishes between short-term needs (up to two years) and medium-term needs (two to four years). In addition, WACKER has appointed deputies for executive personnel in the event of a lengthy absence or illness.

**Evaluation**: Demographic change will increase the risk of not being able to find sufficiently qualified personnel for technical and managerial positions in the medium to long term.

**Risk Assessment**: For 2015, we consider the risks to our personnel needs as being low. Should these risks occur, we believe that the impact on Group earnings would be low.

## External Risks

**Scenario**: Pandemic, natural disaster, war or civil war.

**Impact on WACKER**: Impairment of our entrepreneurial capacity to act, production downtimes, loss of trade receivables, impact on sales and earnings.

**Measures**: WACKER is a global operation with production facilities and technical centers in Europe, the Americas and Asia, and about 50 sales offices worldwide. Possible pandemics, natural disasters and acts of war in individual countries or regions where we are active represent a potential risk to our business and production operations, product sales and fixed assets and, therefore, to our earnings, net assets and financial position. Our managerial entities and our sites have worked out and publicized plans and measures to minimize the effects of a pandemic on the health of our employees and on our business processes. A standardized and coordinated approach is ensured by a “pandemic preparedness plan.” The financial impact of damage to our production plants due to natural disasters is partly covered by insurance. Since WACKER has production sites on various continents, we can ensure manufacturing and delivery capability to some degree even if individual plants should fail.

**Evaluation**: Risks from pandemics, natural disasters, and acts of war or civil war can never be ruled out entirely.

**Risk Assessment**: In our view, it is unlikely that WACKER could be affected by risks from pandemics, natural disasters, and acts of war or civil war. Our preparedness plan and our internationally distributed production sites and sales offices help to limit the impact of local or regional damage on our business processes. As a result, we estimate that even if such events occurred, the impact on WACKER's earnings would be low.

### Development of Risks in 2015

G 3.62

| Risks | Status |
|---|---|
| Overall economic risks | ● |
| Sales-market risks | ● |
| Procurement-market risks | ● |
| Market-trend risks | ● |
| Investment risks | ● |
| Production risks | ● |
| Financial risks | ● |
| Credit risks | ● |
| Market-price risks and risks of fluctuating payment flows | ● |
| Liquidity risk | ● |
| Pensions | ● |
| Legal risks | ● |
| Regulatory risks | ▼ |
| Anti-dumping proceedings related to polysilicon | ▼ |
| Energy transition | ▼ |
| New regulations for upstream, intermediate and downstream products and for production processes | ▲ |
| IT risks | ● |
| Personnel-related risks | ● |
| External risks | ● |

● Unchanged ▼ Decreased ▲ Increased

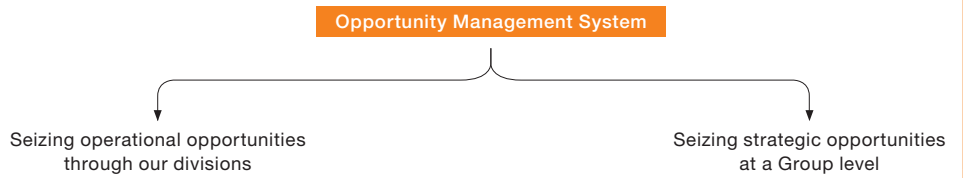
# Opportunities Report

## Opportunity Management System

WACKER's opportunity management system remained unchanged from the previous year. It is a divisional and Group-level instrument. We identify operational opportunities and exploit them in our business divisions, which possess the detailed product and market expertise required. We continuously use market observation and analysis tools to obtain a well-structured analysis of market, industry and competitor data, for instance. In addition, we hold customer interviews to evaluate future opportunities. The monitoring process – how WACKER seizes opportunities – is based on key indicators (such as rolling forecasts and current-status reporting).

Opportunity Management System

G 3.63




Strategic opportunities of vital importance – such as strategy adjustments, potential acquisitions, collaborations and partnerships – are handled at the Executive Board level. Such opportunities are incorporated into WACKER's annual strategy-development and planning process, with current issues being discussed at regularly scheduled Executive Board meetings. For these issues, we normally use various scenarios to develop risk-opportunity profiles before making decisions.

WACKER has identified a whole range of opportunities for advancing the Group's success over the next few years.

Overview of Business Opportunities

T 3.64

| | |
|---|---|
| Overall economic opportunities | Growth in Asia and other emerging markets |
| Sector-specific opportunities | Good product portfolio for megatrends, such as energy, rising affluence, urbanization and digitization |
| Strategic opportunities | Expansion of our production capacities |
| | New high-quality products via innovations |
| Performance-related opportunities | Higher plant productivity |
| | Extension of our sales organization and establishment of technical competence centers |
| | Region-specific product development via complete supply chain for dispersions and dispersible polymer powders |

## Overall Economic-Growth Opportunities

Although the economic environment is becoming tougher, WACKER sees good opportunities for growth in new markets and sales regions. Our focus here is on Brazil, China, India and the Middle East. As previously, we expect the highest growth rates to be in China, India and Southeast Asia. To seize such opportunities, we are steadily expanding our presence in these markets. Our technical competence centers and the

WACKER ACADEMY are pivotal in achieving WACKER's high standard of service and customer proximity.

## Sector-Specific Opportunities

Our extensive product portfolio in particular offers sector-specific opportunities by placing us in an excellent position to satisfy global megatrends. These trends remain as important as ever to our business.

Rising affluence in Asia and in the emerging economies of other regions is driving demand for high-quality products using silicones. WACKER wants to benefit from this development and further increase its proportion of high-value silicone products compared with standard products. Our main points of focus are automotive applications, cosmetics, personal care, health, medicine and electronics. We intend to support growth here by launching innovative products in the personal-care, textile-impregnation and electronics sectors. We see good growth prospects for WACKER SILICONES in the electrical and electronics markets, especially in the field of LEDs and automotive electronics. According to a McKinsey study, cars will become much more digitally integrated over the next few years. By 2020, it is expected that one in five cars will be linked to the internet. The electronics required can only be protected reliably with silicone gels and silicone encapsulants.

What is more, our products play a key role in the development of innovative safety systems. In partnership with leading automotive suppliers, we are working on developing new driver-assistance and lighting systems based on energy-saving LEDs. We opened a new airbag competence center in Tsukuba, Japan, where we develop innovative silicone coatings for airbags. This market, according to a Markets and Markets study, is set to grow by almost 10 percent every year until 2019. Rising demand in North America and Asia is driving this growth.

WACKER POLYMERS also has potential for growth thanks to rising affluence in emerging economies. The move away from conventional building materials and construction methods to higher quality systems will continue. A key aspect here is the use of dispersible polymer powders for modifying cement. Cement mixed with these polymer powders is easier to process, can be applied more thinly and its properties can be substantially improved. Its spreadability, flexibility or water repellency increases. But, so far, some 80 percent of dry-mix mortars used in the building sector are not modified. In many regions, construction experts have only just started to appreciate the benefits of polymer-modified dry-mix mortars. WACKER POLYMERS continues to see growth potential in its material-substitution business, especially in the carpet and paper industries.

With its acquisition of Halle-based Scil Proteins Production GmbH, WACKER BIOSOLUTIONS has considerably expanded its offering for the contract manufacturing of pharmaceutical proteins. We now have a fermenter with a capacity of up to 1,500 liters. It can be used not only to manufacture pharmaceutical actives for clinical testing, but also to supply the market.

Energy remains a key megatrend, with the photovoltaic industry playing a major part here. The competitiveness of the solar industry compared to other energy sources continues to spur demand for solar installations. All around the globe, the use of renewable energy is increasing. We see growth potential mainly in China, Japan and the USA. As a producer of hyperpure polysilicon and a cost and quality leader, WACKER POLYSILICON will benefit from this megatrend.

### Sales Volumes: Opportunities and Risks

T 3.65

| Risks | Opportunities |
|---|---|
| Weaker economic growth in emerging markets | Sales growth driven by products for cosmetics and personal care, electronics and construction |
| Increased uncertainty due to trouble spots in the Middle East and Ukraine | Rising silicon-wafer prices |
| | Low oil prices of oil spur economic recovery |

### Strategic Opportunities

Thanks to the production-capacity expansion of recent years, WACKER has opportunities for further growth at its business divisions. The investment focus is now shifting, though, toward facilities for the manufacture of downstream products. The commissioning of the new polysilicon site in Tennessee (USA) in the second half of 2015 will bring fresh production capacities on stream and enable us to tap into further growth on the photovoltaic market.

### Performance-Related Opportunities

WACKER has a number of options for improving its cost structures, processes and productivity. We have identified scope for cutting costs at WACKER POLYSILICON and Siltronic and are already acting to realize these savings. The various levers for cost reductions include the specific costs for auxiliaries, productivity advances on the manufacturing side, and a broader choice of suppliers for securing more attractive purchasing terms.

At WACKER SILICONES, we are working on optimizing our integrated production system, while increasing the proportion of higher-quality products per metric ton of siloxane. For a number of years now, the Wacker Operating System (WOS) program has been helping us to realize further potential savings by optimizing our processes and increasing productivity. Specific energy consumption alone – i.e. amount of energy per unit of net production output – is to be reduced by 11 percent in Germany by 2022.

## Executive Board Evaluation of Overall Risk

The Executive Board bases its estimate of the overall risk situation on the risk management system in place. The system compiles all risks identified by our divisions, corporate departments and regional entities, and is regularly reviewed by the Executive Board. Now that WACKER and the Chinese Ministry of Commerce (MOFCOM) have resolved the issue of polysilicon exports to China, a major risk facing our business has been eliminated. Consequently, the overall risk level for the WACKER Group has decreased somewhat compared with the previous year. As of this report's publication date, the Executive Board does not see any individual or aggregate risk that could endanger WACKER's future in any material way. Market risks still exist in the photovoltaic industry, which is dominated by overcapacity, low prices and intra-sector consolidation. Despite these risks, we continue to see good opportunities for WACKER to be successful in this market in the medium to long term. We remain confident that WACKER is strategically and financially so well positioned that we can take advantage of any opportunities that arise.

# Combined Management Report
# Outlook

# 4

## Household Goods

Putting the fun into baking … ELASTOSIL® is one of WACKER's most successful brands and stands for a broad range of high-quality silicone products. Silicone rubber grades are heat-resistant and have a neutral taste and odor. This makes them ideal for producing, for example, colorful baking molds that just shrug off sticky or burned food residues.

# Combined Management Report
# Outlook

# Outlook

Despite a multitude of crises and conflicts, economists expect the global economy to continue to expand in the next two years. How robust this growth will be, however, depends on the extent to which geopolitical risks can be contained. The low oil price could spur global growth. The USA should see its economic output continue to grow strongly relative to the past year. Growth in Asia will be at the 2014 level – and China will be no exception. Growth in India might even speed up, due to economic reforms launched by the new government. Europe's recovery will continue at a moderate pace, according to the experts. In our scenario, we project that the global economy will expand in 2015, with similar growth in 2016.

## Underlying Economic Conditions

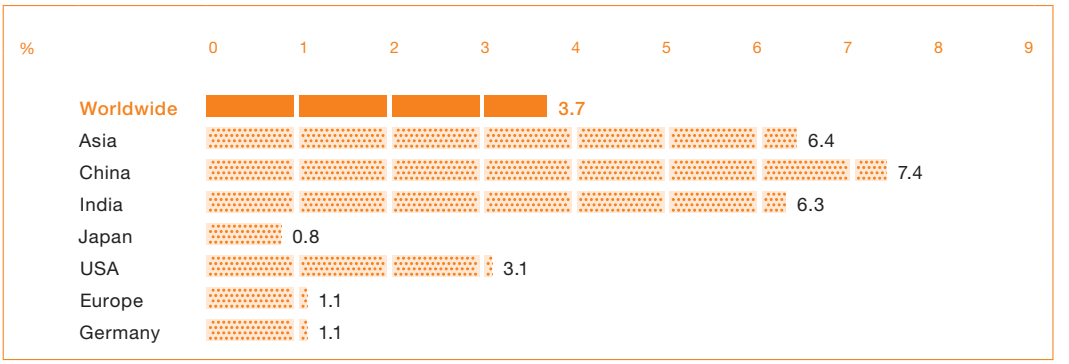
The global economy will experience slightly higher growth in 2015 than in the previous year, according to the Organisation for Economic Co-operation and Development (OECD). Global GDP is expected to rise by 3.7 percent (2014: 3.3 percent), and the OECD estimate for 2016 is 3.9 percent. According to the IMF, upward momentum in 2015 will mainly come from emerging markets, with an increase of 4.3 percent. Advanced economies will deliver GDP growth of 2.4 percent.

### US Economy with Robust Growth

The OECD projects that growth in the USA will continue over the next two years. Factors sustaining momentum are the reindustrialization of the US economy, gains in employment and higher consumer spending. The OECD expects output to grow by 3.1 percent. For 2016, the OECD estimate is 3.0 percent.

**GDP Trends in 2015**

G 4.1




Sources – worldwide: OECD; Asia: ADB; China: ADB; India: ADB; Japan: OECD; USA: OECD; Europe: OECD; Germany: OECD

### Asia Puts Greater Emphasis on Sustainable Economic Expansion

In 2015, economic output in Asia will increase at a rate similar to last year. According to the Asian Development Bank (ADB), Asian economies will expand by 6.4 percent compared with 2014. In China, the days of double-digit growth are over. Nevertheless, the country's economy is still growing at a high single-digit rate. The ADB expects China to post a rise of 7.4 percent. For 2016, the OECD anticipates a gain of 6.9 percent. The new government in India appears to be introducing necessary economic reforms, a move that will provide new impetus to the Indian economy. The ADB expects GDP in India to rise by 6.3 percent in 2015. Analysts expect the Japanese economy to pick up again slightly in 2015, after last year's weak growth. The OECD forecasts growth of 0.8 percent year on year, and 1.0 percent for 2016.

### Europe Continues to Recover in 2015

Europe will continue on its path to recovery in 2015, according to the OECD. However, growth will still be impeded by high unemployment, fiscal consolidation in individual countries and too little investment spending. The OECD anticipates GDP growth in Europe to be 1.1 percent in 2015. Economic output could gain more momentum in 2016, with the OECD projecting a possible increase of 1.7 percent. Economists expect the German economy to also expand by 1.1 percent. For 2016, the OECD projects growth of 1.8 percent. A sustained low level of oil prices, though, could ease the cost burden on businesses and increase consumer purchasing power. Both factors together could have a positive influence on growth.

## General Sector-Specific Conditions

We expect economic trends in the sectors relevant to our business to be positive in 2015.

### Semiconductor-Wafer Demand Likely to Rise in 2015

According to Gartner's market research experts, semiconductor-wafer market volume will grow in 2015. Worldwide silicon-wafer sales by surface area sold are expected to rise 2.6 percent year on year to 68 billion $cm^2$. Above-average growth of 3.6 percent is projected for the 300 mm wafer segment, with modest growth of 1.2 percent for wafers with diameters below 300 mm. Gartner analysts expect semiconductor revenues to rise by 5.2 percent globally in 2015 to around US$9.3 billion. Gartner also envisages slight increases in worldwide volumes and revenues in 2016. WACKER stands to benefit from further market growth for 300 mm wafers.

### WACKER's Key Customer Sectors

T 4.2

| Sectors | Trends in 2014 | Trends in 2015 |
|---|---|---|
| Construction | Growth | Growth |
| Photovoltaic | Growth, continuing market overcapacity and ongoing consolidation | Strong growth, continuing market overcapacity and ongoing consolidation |
| Semiconductor | Growth | Growth |
| Energy/electrical | Slight growth | Slight growth |
| Chemical | Weak growth | Slight growth |

## Photovoltaic Market Remains Challenging but Will Continue to Grow

The photovoltaic market will remain challenging in 2015. In particular, low profitability at many solar companies, production overcapacity and low prices will contribute to market uncertainty.

### Photovoltaic-Market Trend in 2015

T 4.3

| | Installation of New PV Capacity (MW) | | Growth in 2015 |
|---|---|---|---|
| | 2015 | 2014 | % |
| Germany | 1,500 | 1,900 | –21 |
| Italy | 800 | 800 | – |
| France | 1,100 | 1,100 | – |
| Rest of Europe | 6,400 | 5,200 | 23 |
| USA | 8,500 | 7,000 | 21 |
| Japan | 9,000 | 9,500 | –5 |
| China | 14,400 | 13,100 | 10 |
| Other regions | 11,100 | 7,000 | 59 |
| Total | 52,800 | 45,600 | 16 |

Source: IHS; German Federal Network Agency; WACKER's own market research

On the other hand, the substantial fall in prices of recent years has made photovoltaics even more competitive compared with other energy sources, helping to create new markets and promote growth in global solar-application markets. China will remain the world's largest and most important market in 2015. According to the market researchers at IHS, the USA, Japan and India are among the countries with a high rate of capacity additions. Regions with additional growth potential include Central and South America, the Middle East and Africa.

WACKER's own market research indicates continued photovoltaic-market growth in 2015, with newly installed photovoltaic (PV) capacity likely to reach between 50 and 60 gigawatts (GW).

## Chemical Industry Set to Continue to Grow Moderately in 2015

After a mixed year in 2014, the German Chemical Industry Association (VCI) expects the eurozone economic recovery to continue in 2015 and production and sales to grow, with slightly lower prices for chemical products. Production output and sales are both projected to rise by 1.5 percent. Exports remain the growth driver in Germany's chemical sector, with the USA still the biggest trading partner by far. The European Chemical Industry Council (Cefic) is not quite as optimistic about Europe, forecasting production growth of just 1 percent in 2015.

WACKER's chemical divisions see growth opportunities primarily in the BRIC countries, in other emerging economies and in the USA. Given the growing affluence of emerging economies, we will increase our sales further in such countries as China and India, as well as in Southeast Asia. The WACKER portfolio includes many high-value products that are in demand among new customer groups. WACKER POLYMERS sees good growth potential for polymer-modified dry-mix mortars in Asia, South America and Eastern Europe, and for substitution activities in the paper and carpet industries. WACKER SILICONES expects revenue growth in automotive electronics, cosmetics, personal care, construction and medical technology. The division plans to further increase the share of high-value products in its sales mix compared with standard products.

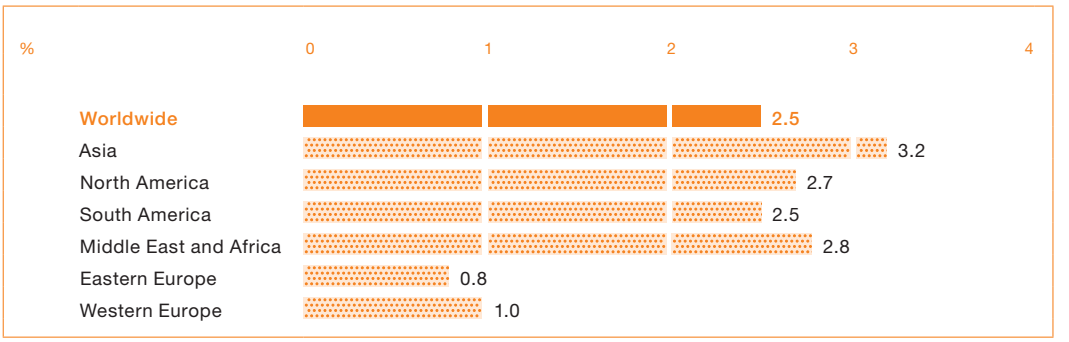
## Global Construction Industry to Remain on Growth Trajectory

According to market research institute B+L Marktdaten GmbH, the construction industry will continue expanding over the next few years. Construction volume is forecast to grow by an average of 2.5 percent annually until 2017. The main driver is the entire Asian region, though volume growth is also anticipated in North and South America, the Middle East and Africa. In the USA, B+L Marktdaten GmbH also forecasts substantial growth for 2015 in particular, above all in the private-housing sector. Western Europe is expected to grow modestly in 2015. In Italy and Spain, there are initial signs of a construction-sector recovery. Renovation projects and energy efficiency will continue to provide WACKER with very good opportunities for growth in the years to come.

At WACKER POLYMERS, we expect construction-sector sales to climb in every region in 2015, with ongoing growth in such areas as interior paints and dry-mix mortars. At WACKER SILICONES, the percentage of high-value construction products in the portfolio should continue to increase. Good growth potential is provided by new silicone resins (for wood and insulation impregnation) that are made of silane-modified organic polymer components, by high-performance adhesives and sealants formulated with the same components, and by silicone sealants sold under our own brand.

Growth Rate of Global Construction by Region, 2014 to 2017

G 4.4




Source: B+L Marktdaten GmbH

### Electrical and Electronics Industries Expect Moderate Growth in 2015

The electrical and electronics industries expect global market volumes to expand by 6 percent. According to estimates by the ZVEI (German Electrical and Electronic Manufacturers' Association), this growth will be fueled mainly by Asia, the USA, and emerging-market countries. For Germany's electrical and electronics sectors, the ZVEI anticipates a price-adjusted 1.5-percent rise in production output during 2015. WACKER sees good growth prospects for specialty silanes in semiconductors and for silicone products in automotive electronics. The trend in the automotive market remains dynamic. Growth is driven not only by potting compounds and heat-dissipating adhesives and sealants for electronic components, but also by encapsulation materials for LED-based vehicle lighting systems. We expect to generate additional growth with products for optical applications (LEDs) and screens (displays), areas in which we have launched various innovation projects.

## Group Strategy for the Next Two Years

Three levers will continue to determine WACKER's business strategy over the next two years: expansion into emerging markets and regions, innovations, and the substitution of competitor products with WACKER products. The focal regions for further growth remain unchanged: Brazil, China, India, Southeast Asia and the Middle East. Of these, China offers the greatest potential. We continue to see good opportunities for growth in India. There is also potential for expanding our sales in the USA, an established market.

The completion of the new production site for polysilicon in Tennessee in 2015 will conclude our investments in large-scale plants for upstream products. Our strategic focus now is on less capital-intensive investments in plants for downstream products.

WACKER will drive forward its international expansion over the next two years. We will transfer even greater operational responsibility to the regions, in order to tailor our products even better to local requirements. We are systematically expanding our network of technical competence centers and WACKER ACADEMY sites.

We will carry on with the measures aimed at improving our profitability. The principal aspects are the following:

### Resource-Management Measures

T 4.5

| Measures |
| --- |
| Productivity measures relating to the “Wacker Operating System” (WOS) program |
| Productivity and cost measures at WACKER POLYSILICON and Siltronic |
| Efficiency projects for corporate departments |
| Prudent HR planning |

## The WACKER Group’s Prospects

Our expectations are based on the assumption that the global economy will grow in 2015. The largest growth impetus will come from Asia and the USA, with subdued growth in Europe.

Our capital expenditures in 2015 will prioritize the completion of our polysilicon production site in Tennessee (USA), which we aim to start up in the second half of 2015. In general, we are shifting our investment focus toward plants for manufacturing downstream products. WACKER’s priority is to grow its business organically. In our opinion, the applications and markets that we are addressing will continue to offer good growth potential. Investments will exceed depreciation in 2015 due to the completion of our polysilicon production site in Tennessee (USA). Our 2016 capital expenditures will fall below the level of depreciation.

WACKER POLYMERS is expanding its production facilities for dispersible polymer powders in Burghausen (Germany) and for dispersions in Calvert City (USA). In Burghausen, a new 50,000 metric-ton reactor is being built for dispersible polymer powders and, in Calvert City, we are expanding our existing dispersions plant by 85,000 metric tons. At WACKER SILICONES, investments will flow into the completion of a plant for modified silicones in Burghausen. At Siltronic, capital expenditures are focused on meeting the latest design-rule specifications for 300 mm technology.

### Future Products and Services

WACKER POLYMERS is intensifying its activities in polymeric binders for modifying dry-mix mortars. Demand for high-quality construction materials is growing in Asia, South America and Eastern Europe. We have developed special dispersible polymer powders for sophisticated tile adhesives that securely bond heavy, large-format porcelain and natural-stone tiles. Transparency Market Research projects that tile-market growth will average 9 percent annually until 2018.

Worldwide demand for paints and coatings is growing, especially for environmentally friendly water-based products. Researchers at Orr&Boss estimate that the global coatings industry will be worth around US$140 billion by 2017, with Asia accounting for about 50 percent of this amount. The market researchers also expect sales growth in South America, Africa and the Middle East. We aim to expand our market position in these regions with specialty VINNAPAS® VAE dispersions that are adapted to local requirements for use in environmentally compatible interior paints.

In the electronics sector, WACKER SILICONES is developing silicone gels for low-reflection displays, and heat-dissipating adhesives and sealants for automotive and power electronics. In lighting technology, we will see the increasing use of highly transparent liquid silicones for flexible optical lenses. These lenses improve light control in LED lamps. As a result, high-performance silicones play a key role in the development of new, adaptive headlamp systems for cars. According to a McKinsey study, the lighting market will grow to €100 billion by 2020, with annual growth rates of between 3 and 5 percent.

In cosmetics and personal care, we are developing new silicone additives. The emphasis in Asia is on silicone elastomer gels for formulating skin creams and make-up. In China and India, we are expanding our portfolio of silicone emulsions for shampoos and conditioners. The global market for cosmetics and personal-care products is growing by 3 percent, according to Euromonitor. Impetus for growth is coming primarily from South America (5 percent), Asia (4 percent) and the Middle East (4 percent). Asia has already become the world's largest market, with the value of goods sold exceeding €83 billion.

In construction, WACKER SILICONES is focusing on silane-modified hybrid polymers, used in formulating highly durable industrial adhesives, coatings and sealing membranes. We also expect growth momentum from our silicone additives for polymer modification, as they will increasingly replace organic additives. The global market for these additives will grow by around 5 percent annually until 2020, according to BCC Research. In addition, we are introducing new defoaming agents for the paper and pulp industry.

The global volume of nutritional supplements and food products offering additional benefits is rising. Using our cyclodextrin technology platform, WACKER BIOSOLUTIONS aims to profit from further growth in these markets, for example with a highly bioavailable curcumin complex. Transparency Market Research expects the global market for food supplements to grow by an average of 6 percent annually. We have fundamentally refined our patented secretion technology, ESETEC®. In cooperation with MedImmune (Astra Zeneca's R&D division for biologics), WACKER has completed a successful market feasibility study for manufacturing a special active ingredient using the improved ESETEC® 2.0 system. MedImmune commissioned WACKER to find a cost-effective methodology for antibody-fragment production for future therapies. Studies conducted by Research and Markets indicate that the biologics market will be worth about US$500 billion by 2020, with annual growth rates of around 13 percent.

## Research and Development

The Group's research and development work will remain focused on key strategic projects. WACKER intends to spend 20 percent (2014: 20 percent) of its R&D budget on these projects in 2015. One major aspect of R&D work in 2015 will be to bring to market the initial results of our New Solutions project – an initiative for developing technically and commercially superior solutions for new applications. The R&D budget planned for 2015 amounts to about €185 million. Our R&D priorities remain the highly promising fields of energy, consumer care, biotechnology, construction applications and semiconductors. We are devoting particular attention to energy storage and renewable energy generation.

## Production

WACKER will bring additional production capacity on stream over the next two years. WACKER POLYSILICON plans to start up polysilicon production at the new site in Tennessee (USA) in the second half of 2015. WACKER POLYMERS is expanding its annual capacity in Burghausen for dispersible polymer powders by 50,000 metric tons, and for specialty monomers by 3,800 metric tons. At the Calvert City (USA) site, a facility is being built to manufacture 85,000 metric tons of dispersions annually. At WACKER SILICONES, we are expanding a plant for modified siloxanes, scheduled to start up in 2015. The Group's "Wacker Operating System" (WOS) program is focused on further improving the productivity of production facilities and all production-related service departments. This involves scrutinizing all the main productivity levers (raw-material and energy efficiency, maintenance, capacities, and labor productivity). The emphasis is on key projects that have a high economic impact on both costs and benefits.

### Facility Start-Ups in 2015

T 4.6

| Location | Projects | Start-Up |
|---|---|---|
| Charleston | Polysilicon production plant | 2015 |
| Calvert City | Dispersions reactor | 2015 |
| Burghausen | Polymer powder dryer | 2015 |
| Burghausen | Specialty monomers | 2015 |
| Burghausen | Expansion of MSA plant (modified siloxanes) | 2015 |

Maintenance costs will rise in 2015 to around €410 million, due to the start-up of the new production site in Tennessee (USA) and to 300 mm wafer production at Siltronic Silicon Wafer Pte. Ltd. in Singapore.

## Procurement and Logistics

Energy and raw-material procurement continues to have a significant influence on WACKER's profitability. Our energy and raw-material costs account for over one-third of the cost of goods sold. WACKER anticipates diverging trends for raw-material prices. In our opinion, prices for silicon metal will climb in 2015 due to production outages in Brazil, the world's second-largest silicon producer. For vinyl acetate monomer (VAM), we expect a substantial drop after the very high prices of 2014. The price for ethylene, coupled to the price of oil, will also decline in 2015. We anticipate that the 2015 trend for methanol prices will be flat.

We assume that electricity prices will remain flat in 2015, whereas gas prices will go up slightly year on year. Energy costs for 2015 will remain at about the same level as last year.

Supplies of raw materials and energy in 2015 are essentially secured. The markets where we source our raw materials are sufficiently liquid for bottlenecks to be unlikely. In the coming two years, we will continue to broaden the international base of WACKER's WACKER's portfolio of raw-material suppliers. At the same time, we will keep an even sharper eye on the raw-material purchasing sources that are relevant to us, so that we can access new suppliers.

We have adopted the same approach with technical procurement, where we continue to systematically optimize our supplier portfolio in order to measurably increase the business value contribution to the company's success in the coming years. Our emphasis here is on systematically expanding our global procurement network, with two main areas of focus. In line with our policy "from the region and for the region," we will specifically scout out suitable local suppliers as WACKER partners for new projects in Asia, primarily China and South Korea. At the same time, we will expand procurement from China, India and South Korea for our sites in the Americas and Europe. These efforts also involve enhancing the IT and communication networks of our international procurement organization. Key areas are the gradual internationalization of work on goods categories and regular information-sharing by the regional purchasing organizations.

WACKER wants to intensify its commitment to sustainable management in the supply chain. For this reason, our company joined the chemical industry's "Together for Sustainability" initiative (TfS) in January 2015. Founded in 2011, this organization aims to develop a global program for responsible procurement of goods and services and to improve the ecological and social standards of suppliers.

In logistics, we intend to shift more freight from road to rail, thanks to the new public freight terminal (combined road/rail terminal) in Burghausen.

### Sales and Marketing

For its silicone customers, WACKER will augment its technical centers in both Moscow and Dubai to develop new applications on-site for silicone rubber and for silicone elastomers. Following the 2014 opening of a new sales office in the Philippines, we will expand our sales team there. In Brazil, we plan to broaden marketing efforts in the areas of foodstuffs, agriculture and textiles with the help of distribution partners. The key tradeshows for us in 2015 include the European Coatings Show (ECS) in Nuremberg, in-cosmetics in Barcelona, Fakuma in Friedrichshafen and Compamed in Düsseldorf. At ECS, WACKER will present new binders for high-strength industrial adhesives and a silicone resin for formulating wood coatings.

### Employees

We expect employee numbers to increase in 2015. This is due primarily to the start-up of polysilicon production in Tennessee (USA) and an anticipated increase in production at WACKER POLYMERS and WACKER SILICONES. WACKER, however, will continue its conservative approach toward hiring new employees.

### Sustainability

WACKER will keep its focus on improving its energy efficiency. The planned start-up of polysilicon production in Tennessee will increase our electricity needs. We aim to reduce our weighted specific energy consumption (amount of energy per unit of net production output) in Germany by one-third by 2022, with 2007 as the base year.

The main sources of our greenhouse gas emissions are energy generation and consumption. For this reason, WACKER's target at its German sites is to achieve a 15-percent drop in specific $CO_2$ emissions per metric ton of net production between 2014 and 2022 – based on the year 2012 and maintaining a similar product portfolio. We want to lower dust emissions by 25 percent by 2022 – while maintaining a similar product portfolio. We also pursue the goal of reducing emissions from non-methane volatile organic compounds (NMVOCs). Using the adjusted methods for assessing NMVOC emissions we will determine new potential for reducing this substance. With these quantifiable environmental goals, we intend to decrease the impact of our production activities on the environment.

Our 2015 goal for occupational safety is to reduce our groupwide accident rate (the number of workplace accidents per million hours worked) to below 2.0.

We are preparing another 145 substance dossiers for the third stage of REACH, which runs until mid-2018. We will publish further descriptions of the safe, environmentally compliant use of chemicals (GPS safety summaries) for the substances we have registered with the European Chemicals Agency (ECHA).

WACKER will publish its 2013/2014 Sustainability Report in 2015.

## Outlook for 2015

WACKER's main planning assumptions relate to raw-material and energy costs, personnel expenses and exchange rates. For 2015, we are planning on an exchange rate of US$1.15 and ¥135 to €1.

### Performance Indicators and Value-Based Management

WACKER's key financial performance indicators are unchanged compared with the previous year.

### Group Sales and Volumes Set to Grow in 2015

WACKER expects volumes to rise at every division in 2015. In our planning assumptions, we expect prices for silicon wafers to remain flat and prices for polysilicon to be around the Q4 2014 level. Group sales are expected to increase by a high single-digit percentage – also benefiting from changes in exchange-rate parities.

Economic uncertainties mean the actual performance of the WACKER Group and its divisions could depart from our assumptions, either positively or negatively.

From today's perspective, sales will climb at our chemical divisions and at WACKER POLYSILICON and Siltronic. We anticipate that Asia will deliver the biggest sales gains for our products. In 2016, sales should increase further compared with 2015 – provided that the world economy remains on its growth path, as predicted by business research institutes, and that there are no unforeseeable slumps in WACKER's key regions and industries.

## Outlook for 2015

T 4.7

| | Reported for 2014 | Outlook for 2015 |
|---|---|---|
| **Key Financial Performance Indicators** | | |
| EBITDA margin (%) | 21.6 | Substantially lower |
| EBITDA (€ million) | 1,042.3 | Adjusted for special income; slight increase |
| ROCE (%) | 8.4 | Lower |
| Net cash flow (€ million) | 215.7 | Slightly positive |
| **Supplementary Financial Performance Indicators** | | |
| Sales (€ million) | 4,826.4 | High-single-digit % increase |
| Investments (€ million) | 572.2 | Approx. 700 |
| Net financial debt (€ million) | 1,080.6 | Increase of between 200 and 300 |
| Depreciation (€ million) | 599.0 | Approx. 625 |

### Outlook for the Key Performance Indicators at the Group Level

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

**EBITDA margin and EBITDA**: the EBITDA margin will be below the prior year. This is because we do not anticipate a comparably high level of solar-sector special income from damages received and from the restructuring of contractual and delivery relationships with customers. Other factors weighing on our EBITDA margin are the start-up costs for bringing our new Charleston (Tennessee, USA) polysilicon plant on stream and the slightly lower, overall price level in our business. Changes in exchange-rate parities will have a positive impact of about €100 million on EBITDA. Only about €40 million of this amount will effectively benefit EBITDA due to changes in the hedging result. Relative to a year earlier, EBITDA should rise modestly, adjusted on a comparable basis to exclude special solar-sector income from damages received and from restructured contractual and delivery relationships with customers. With depreciation slightly up year on year, Group net income will come in below the 2014 figure, due to lower special income and a tax rate of slightly more than 50 percent.

**ROCE**: compared with a year earlier, ROCE will be lower (2014: 8.4 percent).

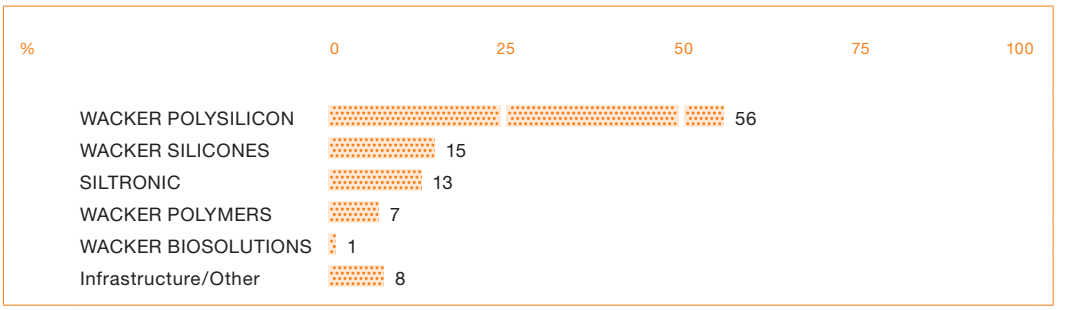
**Net cash flow**: amid higher capital expenditures, we expect net cash flow to be slightly positive in 2015, though substantially below the prior-year level. A major reason for the contraction is the year-on-year decline in special income.

### Outlook for Supplementary Performance Indicators at the Group Level

**Investments**: at about €700 million, investments will be higher in 2015 due to changes in exchange-rate parities, and will exceed depreciation. In 2015, depreciation will amount to around €625 million, slightly higher than in 2014. Most of the investments are for constructing the new production site in Charleston, Tennessee (USA). It is unlikely that the anticipated cash flow from operating activities will fully cover capital expenditures. For 2016, investments should decrease significantly.

### Investments by Division in 2015

G 4.8




**Net financial debt**: our net financial debt will climb by between about €200 million and €300 million year on year (2014: €1.08 billion). This increase stems from investments in the new production site in Charleston, Tennessee (USA), and from our polysilicon deliveries to customers for advance payments already received from them.

## Divisional Sales and EBITDA Trends

At WACKER SILICONES, we expect to lift sales substantially in 2015 relative to a year earlier. As for raw-material costs, we anticipate somewhat higher prices, especially for silicon metal. Sales growth will be fueled by every WACKER SILICONES business sector. The division's volume growth will correspond to global GDP expansion. The strongest growth momentum will primarily come from Asia, where rising affluence is prompting higher consumption of silicone products. We also expect the upward trend in sales to continue in the Americas, Europe and the "other" regions. Particular areas of growth are products and applications for personal care, medical technology, and the electrical and electronics sectors, as well as our silane-modified polymers. Further, we want to increase the share of specialty products in overall sales at an above-average rate and keep capacity utilization high. EBITDA should be markedly above the prior-year figure.

At WACKER POLYMERS, our forecast is for robust sales growth compared with last year. On the raw-materials side, we expect the price of vinyl acetate monomer (VAM) to edge down after its strong 2014 rise, though not back to its pre-increase level. Both dispersions and dispersible polymer powders will contribute to sales growth. In dispersions, momentum will come from construction and packaging applications. In dispersible polymer powders, increasing polymer modification is the main growth driver. Regionally, we expect polymer-powder growth to be strongest in the Americas and in Asia, particularly India. In dispersions, we anticipate further sales gains in Asia, especially China and India. As for Europe, we forecast a slight rise in sales. During 2015, WACKER POLYMERS will start up a new polymer-powder dryer and a specialty-monomer plant in Burghausen (Germany), as well as a dispersions plant in Calvert City (USA). On the EBITDA front, we anticipate a marked year-on-year increase.

At WACKER BIOSOLUTIONS, our projection is for substantial sales growth in 2015. Following the complete integration of Scil Proteins Production GmbH in Halle (Germany), we see further growth potential for expanding our biologics business. Thanks to new product developments, we also expect substantial growth in nutrition. Regionally, Asia offers WACKER BIOSOLUTIONS the biggest growth opportunities. In 2015, our Nanjing site in China will start producing PVAc solid resins for gumbase. The current site in Wuxi will close at the end of 2015. EBITDA should show a clear year-on-year increase.

WACKER's polysilicon business is expected to generate both volume and sales growth in 2015. Our assumption is that the photovoltaic market will continue on its growth trajectory. Nevertheless, overcapacity is still symptomatic of the entire supply chain. As previously, our key objective is to again reduce polysilicon production costs. During the latter half of 2015, we intend to start up our new production site in Charleston, Tennessee (USA). Our EBITDA forecast is for a marked decline against the previous year, since we expect less special income in 2015 in the form of retained advance payments and damages received. EBITDA will also be reduced by start-up costs at our new polysilicon production site in Tennessee (USA).

At Siltronic, we anticipate sales growth for 2015, amid slightly higher volumes and more favorable exchange rates than a year earlier. We expect the market for 300 mm silicon wafers to continue growing. In the 200 mm segment, our projection is for stable demand. Smaller-diameter wafers are likely to experience a slight slowdown in demand. Our EBITDA expectations are for a marked increase on last year.

### Future Dividends

WACKER's policy on dividends is generally oriented toward distributing at least 25 percent of net income to shareholders, assuming the business situation allows this and the committees responsible agree.

### Financing

The main aspects of our financing policy remain valid. Even if the debt level rises further in 2015, we are confident that we have a strong financial profile with a sensible capital structure and healthy maturities for our debt. As of December 31, 2014, WACKER had at its disposal unused lines of credit with residual maturities of over one year totaling some €600 million.

### Medium-Term Goals

The medium-term goals through 2017 remain in place. Our focus is on increasing the Group's profitability and generating a positive cash flow.

**WACKER's Medium-Term Targets through 2017**

T 4.9

| | Targets for 2017 |
|---|---|
| Sales | €6 billion to €6.5 billion |
| EBITDA | €1.2 billion |
| EBITDA margin | Approx. 20 percent |
| ROCE | Over 11 percent |
| Investments | At the level of or below depreciation |

## Executive Board Statement on Overall Business Expectations

In 2015, WACKER expects the world economy to grow further, despite the many crises. From today's perspective, global growth will continue in 2016.

Our expectations for 2015 are for Group sales to rise by a high one-digit percentage, with all five business divisions increasing their sales. Compared with last year, we anticipate a moderate rise in EBITDA, when adjusted on a comparable basis to exclude special income. The EBITDA margin, on the other hand, will be lower, in large part due to the start-up costs for our new production site in Charleston, Tennessee (USA). In total, energy and raw-material costs will decrease slightly compared with last year. Overall, we expect certain sectors of our business to see slightly lower prices.

Capital expenditures will be higher than last year, climbing to about €700 million. Depreciation will amount to around €625 million, slightly higher than the prior-year level. We expect a slightly positive net cash flow. Net financial debt will climb by between around €200 million and €300 million, primarily due to investments in Tennessee (USA). Group net income is projected to be lower 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.

We see good opportunities in 2015 for further sales gains and for moderate growth in EBITDA, adjusted on a comparable basis to exclude special income. Given our current strategy, we consider WACKER well equipped to continue growing profitably beyond 2015.

There were no changes to our forecast up to the date of preparing these financial statements.

# Consolidated Financial Statements

# 5

## Medical Technology

A soft touch … SILPURAN® products are high-quality, ultrapure silicone rubbers that meet the tough demands encountered in the world of medicine. These grades are flexible, breathable and resistant to mechanical stress – all properties much appreciated, for instance, by orthopedists. Silicone medical heel pads suit any shape of foot and body weight perfectly, making these pads very comfortable to wear as well.

# Consolidated Financial Statements



# Further Information

# Statement of Income of the WACKER Group

**For the Period January 1 to December 31**

## Statement of Income

T 5.1

| € million | Notes | 2014 | 2013 |
|---|---|---|---|
| **Sales** | 01 | 4,826.4 | 4,478.9 |
| Cost of goods sold | | –3,982.2 | –3,815.4 |
| **Gross profit from sales** | | 844.2 | 663.5 |
| Selling expenses | | –280.6 | –272.0 |
| Research and development expenses | | –183.1 | –173.8 |
| General administrative expenses | | –123.7 | –111.7 |
| Other operating income | 01 | 365.1 | 254.5 |
| Other operating expenses | 01 | –181.6 | –210.2 |
| **Operating result** | | 440.3 | 150.3 |
| Result from investments in joint ventures and associates | 02 | 2.9 | –36.1 |
| Other investment income | 02 | 0.1 | 0.1 |
| **EBIT (earnings before interest and taxes)** | | 443.3 | 114.3 |
| Interest income | 02 | 8.4 | 15.0 |
| Interest expenses | 02 | –46.2 | –41.8 |
| Other financial result | 02 | –40.3 | –56.5 |
| **Financial result** | | –78.1 | –83.3 |
| **Income before taxes** | | 365.2 | 31.0 |
| Income taxes | 03 | –169.8 | –24.7 |
| **Net income for the year** | | 195.4 | 6.3 |
| Of which | | | |
| Attributable to Wacker Chemie AG shareholders | | 203.8 | 2.6 |
| Attributable to non-controlling interests | 12 | –8.4 | 3.7 |
| **Earnings per common share (€) (basic/diluted)** | 19 | 4.10 | 0.05 |

# Statement of Comprehensive Income of the WACKER Group

**For the Period January 1 to December 31**

## Statement of Comprehensive Income

T 5.2

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Before taxes | Deferred taxes | | Before taxes | Deferred taxes | |
| **Net income for the year** | | | **195.4** | | | 6.3 |
| **Items not reclassified to the statement of income** | | | | | | |
| Remeasurement of defined benefit plans | **–639.9** | **119.7** | **–520.2** | 204.7 | –51.9 | 152.8 |
| **Sum of items not reclassified to the statement of income** | **–639.9** | **119.7** | **–520.2** | 204.7 | –51.9 | 152.8 |
| **Items reclassified to the statement of income** | | | | | | |
| Difference from foreign currency translation adjustments | **121.4** | **–** | **121.4** | –54.7 | – | –54.7 |
| 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** | –0.8 | 0.2 | –0.6 |
| Of which recognized in profit and loss | **–0,9** | **–** | **–0,9** | – | – | – |
| Changes in market values of derivative financial instruments (cash flow hedge) | **–45.9** | **7.0** | **–38.9** | 12.1 | –3.4 | 8.7 |
| Of which recognized in profit and loss | **–10.5** | **–** | **–10.5** | –2.5 | 0.7 | –1.8 |
| Effects of net investments in foreign operations | **2.6** | **–** | **2.6** | –2.6 | – | –2.6 |
| Of which recognized in profit and loss | **2.6** | **–** | **2.6** | – | – | – |
| Share of cash flow hedge in associates accounted for using the equity method | **–** | **–** | **–** | –0.7 | – | –0.7 |
| Non-controlling interests | **2.6** | **–** | **2.6** | –2.2 | – | –2.2 |
| **Sum of items reclassified to the statement of income** | **80.4** | **7.0** | **87.4** | –48.9 | –3.2 | –52.1 |
| **Income and expenses recognized in equity** | **–559.5** | **126.7** | **–432.8** | 155.8 | –55.1 | 100.7 |
| **Total income and expenses reported in the fiscal year** | | | **–237.4** | | | 107.0 |
| Of which | | | | | | |
| Attributable to Wacker Chemie AG shareholders | | | **–231.6** | | | 105.5 |
| Attributable to non-controlling interests | | | **–5.8** | | | 1.5 |

# Statement of Financial Position of the WACKER Group

**As of December 31**

## Assets

T 5.3

| € million | Notes | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|---|
| Intangible assets | 04, 05 | **32.9** | 20.4 |
| Property, plant and equipment | 04, 06 | **4,311.3** | 3,784.1 |
| Investment property | 07 | **1.5** | 1.5 |
| Investments in joint ventures and associates accounted for using the equity method | 08 | **20.5** | 18.9 |
| Financial assets | 08 | **104.8** | 242.8 |
| Noncurrent securities | 11 | **37.6** | 120.8 |
| Other assets | 10 | **6.1** | 25.3 |
| Income tax receivables | 10 | **5.1** | 7.6 |
| Deferred tax assets | 03 | **334.3** | 165.7 |
| **Noncurrent assets** | | 4,854.1 | 4,387.1 |
| Inventories | 09 | **734.3** | 616.9 |
| Trade receivables | 10 | **684.0** | 614.1 |
| Other assets | 10 | **176.3** | 191.1 |
| Income tax receivables | 10 | **15.2** | 19.5 |
| Current securities and fixed-term deposits held to maturity | 11 | **157.4** | 71.9 |
| Cash and cash equivalents | 11 | **325.9** | 431.8 |
| **Current assets** | | 2,093.1 | 1,945.3 |
| **Total assets** | | 6,947.2 | 6,332.4 |

## Equity and Liabilities

T 5.4

| € million | Notes | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|---|
| Subscribed capital of Wacker Chemie AG | | **260.8** | 260.8 |
| Capital reserves of Wacker Chemie AG | | **157.4** | 157.4 |
| Treasury shares | | **–45.1** | –45.1 |
| Retained earnings | | **2,152.9** | 1,973.9 |
| Other equity items | | **–603.6** | –168.2 |
| **Equity attributable to Wacker Chemie AG shareholders** | | **1,922.4** | 2,178.8 |
| Non-controlling interests | | **24.1** | 18.3 |
| **Equity** | 12 | **1,946.5** | 2,197.1 |
| Provisions for pensions | 13 | **1,758.2** | 1,079.3 |
| Other provisions | 14 | **181.8** | 148.2 |
| Income tax provisions | 14 | **43.7** | 34.5 |
| Deferred tax liabilities | 03 | **3.6** | 1.5 |
| Financial liabilities | 15 | **1,318.2** | 1,247.4 |
| Other liabilities | 16 | **530.3** | 565.8 |
| **Noncurrent liabilities** | | **3,835.8** | 3,076.7 |
| Other provisions | 14 | **99.8** | 92.8 |
| Income tax provisions | 14 | **54.2** | 47.1 |
| Income tax liabilities | 16 | **0.1** | 1.5 |
| Financial liabilities | 15 | **283.3** | 169.3 |
| Trade payables | 16 | **374.5** | 309.4 |
| Other liabilities | 16 | **353.0** | 438.5 |
| **Current liabilities** | | **1,164.9** | 1,058.6 |
| **Liabilities** | | **5,000.7** | 4,135.3 |
| **Total equity and liabilities** | | **6,947.2** | 6,332.4 |

# Statement of Cash Flows of the WACKER Group

**For the Period January 1 to December 31**

## Statement of Cash Flows

T 5.5

| € million | Notes | 2014 | 2013 |
|---|---|---|---|
| Net income for the year | | 195.4 | 6.3 |
| Depreciation and impairments/write-ups of noncurrent assets | | 599.0 | 564.4 |
| Changes in provisions | | 87.0 | 47.3 |
| Changes in deferred taxes | | –40.7 | –41.0 |
| Other non-cash expenses and income | | –48.7 | –43.9 |
| Result from disposal of noncurrent assets | | 9.5 | 3.2 |
| Result from equity accounting and joint venture dividends | | 1.1 | 39.4 |
| Changes in inventories | | –64.3 | 95.8 |
| Changes in trade receivables | | –42.1 | –22.5 |
| Changes in other assets | | 28.2 | 13.1 |
| Changes in other liabilities | | –11.4 | 2.8 |
| Changes in advance payments received | | –227.8 | –200.9 |
| **Cash flow from operating activities (gross cash flow)** | 21 | 485.2 | 464.0 |
| Investment in intangible assets, property, plant and equipment, and investment property | | –525.1 | –567.1 |
| Proceeds from the disposal of intangible assets, property, plant and equipment | | 1.9 | 4.9 |
| Proceeds from the disposal of investments | | 0.1 | 7.0 |
| Cash receipts and payments for acquisitions | | 25.8 | – |
| **Cash flow from long-term investing activities before securities** | | –497.3 | –555.2 |
| Payments for the acquisition of securities and fixed-term deposits | | –128.6 | –147.1 |
| Cash receipts from the disposal of securities and fixed-term deposits | | 120.3 | 252.8 |
| **Cash flow from investing activities** | 21 | –505.6 | –449.5 |
| Dividends paid | | –24.8 | –29.8 |
| Dividends paid to non-controlling interests | | –0.9 | –1.4 |
| Bank loans raised | | 198.3 | 84.3 |
| Bank loans repaid | | –250.7 | –124.7 |
| Other financial liabilities raised | | – | 306.3 |
| Other financial liabilities repaid | | –10.5 | –7.1 |
| **Cash flow from financing activities** | 21 | –88.6 | 227.6 |
| Changes due to exchange-rate fluctuations | | 3.1 | –2.9 |
| **Changes in cash and cash equivalents** | 11 | –105.9 | 239.2 |
| At the beginning of the year | | 431.8 | 192.6 |
| At the end of the year | | 325.9 | 431.8 |
| **Additional information on payment transactions included in the cash flow from operating activities** | | | |
| Taxes paid | | –188.9 | –37.9 |
| Interest paid | | –52.1 | –43.9 |
| Interest received | | 22.1 | 13.4 |
| Dividends received | | 4.0 | 3.5 |

# Statement of Changes in Equity of the WACKER Group

**For the Period January 1 to December 31**

## Statement of Changes in Equity

T 5.6

| € million | Subscribed capital | Capital reserves | Treasury shares | Retained earnings | Other equity items | Total | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **Jan. 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 year | – | – | – | 2.6 | – | 2.6 | 3.7 | **6.3** |
| Dividends paid | – | – | – | –29.8 | – | –29.8 | –1.4 | **–31.2** |
| Income and expenses recognized in equity | – | – | – | – | 102.9 | 102.9 | –2.2 | **100.7** |
| **Dec. 31, 2013** | 260.8 | 157.4 | –45.1 | 1,973.9 | –168.2 | 2,178.8 | 18.3 | **2,197.1** |
| **Jan. 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 year | – | – | – | 203.8 | – | 203.8 | –8.4 | **195.4** |
| Dividends paid | – | – | – | –24.8 | – | –24.8 | –0.9 | **–25.7** |
| Income and expenses recognized in equity | – | – | – | – | –435.4 | –435.4 | 2.6 | **–432.8** |
| Scope of consolidation/other | – | – | – | – | – | – | 12.5 | **12.5** |
| **Dec. 31, 2014** | 260.8 | 157.4 | –45.1 | 2,152.9 | –603.6 | 1,922.4 | 24.1 | **1,946.5** |

# Reconciliation of Other Equity Items

**For the Period January 1 to December 31**

## Reconciliation of Other Equity Items

T 5.7

| € 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) |
|---|---|---|---|---|---|---|
| **Jan. 1, 2013** | 1.4 | 3.8 | 2.4 | –278.7 | – | **–271.1** |
| Changes not recognized in the income statement | –0.6 | – | 7.5 | 152.8 | – | **159.7** |
| Other changes | – | – | 2.3 | – | – | **2.3** |
| Reclassification in the statement of income | – | – | –1.8 | – | – | **–1.8** |
| Changes in exchange rates | – | –54.7 | – | – | –2.6 | **–57.3** |
| **Dec. 31, 2013** | 0.8 | –50.9 | 10.4 | –125.9 | –2.6 | **–168.2** |
| **Jan. 1, 2014** | 0.8 | –50.9 | 10.4 | –125.9 | –2.6 | **–168.2** |
| Changes not recognized in the income statement | 0.6 | – | –28.4 | –520.2 | – | **–548.0** |
| Other changes | – | – | – | – | – | **–** |
| Reclassification in the statement of income | –0.9 | –17.5 | –10.5 | – | 2.6 | **–26.3** |
| Changes in exchange rates | – | 138.9 | – | – | – | **138.9** |
| **Dec. 31, 2014** | 0.5 | 70.5 | –28.5 | –646.1 | – | **–603.6** |

# Segment Information by Division

## For the Period January 1 to December 31

2014

T 5.8

| € million | Silicones | Polymers | Bio-solutions | Poly-silicon | Siltronic | Other | Consoli-dation | Group |
|---|---|---|---|---|---|---|---|---|
| External sales | 1,733.3 | 1,040.5 | 176.2 | 949.5 | 848.0 | 78.9 | – | 4,826.4 |
| Internal sales | 0.3 | 23.9 | – | 99.6 | 5.4 | 87.0 | –216.2 | – |
| Total sales | 1,733.6 | 1,064.4 | 176.2 | 1,049.1 | 853.4 | 165.9 | –216.2 | 4,826.4 |
| EBIT | 128.9 | 118.7 | 13.6 | 305.3 | –43.5 | –75.4 | –4.3 | 443.3 |
| Depreciation and impairments/write-ups | 80.9 | 30.8 | 10.0 | 231.7 | 157.5 | 88.1 | – | 599.0 |
| EBITDA | 209.8 | 149.5 | 23.6 | 537.0 | 114.0 | 12.7 | –4.3 | 1,042.3 |
| EBIT includes: Result from investments in joint ventures and associates | 2.9 | – | – | – | – | – | – | 2.9 |
| Impairment losses | – | – | – | – | –9.5 | – | – | –9.5 |
| Additions to property, plant and equipment[1] | 88.5 | 56.3 | 8.4 | 334.5 | 40.7 | 43.8 | – | 572.2 |
| Asset additions | 88.5 | 56.3 | 8.4 | 334.5 | 40.7 | 43.8 | – | 572.2 |
| Assets (Dec. 31) | 1,255.1 | 546.4 | 145.7 | 2,620.7 | 1,044.1 | 1,535.1 | –199.9 | 6,947.2 |
| Liabilities (Dec. 31) | 762.1 | 297.9 | 75.2 | 1,623.9 | 758.8 | 1,668.0 | –185.2 | 5,000.7 |
| Net assets (Dec. 31) | 493.0 | 248.5 | 70.5 | 996.8 | 285.3 | –132.9 | –14.7 | 1,946.5 |
| Investments in joint ventures and associates included in net assets (Dec. 31) | 20.5 | – | – | – | – | – | – | 20.5 |
| Research and development expenses | 39.5 | 13.2 | 6.7 | 18.7 | 64.6 | 40.4 | – | 183.1 |
| Employees (Dec. 31) | 4,240 | 1,408 | 484 | 2,093 | 4,165 | 4,313 | – | 16,703 |
| Employees (average) | 4,201 | 1,400 | 476 | 2,083 | 4,263 | 4,321 | – | 16,744 |

[1] Intangible assets; property, plant and equipment; investment property

The segment information by division is an integral part of the Notes to the Consolidated Financial Statements. For explanations of the key indicators, see Note 22.

2013

T 5.9

| € million | Silicones | Polymers | Bio-solutions | Poly-silicon | Siltronic | Other | Consoli-dation | Group |
|---|---|---|---|---|---|---|---|---|
| External sales | 1,672.0 | 958.3 | 158.4 | 844.9 | 735.8 | 109.5 | – | **4,478.9** |
| Internal sales | 0.2 | 20.4 | – | 79.3 | 7.2 | 83.2 | –190.3 | **–** |
| **Total sales** | 1,672.2 | 978.7 | 158.4 | 924.2 | 743.0 | 192.7 | –190.3 | **4,478.9** |
| **EBIT** | 151.1 | 112.9 | 17.2 | 0.1 | –95.9 | –73.1 | 2.0 | **114.3** |
| Depreciation and impairments/write-ups | 79.1 | 34.9 | 6.4 | 233.8 | 122.4 | 87.8 | – | **564.4** |
| **EBITDA** | 230.2 | 147.8 | 23.6 | 233.9 | 26.5 | 14.7 | 2.0 | **678.7** |
| EBIT includes: Result from investments in joint ventures and associates | 5.9 | – | – | – | –42.5 | – | 0.5 | **–36.1** |
| Impairment losses | – | – | – | –1.4 | –34.8 | –0.8 | – | **–37.0** |
| Additions to property, plant and equipment[1] | 85.4 | 36.8 | 10.2 | 290.0 | 30.9 | 50.4 | – | **503.7** |
| **Asset additions** | 85.4 | 36.8 | 10.2 | 290.0 | 30.9 | 50.4 | – | **503.7** |
| Assets (Dec. 31) | 1,186.9 | 481.2 | 116.1 | 2,331.9 | 1,095.6 | 1,500.4 | –379.7 | **6,332.4** |
| Liabilities (Dec. 31) | 691.8 | 280.6 | 60.7 | 1,809.4 | 302.8 | 1,365.4 | –375.4 | **4,135.3** |
| **Net assets (Dec. 31)** | 495.1 | 200.6 | 55.4 | 522.5 | 792.8 | 135.0 | –4.3 | **2,197.1** |
| Investments in joint ventures and associates included in net assets (Dec. 31) | 18.9 | – | – | – | – | – | – | **18.9** |
| Research and development expenses | 34.6 | 12.3 | 7.0 | 20.6 | 59.2 | 43.4 | –3.3 | **173.8** |
| Employees (Dec. 31) | 4,109 | 1,377 | 371 | 2,102 | 3,746 | 4,304 | – | **16,009** |
| Employees (average) | 4,110 | 1,377 | 371 | 2,126 | 3,806 | 4,344 | – | **16,134** |

[1] Intangible assets; property, plant and equipment; investment property

The segment information by division is an integral part of the Notes to the Consolidated Financial Statements.
For explanations of the key indicators, see Note 22.

# Segment Information by Region

## For the Period January 1 to December 31

2014

T 5.10

| € million | Germany | Rest of Europe | The Americas | Asia | Other regions | Consolidation | Group |
|---|---|---|---|---|---|---|---|
| External sales by customer location | 663.7 | 1,130.5 | 810.7 | 2,039.7 | 181.8 | – | **4,826.4** |
| External sales by Group company location | 4,006.5 | 137.8 | 769.7 | 962.3 | 7.6 | –1,057.5 | **4,826.4** |
| Additions to property, plant and equipment [1] | 191.3 | 4.9 | 348.3 | 27.6 | 0.1 | – | **572.2** |
| **Asset additions** | 191.3 | 4.9 | 348.3 | 27.6 | 0.1 | – | **572.2** |
| Assets (Dec. 31) | 5,945.5 | 1,424.4 | 2,035.9 | 1,060.2 | 5.6 | –3,524.4 | **6,947.2** |
| Liabilities (Dec. 31) | 4,079.5 | 195.6 | 866.9 | 844.0 | 1.4 | –986.7 | **5,000.7** |
| **Net assets (Dec. 31)** | 1,866.0 | 1,228.8 | 1,169.0 | 216.2 | 4.2 | –2,537.7 | **1,946.5** |
| Noncurrent assets [2] | 1,950.0 | 40.8 | 1,739.6 | 637.7 | 3.0 | 5.8 | **4,376.9** |
| Research and development expenses | 163.3 | – | 9.8 | 12.5 | – | –2.5 | **183.1** |
| Employees (Dec. 31) | 12,366 | 354 | 1,530 | 2,408 | 45 | – | **16,703** |

2013

T 5.11

| € million | Germany | Rest of Europe | The Americas | Asia | Other regions | Consolidation | Group |
|---|---|---|---|---|---|---|---|
| External sales by customer location | 647.0 | 1,073.8 | 761.0 | 1,826.1 | 171.0 | – | **4,478.9** |
| External sales by Group company location | 3,782.3 | 144.7 | 742.1 | 761.6 | 7.0 | –958.8 | **4,478.9** |
| Additions to property, plant and equipment [1] | 186.5 | 5.7 | 280.7 | 30.8 | – | – | **503.7** |
| **Asset additions** | 186.5 | 5.7 | 280.7 | 30.8 | – | – | **503.7** |
| Assets (Dec. 31) | 5,552.5 | 1,259.6 | 1,472.6 | 635.6 | 5.0 | –2,592.9 | **6,332.4** |
| Liabilities (Dec. 31) | 3,462.9 | 43.0 | 627.8 | 436.3 | 1.5 | –436.2 | **4,135.3** |
| **Net assets (Dec. 31)** | 2,089.6 | 1,216.6 | 844.8 | 199.3 | 3.5 | –2,156.7 | **2,197.1** |
| Noncurrent assets [2] | 2,230.5 | 89.9 | 1,223.3 | 342.8 | 2.9 | –40.1 | **3,849.3** |
| Research and development expenses | 161.0 | – | 9.8 | 3.5 | – | –0.5 | **173.8** |
| Employees (Dec. 31) | 12,322 | 363 | 1,499 | 1,783 | 42 | – | **16,009** |

[1] Intangible assets; property, plant and equipment; investment property
[2] Noncurrent assets as per IFRS 8 (excluding financial instruments, deferred tax assets and benefits after termination of the employment relationship)

The segment information by region is an integral part of the Notes to the Consolidated Financial Statements.
For explanations of the key indicators, see Note 22.

# Notes of the WACKER Group

## Accounting Principles and Methods

The WACKER Group (WACKER) is a global company with state-of-the-art specialty chemical products. Its business divisions operate in the fields of silicone and polymer chemistry, specialty and fine chemistry, polysilicon production and semiconductor technologies. The activities of the individual segments are explained in the management report.

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.

Wacker Chemie AG is registered under the number HRB 159705 at the Munich District Court. The consolidated financial statements, the combined management report and any other documents subject to disclosure requirements are submitted to the publisher of the online German Federal Bulletin. The consolidated financial statements and the combined management report for the WACKER Group and Wacker Chemie AG can also be viewed on the WACKER website. www.wacker.com/annual-report

The declaration concerning the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) has been submitted and made accessible to the shareholders on WACKER's website. www.wacker.com/corporate-governance

Wacker Chemie AG's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), and the supplementary rules in Section 315 a (1) of the German Commercial Code (HGB). The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are applicable to the current fiscal year have also been applied.

The fiscal year corresponds to the calendar year. Assets and liabilities are reported in the statement of financial position in line with their maturities. The Group classifies assets and liabilities as current if it expects to realize or settle them within 12 months of the reporting date. The statement of income is prepared using the cost of sales method. To improve the clarity of presentation, various items in the statement of income and the statement of financial position have been combined. These items are shown and explained separately in the Notes.

The Group's functional currency is the euro. All amounts are shown in millions of euros (€ million) unless otherwise stated. There may be slight deviations in the additions as all amounts have been rounded up to the nearest whole number after the decimal point.

Material events occurring after the balance sheet date are described in detail in the supplementary report, which forms part of the Group management report. The Executive Board of Wacker Chemie AG authorized the consolidated financial statements on March 2, 2015. They will be submitted to the Supervisory Board for its meeting on March 10, 2015.

## New Accounting Standards

### Accounting Standards Applied for the First Time in 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 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. 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 broadening of the disclosures in WACKER's consolidated financial statements. |
| Amendments to IAS 27 | Separate Financial Statements | Jan. 1, 2014 | Dec. 11, 2012 | IAS 27 now deals only 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 has no substantial impact on WACKER's earnings, net assets or financial position. |

| Standard/ Interpretation | | Mandatory from | Endorsed by EU | Anticipated Impact on WACKER |
|---|---|---|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 27 | Investment Entity | 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 applies only 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. Under the old version of IAS 39, the clearing obligation and the related novation to a central counterparty led 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. |

### Accounting Standards/Interpretations Not Applied Prematurely

The International Accounting Standards Board (IASB) has published the following standards, interpretations, and changes to existing standards of which the application is not yet mandatory and which WACKER is not applying earlier than required. WACKER continually evaluates every new standard to determine its impact on the consolidated financial statements.

## Standards, Interpretations, and Changes to Existing Standards Already Endorsed by the EU

| Standard/ Interpretation | | Publication by IASB | Effective Date | Endorsed by EU | Anticipated Impact on WACKER |
|---|---|---|---|---|---|
| IFRIC 21 | Levies | May 20, 2013 | Jan. 1, 2015 | 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. |
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions | Nov. 21, 2013 | July 1, 2014 | Dec. 17, 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. |
| Improvements to IFRS (2010–2012) | | Dec. 12, 2013 | July 1, 2014 | Dec. 17, 2014 | 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. |
| Improvements to IFRS (2011–2013) | | Dec. 12, 2013 | July 1, 2014 | Dec. 18, 2014 | 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. |

## Standards, Interpretations and Changes to Existing Standards Not Yet Endorsed by the EU

| Standard/ Interpretation | | Publication by IASB | Effective Date | Endorsed by EU | Anticipated Impact on WACKER |
|---|---|---|---|---|---|
| IFRS 9 | Financial Instruments | July 24, 2014 | Jan. 1, 2018 | Expected in second half of 2015 | In addition to the recognition and measurement of financial assets, the updated version of IFRS 9 contains new stipulations for accounting impairments of financial assets and revised requirements for the classification and measurement of financial instruments as part of hedge accounting. 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. The classification model for financial liabilities will be retained. The recognition of impairments will change fundamentally since credit losses will no longer be recognized when actually incurred, but as soon as they are expected to be incurred. 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. At the moment, WACKER cannot conclusively assess what impacts the first-time application of this standard will have on its earnings, net assets or financial position, or on the presentation of its financial statements, should it be endorsed by the EU in its current form. |
| IFRS 14 | Regulatory Deferral Accounts | Jan. 30, 2014 | Jan. 1, 2016 | To be determined | 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 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 | | Publication by IASB | Effective Date | Endorsed by EU | Anticipated Impact on WACKER |
|---|---|---|---|---|---|
| IFRS 15 | Revenue from Contracts with Customers | May 28, 2014 | Jan. 1, 2017 | 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 must 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 must 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 IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations | May 6, 2014 | Jan. 1, 2016 | Expected 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 | Expected 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 amortization of 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. Since WACKER uses only straight-line depreciation over the expected useful life of such assets, the clarification 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 41 | Financial Reporting for Bearer Plants | June 30, 2014 | Jan. 1, 2016 | Expected 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 must henceforth 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. |

| Standard/ Interpretation | | Publication by IASB | Mandatory from | Endorsed by EU | Anticipated Impact on WACKER |
|---|---|---|---|---|---|
| Amendments to IAS 27 | Separate Financial Statements (Equity Method) | Aug. 12, 2014 | Jan. 1, 2016 | Expected in Q3 2015 | In the future, this revision of IAS 27 will allow an entity to apply the equity method to account for investments in subsidiaries, joint ventures and associates in its separate IFRS financial statements. Application of the revised standard has no impact on WACKER since it does not compile separate financial statements in accordance with IFRS. |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Sept. 11, 2014 | Jan. 1, 2016 | Expected in Q4 2015 | In accordance with these two revised standards, the investor's gain or loss must always be recognized in full if a transaction constitutes a business as defined in IFRS 3. If this is not the case and the transaction concerns assets that do not constitute a business, the gain or loss is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The application of these two revised standards currently has no impact on WACKER's earnings, net assets or financial position. |
| Improvements to IFRS (2012–2014) | | Sept. 25, 2014 | Jan. 1, 2016 | Expected in Q3 2015 | The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34. Their application has no substantial impact on WACKER's earnings, net assets or financial position. |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities – Applying the Consolidation Exception | Dec. 18, 2014 | Jan. 1, 2016 | Expected in Q4 2015 | The amendments serve to clarify various questions relating to application of the consolidation-requirement exception as per IFRS 10 should the parent company meet the definition of an "investment entity." In the absence of relevant circumstances, these amendments have no impact on WACKER's earnings, net assets or financial position. |
| Amendments to IAS 1 | Disclosure Initiative | Dec. 18, 2014 | Jan. 1, 2016 | Expected in Q4 2015 | The amendments concern various reporting issues and clarify that information which is not material need not be disclosed in the notes. This explicitly also applies if an IFRS requires a list of minimal information. Additionally included are explanations of aggregation and disaggregation of items in the balance sheet and statement of comprehensive income. The amendments additionally clarify how shares in other comprehensive income arising from equity-accounted investments are presented in the statement of comprehensive income. Furthermore, they propose changing the standard structure of the notes in order to enhance their understandability and comparability. The clarification has no impact on WACKER's earnings, net assets or financial position, nor any substantial impact on the presentation of its financial statements. |

## Scope of Consolidation

The consolidated financial statements include the financial statements of Wacker Chemie AG and its subsidiaries, as well as joint operations, joint ventures and associates.

Subsidiaries are defined as companies in which Wacker Chemie AG has existing rights that give it the current ability to direct the relevant activities. Thus, control only exists when Wacker Chemie AG is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Usually, the possibility of control depends on Wacker Chemie AG directly or indirectly holding a voting majority. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Structured entities are also consolidated if the economic substance of the relationship indicates the existence of control. A structured entity serves a specific business purpose. Structured entities have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the relevant activities are directed by means of contractual arrangements that cover a narrow and well-defined objective.

Joint operations and joint ventures are based on joint arrangements. A joint arrangement exists if Wacker Chemie AG contractually agrees to share control with a third party to jointly direct activities. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to its attributable assets and liabilities from its obligations. The assets, liabilities, income and expenses from joint operations are included in the consolidated financial statements on a pro rata basis in accordance with Wacker Chemie AG's rights and obligations. In the case of joint ventures, the parties that have joint control of the joint arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Currently, no joint operations are accounted for in the consolidated financial statements.

Associates in which Wacker Chemie AG generally exercises significant influence due to ownership of 20–50 percent are likewise accounted for using the equity method.

If joint ventures and associated companies have their own subsidiaries, these are not included in the table below.

Companies in which Wacker Chemie AG has a shareholding of less than 20 percent or does not exercise significant influence are shown as other investments under noncurrent financial assets.

| Number | Germany | Rest of Europe | The Americas | Asia | Other regions | Total |
|---|---|---|---|---|---|---|
| **Fully consolidated subsidiaries** (incl. parent company) | | | | | | |
| Jan. 1, 2014 | 14 | 13 | 5 | 16 | 2 | **50** |
| Additions | 1 | – | – | – | – | **1** |
| Reclassifications | – | – | – | 1 | – | **1** |
| Dec. 31, 2014 | 15 | 13 | 5 | 17 | 2 | 52 |
| **Companies consolidated using the equity method** | | | | | | |
| Jan. 1, 2014 | – | – | – | 4 | – | **4** |
| Reclassifications | – | – | – | –1 | – | **–1** |
| Dec. 31, 2014 | – | – | – | 3 | – | 3 |
| **Non-consolidated affiliated companies** | | | | | | |
| Jan. 1, 2014 | 1 | – | – | – | – | **1** |
| Dec. 31, 2014 | 1 | – | – | – | – | 1 |
| **Total** | | | | | | |
| Jan. 1, 2014 | 15 | 13 | 5 | 20 | 2 | **55** |
| Additions | 1 | – | – | – | – | **1** |
| Dec. 31, 2014 | 16 | 13 | 5 | 20 | 2 | 56 |
| **Structured entities** | | | | | | |
| Jan. 1, 2014 | 1 | – | – | – | – | **1** |
| Dec. 31, 2014 | 1 | – | – | – | – | 1 |

There were two acquisitions in 2014. Compared with December 31, 2013, the scope of consolidation changed as follows.

## Change in the Scope of Consolidation

| % | |
|---|---|
| **Additions of fully consolidated subsidiaries** | |
| Scil Proteins Production GmbH in Germany (acquisition in 2014) | 100 |
| **Reclassification of equity-accounted investments to fully consolidated companies** | |
| Siltronic Silicon Wafer Pte. Ltd., Singapore (formerly Siltronic Samsung Wafer Pte. Ltd., Singapore) | 77.7 |

Through its acquisition of the majority of the shares in Siltronic Samsung Wafer Pte. Ltd., Singapore, WACKER gained control of that company on January 24, 2014. For reasons of immateriality, the assets and debts as of January 1, 2014 were used for the first-time consolidation and no interim financial statements were prepared as of January 24, 2014.

The effect of changes in the scope of consolidation on the Group's earnings, net assets and financial position is presented in the Acquisitions and Majority Takeovers in Fiscal 2014 section of the Notes on page 204.

A total of 15 domestic and 40 foreign companies were included in the consolidated financial statements.

As it had no substantial impact on the Group's earnings, net assets or financial position, the W.E.L.T. Reisebüro GmbH subsidiary was not consolidated. In 2013, both its sales and its total assets were below €0.4 million. This subsidiary, in which WACKER holds a 51-percent stake, is valued at cost under noncurrent financial assets.

Apart from directly or indirectly controlled companies, WACKER consolidates one structured entity where its influence amounts to control as defined in IFRS 10. This is a special fund into which Wacker Chemie AG has paid investment funds. This trust fund was established exclusively for WACKER, and all shares in the fund are held by WACKER. Due to the contractual stipulations, the trust represents a structured entity as defined in IFRS 10.

Legal, contractual or regulatory restrictions and protective rights concerning non-controlling interests can limit the Group in its ability to retain access to assets, transfer these to or from other companies unhindered within the Group and to settle Group debts. The distribution of dividends can be limited by the prioritization of retirement of shareholder loans. On the reporting date, no significant non-controlling interests are included in the Group financial statements. As a result, no significant limitations exist due to protective rights that benefit these shareholders.

In certain countries, regulatory requirements or local corporate-law stipulations can limit the Group's ability to transfer assets to or from other companies within the Group. Cash and cash equivalents are subject to local foreign-exchange restrictions in some Asian and South American countries. There, the export of capital from the specific country is only possible via capital measures (dividends, capital reductions) following prior approval from national authorities. There are no other significant limitations concerning the utility of assets within the Group.

## Consolidation Methods

The consolidated financial statements are based on the separate financial statements of Wacker Chemie AG and its consolidated subsidiaries, joint arrangements and structured entities. All of these companies have their balance sheet date on December 31.

All key reporting data of these companies was audited by independent auditors prior to inclusion in the consolidated financial statements.

First-time consolidation is carried out in accordance with the purchase method, by setting off the acquisition cost against the Group's share in the equity of the consolidated subsidiaries at the time of their acquisition or first inclusion in the consolidated financial statements. The consolidated subsidiaries' equity is calculated on the basis of all identifiable assets, liabilities and contingent liabilities, while all items in the statement of financial position are measured at fair value. Any positive difference between the subsidiary's acquisition cost and the pro rata equity ascertained in this way is capitalized as goodwill and subjected to an annual impairment test. Any negative difference is recognized directly as income. The capital consolidation is carried out by setting off the carrying amounts of the investments against the proportional equity of the subsidiaries.

Investments accounted for using the equity method are initially measured at cost when the acquisition is made. If the cost exceeds the pro rata share of equity, the difference (goodwill) is included in the carrying amount of the investment. The carrying amount has to be tested for possible impairment losses as of the balance sheet date. If the cost is lower than the share of equity at the time of acquisition, this difference is included in the carrying amount and recorded in the statement of income as income from investments in joint ventures and associates. The carrying amounts for these companies are increased or decreased annually to reflect their pro rata earnings, dividend payouts or other changes in equity. If there is any indication that the value of the investment has been permanently reduced, an impairment is recognized through profit or loss. Long-term interests that, in substance, form part of the investor's net investment in the entity are included in the statement of changes in equity.

Interim results, sales, expenses, income, receivables and liabilities between the consolidated companies, as well as pro rata profits and losses resulting from transactions with associated companies, are eliminated. For those consolidation entries which affect income, the income tax effect is taken into account and deferred taxes are included.

### Estimates and Assumptions Used in Preparing the Consolidated Financial Statements

Various judgments can be made whenever it is necessary to evaluate whether control, common control or significant influence exists for entities in which WACKER holds less than 100 percent of the voting rights. Primarily in cases where WACKER holds 50 percent of the voting rights, it must be assessed whether there are additional contractual rights or, in particular, factual circumstances that could result in WACKER having the right to make decisions regarding the potential subsidiary, or whether common control exists. If common control exists, a distinction must be made between a joint operation and a joint venture. This distinction depends on whether WACKER has direct rights to assets or whether rights to the net assets of the entity exist. In this regard, WACKER must take the structure and legal form of the entity, the contractual agreements and other circumstances into consideration.

Changes to the contractual agreements or factual circumstances are monitored and assessed in terms of their possible impact on the evaluation of whether control or common control exists.

### Acquisitions

Acquired businesses are accounted for using the purchase method, which requires that the assets acquired and liabilities assumed be recorded at their respective fair values applicable on the date that WACKER gains control.

The determination of the fair values requires certain estimates and assumptions, especially concerning the acquired intangible assets and property, plant and equipment, as well as the liabilities assumed and the useful lives of the acquired intangible assets, property, plant and equipment.

Measurement is based to a large extent on anticipated cash flows. If actual cash flows vary from those used in calculating fair values, this may affect future net income.

For significant acquisitions, the purchase price allocation is carried out with assistance from independent third-party valuation specialists. The valuations are based on information available at the acquisition date.

## Acquisitions and Majority Takeovers in Fiscal 2014

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 was 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 took over the company's production facilities as well as its patent portfolio and customer base.

The purchase price for this company amounted to some €14 million and comprised 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. Though the specified milestones had not yet been reached as of December 31, 2014, WACKER expects them to be reached in 2015.

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 the shares in the Singapore-based joint venture Siltronic Samsung Wafer Pte. Ltd. (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 now holds a 77.7-percent stake in the company. 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. Due to the declining prices for 300 mm wafers and high depreciation, the company posted negative equity as of the end of fiscal 2013. When modifying the joint-venture agreement, the partners agreed to refinance external debt.

To do so, Siltronic and Samsung made payments to pay off €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.

The previously held equity interest in Siltronic Silicon Wafer Pte. Ltd. accounted for using the equity method was posted with a value of zero due to cumulative losses at the time of initial full consolidation. 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 previously held equity interest. 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 contracted at market prices. These involved 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 were prepayments and trade receivables or trade payables in the amount of €14.3 million. Furthermore, there was a license agreement, a long-term supply contract with ssw for the delivery of polysilicon and an obligation to accept delivery of 300 mm wafers. In addition to the adjustment of €–20.6 million recorded in 2013 in accordance with the equity method, the valuation of the net investment resulted in no additional impact on earnings.

The €86.5 million of the capital increase paid by Siltronic in cash did not fully reflect the value of the newly acquired stake in ssw. An amount of €41.3 million was attributable to accumulated losses and thus increased the value of the remaining non-controlling interest. Of this, €20.6 million of the net investment's valuation was already accounted for in 2013. A further €20.7 million was recognized in profit and loss in connection with the capital increase in Q1 2014.

Exchange-rate gains of €14.9 million from the disposal of the previously held equity interest 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

| € 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 had a fair value of €8.4 million and solely comprised trade receivables. The fair value corresponded to the gross value of the receivables.

Samsung's non-controlling interest in equity amounted to €12.5 million.

In 2014, SSW posted sales of €165.6 million, EBITDA of €32.2 million and a net result for the year of €–52.0 million. The company was included in WACKER's consolidated financial statements as of January 1, 2014.

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

## Foreign Currency Translation

In the Group companies' separate financial statements, all of the receivables and liabilities in foreign currencies are translated at the rate prevailing on the balance sheet date, regardless of whether or not they have been hedged. Forward contracts which, from an economic point of view, are used for hedging are reported at fair value. The resulting translation differences are recognized in profit or loss or, if cash flow hedges are in place, recognized directly in equity under other equity items.

The financial statements of consolidated companies that are prepared in foreign currencies are translated on the basis of the functional currency principle using the modified reporting date rate method, in which balances are translated from the functional currency to the reporting currency using the average rates of exchange prevailing on the balance sheet date, while income statement amounts are translated using the average exchange rates of the period. As the Group's subsidiaries conduct their business along autonomous lines financially, commercially and organizationally, their functional currencies are basically identical to the respective local currency. Any net gains or losses arising from the translation of equity are recognized directly in equity in the other equity

items. Translation differences resulting from divergent exchange rates in the statement of income are likewise included there. If Group companies are removed from the scope of consolidation, any translation difference is reclassified from equity to profit or loss.

The exchange rates between the most important currencies reported in these financial statements and the euro were as follows:

| | ISO code | Exchange rate as of | | Average exchange rate | |
|---|---|---|---|---|---|
| | | Dec. 31, 2014 | Dec. 31, 2013 | 2014 | 2013 |
| US dollar | USD | **1.22** | **1.38** | **1.33** | 1.36 |
| Japanese yen | JPY | **145.35** | **144.72** | **140.50** | 136.61 |
| Singapore dollar | SGD | **1.61** | **1.74** | **1.68** | 1.70 |
| Chinese renminbi | CNY | **7.54** | **8.34** | **8.18** | 8.29 |

## Estimates and Assumptions Used in Preparing the Consolidated Financial Statements

The preparation of the consolidated financial statements in compliance with IFRS necessitates assumptions and estimates affecting the amounts and the reporting of the recognized assets and debts, income and expenses, and contingent liabilities. These assumptions and estimates comply with the conditions and appraisals prevailing on the balance sheet date. In this regard, they also impact the amount of income and expenses reported on for the fiscal years in question. The assumptions on which the estimates are based relate primarily to the uniform determination of useful lives throughout the Group, the ascertainment of fair values of financial instruments, the recognition and measurement of provisions, the realizability of future tax benefits, and assumptions made in connection with impairment tests and purchase price allocations.

In individual cases, the actual values may differ from the assumptions and estimates that were made. Changes in value are recognized as soon as they become apparent and affect the net results for the period when the change occurred and, if applicable, in future reporting periods.

### Intangible Assets and Property, Plant and Equipment/Investments in Associates Accounted for Using the Equity Method

The expected useful life of intangible assets and of property, plant and equipment, together with their amortization/depreciation schedules, are based on past experience, plans and estimates. This includes estimates of the period and allocation of future cash inflows derived from the investments made, as well as future technical advancements and ongoing replacement and development cycles. The carrying amount of intangible assets and property, plant and equipment was €4.35 billion (2013: €3.81 billion). An amount of €20.5 million (2013: €18.9 million) was recognized in the statement of financial position for investments in associates accounted for using the equity method.

Impairment tests are performed for assets if specific indicators point toward a possible impairment loss or reversal of an impairment loss. In the case of a possible impairment, an estimate must be made of the recoverable amount of the affected asset that corresponds to the higher of either the fair value less costs to sell or the value in use. To ascertain the value in use, the discounted future cash flows of the affected asset must be determined. The estimate of the discounted future cash flows contains significant assumptions such as, in particular, those regarding future selling prices and sales volumes, costs, and discount rates. Although WACKER is assuming that the estimates of the relevant expected useful lives and of discounted future cash flows, as well as the assumptions regarding the general economic conditions and the development of the

economic sectors are reasonable, a change in the assumptions or circumstances might necessitate a change in the analysis. This could result in additional impairments or reversals of impairment losses in the future. See Note 4

**Provisions**

Significant risks inherent in environmental protection provisions and in provisions for damages and onerous contracts are possible changes in future cost/benefit estimates, changes in the likelihood of their utilization, and enhanced statutory provisions concerning the elimination and prevention of environmental damage. Changes in the discount rate also lead to changes when determining noncurrent provisions. The carrying amount of provisions for environmental protection was €69.0 million (2013: €53.9 million) and for sales/purchasing €43.5 million (2013: €24.9 million), while the carrying amount of sundry other provisions was €71.7 million (2013: €69.1 million). See Note 14

Pensions and similar obligations are accounted for in accordance with actuarial valuations, which are based on statistical and other factors in order to anticipate future events. The factors include the discount rate, expected salary and pension increases, the mortality rate and rate increases for preventive healthcare. If market and economic conditions change, these assumptions could vary considerably from actual developments, consequently leading to major changes in pension and similar obligations, as well as the associated future expenses. The carrying amount of the provision for pensions amounted to €1.76 billion (2013: €1.08 billion). See Note 13

The pension-obligation amount is valued by discounting the WACKER-specific, expected future cash flows. The discount rate is derived from the yield curve of high-grade, fixed-interest corporate bonds with maturities matching the pension obligations, as calculated at the balance sheet date. The bonds are all denominated in the same currency as their underlying pension obligations and have a rating of at least AA from one of the three major rating agencies. This is based on information from Bloomberg as of the closing date and on a maturity that nearly matches the maturity of the pension obligation.

Provisions for uncertain tax positions are established whenever the probability of their occurrence exceeds 50 percent. WACKER reassesses contributions to provisions for uncertain tax positions annually and based on past experience.

**Deferred Taxes**

At the end of each reporting period, the Group assesses whether the probability of future tax benefits being realized is sufficient to recognize deferred taxes. Among other things, this requires that management evaluate the tax benefits resulting from currently available tax strategies and future taxable income, as well as taking additional positive and negative factors into account. In the case of companies that have posted tax losses in the past, deferred tax assets are capitalized only in exceptional cases if substantial indications of their being realized exist. The carrying amount of deferred tax assets recognized in the statement of financial position amounted to €334.3 million (2013: €165.7 million).

## Accounting and Valuation Methods

The financial statements of Wacker Chemie AG and its German and international subsidiaries are prepared in accordance with uniform accounting and valuation principles.

The accounting methods correspond to those used for the last consolidated financial statements as of the end of the previous fiscal year. They have been supplemented by new accounting standards to be applied for the first time in 2014. There may be limits to comparability in the case of significant acquisitions of fully consolidated companies. If this is the case, this topic is dealt with in the explanation of the scope of consolidation. Where prior-year figures have been adjusted, explanations are provided in the relevant Notes and the figures are restated in the section entitled “Changes in Accounting and Valuation Methods.”

The Group’s consolidated financial statements are based on acquisition and production costs (historical costs), with the exception of the items reflected at fair value, such as available-for-sale financial assets, derivatives, and plan assets within the scope of pension obligations.

Certain financial instruments are recognized at fair value, while other assets and liabilities are usually disclosed at fair value in the notes to the financial statements. The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Calculation of the fair value of financial instruments may require making quite involved estimates, the nature of which is determined by the extent to which non-observable input parameters are taken into account. When calculating fair value, WACKER strives to include as many observable input parameters as possible and to keep the use of non-observable factors to a minimum. Various factors determine whether the value of an input parameter is observable or not, including the type of financial instrument in question, the existence of a market for the instrument, specific features of the transaction, liquidity and general market conditions. If the fair value cannot be reliably determined, the carrying amount is taken as an approximate value to determine fair value.

In accordance with IFRS 13, financial assets and liabilities that are measured or recognized at fair value in the consolidated financial statements must be measured and classified according to the fair value hierarchy. This hierarchy consists of three levels, to which the input parameters are assigned in accordance with the extent to which they are observable during the corresponding measurement process.

**Sales** encompass the fair value of the counterperformance or claim received for the goods and services that were sold within the scope of ordinary activities. These are reported without VAT and other taxes incurred in connection with sales and without discounts and price reductions. Sales revenues are recognized when the goods and services owed have been delivered and the main opportunities and risks of ownership have passed to the purchaser. Sales from services are recognized once services are rendered. Sales are not reported if there are risks attached to the receipt of the consideration. Provisions are recognized for risks from returns of finished goods and merchandise, warranties and other complaints using the specific identification method. Information on the development of sales by division and region is provided in the section on segment reporting.

WACKER does not conduct any business that requires using the percentage-of-completion method for recognizing sales of long-term production contracts.

**Cost of goods** sold shows the costs of the products, merchandise and services sold. In addition to directly attributable costs, such as material costs, personnel expenses and energy costs, it contains overheads including depreciation and inventory writedowns. This item also includes the cost of outward freight.

**Selling expenses** include costs incurred by the sales organization and the cost of advertising, market research, and application support on customers' premises. This item also includes commission expenses.

**Research and development expenses** include costs incurred in the development of products and processes. Research costs in the narrow sense are recognized as expenses when they are incurred, and are not capitalized. Development costs are capitalized only if all the prescribed recognition criteria have been met, the research phase can be separated clearly from the development phase, and the costs incurred can be allocated to the individual project phases without any overlaps. Additionally, there must be sufficient certainty that future cash inflows will take place.

**General administrative expenses** include the pro rata payroll and material costs of corporate control functions, human resources, accounting and information technology, unless they have been charged as an internal service to other cost centers and thus, in certain circumstances, to other functional areas.

Operating expenses are reported as expenses when the service is utilized, i.e. when the expense is incurred. Interest income is valued pro rata temporis, taking account of the outstanding loan amount and the effective interest rate to be applied. Dividend income from financial investments is reported when the legal claim to payment arises.

**Intangible assets acquired against payment** are measured at cost and, if their useful lives can be determined, are amortized on a straight-line basis. The useful life is taken to be between three and 15 years unless otherwise indicated, e.g. by the life of a patent. The useful life is reviewed annually and, if necessary, revised to correspond to new expectations. Amortization of intangible assets (apart from goodwill) is allocated to the functional areas that use the assets. Intangible assets with indefinite useful lives undergo an annual impairment test. At present, no intangible assets with indefinite useful lives have been capitalized.

**Internally generated intangible assets** are capitalized if it is probable that a future economic benefit can be associated with the use of the asset and the costs of the asset can be determined reliably. They are recognized at cost and amortized on a straight-line basis. Their stated useful lives correspond to those of the intangible assets acquired against payment. If development costs are capitalized, they consist of the costs directly attributable to the development process. Capitalized development costs are amortized over the useful life of the corresponding production facilities as from the start of production.

**Goodwill** is not amortized. Existing goodwill undergoes an annual impairment test. If the impairment test indicates a recoverable amount that is lower than the carrying amount, the goodwill is reduced to its recoverable amount and an impairment loss is recognized.

Furthermore, the intrinsic value is examined when events or circumstances indicate possible impairment. Impairments of goodwill are presented under other operating expenses.

**Property, plant and equipment** is capitalized at cost and depreciated on a straight-line basis over its expected economic life. The useful life is reviewed annually and, if necessary, revised to correspond to new expectations. In addition to the purchase price, acquisition costs include incidental acquisition costs as well as any costs incurred in the demolition, dismantling, and/or removal of the asset in question from its site and in the restoration of that site. Any reductions in the price of acquisition reduce the acquisition costs. Property, plant and equipment is not revalued on the basis of the provisions in IAS 16. Day-to-day maintenance and repair costs are expensed as incurred. Costs for replacing parts or carrying out major overhauls of property, plant and equipment are capitalized if future economic benefits are likely to accrue to the Group and if the costs can be measured reliably.

**Grants from third parties** reduce acquisition and production costs. Unless otherwise indicated, these grants (investment subsidies) are provided by government bodies. Income grants that are not offset by future expenses are recognized as income. Until the funds have been received, grants are recognized as separate assets. For grants involving a legal claim, the claim to the grant is capitalized as an asset if the company has fulfilled, on the balance sheet date, the material requirements for provision of such a grant and has submitted, by the closing date, the necessary application form or is highly likely to do so by this date.

**Financing costs** that were incurred in connection with particular, qualifying assets and which can be attributed directly or indirectly to them are capitalized as part of acquisition or production costs until the assets are used for the first time. In addition, financing costs are not reported as part of acquisition or production costs. WACKER accounts for financing costs in accordance with IAS 23 (Borrowing Costs) if they concern major, long-term investments in production plants.

The cost of **internally generated assets** includes all costs directly attributable to the production process as well as an appropriate portion of the production-related overheads.

If **property, plant and equipment is permanently shut down, sold or given up**, the acquisition or production costs are derecognized, along with the corresponding accumulated depreciation. Any resulting gain or loss from the difference between the sale proceeds and the residual carrying amount is recognized under other operating income or expenses.

Property, plant and equipment also includes assets relating to leasing transactions. Items of property, plant and equipment financed by means of **finance leases** are recognized at fair value at their time of addition, unless the present values of the minimum lease payments are lower. The assets are depreciated on a straight-line basis over the expected useful life or the contractual term, if shorter. The obligations resulting from future lease payments are recognized under financial liabilities. The lease installments to be paid are split up into a redemption component and an interest component, in accordance with the effective interest method.

**Depreciation of property, plant and equipment** is generally based on the following useful lives:

| In years | Useful life |
|---|---|
| Production buildings | 10 to 40 |
| Other buildings | 10 to 30 |
| Plant and machinery | 6 to 12 |
| Motor vehicles | 4 to 10 |
| Factory and office equipment | 4 to 12 |

If, having been measured in accordance with the above principles, the carrying amounts of intangible assets or items of property, plant and equipment that were amortized or depreciated are higher than their recoverable amounts as of the reporting date, corresponding **impairment losses** are recognized as an expense.

The impairment is tested when relevant events or changes in circumstances indicate that it might no longer be possible to realize the net carrying amount. At the end of every reporting period, WACKER checks whether there are triggering events for recognizing (or reversing) impairments. An impairment loss is then recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of either the fair value less costs to sell or the value in use. The value in use results from the present value of the estimated future cash flows from the use of the asset. In order to assess this value, pre-tax interest rates are used that have been adjusted to reflect the segment-specific risk. In order to determine the cash flow, assets are combined at the lowest level for which cash flows can be identified separately (cash-generating units). If the reasons for recognizing impairments no longer exist, impairment losses are reversed. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized. Impairments are reported under other operating expenses and reversals of impairment losses under other operating income.

Like property, plant and equipment, **investment property** is measured in accordance with the cost model. Investment property consists of land and buildings that are held to earn rental income or for capital appreciation, and not for use in captive production, for the supply of goods or services, for administrative purposes or for sale in the normal course of business. The fair value of this property is regularly measured through external property valuations.

**Leasing transactions** are classified either as finance leases or as operating leases. Assets used under an operating lease are not capitalized. Lease payments to be made are recognized in profit or loss in the period in which they fall due. A finance lease is a leasing arrangement in which essentially all of the risks and rewards inherent in the ownership of the property are transferred to the lessee. Assets used under a finance lease are recognized at the present value of the minimum lease payments. Leasing contracts can be embedded within other contracts. If there is a separation obligation for an embedded leasing arrangement in accordance with IFRS rules, the contractual components are separated, and recognized and measured according to the respective rules.

**Shares in non-consolidated affiliated companies and investments** are measured at cost, unless divergent market values are available. Changes in market values are posted to the statement of income upon realization through disposal or if the market value falls below the acquisition cost. Loans are measured at amortized cost, except for non-interest-bearing and low-interest loans, which are recognized at their present value.

Additionally, an impairment test is carried out in the presence of corresponding indications and, where necessary, an impairment is recognized. The recoverable amount is determined in accordance with IAS 36 regulations. Impairment losses are reported in the result from investments in joint ventures and associates.

**Investments in joint ventures and associates** are accounted for using the equity method, with the carrying amount generally reflecting the Group's pro rata share of equity. Pro rata net results are posted to the consolidated income statement, and the carrying amount is increased or decreased accordingly. Any changes in equity recognized directly in the investee's equity are also recognized directly in equity in the consolidated financial statements. Dividends paid by joint ventures and associates reduce their equity and, therefore, reduce the carrying amount without affecting profit. If a joint venture or associate faces losses that have exhausted its equity, the carrying amount of the investment is written off in full in the consolidated statement of financial position. Further losses are taken into account only if there are noncurrent unsecured receivables against the company or the Group has entered into additional obligations or made payments for the company. The carrying amount is not increased until the loss carryforward has been set off and the equity is positive again.

Additionally, an impairment test is carried out in the presence of corresponding indications and, where necessary, an impairment is recognized. The recoverable amount is determined in accordance with the provisions of IAS 36. Impairment losses are reported in the income from investments in joint ventures and associates.

A **financial instrument** is a contract that gives rise to a financial asset at one company and a financial liability or equity instrument at another company. Financial instruments are recognized in the consolidated financial statements at the time that WACKER becomes a contracting party to the financial instrument.

However, in the case of purchases or sales on usual market terms (purchase or sale within the framework of a contract of which the terms require delivery of the asset within the time frame generally established by regulations or conventions prevailing on the market in question), the settlement date – i.e. the date on which the asset is delivered to or by WACKER – is relevant for initial recognition and derecognition. In general, financial assets and financial liabilities are not netted. A net amount is presented in the statement of financial position if, and only if, the entity currently has a right to net the recognized amounts and intends to settle on a net basis. Where financial instruments are combined, borrowed capital and equity components are separated and shown separately by the issuer.

Financial instruments are measured at **fair value** on initial recognition. The transaction costs directly attributable to the acquisition must be taken into account for all financial assets and liabilities not subsequently measured at fair value through profit or loss. The fair values recognized in the statement of financial position generally correspond to the market prices of the financial assets and liabilities. If these are not immediately available, they must be calculated using standard valuation models on the basis of current market parameters.

The fair value of financial instruments is generally equal to the amount the Group would receive or pay if it exchanged or settled the financial instruments on the balance sheet date. If available, quoted market prices are used for financial instruments. Otherwise, fair values are calculated based on the market conditions prevailing on the reporting date – interest rates, exchange rates, commodity prices – using average rates. The fair value is calculated using financial-mathematical methods, e.g. by discounting future payment flows using the market interest rate or by applying recognized option-pricing models. The fair values of some derivatives are based on external valuations by our financial partners.

**Financial assets** at WACKER comprise, in particular, cash and cash equivalents, trade receivables, loans granted and other receivables, held-to-maturity financial investments, and primary and derivative financial assets held for trading. WACKER makes no use of the option to measure financial assets at fair value through profit or loss on initial recognition.

**Financial liabilities** must generally be settled using cash or another financial asset. Financial liabilities include, in particular, the Group's own bonds and other securitized liabilities, trade payables, liabilities to banks, finance lease payables, promissory notes (German Schuldscheine) and derivative financial liabilities. WACKER makes no use of its option to measure financial liabilities at fair value through profit or loss on initial recognition.

The manner in which financial assets and liabilities are subsequently measured depends on whether a financial instrument is held for trading or until it matures, whether such a financial instrument is available for sale, or whether the financial assets concerned are loans granted by the company and receivables owed to it.

Financial instruments held for trading are measured **at fair value through profit or loss**. This category also includes all derivative financial instruments that do not qualify for hedge accounting.

If it is both intended and, in economic terms, to be expected with sufficient certainty that **a financial instrument will be held to maturity**, the instrument in question is measured at amortized cost using the effective interest method. Held-to-maturity financial investments include current and noncurrent securities, and components of items reported under other financial assets.

**Loans and receivables** are non-derivative financial assets that are not quoted in an active market. They are measured at amortized cost using the effective interest method. This category comprises trade receivables, the financial receivables and loans included in other financial assets, the additional financial receivables and loans reported under other assets, and cash and cash equivalents.

All other primary financial assets, if they are not loans and receivables, must be classified as **available for sale** and are reported at fair value if it can be determined reliably. Basically, these assets comprise equity instruments, and also debt instruments not being held to maturity. Unrealized gains and losses are recorded taking account of deferred taxes and are recognized in other equity items with no effect on income. If equity instruments have no price quoted on an active market and if their fair value cannot be determined reliably, they are measured at cost.

If the fair value of available-for-sale financial assets falls below the acquisition costs or there are objective signs that an asset's value has been impaired, the cumulative loss recognized directly in equity is reversed and shown in the statement of income. The company bases its assessment of possible impairments on all available information, such as market conditions and prices, investment-specific factors, and the duration and extent of the drop in value below acquisition costs. Impairments affecting a debt instrument are reversed in subsequent periods, provided that the reasons for the impairment no longer apply. When the financial instruments are disposed of, the cumulative gains and losses recognized in equity are included in the statement of income.

**Derivative financial instruments** are used for hedging purposes with the sole aim of reducing the Group's exposure to foreign-currency exchange rates, interest rates, and commodity price risks arising from operating activities and the resultant financing requirements.

Where derivative financial instruments are used to hedge risks stemming from future payment flows and items in the statement of financial position, IAS 39 permits special hedge-accounting regulations to be applied under certain circumstances. In this way, volatility in the statement of income can be reduced. Depending on the type of underlying transaction designated as a hedged item, a distinction is made between a fair value hedge, a cash flow hedge and a hedge of a net investment in a foreign operation.

Derivative financial instruments are recognized as of the trade date. They are always measured at fair value, irrespective of the purpose or intention for which they were concluded. Positive market values are recognized as receivables and negative market values as liabilities.

Changes in the market value of financial instruments used to limit the risk of lower future cash inflows or higher cash outflows from assets and liabilities recognized in the statement of financial position (cash flow hedges) are recognized under other equity items and taking account of any related tax effects, provided the efficiency of those instruments is adequate and documented. The profit contribution of the hedging instrument is not released to the statement of income until the hedged item is realized. If such a derivative is sold or the hedging relationship is discontinued, the change in its value continues to be reported under other equity items until the underlying transaction occurs. Steps taken to hedge the risk of changes in the market values of recognized assets or liabilities, or to hedge unrecognized fixed contractual obligations, lead to fair value hedges. Changes in fair values are recorded for both the hedged underlying transaction and the derivative financial instruments used for hedging, and are presented in the statement of income. At the moment, WACKER does not hedge any net investments in foreign operations.

Contracts concluded in order to receive or deliver non-financial goods for the Group's own use are not accounted for as derivatives, but treated as pending transactions.

Changes in the values of forward exchange contracts and currency options are reflected in other operating income and expenses, while changes in the value of interest rate swaps and interest rate options are recognized in net interest income. Changes in foreign exchange derivatives concluded to hedge financial liabilities assumed in foreign currencies are posted under other financial result. Changes in the fair value of commodity futures and commodity options are recognized under cost of goods sold. The hedging of planned transactions in foreign currencies is included in other operating income and expenses. The expenses and income are not netted.

**Inventories** are measured at cost using the average cost method. Lower net realizable values or prices as of the balance sheet date are taken into account by means of impairments to fair value less costs to sell. The cost of goods sold includes directly attributable costs, appropriate portions of indirect material and labor costs, and straight-line depreciation. Due to the relatively short-term production processes, financing costs are not included as part of acquisition or production costs. The overhead cost markups are determined on the basis of average capacity utilization. Value adjustments are recognized for inventory risks resulting from extended periods of storage and reduced usability and to reflect other reductions in the recoverable amount. In the statement of income, the cost of unused production capacity is also included in the cost of goods sold. For production-related reasons, unfinished and finished goods are combined and reported under products.

**Emissions certificates** allotted free of charge are measured at a nominal value of zero. Emissions allowances acquired against payment are carried at cost. Thereafter, they are carried at market prices, but never higher than cost. If the fair value is lower as of the reporting date, the carrying amount is reduced accordingly. Proceeds from the sale of emission certificates are recognized in profit or loss.

**Trade receivables and other assets** (including tax receivables, but excluding financial derivatives) are generally recognized at amortized cost. Risks are taken into account through appropriate valuation allowances. Allowances for uninsured receivables – or for the deductible in the case of insured receivables – are made whenever legal action is taken. If payment of a receivable is no longer expected even though legal action has been taken, the gross receivable is derecognized and any valuation allowances made are reversed. Noncurrent receivables that are non-interest-bearing or low-interest-bearing are discounted. WACKER is not a contractor for long-term production orders.

**Receivables from finance lease agreements** where WACKER acts as the lessor are reported under other assets. The gross value of the outstanding lease payments, less unrealized interest earnings, is capitalized as a receivable. The lease installments received are apportioned to the interest amount and the repayment amount of the outstanding receivable in such a way that the interest amount reflects a constant rate of interest on the outstanding receivable. The interest amount is reported under other financial result in the statement of income.

**Cash and cash equivalents** comprise cash in hand, demand deposits, and financial assets that can be converted into cash at any time and are subject to only slight fluctuations in value. They have a residual term of up to three months when received and are measured at amortized cost, which is equivalent to their nominal values.

**Deferred tax assets and liabilities** are recognized for temporary differences between tax bases and carrying amounts, and for consolidation measures recognized in the statement of income. The deferred tax assets include tax relief entitlements resulting from the anticipated use of existing loss carryforwards in future years, the realization of which is assured with sufficient probability. Deferred taxes are determined on the basis of the tax rates which, under current law, are applicable or anticipated in the individual countries when they are realized. The deferred tax assets and liabilities are netted out only to the extent possible under the same tax authority. Deferred tax assets and liabilities are recognized in the statement of income. In cases where profits or losses are recognized directly in equity, the deferred tax asset or liability is likewise posted under other equity items.

**Provisions for pensions** are recognized in accordance with the projected unit credit method. This method takes account not only of pensions and entitlements to future pensions known as of the balance sheet date, but also of estimated increases in salaries and pensions. Moreover, the calculation is based on actuarial valuations and takes account of biometric and financial calculation principles. The plan assets at fair value are subtracted from the present value of the pension obligations, resulting in either a net pension liability or the assets of the defined benefit plans. If the fund's assets exceed the obligation from the pension commitment, an asset is generally recognized. Such recognition, however, is permitted only on the condition that the reporting entity can draw an economic benefit from these assets, e.g. in the form of refunds from the plan or reductions in future contributions to the plan. The net interest cost in the fiscal year is determined by applying the discount rate set at the beginning of the year to the net pension liability calculated at the same time. The applicable interest rate for assessing the defined benefit obligation is used as the discount factor. The net interest from the net pension liability is the difference between the calculated interest income from plan assets and the interest expense from the defined benefit obligation.

Actuarial gains and losses stemming from the difference between the estimate at the start of the period and actual developments during the period – or a newer estimate on the balance sheet date – in relation to probable mortality rates, retirement and salary trends and discount rates are recognized in other comprehensive income. Actuarial gains and losses posted under other comprehensive income cannot be recognized through profit or loss in subsequent periods. Similarly, differences between the interest income from plan assets calculated at the start of the period and the actual income from plan assets determined at the end of the period are recognized in other comprehensive income. Both effects are posted in other equity items as remeasurements of defined benefit plans.

If the present value of a defined benefit obligation changes due to a plan modification or curtailment, WACKER recognizes the resultant effect as past service cost. This is immediately recognized through profit or loss when it occurs. The profits and losses resulting from settlement are also recognized immediately in the statement of income when settlement takes place. Administrative expenses that are not related to the management of plan assets are also recognized through profit or loss when incurred.

The expense incurred in funding the pension provisions (service cost) is allocated to the costs of the functional areas concerned. The interest expense is reported under other financial result.

**Provisions** for phased early retirement and anniversaries are measured and set aside in accordance with actuarial appraisals. Owing to their structure, provisions for phased early retirement also constitute other noncurrent employee benefits in accordance with IAS 19 (revised 2011) since they are linked to the rendering of future service. WACKER uses only a block model when structuring phased-early-retirement agreements. The corresponding provisions are recognized pro rata over the service period of the claim during the work phase. The outstanding settlement amount, i.e. that part of their salary that employees forgo during the work phase, is treated as plan assets. The phased-early-retirement provision represents WACKER's net liability, i.e after the plan assets have been offset against the total obligation. The top-up payments are not viewed as completely earned until the required work has been rendered in full by the employees. Top-up payments that have already been paid out even though the corresponding work has yet to be completed are capitalized.

Provisions are recognized in the statement of financial position for present legal or constructive obligations toward third parties if an outflow of resources to settle these obligations is probable and its amount can be estimated reliably. The amounts recognized are based on the amounts that will be required to cover the Group's future payment obligations, identifiable risks and contingencies. As a rule, all those cost components that are also capitalized under inventories are included in the measurement of other provisions. Future price increases are also taken into account in the measurement. Noncurrent provisions are measured at the discounted present value as of the reporting date. The discount rate applied is the current market interest rate for risk-free investments with terms corresponding to the residual term of the obligation to be settled. Expected refunds, provided that they are sufficiently secure or legally enforceable, are not offset against provisions. Instead, they are capitalized as separate assets if their realization is virtually certain.

Provisions for restructuring costs are recognized if a detailed formal plan for restructuring has been drawn up and conveyed to the affected parties. Provisions for contingent losses arising from onerous contracts are recognized if the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the contractual obligations. Provisions for environmental protection are recognized if the future cash outflows for complying with environmental legislation or for cleanup measures are likely, the costs can be estimated with sufficient accuracy and no future acquired benefit can be expected from the measures. Provisions are recognized if the available portfolio of emission allowances does not cover the anticipated obligations.

If an amended estimate results in a reduction in the scope of the obligations, a proportion of the provision is reversed and the earnings are allocated to the functional area originally charged with the expense when the provision was set aside.

Discretion must be exercised when determining income tax provisions. WACKER determines appropriate provisions for expected risks from tax audits. If the final results of these audits differ from our estimates, they are recognized in the period in which they become known.

**Financial liabilities** are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are included in the recognized liability. Liabilities from finance lease agreements are shown as financial liabilities at the present value of the future lease installments.

**Trade payables and other liabilities (including tax liabilities)** are measured at amortized cost using the effective interest method.

**Contingent liabilities** are potential obligations that arise from past events and the existence of which depends on uncertain future events which are beyond the Group's influence, and on existing obligations that cannot be carried as liabilities because either an outflow of resources is unlikely or the amount of the obligation cannot be estimated with sufficient reliability. Contingent liabilities are shown at values corresponding to the degree of liability that exists on the balance sheet date.

In accordance with the management approach, **segment reporting** at WACKER is based on an internal organizational and reporting structure. The data used to determine key internal management ratios is derived from the consolidated financial statements drawn up in accordance with IFRS.

**Disposal groups and discontinued operations** are reported in accordance with criteria defined in IFRS 5. The Group reports the assets and liabilities of a disposal group separately in the statement of financial position. Unless a disposal group qualifies for discontinued operations reporting, the income and expenses of the disposal group remain within continuing operations until the date of disposal. As soon as they have been classified as held for sale, noncurrent assets are recognized at the lower of the carrying amount and fair value less costs to sell, and are no longer depreciated/amortized.

## Changes in Accounting and Valuation Methods

**IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint Arrangements).**
IFRS 10 governs the definition of "control" so that the same criteria are to be applied to all companies in determining control. The standard defines control as being the ability to direct the relevant activities of an entity. This modified definition did not result in any changes to the scope of consolidation for WACKER.

IFRS 11 governs the accounting of joint arrangements. These are divided into joint operations and joint ventures. The assets, debts, income and expenses of the former are recognized on a pro rata basis, while joint ventures are accounted for using the equity method. In light of the different accounting methods applicable to joint operations and joint ventures, WACKER reviewed its entities currently accounted for as joint ventures as to whether these represent joint operations. Since all of these entities can generate their own cash flow, the analysis showed that none of them need to be accounted for a joint operation.

## Summary of Significant Accounting and Valuation Methods

The main accounting and valuation methods are summarized in the following overview:

| Accounting and Valuation Method | Description |
|---|---|
| Recognition of sales and income | Sales are recognized on delivery of goods or services and on the transfer of risk to the purchaser. |
| Expense recognition | Expenses are recognized when incurred or when the service is utilized. |
| Taxes | Deferred taxes are recognized for temporary differences, for consolidation measures recognized in income and for tax loss carryforwards whenever their realization is sufficiently probable. |
| Intangible assets and property, plant and equipment | These are measured at amortized cost.<br>They are generally amortized/depreciated on a straight-line basis. |
| Government grants | Incentives provided by government bodies either reduce acquisition or production costs, or are recognized in the statement of income. |
| Inventories | These are measured at amortized cost using the average cost method. |
| Receivables and other assets | These are measured at amortized cost.<br>Risks are accounted for through valuation allowances. |
| Provisions for pensions and similar obligations | These are determined using the projected unit credit method.<br>Actuarial gains and losses are recognized in equity under other equity items. The return on plan assets is calculated using the discount rate. |
| Financial instruments | On initial recognition, financial instruments (financial assets and financial liabilities) are measured at fair value. |

## 01 Sales/Cost of Goods Sold/Other Operating Income/Other Operating Expenses

| € million | 2014 | 2013 |
|---|---|---|
| **Sales** | | |
| Proceeds from deliveries of products and merchandise | **4,752.4** | 4,392.1 |
| Proceeds from other services | **74.0** | 86.8 |
| Total | 4,826.4 | 4,478.9 |
| **Cost of goods sold** | **–3,982.2** | –3,815.4 |
| Cost of goods sold includes the following reversals (+)/recognitions (-) of impairments of inventories | **–5.6** | 11.5 |
| **Other operating income** | | |
| Income from currency transactions | **113.3** | 103.8 |
| Income from reversal of provisions | **3.4** | 14.3 |
| Insurance compensation | **4.9** | 2.1 |
| Income from reversal of valuation allowances for receivables | **1.0** | 0.8 |
| Income from disposal of property, plant and equipment and financial assets | **1.1** | 9.9 |
| Income from incentives/grants | **4.2** | 7.9 |
| Income related to the termination of long-term supply contracts and to the retention of advance payments | **211.9** | 91.9 |
| Other operating income | **25.3** | 23.8 |
| Total | 365.1 | 254.5 |
| **Other operating expenses** | | |
| Losses from currency transactions | **–96.2** | –106.6 |
| Losses from valuation allowances for receivables | **–2.3** | –1.7 |
| Losses from disposal of assets | **–10.6** | –9.9 |
| Losses from impairment of intangible assets, property, plant and equipment | **–9.5** | –37.0 |
| Losses from restructuring measures | **–** | –3.9 |
| Other operating expenses | **–63.0** | –51.1 |
| Total | –181.6 | –210.2 |

In fiscal 2014, impairments amounting to €9.5 million (2013: €37.0 million) were recognized. These are attributable in their entirety to the Siltronic division (2013: €34.8 million), which mainly wrote down unused noncurrent assets.

In 2014, income from the retention of advanced payments comprised in particular the advance payments retained and damages received in connection with terminated and restructured contracts with polysilicon customers.

In 2013, the losses from restructuring measures related to the Siltronic division.

Other operating expenses mainly comprise costs – which cannot be capitalized – in relation to the construction of polysilicon facilities in the US.

## 02 Income from Investments in Joint Ventures and Associates/Other Investment Income/ Net Interest Income/Other Financial Results

| € million | 2014 | 2013 |
|---|---|---|
| **Income from investments in joint ventures and associates** | **2.9** | **–36.1** |
| Of which share of income from joint ventures | **3.7** | **–36.8** |
| Of which share of income from associated companies | **–0.8** | **0.7** |
| **Other investment result** | | |
| Other investment income | **0.1** | **0.1** |
| **Total** | **0.1** | **0.1** |
| **Net interest income** | | |
| Interest income | **8.4** | **15.0** |
| Of which from available-for-sale financial instruments | **1.2** | **1.5** |
| Of which from held-to-maturity financial instruments | **–** | **0.8** |
| Interest expenses | **–46.2** | **–41.8** |
| **Total** | **–37.8** | **–26.8** |
| **Other financial result** | | |
| Other financial income | **11.5** | **31.4** |
| Interest effect of interest-bearing provisions/liabilities/finance leases | **–49.6** | **–53.5** |
| Other financial expenses | **–2.2** | **–34.4** |
| **Total** | **–40.3** | **–56.5** |

The income from investments in joint ventures and associates relates mainly to companies in China. This income includes not only the attributable net results for the year, but also the effects of eliminations of attributable intergroup profits and losses. In fiscal 2014, the attributable current results generated by Siltronic Silicon Wafer Pte. Ltd. were no longer included in the income from investments in joint ventures and associates.

Borrowing costs of €5.1 million (2013: €2.0 million) were capitalized in the year under review, resulting in a corresponding improvement in the net interest result. The average borrowing interest rate applied by the Group in fiscal 2014 was 3.0 percent (2013: 3.1 percent).

The interest effect of interest-bearing provisions includes net interest expenses from accumulation of interest on pension obligations and calculated proceeds from plan assets totaling €40.2 million (2013: €42.3 million) and interest expenses and interest income from the accumulation and discount of provisions of €7.9 million (2013: €9.3 million).

Other financial income and expenses primarily result from exchange-rate effects in connection with financial transactions.

## 03 Income Taxes

Income taxes are calculated on the basis of applicable or anticipated tax rates according to the prevailing legal situation in the individual countries as of the realization date. These tax rates are generally based on the legal provisions valid or adopted as of the balance sheet date. In Germany, a solidarity surcharge is added to corporate tax. Trade income tax, which varies depending on the municipality in which a company is located, must also be paid.

### Tax Rates in Germany

| % | 2014 | 2013 |
|---|---|---|
| Weighted average trade income tax rate | 12.3 | 12.3 |
| Corporate tax rate | 15.0 | 15.0 |
| Solidarity surcharge on corporate tax | 5.5 | 5.5 |

Deferred taxes of German companies are therefore measured based on a total tax rate (including solidarity surcharge) of 28.2 percent (2013: 28.2 percent). The income from foreign Group companies is subject to taxation at the tax rates valid in the country in which the respective company is based. As in 2013, the respective income tax rates for foreign companies applicable in each country ranged from 10.0 percent to 39.0 percent.

Deferred taxes on undistributed profits of subsidiaries were recognized only if distribution is planned. The amount of €254.1 million (2013: €537.1 million) is available for distribution.

| € million | 2014 | 2013 |
|---|---|---|
| Current taxes, domestic | –192.0 | -52.9 |
| Current taxes, foreign | –18.5 | -12.8 |
| **Current taxes** | –210.5 | -65.7 |
| Deferred taxes, domestic | 44.8 | 47.0 |
| Deferred taxes, foreign | –4.1 | -6.0 |
| **Deferred taxes** | 40.7 | 41.0 |
| **Income taxes** | –169.8 | -24.7 |
| **Derivation of the effective tax rate** | | |
| Income before taxes | 365.2 | 31.0 |
| Income tax rate for Wacker Chemie AG (%) | 28.2 | 28.2 |
| **Expected tax expenses** | –102.8 | –8.7 |
| Tax rate divergences | –8.6 | 5.1 |
| Tax effect of non-deductible expenses | –28.3 | –21.3 |
| Tax effect of tax-free income | 12.5 | 10.1 |
| Taxes relating to other periods (current earnings) | 4.3 | 6.2 |
| Losses and temporary differences without consideration of deferred taxes | –46.5 | –5.3 |
| Group equity result | 0.1 | –11.1 |
| Other divergences | –0.5 | 0.3 |
| **Total income tax** | –169.8 | –24.7 |
| **Effective tax rate (%)** | 46.5 | 79.7 |

The tax expenses of €169.8 million reported for fiscal 2014 were €67.0 million higher than the expected tax expenses of €102.8 million that would have resulted from application of the total tax rate for Germany of 28.2 percent.

Income taxes include current tax expenses for prior years of €16.3 million (2013: tax income of €1.2 million) and deferred tax income from other periods of €20.6 million (2013: €5.0 million).

### Allocation of Deferred Taxes

| € million | 2014 | | 2013 | |
|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Intangible assets | 13.8 | 1.1 | 11.6 | – |
| Property, plant and equipment | 5.4 | 31.0 | 5.9 | 63.7 |
| Financial assets | – | 1.9 | 0.5 | – |
| Current assets | 16.3 | 2.2 | 11.1 | 5.1 |
| Provisions for pensions | 284.2 | – | 165.5 | – |
| Other provisions | 32.0 | 0.4 | 32.8 | 4.2 |
| Liabilities | 15.8 | 0.2 | 9.7 | 0.1 |
| Loss carryforwards | – | – | 0.2 | – |
| Setting off for companies with profit-and-loss transfer agreements | –0.6 | –0.6 | –0.6 | –0.6 |
| Total | 366.9 | 36.2 | 236.7 | 72.5 |
| Setoffs | –32.6 | –32.6 | –71.0 | –71.0 |
| Amount recorded in Statement of Financial Position | 334.3 | 3.6 | 165.7 | 1.5 |

Deferred tax assets and liabilities are offset whenever there are future tax amounts imposed on, or credited to, the same taxpayer by the same tax authority. In addition, deferred tax assets are recognized only if it is probable that these tax benefits will be realized.

The changes of €40.7 million in deferred tax assets and liabilities were recognized in profit or loss (2013: €41.0 million), while €126.7 million was recognized directly in equity (2013: €–55.1 million). The existing tax loss carryforwards can be used as follows:

| € million | 2014 | 2013 |
|---|---|---|
| Within 1 year | 18.0 | 13.0 |
| Within 2 years | 80.9 | 18.7 |
| Within 3 years | 85.0 | 73.1 |
| Within 4 years | 47.9 | 76.9 |
| Within 5 years or later | 84.5 | 98.1 |
| Total | 316.3 | 279.8 |
| Of which loss carryforwards not expected to be realizable | –316.3 | –279.4 |
| Of which loss carryforwards expected to be realizable | – | 0.4 |

Tax loss carryforwards generated outside Germany amount to a total of €316.3 million (2013: €279.8 million). As none of these carryforwards can be realized, they do not give rise to any deferred tax assets. In theory, however, an amount of €89.0 million (2013:

€78.7 million) would have resulted from recognition. Of the loss carryforwards that are not realizable for tax purposes, the amount of €67.9 million (2013: €55.7 million) is unlimited as to time and amount. As of December 31, 2014, no deferred tax assets were recognized for tax-deductible temporary differences of €628.6 million (2013: €267.7 million). This change mainly concerns parts of the actuarial losses from the measurement of pension obligations recognized in other equity items in equity.

## 04 Development of Fixed Assets

2014

| € million | Intangible assets | Property, plant and equipment | Investment property | Investments in joint ventures and associates accounted for using the equity method | Financial assets | Total |
|---|---|---|---|---|---|---|
| **Acquisition or production cost** | | | | | | |
| Balance as of Jan. 1, 2014 | 141.9 | 10,658.9 | 11.7 | 18.9 | 244.4 | **11,075.8** |
| Additions | 4.4 | 567.8 | – | – | – | **572.2** |
| Disposals | –3.3 | –83.3 | – | – | –4.9 | **–91.5** |
| Transfers | 2.8 | –2.8 | – | – | – | **–** |
| Changes in scope of consolidation | 16.8 | 321.1 | – | – | –142.2 | **195.7** |
| Other changes[1] | – | – | – | –1.1 | – | **–1.1** |
| Exchange-rate differences | 3.8 | 370.8 | – | 2.7 | 9.1 | **386.4** |
| **Balance as of Dec. 31, 2014** | 166.4 | 11,832.5 | 11.7 | 20.5 | 106.4 | **12,137.5** |
| **Depreciation/amortization** | | | | | | |
| Balance as of Jan. 1, 2014 | 121.5 | 6,874.8 | 10.2 | – | 1.6 | **7,008.1** |
| Additions | 12.6 | 576.9 | – | – | – | **589.5** |
| Impairment | 0.6 | 8.9 | – | – | – | **9.5** |
| Disposals | –2.9 | –70.2 | – | – | – | **–73.1** |
| Exchange-rate differences | 1.7 | 130.8 | – | – | – | **132.5** |
| **Balance as of Dec. 31, 2014** | 133.5 | 7,521.2 | 10.2 | – | 1.6 | **7,666.5** |
| **Carrying amounts as of Dec. 31, 2014** | 32.9 | 4,311.3 | 1.5 | 20.5 | 104.8 | **4,471.0** |
| Reduction in cost due to investment grant | | | | | | **470.8** |

[1] This item includes the changes resulting from application of the equity method.

2013

| € million | Intangible assets | Property, plant and equipment | Investment property | Investments in joint ventures and associates accounted for using the equity method | Financial assets | Total |
|---|---|---|---|---|---|---|
| **Acquisition or production cost** | | | | | | |
| Balance as of Jan. 1, 2013 | 156.6 | 10,490.1 | 11.7 | 41.0 | 271.8 | **10,971.2** |
| Additions | 2.1 | 501.6 | – | – | – | **503.7** |
| Disposals | –14.1 | –163.4 | – | – | –2.2 | **–179.7** |
| Transfers | 2.1 | –2.1 | – | – | – | **–** |
| Other changes[1] | – | – | – | –18.9 | –9.0 | **–27.9** |
| Exchange-rate differences | –4.8 | –167.3 | – | –3.2 | –16.2 | **–191.5** |
| **Balance as of Dec. 31, 2013** | 141.9 | 10,658.9 | 11.7 | 18.9 | 244.4 | **11,075.8** |
| **Depreciation/amortization** | | | | | | |
| Balance as of Jan. 1, 2013 | 131.1 | 6,567.2 | 10.2 | – | 2.0 | **6,710.5** |
| Additions | 8.6 | 518.8 | – | – | – | **527.4** |
| Impairment | – | 37.0 | – | – | – | **37.0** |
| Disposals | –14.1 | –150.5 | – | – | – | **–164.6** |
| Exchange-rate differences | –4.1 | –97.7 | – | – | –0.4 | **–102.2** |
| **Balance as of Dec. 31, 2013** | 121.5 | 6,874.8 | 10.2 | – | 1.6 | **7,008.1** |
| **Carrying amounts as of Dec. 31, 2013** | 20.4 | 3,784.1 | 1.5 | 18.9 | 242.8 | **4,067.7** |
| Reduction in cost due to investment grant | | | | | | **470.3** |

[1] This item includes the changes resulting from application of the equity method, as well as noncurrent interest receivables from loans and the fair-value measurement of investments in joint ventures and associates.

## 05 Intangible Assets

Intangible assets include industrial property rights, similar rights and other assets acquired against payment. The acquisition of Scil Proteins Production GmbH and the full consolidation of Siltronic Silicon Wafer Pte. Ltd. led to identification of intangible assets in the amount of €16.8 million during the purchase price allocation. The assets in question – the companies' order backlog and customer base – will be amortized over a period of three to five years.

## 06 Property, Plant and Equipment

### 2014

| € million | Land, buildings and similar rights | Technical equipment and machinery | Other equipment, factory and office equipment | Assets under construction | Total |
|---|---|---|---|---|---|
| **Acquisition or production cost** | | | | | |
| Balance as of Jan. 1, 2014 | 1,495.6 | 7,349.1 | 626.4 | 1,187.8 | **10,658.9** |
| Additions | 8.5 | 89.0 | 20.2 | 450.1 | **567.8** |
| Disposals | –0.7 | –60.9 | –21.0 | –0.7 | **–83.3** |
| Transfers | 14.7 | 111.1 | 8.8 | –137.4 | **–2.8** |
| Changes in scope of consolidation | 116.8 | 197.1 | 3.1 | 4.1 | **321.1** |
| Exchange-rate differences | 56.4 | 143.1 | 5.2 | 166.1 | **370.8** |
| **Balance as of Dec. 31, 2014** | 1,691.3 | 7,828.5 | 642.7 | 1,670.0 | **11,832.5** |
| **Depreciation** | | | | | |
| Balance as of Jan. 1, 2014 | 888.3 | 5,474.2 | 509.5 | 2.8 | **6,874.8** |
| Additions | 57.8 | 480.8 | 38.3 | – | **576.9** |
| Impairment | 4.6 | 3.8 | 0.5 | – | **8.9** |
| Disposals | –0.5 | –49.4 | –20.3 | – | **–70.2** |
| Transfers | 0.5 | 1.9 | – | –2.4 | **–** |
| Exchange-rate differences | 23.8 | 103.2 | 3.9 | –0.1 | **130.8** |
| **Balance as of Dec. 31, 2014** | 974.5 | 6,014.5 | 531.9 | 0.3 | **7,521.2** |
| **Carrying amounts as of Dec. 31, 2014** | 716.8 | 1,814.0 | 110.8 | 1,669.7 | **4,311.3** |
| **Of which assets from finance leases** | | | | | |
| Gross values | – | 79.1 | – | – | 79.1 |
| Depreciation | – | –53.1 | – | – | –53.1 |
| **Carrying amounts** | – | 26.0 | – | – | **26.0** |

2013

| € million | Land, buildings and similar rights | Technical equipment and machinery | Other equipment, factory and office equipment | Assets under construction | Total |
|---|---|---|---|---|---|
| **Acquisition or production cost** | | | | | |
| Balance as of Jan. 1, 2013 | 1,494.5 | 7,332.1 | 622.8 | 1,040.7 | **10,490.1** |
| Additions | 12.0 | 88.8 | 21.3 | 379.5 | **501.6** |
| Disposals | –4.8 | –137.5 | –19.6 | –1.5 | **–163.4** |
| Transfers | 46.0 | 130.3 | 6.2 | –184.6 | **–2.1** |
| Exchange-rate differences | –52.1 | –64.6 | –4.3 | –46.3 | **–167.3** |
| **Balance as of Dec. 31, 2013** | 1,495.6 | 7,349.1 | 626.4 | 1,187.8 | **10,658.9** |
| **Depreciation** | | | | | |
| Balance as of Jan. 1, 2013 | 854.8 | 5,216.6 | 494.9 | 0.9 | **6,567.2** |
| Additions | 53.0 | 426.9 | 38.9 | – | **518.8** |
| Impairment | 22.3 | 12.8 | – | 1.9 | **37.0** |
| Disposals | –1.2 | –130.0 | –19.3 | – | **–150.5** |
| Transfers | 0.6 | 1.3 | –1.9 | – | **–** |
| Exchange-rate differences | –41.2 | –53.4 | –3.1 | – | **–97.7** |
| **Balance as of Dec. 31, 2013** | 888.3 | 5,474.2 | 509.5 | 2.8 | **6,874.8** |
| **Carrying amounts as of Dec. 31, 2013** | 607.3 | 1,874.9 | 116.9 | 1,185.0 | **3,784.1** |
| **Of which assets from finance leases** | | | | | |
| Gross values | – | 82.7 | – | – | **82.7** |
| Depreciation | – | –47.6 | – | – | **–47.6** |
| **Carrying amounts** | – | 35.1 | – | – | **35.1** |

In the reporting year, borrowing costs amounting to €5.1 million (2013: €2.0 million) were capitalized as part of the cost of acquisition of qualifying assets. The average financing cost rate was 3.0 percent (2013: 3.1 percent). Property, plant and equipment also includes €23.7 million (2013: €32.1 million) in technical machinery and other equipment on the basis of an embedded finance lease. Due to the structure of the underlying contracts, economic ownership is attributable to WACKER.

## 07 Investment Property

Wacker Chemie AG owns real estate at its production site in Cologne, Germany. This comprises land and infrastructure facilities (for energy, waste water, etc.). The land is rented out or leased on the basis of long-term agreements. No finance leases are involved. These properties and the associated infrastructure in Cologne are operated, maintained and looked after by third parties, who charge any costs incurred directly to the tenants or leaseholders. The rent and lease income is included in the following schedule.

| € million | 2014 | 2013 |
|---|---|---|
| Fair value | **14.0** | 13.8 |
| Income from rent/operating leases | **0.8** | 0.8 |
| Costs | **–0.2** | –0.2 |

The fair value is based on the opinion of an external expert and is updated periodically, most recently in 2014.

From an economic standpoint, the only option open to a potential buyer would be to discontinue current operations and tear down the existing buildings to make the land available for a new use. The fair value was therefore determined using the market value based on potential proceeds from liquidation of the plant. This measurement took into account the current market situation and thus current prices. The fair value of investment property is allocated to level 2 in the fair value hierarchy. The residual carrying amount relates to the land. The valuation process has not been changed since the previous valuation date.

## 08 Investments in Joint Ventures and Associates, Financial Assets

### 2014

| € million | Investments in joint ventures and associates accounted for using the equity method | Investments | Other financial assets | Financial assets |
|---|---|---|---|---|
| **Acquisition or production cost** | | | | |
| Balance as of Jan. 1, 2014 | **18.9** | 12.8 | 231.6 | **244.4** |
| Disposals | **–** | – | –4.9 | **–4.9** |
| Changes in scope of consolidation | **–** | – | –142.2 | **–142.2** |
| Changes resulting from application of the equity method | **–1.1** | – | – | **–** |
| Exchange-rate differences | **2.7** | – | 9.1 | **9.1** |
| Balance as of Dec. 31, 2014 | 20.5 | 12.8 | 93.6 | 106.4 |
| **Depreciation** | | | | |
| Balance as of Jan. 1, 2014 | **–** | 1.6 | – | **1.6** |
| Balance as of Dec. 31, 2014 | – | 1.6 | – | 1.6 |
| Carrying amounts as of Dec. 31, 2014 | 20.5 | 11.2 | 93.6 | 104.8 |

### 2013

| € million | Investments in joint ventures and associates accounted for using the equity method | Investments | Other financial assets | Financial assets |
|---|---|---|---|---|
| **Acquisition or production cost** | | | | |
| Balance as of Jan. 1, 2013 | **41.0** | 15.4 | 256.4 | **271.8** |
| Disposals | **–** | –2.2 | – | **–2.2** |
| Other changes | **–** | – | 12.2 | **12.2** |
| Changes resulting from application of the equity method | **–18.9** | – | –21.2 | **–21.2** |
| Exchange-rate differences | **–3.2** | –0.4 | –15.8 | **–16.2** |
| Balance as of Dec. 31, 2013 | 18.9 | 12.8 | 231.6 | 244.4 |
| **Depreciation** | | | | |
| Balance as of Jan. 1, 2013 | **–** | 2.0 | – | **2.0** |
| Exchange-rate differences | **–** | –0.4 | – | **–0.4** |
| Balance as of Dec. 31, 2013 | – | 1.6 | – | 1.6 |
| Carrying amounts as of Dec. 31, 2013 | 18.9 | 11.2 | 231.6 | 242.8 |

Negative changes of €21.2 million resulting from application of the equity method were set off for the first time in 2013 against a loan classified as a net investment.

Further financial information on associated companies and joint ventures is contained in Note 23.

## 09 Inventories

| € million | 2014 | 2013 |
|---|---|---|
| Raw materials and supplies | 215.1 | 169.7 |
| Products | 452.8 | 390.0 |
| Merchandise | 62.5 | 51.3 |
| Services not charged | 1.5 | 0.3 |
| Advance payments | 2.4 | 5.6 |
| Total | 734.3 | 616.9 |
| Of which recorded at net realizable value | 133.8 | 129.2 |

## 10 Accounts Receivable/Other Assets/Income Tax Receivables

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Total | Of which non-current | Of which current | Total | Of which non-current | Of which current |
| Trade receivables | 684.0 | – | 684.0 | 614.1 | – | 614.1 |
| Receivables from associated companies | 1.4 | – | 1.4 | 0.5 | – | 0.5 |
| Advance payments to associated companies | – | – | – | 8.6 | 8.6 | – |
| Loan and interest receivables | 4.2 | – | 4.2 | 4.7 | – | 4.7 |
| Derivative financial instruments | 4.2 | 0.3 | 3.9 | 22.1 | 2.5 | 19.6 |
| Accruals and deferrals | 10.1 | 1.3 | 8.8 | 7.5 | 0.5 | 7.0 |
| Investment fund shares[1] | 3.7 | 0.3 | 3.4 | 5.9 | 5.9 | – |
| Claims arising from investment grants | 3.2 | – | 3.2 | 7.0 | – | 7.0 |
| Claims against suppliers | 3.4 | 0.1 | 3.3 | 5.0 | 0.1 | 4.9 |
| Other tax receivables | 52.9 | 3.3 | 49.6 | 59.6 | 7.5 | 52.1 |
| Deposits | 10.9 | 0.1 | 10.8 | 18.0 | 0.2 | 17.8 |
| Restricted cash and cash equivalents | 8.3 | – | 8.3 | 6.8 | – | 6.8 |
| Sundry assets | 80.1 | 0.7 | 79.4 | 70.7 | – | 70.7 |
| Other assets | 182.4 | 6.1 | 176.3 | 216.4 | 25.3 | 191.1 |
| Of which noncurrent, falling due > 5 years | | 0.3 | | | 0.2 | |
| Income tax receivables | 20.3 | 5.1 | 15.2 | 27.1 | 7.6 | 19.5 |
| Of which noncurrent, falling due > 5 years | | – | | | – | |

[1] The investment fund shares are intended to secure obligations for the phased-early-retirement program and are classified as available for sale.

The sundry assets mainly comprise advance payments to the pension fund.

Receivables are shown at amortized cost, which corresponds to their market value. Adequate valuation allowances are set up to cover default risks, to the extent that these are not covered by insurance, bank guarantees or advance payments received.

Valuation allowances and overdue debts developed as follows:

2014

| € million | Carrying amount | Of which: neither impaired nor overdue as of the reporting date | Of which: not impaired, yet overdue as of the reporting date | | | Of which: impaired as of the reporting date |
|---|---|---|---|---|---|---|
| | | | overdue by up to 30 days | overdue by 31 to 45 days | overdue by over 45 days | |
| Trade receivables | 684.0 | 554.8 | 104.7 | 2.4 | 21.8 | 0.3 |
| Other assets | 182.4 | 180.4 | 0.6 | – | 1.2 | 0.2 |
| **Total** | 866.4 | 735.2 | 105.3 | 2.4 | 23.0 | 0.5 |

2013

| € million | Carrying amount | Of which: neither impaired nor overdue as of the reporting date | Of which: not impaired, yet overdue as of the reporting date | | | Of which: impaired as of the reporting date |
|---|---|---|---|---|---|---|
| | | | overdue by up to 30 days | overdue by 31 to 45 days | overdue by over 45 days | |
| Trade receivables | 614.1 | 490.2 | 90.4 | 2.5 | 22.1 | 8.9 |
| Other assets | 216.4 | 215.0 | 0.3 | – | 1.1 | – |
| **Total** | 830.5 | 705.2 | 90.7 | 2.5 | 23.2 | 8.9 |

## Development of Valuation Allowances/Overdue Debts

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Trade receivables | Other assets | Total | Trade receivables | Other assets | Total |
| **Valuation allowances** | | | | | | |
| As of Jan. 1 | **13.0** | **0.7** | **13.7** | 16.7 | 0.8 | 17.5 |
| Utilization | **–3.5** | **–** | **–3.5** | –1.9 | – | –1.9 |
| Additions/reversals | **–4.9** | **–0.9** | **–5.8** | –0.6 | –0.1 | –0.7 |
| Exchange-rate differences | **0.5** | **0.2** | **0.7** | –1.2 | – | –1.2 |
| **As of Dec. 31** | 5.1 | – | 5.1 | 13.0 | 0.7 | 13.7 |

Valuation allowances are set up for identifiable credit risks and exchange-rate fluctuations. We continuously monitor the creditworthiness of our debtors to assess the intrinsic value of the corresponding receivables and, where appropriate, we take out credit default insurance. In addition, customers make advance payments and provide bank guarantees. The maximum default risk is equal to the carrying amount of the uninsured receivables. No loans or receivables were renegotiated to prevent an overdue debt or possible impairment. Based on past experience and on the conditions prevailing as of the reporting date, there are no restrictions with regard to credit quality. The additions and reversals in the valuation allowances for receivables in the reporting year mainly relate to companies in the Siltronic Group and to Wacker Chemie AG.

## 11 Cash and Cash Equivalents/Securities

| € million | 2014 | 2013 |
|---|---|---|
| **Securities**[1] | **195.0** | 192.7 |
| Of which current | **157.4** | 71.9 |
| Of which noncurrent | **37.6** | 120.8 |
| **Cash and cash equivalents** | | |
| Cash equivalents | **75.0** | 51.3 |
| Demand deposits, cash on hand | **250.9** | 380.5 |
| | 325.9 | 431.8 |

[1] The securities mainly consist of bonds from various issuers which are classified as “available for sale.”

Demand deposits and cash on hand are shown at their nominal amounts. Cash equivalents mainly consist of commercial paper (from issuers with first-class credit standing) classified as “held to maturity.”

## 12 Equity/Non-Controlling Interests/Capital Structure Management

The subscribed capital (capital stock) of Wacker Chemie AG amounts to €260,763,000. It consists of 52,152,600 no-par-value shares (total). This corresponds to a notional par value of €5 per share. All of the shares are common shares – no other share classes have been issued. At the reporting date, no capital had been authorized for the issue of new shares. The Executive Board was authorized – in compliance with the legal provisions set out in Section 71 (1) no. 8 of the German Stock Corporation Act – to acquire treasury shares totaling a maximum of 10 percent of capital stock.

In the course of the IPO in April 2006, the number of shares outstanding increased due to the sale of some shares previously held as treasury shares. The following table shows the development in the year under review and in the previous year:

| Units | 2014 | 2013 |
|---|---|---|
| Shares outstanding at the start of the fiscal year | **49,677,983** | 49,677,983 |
| Shares outstanding at the end of the fiscal year | 49,677,983 | 49,677,983 |
| Treasury shares in portfolio | **2,474,617** | 2,474,617 |
| Total shares | 52,152,600 | 52,152,600 |

For more information on Wacker Chemie AG's shareholder structure, please refer to Note 24 – Related Party Disclosures.

Capital reserves include the amounts generated with the issue of shares above their nominal values in previous years, as well as other contributions made to equity.

Retained earnings include the amounts of accrued reserves generated at Wacker Chemie AG in previous fiscal years, transfers from the Group's earnings for the year, the earnings of the consolidated companies less amounts due to non-controlling interests, changes to consolidated items affecting income, and changes in the scope of consolidation.

Other equity items include the differences arising from the foreign currency translation of foreign subsidiary financial statements using reporting currencies other than the euro, and the effects of the valuation of financial instruments and pensions – recognized directly in equity.

The net result attributable to non-controlling interests is made up of the following profits and losses:

| € million | 2014 | 2013 |
|---|---|---|
| Profits | 3.7 | 3.7 |
| Losses | –12.1 | – |
| Net result attributable to non-controlling interests | –8.4 | 3.7 |

## Information on Capital Management

The goal of the WACKER Group's capital management policy is to ensure that the company remains a going concern in the long term and to generate appropriate returns for the company's shareholders. Dividend payments and stock buybacks are instruments of capital management to achieve this goal.

In managing its capital, Wacker Chemie AG complies with the legal provisions on capital maintenance. The company's Articles of Association do not stipulate any capital requirements. No special capital terminology is used.

The Group's policy on dividends is generally oriented toward distributing at least 25 percent of net income to shareholders, assuming the business situation allows this and the bodies responsible agree.

Above and beyond this, WACKER actively manages its debt capital with the aim of achieving a balanced financing portfolio, a diversified maturities profile and a comfortable liquidity reserves. In accordance with our policy of value-based management, net financial debt functions as a supplementary financial performance indicator. See "Management Processes" and "Net Assets" sections of the Group management report.

As of the balance sheet date, the WACKER Group's capital structure was as follows:

Capital structure

| € million | 2014 | 2013 |
|---|---|---|
| Equity attributable to Wacker Chemie AG shareholders | **1,922.4** | 2,178.8 |
| **Share of total capital** (%) | **54.6** | 60.6 |
| Noncurrent financial liabilities | **1,318.2** | 1,247.4 |
| Current financial liabilities | **283.3** | 169.3 |
| Total | **1,601.5** | 1,416.7 |
| **Share of total capital** (%) | **45.4** | 39.4 |
| Total capital | 3,523.9 | 3,595.5 |

Non-controlling interests in equity primarily comprised the following companies:

Non-controlling interests

| € million | 2014 | 2013 |
|---|---|---|
| Wacker Metroark Chemicals Pvt. Ltd., Parganas, India | **17.2** | 13.1 |
| Wacker Chemicals Fumed Silica (ZJG) Holding Co. Private Ltd., Singapore | **23.5** | 23.5 |
| Wacker Chemicals Fumed Silica (ZJG) Co. Ltd., Zhangjiagang, China | **–17.5** | –18.3 |
| Siltronic Silicon Wafer Pte. Ltd., Singapore | **0.9** | – |
| Total | 24.1 | 18.3 |

The voting rights of non-controlling interests correspond to their equity share.

For further information on individual companies, please refer to the ownership list on pages 263–265.

First-time consolidation of Siltronic Silicon Wafer Pte. Ltd., Singapore, took place in fiscal 2014. Siltronic took over the majority of shares in the company in the context of a capital increase and held a 77.7 percent stake as of the reporting date. At the time of acquisition, the non-controlling interests amounted to €12.5 million.

## 13 Provisions for Pensions

For WACKER Group employees, there are various post-employment pension plans, which depend on the legal, economic and fiscal conditions prevailing in the respective countries. These pension plans generally take account of the employees' length of service and salary levels.

The company pension plan makes a distinction between defined contribution and defined benefit plans. Defined contribution plans lead to no further obligation for the company beyond paying contributions into special-purpose funds. WACKER has both defined-contribution and defined-benefit plans, which are financed in part by Pensionskasse der Wacker Chemie VVaG or by funds. Pension obligations result from defined benefit plans in the form of entitlements to future pensions and ongoing payments for eligible active and former employees of the WACKER Group and their surviving dependents. The various pension plans basically ensure employees either a life-long pension on the basis of their average salary during employment at WACKER (career average plan) or lump-sum payments.

The Group maintains the following retirement benefit plans:

### Benefits Supplied by the Company Pension Fund

Employees at Wacker Chemie AG and other German Group companies are granted a basic pension plan via Pensionskasse der Wacker Chemie VVaG, a legally independent German pension fund. The pension fund is financed by member and company contributions. The payments comprise old-age, disability and survivor benefits.

The pension fund is a small mutual insurance company within the meaning of Section 53 of the German Insurance Supervision Act and is regulated by Section 118 b (3) of this act. It is thus subject to the provisions that apply to German insurers and is monitored by the Federal Financial Supervisory Authority (BaFin). There are statutory minimum financing obligations.

Employees who joined the pension plan before the end of 2004 receive a basic pension based on a defined benefit obligation, which is to be taken into consideration in determining pension obligations. The pension amount is the same regardless both of the employee's age when paying contributions and of the interest generated from assets. A new basic-pension model applies for employees who joined the pension fund on or after January 1, 2005. Under that model, the guaranteed payments are based on a fixed interest rate and the benefit amount depends on the age at which the employee pays contributions. Annual profit distributions can increase the future payment. Due to their insurance-related characteristics, these plans do not affect the determination of pension obligations and are thus classified as defined contribution plans.

In addition, employees in Germany may make voluntary payments to the "PK+" supplementary insurance fund of Pensionskasse der Wacker Chemie VVaG. Contributions in connection with retirement benefit plans governed by the collective bargaining agreements concerning one-off payments and retirement benefits, and "Working Life and Demography" are paid into the voluntary supplementary insurance fund. Due to their insurance-related characteristics, voluntary payments to supplementary insurance funds are not taken into account either when determining pension obligations and are thus classified as defined contribution plans.

### Direct Commitments of the WACKER Group

In addition to the pension fund commitments, employees in Germany receive direct commitments in the form of an additional pension. The additional pension insures that part of an employee's salary that exceeds the pension insurance contribution assessment ceiling. Employees who joined the company before the end of 2004 – and their surviving dependents – receive a pension. The amount of that pension depends on the average salary earned during the period of employment with WACKER (career average plan). For employees who joined the plan on or after January 1, 2005, a certain percentage of the salary exceeding the pension insurance contribution assessment ceiling is paid in. This capital accrues interest. The benefits may be drawn as a life-long pension or, in the case of commitments made from 2005 onward, as a lump sum. Employees and their surviving dependents are eligible to receive benefits. Employee entitlements are included when measuring pension obligations, regardless of whether the employees joined the company before the end of 2004 or after the beginning of 2005.

Executive Board members are granted individual pension commitments. For more information on Executive Board member pension plans, please refer to the Corporate Governance Report on page 268.

Employees in Germany with salaries above the standard pay scale may pay into an employee-financed pension plan (deferred compensation). This plan affords employees the option of converting part of their future salary claims into equivalent pension capital. Pension capital accrues interest according to the date the pension plan was entered into (commitment) at either 7 percent (1996–2001), 6 percent (2002–2010) or 5 percent (2011–2013). Plans bearing 7 percent or 6 percent interest may be drawn in the form of either a pension or a lump sum. Plans bearing 5 percent interest are paid out exclusively in lump-sum form.

Pension commitments made before or on December 31, 2000 are measured (in accordance with the projected unit credit method) at the present value of years' service to date or years served to retirement, whereas any commitments made on or after January 1, 2001 are measured at the present value of the defined benefit obligation.

Pension entitlements in Germany are protected against insolvency by the pension guarantee fund (Pensionssicherungsverein a.G.). This insolvency insurance is capped. There are no statutory minimum financing obligations.

### Pension Commitments outside of Germany

Various pension plans are available for employees of foreign subsidiaries, subject to the statutory provisions applicable in the respective countries. With the exception of the US pension plans, these pension plans are not significant to the Group.

In the US, defined benefit plans exist for employees of Siltronic Corporation, Portland, and Wacker Chemicals Corporation, Adrian. However, both plans were closed for new applications effective after December 31, 2003, and defined benefits are carried only for legacy policies. Retirement benefits are paid out from age 65 in the form of a monthly pension and are based on the last average salary paid. Special provisions apply to early retirement as of age 55 depending on the employee's years of service. In view of their pension-like character, obligations relating to medical care for retired employees and severance payments are likewise included under pension provisions. New employees are offered only defined contribution plans.

The present value of defined benefit plans may be reconciled with the provisions recognized in the balance sheet as follows:

**Net Liability of Defined Benefit Obligations**

| € million | Dec. 31, 2014 | | | Dec. 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Germany | Foreign | Total | Germany | Foreign | Total |
| Present value of the at least partially fund-financed defined benefit obligations | 2,267.1 | 210.4 | 2,477.5 | 1,718.0 | 160.7 | 1,878.7 |
| Fair value of plan assets | 1,593.3 | 148.8 | 1,742.1 | 1,462.0 | 122.1 | 1,584.1 |
| Funded status | 673.8 | 61.6 | 735.4 | 256.0 | 38.6 | 294.6 |
| Present value of unfunded defined benefit obligations | 1,008.9 | 13.9 | 1,022.8 | 780.6 | 4.1 | 784.7 |
| Net liability of defined benefit obligations | 1,682.7 | 75.5 | 1,758.2 | 1,036.6 | 42.7 | 1,079.3 |
| Impact of minimum funding requirement/ asset ceiling | – | – | – | – | – | – |
| Provisions for pensions and similar obligations | 1,682.7 | 75.5 | 1,758.2 | 1,036.6 | 42.7 | 1,079.3 |

## Changes in the Net Liability of Defined Benefit Obligations

| € million | Present value of pension plan obligations | Market value of plan assets | Total | Impact of asset ceiling | Total |
|---|---|---|---|---|---|
| **As of January 1, 2013** | 2,738.1 | 1,502.6 | 1,235.5 | – | 1,235.5 |
| Current service cost | 67.5 | – | 67.5 | – | **67.5** |
| Interest expense/income | 95.1 | 52.8 | 42.3 | – | **42.3** |
| Past service cost/effects from settlements and curtailments | 0.2 | – | 0.2 | – | **0.2** |
| **Remeasurements** | | | | | |
| Gains (–)/losses (+) from plan assets without amounts already recognized in interest income | – | 37.4 | –37.4 | – | **–37.4** |
| Gains (–)/losses (+) from changes in demographic assumptions | 0.2 | – | 0.2 | – | **0.2** |
| Gains (–)/losses (+) from changes in financial assumptions | –154.1 | – | –154.1 | – | **–154.1** |
| Gains (–)/losses (+) from changes in experience-based assumptions | –13.4 | – | –13.4 | – | **–13.4** |
| Changes in asset ceilings without amounts recognized in interest expense | – | – | – | – | **–** |
| Effects of exchange-rate differences | –6.8 | –4.9 | –1.9 | – | **–1.9** |
| Contributions by | | | | | |
| Employer | – | 37.8 | –37.8 | – | **–37.8** |
| Pension plan beneficiaries | 9.5 | 9.5 | – | – | **–** |
| Pension payments | –73.0 | –51.5 | –21.5 | – | **–21.5** |
| Transfers/settlements/other | 0.1 | 0.4 | –0.3 | – | **–0.3** |
| **As of December 31, 2013** | 2,663.4 | 1,584.1 | 1,079.3 | – | 1,079.3 |
| Current service cost | 63.0 | – | 63.0 | – | **63.0** |
| Interest expense/income | 102.2 | 62.0 | 40.2 | – | **40.2** |
| Past service cost/effects from settlements and curtailments | 0.1 | – | 0.1 | – | **0.1** |
| **Remeasurements** | | | | | |
| Gains (–)/losses (+) from plan assets without amounts already recognized in interest income | – | 76.3 | –76.3 | – | **–76.3** |
| Gains (–)/losses (+) from changes in demographic assumptions | 9.7 | – | 9.7 | – | **9.7** |
| Gains (–)/losses (+) from changes in financial assumptions | 705.8 | – | 705.8 | – | **705.8** |
| Gains (–)/losses (+) from changes in experience-based assumptions | 0.7 | – | 0.7 | – | **0.7** |
| Changes in asset ceilings without amounts recognized in interest expense | – | – | – | – | **–** |
| Effects of exchange-rate differences | 23.5 | 15.9 | 7.6 | – | **7.6** |
| Contributions by | | | | | |
| Employer | – | 48.2 | –48.2 | – | **–48.2** |
| Pension plan beneficiaries | 9.5 | 9.5 | – | – | **–** |
| Pension payments | –77.6 | –53.4 | –24.2 | – | **–24.2** |
| Transfers/settlements/other | – | –0.5 | 0.5 | – | **0.5** |
| **As of December 31, 2014** | 3,500.3 | 1,742.1 | 1,758.2 | – | 1,758.2 |

## Assumptions

The pension obligations are calculated by taking account of company-specific and country-specific biometric calculation principles and parameters. The calculations are based on actuarial valuations that factor in the following parameters:

Actuarial Assumptions

| % | 2014 | | 2013 | |
|---|---|---|---|---|
| | Germany | USA | Germany | USA |
| Discount rate | 2.3 | 3.8 | 3.8 | 4.75 |
| Salary growth rate | 2.5 | 2.0/3.0 | 3.0 | 3.0 |
| Pension growth rate | 1.8/1.0/2.5 | – | 2.0/1.0/2.5 | – |

Life expectancy calculations in Germany are based on Prof. Klaus Heubeck's modified 1998 guideline tables. The pension fund portfolio (basic pension) is based on the official mortality tables (reduction of male mortality to 75 percent of the guideline table value, and 85 percent for females). The portfolio for other pension commitments is based on a reduction of male mortality to 60 percent of the Heubeck values and 85 percent for women, which takes into account in particular the recognized connection between life expectancy and the amount of pension paid ("Influence of socio-economic status"). The mortality assumptions for the US were updated in 2014. The figures for 2013 take the RP-2000 Combined Healthy Fully Generational Mortality Table (Scale AA to 2020) for men and women into account. In 2014, the mortality rate was updated to reflect the gender-specific RP-2014 mortality tables (Scale SOA MP-2014) for pensioners and non-pensioners published in the same year. This involved extrapolating the RP-2014 mortality table back to the year 2007 and applying a modified version of the MP-2014 table to future periods.

The discount rates and salary increase rates underlying the calculation of the pension obligation were determined in line with the general economic situation and by applying uniform standards. The discount rate is based on a yield curve that is derived from the yields of country-specific, high-grade, fixed-interest corporate bonds with maturities corresponding to the pension obligations. The discount rate takes account of the WACKER-specific, expected future cash flows for these obligations.

## Sensitivity Analysis

The following sensitivity analysis involves an adjustment of only one assumption – i.e. the other assumptions remain unchanged from the original valuation, so that the sensitivity of each individual assumption can be observed in isolation. As a consequence, possible correlation effects between the individual assumptions cannot be taken into consideration.

The following table shows the possible changes in the present value of pension obligations resulting from changes in the basic actuarial assumptions.

### Sensitivity Analysis

| | Dec. 31, 2014 Effect on defined benefit obligation | | Dec. 31, 2013 Effect on defined benefit obligation | |
|---|---|---|---|---|
| | Defined benefit obligation in € million | Change (%) | Defined benefit obligation in € million | Change (%) |
| Present value of pension obligations as of the reporting date | 3,500.3 | | 2,663.4 | |
| Present value of pension obligations if | | | | |
| the discount rate increases by 0.5 percentage points | 3,192.2 | –8.8 | 2,450.4 | –8.0 |
| the discount rate decreases by 0.5 percentage points | 3,855.5 | 10.1 | 2,905.9 | 9.1 |
| salaries increase by 0.5 percentage points | 3,539.2 | 1.1 | 2,696.8 | 1.3 |
| salaries decrease by 0.5 percentage points | 3,462.6 | –1.1 | 2,634.9 | –1.1 |
| future pension increases are 0.25 percentage points higher | 3,603.8 | 3.0 | 2,735.0 | 2.7 |
| future pension increases are 0.25 percentage points lower | 3,401.8 | –2.8 | 2,594.9 | –2.6 |
| life expectancy goes up by one year | 3,630.7 | 3.7 | 2,749.1 | 3.2 |

### Composition of Plan Assets

Pensionskasse der Wacker Chemie VVaG invests plan assets in accordance with statutory requirements and the provisions of its by-laws. The company pension fund invests nearly half of its assets in equity funds and fixed-income funds. The other half is invested directly in promissory notes (German Schuldscheine), real estate, real estate mortgages and private equity. The remaining part of assets is retained for liquidity purposes. The investment strategy follows the investment guideline provided by the executive board of the pension fund.

The plan assets of pension funds set up in the US are generally invested in stocks and funds in accordance with the applicable investment provisions.

The composition of plan assets for the Group is shown in the following table:

### Composition of Plan Assets

| € million | Dec. 31, 2014 | | | Dec. 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Market prices listed in an active market | No listing in an active market | Total | Market prices listed in an active market | No listing in an active market | Total |
| Real estate | – | 262.2 | 262.2 | – | 255.7 | 255.7 |
| Loans/fixed-interest securities | 573.4 | 480.2 | 1,053.6 | 479.3 | 449.5 | 928.8 |
| Shares/funds | 245.0 | 95.6 | 340.6 | 258.8 | 65.4 | 324.2 |
| Liquidity | – | 85.7 | 85.7 | – | 75.4 | 75.4 |
| Total plan assets | 818.4 | 923.7 | 1,742.1 | 738.1 | 846.0 | 1,584.1 |

As was the case in the prior year, the WACKER Group was utilizing €80.2 million of plan assets for its own purposes as of December 31, 2014. The assets in question comprised the real estate used by Wacker Chemie AG for its headquarters in Munich.

### Risks

In addition to the usual actuarial risks, the risk inherent in the defined benefit obligation relates in particular to financial risks in connection with plan assets. In Germany, substantial amounts of the defined benefit obligation are administered by the pension fund. As part of an annual asset-liability study, the current and future relationships between the portfolio structure and obligations are analyzed and projections made. The result is the long-term return required of the pension fund, on the basis of which the pension fund defines a strategic target portfolio. This leads to an annual review and coordination of the required return, company contributions of sponsoring entities and strategic asset allocation.

All capital investments are exposed to market price fluctuation risks. These risks may comprise shifts in interest rates, share prices or exchange rates. The pension fund aims to limit losses to a pre-defined amount using overlay management. The pension fund uses derivatives solely to reduce risk.

In addition to actuarial risks, the defined benefit plans used in the US are also subject to market-price fluctuation risks because plan assets are invested in stocks and funds.

Applicable statutes and by-laws require WACKER to reduce under-funding of pension plans by increasing the amount of liquid funds.

Actuarial risks arise in particular in connection with the life expectancy of the beneficiaries and the interest rate guarantee risk. Commitments granted in Germany up to 2004 in particular have a high guaranteed interest rate that cannot be achieved in the current market environment without taking risks. The interest rate guarantee risk is regularly monitored as part of the risk management process. It constitutes a major focus of the company pension fund when determining the long-term interest requirements and how to fulfill them. Interest rate guarantee risks also affect the deferred compensation plans.

### Pension Plan Financing

In 2014, benefits in the amount of €70.5 million (2013: €66.7 million) were paid under pension plans in Germany and €7.1 million (2013: €6.3 million) under pension plans outside of Germany. WACKER anticipates that pension payments will reach approximately €85 million in the coming fiscal year. Employer contributions to plan assets will amount to around €45.0 million in 2015. The weighted duration of pension obligations as of December 31, 2014 was 20.1 years in Germany (2013: 18.3 years) and 14.5 years in the US (2013: 13.5 years).

### Expected Pension Payments Due

| € million | Expected pension payments Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Less than a year | **–85.3** | –78.1 |
| One to two years | **–93.1** | –82.3 |
| Two to three years | **–94.7** | –88.3 |
| Three to four years | **–98.1** | –92.4 |
| Four to five years | **–104.3** | –95.1 |

### Composition of Pension Expenses

| € million | 2014 | 2013 |
|---|---|---|
| **Pension expenses** | | |
| Defined benefit plan expenses | **–103.3** | –110.0 |
| Defined contribution plan expenses | **–7.4** | –7.4 |
| Other pension expenses | **–2.1** | –0.5 |
| Contributions to state pensions | **–62.4** | –58.8 |
| Total retirement benefits | **–175.2** | –176.7 |

## 14 Other Provisions/Tax Provisions

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Total | Of which non-current | Of which current | Total | Of which non-current | Of which current |
| Personnel | **95.6** | **89.0** | **6.6** | 88.1 | **83.7** | **4.4** |
| Sales/purchasing | **43.5** | **5.4** | **38.1** | 24.9 | **–** | **24.9** |
| Environmental protection | **69.0** | **67.1** | **1.9** | 53.9 | **53.7** | **0.2** |
| Restructuring | **1.8** | **0.2** | **1.6** | 5.0 | **0.1** | **4.9** |
| Sundry | **71.7** | **20.1** | **51.6** | 69.1 | **10.7** | **58.4** |
| Other provisions | 281.6 | 181.8 | 99.8 | 241.0 | 148.2 | 92.8 |
| Tax provisions | 97.9 | 43.7 | 54.2 | 81.6 | 34.5 | 47.1 |

**Provisions for Personnel**

These include obligations for anniversary payments and funeral expenses as well as provisions for early-retirement and phased-early-retirement plans. There is a continuous outflow of noncurrent provisions for anniversary payments and of provisions for phased-early-retirement plans.

**Sales/Purchasing Provisions**

These provisions cover warranty and product-liability obligations, as well as discounts, cash bonuses and other price reductions still to be granted, commissions payable to sales agents, and contingent losses from contractual agreements. The major portion of provisions will probably be used for payouts in the coming year.

### Provisions for Environmental Protection

Provisions for environmental protection are created for anticipated obligations regarding contaminated-site remediation, water pollution control, recultivation of landfills, the clean-up of contaminated storage and production sites, and similar environmental measures. These provisions also include environmental protection charges likely to be imposed by government bodies. The additions are mainly attributable to the adjustments made to the actuarial interest rate. The noncurrent provisions for environmental protection are likely to be utilized within a period of 25 years.

### Restructuring Provisions

The provisions for restructuring comprise severance payments for departing employees, anticipated site closure expenses, demolition obligations and similar charges.

### Sundry Provisions

These provisions are formed for a multiplicity of identifiable individual risks and contingencies (e.g. damages, reimbursement claims).

As in the previous year, the interest rates ranged between 0.5 percent and 10 percent, depending on the situation in the individual countries. They primarily related to provisions associated with purchasing, environmental provisions, provisions for phased-early-retirement plans and anniversary-payment provisions.

**Other Provisions**

| € million | Jan. 1, 2014 | Utilization | Reversal | Addition | Interest effect | Exchange rate differences | Other/ changes in the scope of consolidation | Dec. 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| Personnel | 88.1 | –36.5 | – | 43.6 | – | 0.4 | – | **95.6** |
| Sales/purchasing | 24.9 | –11.2 | –1.4 | 25.7 | 1.7 | 3.8 | – | **43.5** |
| Environmental protection | 53.9 | –1.5 | –4.1 | 15.2 | 5.4 | – | 0.1 | **69.0** |
| Restructuring | 5.0 | –1.7 | –1.6 | 0.2 | – | –0.1 | – | **1.8** |
| Sundry | 69.1 | –2.8 | –0.8 | 5.3 | 0.9 | – | – | **71.7** |
| Total | 241.0 | –53.7 | –7.9 | 90.0 | 8.0 | 4.1 | 0.1 | **281.6** |

### Tax Provisions

Tax provisions contain amounts for current income tax obligations as well as for risks from tax audits and legal action. The existing noncurrent tax provisions will largely be utilized over the next two to four years.

**Tax Provisions**

| € million | Jan. 1, 2014 | Utilization | Reversal | Additions/ interest effect | Exchange rate differences | Other/ changes in the scope of consolidation | Dec. 31, 2014 |
|---|---|---|---|---|---|---|---|
| Taxes | 81.6 | –41.7 | –5.5 | 62.8 | 0.7 | – | **97.9** |

## 15 Financial Liabilities

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Total | Of which non-current | Of which current | Total | Of which non-current | Of which current |
| Liabilities to banks | **1,195.3** | **932.4** | **262.9** | 1,079.2 | 927.6 | 151.6 |
| Of which > 5 years | | **16.0** | | | 8.1 | |
| Liabilities from lease obligations[1] | **28.8** | **21.6** | **7.2** | 38.2 | 30.8 | 7.4 |
| Of which > 5 years | | **5.2** | | | 9.5 | |
| Other financial liabilities | **377.4** | **364.2** | **13.2** | 299.3 | 289.0 | 10.3 |
| Of which > 5 years | | **301.4** | | | 238.4 | |
| **Financial liabilities** | **1,601.5** | **1,318.2** | **283.3** | 1,416.7 | 1,247.4 | 169.3 |
| Of which > 5 years | | **322.6** | | | 256.0 | |

[1] Liabilities from leasing arrangements mainly include liabilities related to leasing the Burghausen plant's CCGT power station as well as liabilities for technical facilities.

In 2014, the company took out an investment loan in the amount of €80 million. In addition, long-term financing in the amount of 800 million renminbi (€106 million) for the company's Chinese subsidiaries was restructured, with the new loans being utilized to redeem existing loans. Due to first-time full consolidation of Siltronic Silicon Wafer Pte. Ltd. in 2014, a minority shareholder's Singapore-dollar-denominated loan for an amount equivalent to €35.8 million led to an increase in financial liabilities.

In 2013, WACKER had privately placed senior unsecured notes in three installments for a total of US$400 million among investors on the US financial market.

No collateral exists for financial liabilities. Financial liabilities are not secured through liens or similar rights. Some of the liabilities to banks have fixed interest rates and others have variable interest rates. Moreover, some of the liabilities to banks were granted on condition that particular covenants be complied with.

The liabilities to banks comprise the following:

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Currency | Carrying amount € million | Maturity | Currency | Carrying amount € million | Maturity |
| Investment loan | EUR | 200.0 | 2016 | EUR | 200.0 | 2016 |
| Investment loan | EUR | 200.0 | 2017 | EUR | 200.0 | 2017 |
| Investment loan | EUR | 80.0 | 2020 | – | – | – |
| Investment loan | CNY | – | – | CNY | 10.8 | 2015 |
| Investment loan | CNY | 18.7 | 2016 | CNY | 34.0 | 2016 |
| Investment loan | CNY | 67.6 | 2018 | – | – | – |
| Investment loan | CNY | – | 2019 | CNY | 79.0 | 2019 |
| Promissory notes (German Schuldscheine) | EUR | 150.0 | 2015 | EUR | 150.0 | 2015 |
| Promissory notes (German Schuldscheine) | EUR | 150.0 | 2017 | EUR | 150.0 | 2017 |
| Bank loan | JPY | 68.8 | 2017 | JPY | 69.0 | 2017 |
| Bank loan | EUR | 50.0 | 2018 | EUR | 50.0 | 2018 |
| Bank loan | CNY | 106.1 | 2017 | – | – | – |
| Operating loan | – | – | – | CNY | 136.4 | 2014 |
| Operating loan | CNY | 75.4 | 2015 | – | – | – |
| Operating loan | CNY | 19.9 | 2017 | – | – | – |
| Operating loan | | 8.8 | 2015 | – | – | – |
| Total | | 1,195.3 | | | 1,079.2 | |
| Fair value | | 1,218.7 | | | 1,101.7 | |

Other financial liabilities comprise the following:

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Currency | Carrying amount € million | Maturity | Currency | Carrying amount € million | Maturity |
| Private placement (1st installment) | USD | 57.6 | 2018 | USD | 50.8 | 2018 |
| Private placement (2nd installment) | USD | 107.0 | 2020 | USD | 94.4 | 2020 |
| Private placement (3rd installment) | USD | 164.5 | 2023 | USD | 143.8 | 2023 |
| Minority-shareholder loans | SGD | 35.8 | 2022 | – | – | – |
| Sundry other financial liabilities | | 12.5 | | | 10.3 | |
| Total | | 377.4 | | | 299.3 | |
| Fair value | | 371.3 | | | 287.9 | |

As in the prior year, the euro-denominated investment loans included variable-interest-rate loan amounts. The variable portion totals €280.0 million (2013: €200.0 million), of which €200 million falls due before the end of 2016 and €80 million by mid-2020. In 2014, loan facilities from banks included variable-interest-rate loan amounts of €34.4 million (€34.5 million) with a residual term until the end of 2017. The promissory notes (German Schuldscheine) include variable loan amounts of €101.0 million (2013: €101.0 million) with a residual term until 2015 and €39.0 million (2013: €39.0 million) with a residual term until 2017. As in the prior year, all renminbi-denominated loans have variable interest rates. All the private placements and the minority-shareholder loan have fixed interest rates.

The carrying amounts of the current financial liabilities correspond to the repayment amounts. With the exception of the renminbi-denominated investment loans and a portion of the euro-denominated investment loans totaling €80 million, all the loans fall due on maturity.

The following table shows the future principal and interest payments for the bank liabilities and other financial liabilities.

| € million | 2015 | 2016 | 2017 | 2018 | 2019 to 2021 |
|---|---|---|---|---|---|
| Principal | 276.1 | 242.0 | 578.6 | 137.5 | 338.5 |
| Interest | 39.6 | 34.0 | 25.0 | 13.7 | 40.5 |

There are also unused long-term lines of credit amounting to €603.5 million (2013: €700.7 million), all conditions for the utilization of which have been met.

As of the reporting date, the future minimum lease payments under finance lease agreements amount to:

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Nominal value | Interest | Present value | Nominal value | Interest | Present value |
| Minimum lease payment within a year | **8.3** | **1.1** | **7.2** | 8.9 | 1.5 | 7.4 |
| Minimum lease payment between one and five years | **18.7** | **2.3** | **16.4** | 24.5 | 3.2 | 21.3 |
| Minimum lease payment over five years | **5.3** | **0.1** | **5.2** | 10.1 | 0.6 | 9.5 |
| **Total** | **32.3** | **3.5** | **28.8** | 43.5 | 5.3 | 38.2 |

There are no conditional lease payments from finance leases.

Wacker Chemie AG has capitalized a finance lease for the leased CCGT (combined-cycle gas turbine) power station at its Burghausen site. The lease for the power station is due to expire in 2019 at the latest. WACKER has the right to acquire the power station at a price oriented to book values in accordance with German commercial law. If WACKER acquires this power station, it may not be sold to a third party for five years.

WACKER also has leasing agreements for several technical facilities that qualify as finance leases and were capitalized accordingly. Here, too, the company in some cases has rights of pre-emption and lease rollover options.

The lease agreements serve to simplify the procurement and financing of operating materials and fixed assets. The long-term commitment that they involve, however, leads to a constant future outflow of cash from which the company cannot extract itself.

## 16 Liabilities

| € million | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Total | Of which non-current | Of which current | Total | Of which non-current | Of which current |
| Trade payables | 374.5 | – | 374.5 | 309.4 | – | 309.4 |
| Other tax liabilities | 16.0 | 0.1 | 15.9 | 14.9 | – | 14.9 |
| Liabilities due to associated companies | 0.1 | – | 0.1 | – | – | – |
| Payables relating to social security | 3.3 | – | 3.3 | 2.5 | – | 2.5 |
| Payroll liabilities | 5.4 | – | 5.4 | 3.8 | – | 3.8 |
| Profit-sharing and other bonuses | 63.5 | 0.8 | 62.7 | 55.1 | – | 55.1 |
| Other personnel liabilities | 30.5 | 1.3 | 29.2 | 24.5 | – | 24.5 |
| Derivative financial instruments | 49.7 | 4.8 | 44.9 | 33.2 | 1.2 | 32.0 |
| Accruals and deferrals | 0.8 | – | 0.8 | 0.8 | – | 0.8 |
| Advance payments received (third parties) | 689.1 | 523.0 | 166.1 | 847.2 | 564.4 | 282.8 |
| Other liabilities | 24.9 | 0.3 | 24.6 | 22.3 | 0.2 | 22.1 |
| Other liabilities | 883.3 | 530.3 | 353.0 | 1,004.3 | 565.8 | 438.5 |
| Of which > 5 years | | 1.3 | | | 16.2 | |
| Income tax liabilities | 0.1 | – | 0.1 | 1.5 | – | 1.5 |

In addition to those tax amounts for which Group companies are liable, tax liabilities include taxes paid for the account of third parties.

Payables relating to social security refer in particular to social-insurance contributions that have yet to be paid.

The other payroll liabilities include, in particular, vacation and flextime credits, as well other HR-related liabilities.

The advance payments received relate primarily to future deliveries of semiconductor wafers and polysilicon.

No collateral exists for other liabilities, nor are they secured through liens or similar rights.

## 17 Contingent Liabilities, Other Financial Obligations and Other Risks

### Contingent Liabilities

Contingent liabilities are potential obligations that are based on past events and the evidence of their existence will not be confirmed until the occurrence of one or more uncertain future events that are beyond the Group's influence. Present obligations, moreover, can likewise be contingent liabilities if the likelihood of an outflow of resources is not strong enough to justify the creation of a provision and/or the amount of the obligations cannot be estimated with sufficient reliability. The values assigned to contingent liabilities correspond to the extent of liability that exists on the reporting date.

The liabilities shown below are nominal values.

| € million | 2014 | 2013 |
|---|---|---|
| Guarantees | 0.5 | 33.9 |

The guarantees for customers' advance payments to former joint ventures were omitted in 2014. Similarly, guarantees issued to cover the payment of government grants to third parties in connection with the investment project in Charleston, Tennessee (USA) were omitted following payment of the grant.

It is unlikely that the remaining guarantees will be utilized.

## Other Financial Obligations and Other Risks

| € million | 2014 | 2013 |
|---|---|---|
| **Obligations from rent and operating leases** | | |
| Due within one year | 30.3 | 25.7 |
| Due between one and five years | 64.9 | 58.1 |
| Due after five years or more | 43.7 | 20.7 |
| Total | 138.9 | 104.5 |
| Lease payments occasioned by operating leases | 31.7 | 35.8 |
| Total expected minimum lease payments from subtenancies | 1.1 | 1.3 |

The Group leases property, plant and equipment, motor vehicles and IT equipment by way of rental agreements and operating leases. These leases generally have terms of between three and five years. Tenancy agreements for office space, property, plant and equipment, etc. have considerably longer terms. Due to regulatory requirements, the Group is also leasing the land on which its production facilities in Singapore were built.

| € million | 2014 | 2013 |
|---|---|---|
| Obligations from orders for planned investment projects (commitments) | 421.6 | 223.6 |

Obligations from orders for planned investment projects (commitments) amount to €421.6 million (2013: €223.6 million) and mainly concern investments in the WACKER POLYSILICON segment.

The Group ensures capacity utilization at its joint venture company with Dow Corning via long-term purchasing commitments of some €100 million annually (2013: €110 million). The contractually agreed transfer prices led to creation of a provision for onerous contracts, included in other provisions.

In connection with its raw-material supplies, WACKER has entered into long-term agreements to purchase strategic raw materials, electricity and gas. As a result, the company has other financial obligations in connection with the significant minimum purchasing obligations in the amount of €2.06 billion (2013: €2.27 billion). The agreements have terms of between one and ten years. The Group has obligations in the amount of €10.2 million to take back stock from consignment warehouses.

The Group receives government incentives and allowances for investing activities. These incentives are granted on condition that a certain number of jobs be created or maintained at certain sites. If these contractual commitments are not fulfilled, any funding received must be paid back either in full or in part. The period for which the Group has to fulfill its contractual commitments is limited.

Contingent considerations from the acquisition of Scil Proteins Production GmbH were recognized in the consolidated balance sheet as based on contracted milestone payments. The fulfillment of these milestones is tied to contract renewals and official approvals of developed products. WACKER assumes that the conditions for payment of these contracted obligations will be met in 2015. The amount of the contingent considerations was defined in the purchase agreement.

WACKER is occasionally involved in legal or arbitration proceedings as well as official investigations and actions. Pending proceedings can have a negative impact on WACKER's earnings, net assets or financial position. At the present time, WACKER does not expect any significant negative effects from pending proceedings.

## 18 Other Disclosures

| € million | 2014 | 2013 |
|---|---|---|
| Cost of materials | –2,159.1 | –2,060.2 |
| **Personnel expenses** | | |
| Wages and salaries | –1,008.1 | –901.3 |
| Social benefits and financial aid funds | –165.3 | –155.9 |
| State pension contributions | 62.4 | 58.8 |
| Social security contributions | –102.9 | –97.1 |
| Pension expenses | –73.5 | –75.8 |
| Contributions to state pensions | –62.4 | –58.8 |
| Pension expenses | –135.9 | –134.6 |
| Total | –1,246.9 | –1,133.0 |

Social benefits relate mainly to the employer's share of social insurance contributions and to employers' liability insurance association contributions. The pension expenses consist mainly of pension payments and allocations to pension provisions. Related interest is shown in the financial result. The expenses incurred in transfers to external pension funds and pension plans are likewise included in pension expenses.

| € million | 2014 | 2013 |
|---|---|---|
| **Expenses for auditors' fees** | | |
| Audit | 1.1 | 0.7 |
| Other attestation services | 0.3 | 0.4 |
| Total | 1.4 | 1.1 |

The other attestation services consist primarily of the cost of interim reviews. Auditors' fees in the amount of €1.4 million (2013: €1.1 million) were paid to KPMG AG Wirtschaftsprüfungsgesellschaft, of which €1.1 million (2013: €0.7 million) was for financial statement auditing services and €0.3 million (2013: €0.4 million) for other attestation services.

## 19 Earnings per Share/Dividend

| | 2014 | 2013 |
|---|---|---|
| Average number of outstanding common shares (units) | **49,677,983** | 49,677,983 |
| Number of common shares outstanding at the end of the year (units) | **49,677,983** | 49,677,983 |
| Dividend per dividend-bearing common share (€) | **1.50** | 0.50 |
| Net result for the year after non-controlling interests (€ million) | **203.8** | 2.6 |
| Earnings due to common shares (€ million) | **203.8** | 2.6 |
| Earnings per common share (average, €) | **4.10** | 0.05 |
| Earnings per common share (as of reporting date, €) | **4.10** | 0.05 |

The diluted earnings per share are identical to the basic earnings in both the year under review and the previous year.

In the absence of relevant circumstances, earnings per share relating to results from continuing or discontinued operations are not reported.

The dividend distribution for 2013 amounted to €24.8 million, or €1.50 per dividend-bearing share. No allocations to retained earnings were made at Wacker Chemie AG for fiscal 2013.

For 2014, the Executive Board of Wacker Chemie AG has proposed the above-mentioned dividend, which relates solely to dividend-bearing shares, i.e. excluding treasury shares. The acceptance or rejection of this proposal is incumbent on the Annual Shareholders' Meeting of Wacker Chemie AG. Subject to acceptance of the proposal, an amount of €74,516,974.50 will be distributed for the 49,677,983 no-par-value shares that are not held by the company.

## 20 Financial Instruments

The following table shows a presentation of financial assets and liabilities by measurement categories and classes. Also presented are liabilities from finance leases and derivatives that qualify for hedge accounting, even though they do not belong to any of the IAS 39 measurement categories.

The fair value of financial instruments measured at amortized cost is determined by means of discounting, taking into account market-participant interest rates that are adequate to the inherent risk and correspond to the relevant maturity. For reasons of immateriality, the carrying amount of current balance-sheet items is the same as their fair value.

## Financial Assets and Liabilities by Measurement Category and Class as of Dec. 31, 2014

| € million | Balance sheet carrying amount Dec. 31, 2014 | Measurement pursuant to IAS 39 (Amortized) cost | Measurement pursuant to IAS 39 Fair value through profit or loss | Measurement pursuant to IAS 39 Fair value through other comprehensive income | Measurement pursuant to IAS 17 Amortized cost | Fair value Dec. 31, 2014 |
|---|---|---|---|---|---|---|
| Trade receivables | **684.0** | 684.0 | | | | 684.0 |
| Loans and receivables | | 684.0 | | | | 684.0 |
| Other financial assets [1] | **416.2** | 223.3 | 1.4 | 191.5 | | 405.0 |
| Held-to-maturity securities | | 10.0 | | | | 10.0 |
| Available-for-sale securities | | | | 188.7 | | 188.7 |
| Loans and receivables | | 202.1 | | | | 202.1 |
| Available-for-sale financial assets [2] | | 11.2 | | | | – |
| Derivatives that do not qualify for hedge accounting (assets held for trading) | | | 1.4 | | | 1.4 |
| Derivatives that qualify for hedge accounting | | | | 2.8 | | 2.8 |
| Cash and cash equivalents | **325.9** | 325.9 | | | | 325.9 |
| Held-to-maturity securities | | 75.0 | | | | 75.0 |
| Loans and receivables | | 250.9 | | | | 250.9 |
| **Total financial assets** | **1,426.1** | | | | | 1,414.9 |
| **Of which pursuant to IAS 39 measurement categories:** | | | | | | |
| Loans and receivables | **1,137.0** | 1,137.0 | – | – | – | 1,137.0 |
| Held-to-maturity securities | **85.0** | 85.0 | – | – | – | 85.0 |
| Available-for-sale financial assets | **199.9** | 11.2 | – | 188.7 | – | 188.7 |
| Derivatives that do not qualify for hedge accounting (assets held for trading) | **1.4** | – | 1.4 | – | – | 1.4 |
| Derivatives that qualify for hedge accounting | **2.8** | – | – | 2.8 | – | 2.8 |
| Financial liabilities | **1,572.7** | 1,572.7 | | | | 1,590.0 |
| Financial liabilities recognized at amortized cost | | 1,572.7 | | | | 1,590.0 |
| Liabilities from finance leases | **28.8** | | | | 28.8 | 28.8 |
| Trade payables | **374.5** | 374.5 | | | | 374.5 |
| Financial liabilities recognized at amortized cost | | 374.5 | | | | 374.5 |
| Other financial liabilities [3] | **177.4** | 127.7 | 15.4 | 34.3 | – | 177.4 |
| Financial liabilities recognized at amortized cost | | 127.7 | | | | 127.7 |
| Derivatives that do not qualify for hedge accounting (financial liabilities held for trading) | | | 13.7 | | | 13.7 |
| Derivatives that qualify for hedge accounting | | | 1.7 | 34.3 | | 36.0 |
| **Total financial liabilities** | **2,153.4** | | | | | 2,170.7 |
| **Of which pursuant to IAS 39 measurement categories:** | | | | | | |
| Financial liabilities recognized at amortized cost | **2,074.9** | 2,074.9 | – | – | – | 2,092.2 |
| Derivatives that do not qualify for hedge accounting (financial liabilities held for trading) | **13.7** | – | 13.7 | – | – | 13.7 |
| Derivatives that qualify for hedge accounting | **36.0** | – | 1.7 | 34.3 | – | 36.0 |

[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.

## Financial Assets and Liabilities by Measurement Category and Class as of Dec. 31, 2013

| € million | Balance sheet carrying amount Dec. 31, 2014 | Measurement pursuant to IAS 39 (Amortized) cost | Measurement pursuant to IAS 39 Fair value through profit or loss | Measurement pursuant to IAS 39 Fair value through other comprehensive income | Measurement pursuant to IAS 17 Amortized cost | Fair value Dec. 31, 2014 |
|---|---|---|---|---|---|---|
| Trade receivables | **614.1** | 614.1 | | | | 614.1 |
| Loans and receivables | | 614.1 | | | | 614.1 |
| Other financial assets[1] | **573.6** | 352.9 | 5.4 | 215.3 | | 583.6 |
| Held-to-maturity securities | | – | | | | – |
| Available-for-sale securities | | | | 198.6 | | 198.6 |
| Loans and receivables | | 341.7 | | | | 362.9 |
| Available-for-sale financial assets[2] | | 11.2 | | | | – |
| Derivatives that do not qualify for hedge accounting (assets held for trading) | | | 5.4 | | | 5.4 |
| Derivatives that qualify for hedge accounting | | | | 16.7 | | 16.7 |
| Cash and cash equivalents | **431.8** | 431.8 | | | | 431.8 |
| Held-to-maturity securities | | 51.3 | | | | 51.3 |
| Loans and receivables | | 380.5 | | | | 380.5 |
| **Total financial assets** | **1,619.5** | | | | | 1,629.5 |
| **Of which pursuant to IAS 39 measurement categories:** | | | | | | |
| Loans and receivables | **1,336.3** | 1,336.3 | – | – | – | 1,357.5 |
| Held-to-maturity securities | **51.3** | 51.3 | – | – | – | 51.3 |
| Available-for-sale financial assets | **209.8** | 11.2 | – | 198.6 | – | 198.6 |
| Derivatives that do not qualify for hedge accounting (assets held for trading) | **5.4** | – | 5.4 | – | – | 5.4 |
| Derivatives that qualify for hedge accounting | **16.7** | – | – | 16.7 | – | 16.7 |
| Financial liabilities | **1,378.5** | 1,378.5 | | | | 1,389.6 |
| Financial liabilities recognized at amortized cost | | 1,378.5 | | | | 1,389.6 |
| Liabilities from finance leases | **38.2** | | | | 38.2 | 38.2 |
| Trade payables | **309.4** | 309.4 | | | | 309.4 |
| Financial liabilities recognized at amortized cost | | 309.4 | | | | 309.4 |
| Other financial liabilities[3] | **141.4** | 108.2 | 31.3 | 1.9 | | 141.4 |
| Financial liabilities recognized at amortized cost | | 108.2 | | | | 108.2 |
| Derivatives that do not qualify for hedge accounting (financial liabilities held for trading) | | | 0.8 | | | 0.8 |
| Derivatives that qualify for hedge accounting | | | 30.5 | 1.9 | | 32.4 |
| **Total financial liabilities** | **1,867.5** | | | | | 1,878.6 |
| **Of which pursuant to IAS 39 measurement categories:** | | | | | | |
| Financial liabilities recognized at amortized cost | **1,796.1** | 1,796.1 | – | – | – | 1,807.2 |
| Derivatives that do not qualify for hedge accounting (financial liabilities held for trading) | **0.8** | – | 0.8 | – | – | 0.8 |
| Derivatives that qualify for hedge accounting | **32.4** | – | 30.5 | 1.9 | – | 32.4 |

[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.

The loans and receivables reported include trade receivables and other loans, as well as cash and cash equivalents. Cash and cash equivalents in foreign currency are measured at the conversion rate prevailing on the reporting date. Their carrying amounts correspond to their fair values. The fair value of the loans corresponds to their present value, i.e. the present value of the expected future cash flows. Discounting is carried out on the basis of the interest rates valid on the reporting date.

The held-to-maturity securities category includes current fixed-interest securities measured at amortized cost in accordance with the effective interest method.

Available-for-sale financial assets include securities, fund shares aimed at securing phased-early-retirement commitments, and investments in joint ventures and associates. The fair values of the fund shares correspond to their stock market prices on the reporting date. Investments in joint ventures and associates are measured at cost, as no observable prices on active markets are available.

The carrying amounts of trade payables and other liabilities correspond to their fair values. The fair values of financial liabilities constitute the present value of the expected future cash flows. Discounting is carried out on the basis of the interest rates valid on the reporting date. All other liabilities are valued at cost as no observable prices for them are available.

The following table shows the net gains and losses from financial instruments, broken down by measurement category. The impacts on earnings due to finance leases and derivatives that qualify for hedge accounting are not shown in the table because they do not belong to any of the IAS 39 measurement categories.

| € million | 2014 | 2013 |
|---|---|---|
| **Net result by measurement category** | | |
| Loans and receivables | **55.4** | –7.2 |
| Available-for-sale financial assets | **1.3** | 1.6 |
| Assets/liabilities classified as at fair value through profit or loss | **–18.4** | –4.8 |
| Held-to-maturity assets | **–** | 0.8 |
| Financial liabilities recognized at amortized cost | **–60.4** | –21.0 |
| Total | –22.1 | –30.6 |

The net result of the category “Loans and receivables” was primarily due to net losses/gains from foreign currency translation, interest income from financial assets, demand deposits and valuation allowances.

The category “Available-for-sale financial assets” includes interest income from fixed-interest securities.

The gains and losses from changes in the fair value of foreign-currency exchange rates, interest rates and commodity derivatives that do not fulfill the requirements of IAS 39 for hedge accounting are posted in the category “Assets/liabilities classified as at fair value through profit or loss.” The effects of fair value hedge accounting are also reported here.

The interest income from financial assets that are not recognized at fair value through profit or loss amounts to €7.2 million (2013: €13.3 million). This interest income mainly stems from demand deposits and loans as well as from held-to-maturity securities.

The interest expenses from financial liabilities that are not recognized at fair value through profit or loss total €46.2 million (2013: €42.7 million). These interest expenses are mainly due to financial liabilities.

The category “Held-to-maturity assets” mainly comprises interest income from noncurrent and current corporate bonds that are posted under securities. No securities were recognized in this category in 2014.

The net losses in the category “Financial liabilities recognized at amortized cost” primarily consist of interest expenses on bank liabilities and other financial liabilities.

Neither in the year under review nor in the previous year were there any reclassifications of financial assets between those recognized at amortized cost and those recognized at market value or vice versa.

The financial assets and liabilities measured at fair value in the financial statements 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.

The following are the levels of the hierarchy.

**Level 1:** Financial instruments measured using quoted prices in active markets, the fair value of which can be derived directly from prices in active liquid markets and for which the financial instrument observable in the market is representative of the financial instrument being measured. These include fixed-interest securities traded in liquid markets.

**Level 2:** Financial instruments measured using valuation methods based on observable market data, the fair value of which can be determined using similar financial instruments traded in active markets or using valuation methods all of whose parameters are observable. These include hedging and non-hedging derivative financial instruments, loans and financial debt.

**Level 3:** Financial instruments measured using valuation methods not based on observable parameters, the fair value of which cannot be determined using observable market data and which require application of different valuation methods. The financial instruments belonging to this category have a value component that is not market-observable and has a major impact on fair value. These include over-the-counter derivatives and unquoted equity instruments.

The following table shows the categories in the fair value hierarchy to which the financial assets and liabilities measured at fair value in the statement of financial position are allocated. The table also shows financial assets and liabilities measured at cost in the statement of financial position. Their fair values are given in the Notes:

**Fair Value Hierarchy as of Dec. 31, 2014**

| € million | Fair value hierarchy | | | Total |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | |
| **Financial assets measured at fair value** | | | | |
| Fair value through profit or loss | | | | |
| Derivatives that do not qualify for hedge accounting (assets held for trading) | – | 1.4 | – | **1.4** |
| Fair value through other comprehensive income | | | | |
| Derivatives that qualify for hedge accounting | – | 2.8 | – | **2.8** |
| Available-for-sale financial assets | 188.7 | – | – | **188.7** |
| Total | 188.7 | 4.2 | – | 192.9 |
| **Financial assets measured at amortized cost** | | | | |
| Loans and receivables | | | | |
| Loans | – | 93.6 | – | **93.6** |
| Total | – | 93.6 | – | 93.6 |
| **Financial liabilities measured at fair value** | | | | |
| Fair value through profit or loss | | | | |
| Derivatives that do not qualify for hedge accounting (liabilities held for trading) | – | 13.7 | – | **13.7** |
| Fair value through other comprehensive income/ through profit or loss | | | | |
| Derivatives that qualify for hedge accounting | – | 36.0 | – | **36.0** |
| Total | – | 49.7 | – | 49.7 |
| **Financial liabilities recognized at amortized cost** | | | | |
| Financial debt | | | | |
| Financial liabilities recognized at amortized cost | – | 1,590.0 | – | **1,590.0** |
| Total | – | 1,590.0 | – | 1,590.0 |

## Fair Value Hierarchy as of Dec. 31, 2013

| € million | Fair value hierarchy | | | Total |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | |
| **Financial assets measured at fair value** | | | | |
| Fair value through profit or loss | | | | |
| Derivatives that do not qualify for hedge accounting (assets held for trading) | – | 5.4 | – | **5.4** |
| Fair value through other comprehensive income | | | | |
| Derivatives that qualify for hedge accounting | – | 16.7 | – | **16.7** |
| Available-for-sale financial assets | 198.6 | – | – | **198.6** |
| Total | 198.6 | 22.1 | – | 220.7 |
| **Financial assets measured at amortized cost** | | | | |
| Loans and receivables | | | | |
| Loans | – | 252.8 | – | **252.8** |
| Total | – | 252.8 | – | 252.8 |
| **Financial liabilities measured at fair value** | | | | |
| Fair value through profit or loss | | | | |
| Derivatives that do not qualify for hedge accounting (liabilities held for trading) | – | 0.8 | – | **0.8** |
| Fair value through other comprehensive income/ through profit or loss | | | | |
| Derivatives that qualify for hedge accounting | – | 32.4 | – | **32.4** |
| Total | – | 33.2 | – | 33.2 |
| **Financial liabilities recognized at amortized cost** | | | | |
| Financial debt | | | | |
| Financial liabilities recognized at amortized cost | – | 1,389.6 | – | **1,389.6** |
| Total | – | 1,389.6 | – | 1,389.6 |

WACKER regularly reviews whether its financial instruments are still appropriately allocated to the fair-value-hierarchy levels. As was the case in the previous year, no reclassifications were carried out within the fair value hierarchy in 2014.

In the period under review, WACKER measured only financial assets and liabilities at fair value. The market values were calculated using market information available on the reporting date and based on counterparties' quoted prices or via appropriate valuation methodologies (discounted cash-flow or well-established actuarial methodologies, such as the par method).

Derivative financial instruments and available-for-sale financial assets are recognized at fair value and are thus subject to a recurring fair-value assessment.

The fair value of derivative financial instruments is calculated based on market data such as exchange rates or yield curves in accordance with market-specific valuation methodologies. The calculation of the fair value contains our own and the counterparty's default risk, using maturity-matching and market-observable CDS values. The fair value of available-for-sale financial assets can be derived from prices listed in active markets.

Loans and financial liabilities are measured at amortized cost. However, the fair values must be provided in the Notes.

The fair value of the loans corresponds to the present value of expected future cash flows. Application of the discounted cash flow method using market interest rates means that the carrying amount of the loans corresponds to their fair value.

The fair value of financial liabilities is determined using the net present value method and is based on standard market interest rates.

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 are 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 December 31, 2014.

WACKER does not currently have any financial instruments measured at fair value that are allocated to level 3 of the fair value hierarchy.

In the context of the acquisition of Scil Proteins Production GmbH and the consolidation of Siltronic Silicon Wafer Pte. Ltd., non-recurring fair value measurements were carried out for the acquired assets and liabilities.

No changes were made to the valuation methodology compared with the previous year.

### Financial Risks

In the normal course of business, WACKER is exposed to credit, liquidity, and market risks from financial instruments. The aim of financial risk management is to limit risks from operations and the resultant financing requirements by using certain derivative and non-derivative hedging instruments.

The risks connected with the procurement, financing and selling of WACKER's products and services are described in detail in the management report. WACKER counters financial risks via the risk management system it has in place. That system is monitored by the Supervisory Board. The fundamental purpose of the risk management system is to identify, analyze, coordinate, monitor and communicate risks in a timely manner. The Executive Board receives regular analyses on the extent of those risks. The analyses focus on market risks, in particular on the potential impact of raw-material price risks, foreign-currency exchange risks, and interest rate risks on EBITDA and net interest income.

### Credit Risk (Risk of Default)

In terms of financial instruments, the Group is exposed to a default risk should a contractual party fail to fulfill its commitments. The maximum risk is therefore the amount of the respective financial instrument's positive fair value. To limit the risk of default, transactions are conducted only within defined limits and with partners of very high credit standing. To make efficient risk management possible, the market risks within the Group are controlled centrally. The conclusion and handling of transactions comply with internal guidelines and are subject to monitoring procedures that take account of the separation of duties. As for operations, outstanding receivables and default risks are continually monitored and hedged with trade credit insurance, advance payments and bank guarantees. Receivables from major customers are not so high as to represent an extraordinary concentration of risks. Default risks are accounted for by impairment, taking advance payments received into account.

### Liquidity Risk

A liquidity risk means that a company may not be able to meet its existing or future financial obligations due to inadequate funds. To ensure uninterrupted solvency and financial flexibility, the Group holds long-term credit lines and liquid funds based on multiyear financial planning and rolling monthly liquidity planning.

To limit this risk, WACKER keeps liquid reserves in the form of current investments and lines of credit. WACKER has also concluded agreements with a number of banks for long-term syndicated loans and bilateral loans.

For information on the maturity analysis for non-derivative financial liabilities, please refer to Note 15.

### Market Risks

Market risks refer to the risk that fair values or future cash flows of a primary or derivative financial instrument could fluctuate due to changing risk factors.

### Foreign Exchange Risk

The potential currency exposure to be hedged with derivative financial instruments is determined on the basis of major foreign-currency income and expenditure. The greatest risk is posed by the US dollar. US-dollar income is taken to mean all sales invoiced in US dollars, while all purchases in US dollars as well as site costs incurred in US dollars are reported under US-dollar expenditure. The evaluation of potential risks includes not only direct US-dollar income and expenditure, but also the indirect US-dollar impact of WACKER's main raw materials (methanol and natural gas). At the same time, indirect euro-denominated sales are deducted from currency exposure. The US dollar is the only relevant risk variable for the sensitivity analysis in accordance with IFRS 7, since the largest share of foreign-currency cash flows is in US dollars. By comparison, increases in the euro exchange rate against the Singapore dollar, Chinese renminbi and Japanese yen have a minor impact. In determining sensitivity, we simulate a 10-percent US-dollar devaluation against the euro, taking as a starting point the exchange rate used in the forecast. Such a devaluation would have had an effect on EBITDA of €–60 million as of December 31, 2014 and €–59 million as of December 31, 2013. The effect from cash-flow-hedge designated items would have increased equity before income taxes by €35.6 million (2013: €36.8 million). The Group's currency exposure amounted to €601.0 million as of December 31, 2014 (2013: €586.0 million).

### Interest Rate Risk

The interest rate risk results mainly from financial debt and interest-bearing investments. The Executive Board determines the mixture of fixed- and variable-interest net financial debt. Interest rate derivatives are concluded as required, taking account of the given structure. Depending on whether the instrument in question (financial liabilities, investments or interest rate derivatives) has a fixed or variable interest rate, the interest rate risks are measured on the basis of either market-value sensitivity or cash-flow sensitivity. Financial liabilities and fixed-interest investments are measured at amortized cost and are therefore, in accordance with IFRS 7, not subject to any interest-rate risk. Available-for-sale securities are recognized at fair value. Due to their short maturities, they are not subject to a significant risk of changes in interest rates. Hedge accounting is not used for any of the interest rate derivatives. Changes in market interest rates have an impact on the net interest income generated by variable-interest financial instruments and are thus included in the calculation of earnings-related sensitivity. Changes in the market interest rates of interest rate derivatives affect the financial result, and are consequently included in any earnings-related sensitivity analysis. If the market interest rate had been 100 base points higher (lower) on average as of December 31, 2014, net interest income would have been €1.6 million (2013: €0.1 million) lower (higher).

### Raw-Material Price Risk

In general, the company is faced with the risk that its supplies of raw materials may be inadequate and that potential increases in raw-material prices could threaten its results.

### Derivative Financial Instruments

Financial risks are also hedged using derivative financial instruments. The raw-material price risks that WACKER hedges against result principally from ongoing energy procurement. Electricity-supply price hedging takes place via contractual stipulations, for which the "own-use exemption" provisions of IAS 39 can essentially be used. These contracts, which are concluded for the purpose of receiving or delivering non-financial goods according to WACKER's own needs, are not recognized as derivatives, but rather as pending transactions.

In those cases where WACKER hedges against currency risks, it uses derivative financial instruments, in particular currency forward exchange contracts and foreign exchange swaps. Derivatives are used only if they are backed by positions, cash deposits and funding, or scheduled transactions arising from operations (underlying transactions). The scheduled transactions also include anticipated, but not yet invoiced, sales in foreign currencies.

Foreign exchange hedging is carried out mainly for the US dollar, Japanese yen and Singapore dollar. Potential interest rate hedges are based on the maturities of the underlying transactions.

Operational hedging in the foreign exchange area relates to the receivables and liabilities already recognized, and generally covers time horizons of between three and four months. The time horizon for strategic hedging is between four and a maximum of 21 months. The hedged cash flows influence the statement of income at the time when sales are realized. The cash inflows are usually recorded shortly afterward, depending on the payment deadline. As well as receivables from, and liabilities to, third parties, inter-company financial receivables and liabilities are hedged.

The market values refer to the repurchase values (redemption values) of the financial derivatives as of the balance sheet date and are calculated using recognized actuarial methods.

The derivatives are recognized at their market values, irrespective of their stated purpose. They are reported in the statement of financial position under other assets or other liabilities. Where permissible, cash flow hedge accounting is applied for the strategic hedging of currency exchange risks from future foreign exchange positions. In such cases, changes in the market values of foreign exchange contracts and changes in the intrinsic values of currency options are recognized under equity with no effect on net income until the underlying transaction takes place, insofar as the hedge is effective. When future transactions are realized, the effects accumulated under equity are reversed through profit or loss. The changes in the fair value of the currency-option contracts not subject to cash flow hedge accounting are recognized in profit or loss. Depending on the nature of the underlying transaction, they are posted in the statement of income either under the operating result or, if financial liabilities are being hedged, under net interest income or other financial result.

For strategic hedging purposes, graduated hedging ratios of between 25 and 50 percent are used in relation to the expected net exposure in US dollars. The expected net exposure for 2015 is about 50 percent hedged, with the expected additional semiconductor-business net exposure for 2016 being around 20 percent hedged. The hedging ratio for operational hedging in US dollars is around 45 percent.

In the fiscal year, the accumulated income and expenses recorded directly in equity included a pre-tax result from cash flow hedges amounting to €–45.9 million (2013: €11.4 million). Of this amount, €–10.5 million was reclassified to profit and loss during the period (2013: €–2.5 million). In the result for the period, no gains or losses from hedge accounting ineffectiveness were recorded, as the hedging relationships were almost entirely effective.

The purpose of fair value hedges is to hedge against changes in the fair value of financial assets and liabilities that come about because of fluctuations in the value of currencies (foreign currency swap). If the hedge is effective, the carrying amount of the corresponding underlying transaction is amended to reflect the changes in the fair value of the hedged risks. At the end of 2014, WACKER recognized an expense of €–0.3 million (2013: €–18.9 million) from the valuation of the hedging instrument under fair value hedges. At the same time, income of €0.3 million (2013: €19.0 million) was realized on the underlying transaction. According to the underlying transaction, the change in the fair value is recognized in the financial result.

| € million | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| | Nominal values | Market values | Nominal values | Market values |
| Foreign exchange derivatives | 1,219.9 | –44.6 | 991.0 | –9.1 |
| Other derivatives | 9.4 | –0.9 | 12.5 | –1.9 |
| Total | 1,229.3 | –45.5 | 1,003.5 | –11.0 |
| Market values for derivative financial instruments within the framework of hedge accounting | | –32.9 | | –15.7 |

The foreign exchange derivatives mainly contain forward exchange contracts amounting to US$923.5 million, ¥27.7 billion and SG$ 435.5 million (2013: US$942.7 million, ¥15.5 billion and SG$ 178.4 million). Derivatives with market values of €–39.9 million are due in 2015, and €–4.9 million expire in 2016.

Other derivatives involve electricity futures traded on the Norwegian market for a nominal amount of €9.4 million (2013: €12.5 million). The electricity futures are used to limit the risk of rising spot-market prices for energy via structured price setting on the electricity market. The hedged amount represents 90 percent of the Holla (Norway) site's future silicon-production power needs not hedged with long-term supply contracts. The futures have maturities of between one and four years. Derivatives with maturities up until 2018 were concluded.

The following table contains information on the netting of financial assets and liabilities in the consolidated statement of financial position. It also demonstrates the financial effects of a possible setting off of financial instruments from netting agreements, enforceable global netting agreements or similar agreements.

| € million | I | II | I + II | Related amounts not netted out in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | Gross amounts of recognized financial assets/ liabilities | Gross amounts of recognized financial assets/ liabilities netted out in the balance sheet | Net amounts of financial assets/ liabilities presented in the balance sheet | Financial instruments | Cash collateral received | |
| **Dec. 31, 2014** | | | | | | |
| Derivatives with a positive market value | 6.1 | –1.9 | 4.2 | –4.0 | – | **0.2** |
| Derivatives with a negative market value | –51.6 | 1.9 | –49.7 | 4.0 | – | **–45.7** |
| **Dec. 31, 2013** | | | | | | |
| Derivatives with a positive market value | 22.8 | –0.7 | 22.1 | –0.8 | – | **21.3** |
| Derivatives with a negative market value | –33.9 | 0.7 | –33.2 | 0.8 | – | **–32.4** |

In addition to the amounts complying with the provisions on netting pursuant to IAS 32, the table also includes those amounts that are subject to netting agreements but may not be netted pursuant to IAS 32.

WACKER does not net any significant financial assets and liabilities. As a part of strategic hedging of international sales, WACKER closes out forward-exchange contracts prior to maturity by means of offsetting transactions. The strategic forward-exchange contract and the corresponding offsetting forward-exchange transaction are recognized as a net amount in accordance with IAS 32 criteria. In addition, general offsetting agreements, which apply only in cases of insolvency, have been concluded with a number of banks.

WACKER has not received any pledged cash security for positive market values of derivatives nor pledged any cash security for negative market values.

The net amount shows the amount of financial assets or liabilities that, despite netting and global netting agreements, is not received or must be paid in the event of insolvency.

## 21 Notes to the Statement of Cash Flows

Cash flow from operating activities is calculated using the indirect method, which adjusts the relevant changes in statement-of-financial-position items for any exchange-rate effects and effects of changes in the scope of consolidation. This means that changes to the relevant statement-of-financial-position items cannot be reconciled with the corresponding values based on the published consolidated statements of financial position.

In the case of cash flow from investing activities, the actual outflows of funds are recognized. As a result, it is also not possible to reconcile these figures with the additions to investments in the consolidated statement of financial position. If subsidiaries or business activities are acquired or sold, the effects of these transactions are shown as

separate items in the statement of cash flows. Investment in securities falling due in more than three months is reported separately under cash flow from investing activities because, in economic terms, these transactions are considered an element of liquidity.

The Group is financed mainly by bank loans granted in the form of loan commitments. Within the defined approval limits for loan commitments, our utilization of credit may be subject to considerable fluctuations both within a given year and over several years. The raising and repayment of loans in foreign currencies are translated at the exchange rate prevailing as of the time of transaction, with the result that here, too, it is not possible to reconcile all the inflows and outflows with the changes in financial liabilities in the statement of financial position.

For more details on the composition of funds made up of cash and cash equivalents, see Note 11.

### Other Non-Cash Expenses and Income

| € million | 2014 | 2013 |
|---|---|---|
| SILICONES | **–2.4** | –7.8 |
| POLYMERS | **–1.9** | –0.4 |
| BIOSOLUTIONS | **–0.2** | – |
| POLYSILICON | **–3.1** | –14.4 |
| SILTRONIC | **9.1** | –4.7 |
| Other | **–50.2** | –16.6 |
| | –48.7 | –43.9 |

## 22 Explanatory Notes on Segment Reporting

The Group's segment reporting is geared toward the internal organizational and reporting structure. WACKER reports on five operating segments (Silicones, Polymers, Biosolutions, Polysilicon and Siltronic), which are organized and managed autonomously on the basis of the type of products they offer and their different risk and income structures. Any activities not assigned to an operating segment are shown under "Other." Currency translation results that cannot be assigned to a segment are likewise shown in this item.

Items in the statement of financial position and statement of income are assigned to the operating segments in accordance with the commercial power of disposition. Assets used jointly by several segments are generally shown under "Other" if they cannot be assigned clearly to a particular segment. A similar approach is adopted for borrowed funds. For the geographical regions, the assets and liabilities are assigned in accordance with where the respective Group company's site is located. Sales are classified in accordance with both the customer's location and the respective Group company's site.

WACKER measures the segments' success using the segment profitability variable EBITDA. EBITDA is calculated by adjusting EBIT for depreciation and amortization, impairments, and write-ups. EBIT consists of the gross result from sales, selling and general administrative expenses, research and development expenses, and other operating income and expenses less income from investments in joint ventures and associates and other income from investments.

Asset additions, depreciation, amortization and write-ups refer to intangible assets, to property, plant and equipment, to investment property and to financial assets. Internal sales show the sales that are generated between the segments. They are settled mainly on the basis of market prices or planned cost of sales. Segment information is based on the same presentation and accounting methods used for the consolidated financial statements. Receivables and liabilities, provisions, income, expenses, and results between the segments are eliminated in the course of consolidation.

As a rule, the assets reported for the segments encompass all of their assets. Loans, cash and cash equivalents, and deferred tax assets, however, are allocated to the "Other" segment.

The liabilities shown for the segments represent all of their liabilities – except deferred tax liabilities, which are shown under "Other." The Group's financial liabilities are allocated to individual segments in proportion to the segment assets. Provisions for pensions are allocated according to Group HR ratios. The advance payments received are allocated directly to the individual segments.

Important valuation changes not recognized through profit or loss include changes in the market value of derivative financial instruments (cash flow hedging) and changes in value from the remeasurement of defined benefit pension plans.

Of the changes in the market value of derivative financial instruments from cash flow hedging, €–33.4 million (2013: €8.5 million) is attributable to the Siltronic segment and €–12.4 million (2013: €2.9 million) to "Other." The changes in value from the remeasurement of defined benefit pension plans are distributed among the segments as follows: €–127.1 million (2013: €39.5 million) for the Silicones segment; €–49.1 million (2013: €15.4 million) for the Polymers segment; €–11.7 million (2013: €3.6 million) for the Biosolutions segment; €–85.5 million (2013: €25.4 million) for the Polysilicon segment; €–135.5 million (2013: €50.5 million) for the Siltronic segment; and €–231.0 million (2013: €70.3 million) for the "Other" segment.

In addition to Germany, the USA and China are the only countries in which WACKER generates significant sales from a Group viewpoint. Measured in relation to the headquarters of the selling unit in the USA, sales amounted to €633.7 million (2013: €609.8 million). Measured by the respective customer location in the USA and China, the sales generated were €643.0 million (2013: €604.4 million) and €900.0 million (2013: €754.0 million), respectively. There are no major customers that account for large proportions of our sales.

The reconciliation of the segments' aggregate results with the net income for the year is shown in the following list:

**Reconciliation of Segment Results (EBIT)**

| € million | 2014 | 2013 |
|---|---|---|
| **Operating result of reporting segments** | **447.6** | 112.3 |
| Consolidation | **–4.3** | 2.0 |
| **Group EBIT** | **443.3** | 114.3 |
| Financial result | **–78.1** | –83.3 |
| Income before taxes | 365.2 | 31.0 |
| Income taxes | **–169.8** | –24.7 |
| Net income for the year | 195.4 | 6.3 |

## 23 Breakdown of Shareholdings/Key Indicators of Joint Ventures and Associated Companies

Unless otherwise stated, the following figures for international subsidiaries were calculated in accordance with IFRS.

### Affiliated Companies

| Serial number | Activity | Identifier* | Equity in € '000 | Net income for the year in € '000 | Capital share in % | Held by serial number[1] |
|---|---|---|---|---|---|---|
| **Germany** | | | | | | |
| **1** Alzwerke GmbH, Munich | Other | a), b) | 7,160 | – | 100.00 | 0 |
| **2** DRAWIN Vertriebs-GmbH, Hohenbrunn | Silicones | a), b) | 5,016 | – | 100.00 | 0 |
| **3** W.E.L.T. Reisebüro GmbH, Munich[2] | Other | | 120 | 64 | 51.00 | 0 |
| **4** Wacker-Chemie Versicherungsvermittlung GmbH, Munich | Other | a), b) | 26 | – | 100.00 | 0 |
| **5** Wacker-Chemie Beteiligungsfinanzierungs GmbH, Munich | – | | 30 | – | 100.00 | 0 |
| **6** Wacker Polysilicon Geschäftsführungs GmbH, Nünchritz | – | | 27 | – | 100.00 | 0 |
| **7** Wacker-Chemie Erste Venture GmbH, Munich | – | | 80 | – | 100.00 | 0 |
| **8** Wacker-Chemie Zweite Venture GmbH, Munich | – | | 36 | – | 100.00 | 0 |
| **9** Wacker-Chemie Dritte Venture GmbH, Munich | Holding | a), b) | 387,727 | – | 100.00 | 0 |
| **10** Wacker-Chemie Sechste Venture GmbH, Munich | – | | 28 | – | 100.00 | 0 |
| **11** Wacker Biotech GmbH, Jena | Biosolutions | a), b) | 290 | – | 100.00 | 0 |
| **12** Scil Proteins Production GmbH, Halle | Biosolutions | a), b) | 10,311 | 459 | 100.00 | 11 |
| **13** Wacker-Chemie Siebte Venture GmbH, Munich | – | | 25 | – | 100.00 | 0 |
| **14** Wacker-Chemie Achte Venture GmbH, Munich | – | a), b) | 2,753 | – | 100.00 | 0 |
| **15** Siltronic AG, Munich | Siltronic | a), b) | 448,516 | – | 90.00 | 9 |
| | | | | | 10.00 | 0 |
| **Rest of Europe** | | | | | | |
| **16** Wacker Chemicals Finance B.V., Krommenie/Amsterdam, Netherlands | Holding | | 1,190,280 | 293 | 100.00 | 0 |
| **17** Wacker-Chemicals Ltd., Egham, Surrey, Great Britain | Sales and distribution | | 885 | 732 | 100.00 | 0 |
| **18** Wacker-Chemie Italia S.r.L., Peschiera Borromeo/Milan, Italy | Sales and distribution | | 2,312 | 703 | 100.00 | 0 |
| **19** Wacker-Chemie Benelux B.V., Krommenie/Amsterdam, Netherlands | Sales and distribution | | 357 | 339 | 100.00 | 16 |
| **20** Wacker Chimie S.A.S., Lyon, France | Sales and distribution | | 521 | 307 | 100.00 | 0 |
| **21** Wacker-Kemi AB, Solna, Sweden | Sales and distribution | | 374 | 325 | 100.00 | 0 |
| **22** Wacker Química Ibérica, S.A., Barcelona, Spain | Sales and distribution | | 354 | 216 | 100.00 | 0 |
| **23** Siltronic Holding International B.V., Krommenie/Amsterdam, Netherlands | Holding | | 280,610 | 23,669 | 100.00 | 15 |
| **24** Wacker-Chemie S.r.o., Prague, Czech Republic | Sales and distribution | | 3,168 | 213 | 100.00 | 0 |
| **25** Wacker-Chemie Polska Sp. z o.o., Warsaw, Poland | Sales and distribution | | 429 | 301 | 100.00 | 0 |
| **26** Wacker-Chemie Hungária Kft., Budapest, Hungary | Sales and distribution | | 449 | 270 | 100.00 | 0 |
| **27** OOO Wacker Chemie RUS, Moscow, Russia | Sales and distribution | | 1,442 | 1,036 | 100.00 | 0 |
| **28** Wacker Chemicals Norway AS, Holla, Norway | Silicones | | 38,363 | 3,113 | 100.00 | 16 |

## Affiliated Companies

| Serial number | Activity | Identifier* | Equity in € '000 | Net income for the year in € '000 | Capital share in % | Held by serial number[1] |
|---|---|---|---|---|---|---|
| **The Americas** | | | | | | |
| **29** Wacker Química do Brasil Ltda., São Paulo, Brazil | Silicones, Polymers | | 7,352 | –2,433 | 100.00 | 0 |
| **30** Wacker Mexicana S. A. de C. V., Mexico, D. F., Mexico | Sales and distribution | | 1,408 | 715 | 100.00 | 0 |
| **31** Wacker Chemical Corp., Adrian, Michigan, USA | Silicones, Polymers, Biosolutions | | 1,248,402 | 6,880 | 100.00 | 16 |
| **32** Wacker Polysilicon North America, LLC, Cleveland, Tennessee, USA | Polysilicon | | 908,031 | –60,642 | 100.00 | 31 |
| **33** Siltronic Corp., Portland, Oregon, USA | Siltronic | | 10,987 | 6,396 | 100.00 | 23 |
| **Asia** | | | | | | |
| **34** Wacker Chemicals (South Asia) Pte. Ltd., Singapore | Sales and distribution | | 1,621 | 147 | 100.00 | 0 |
| **35** Wacker Chemicals Hong Kong Ltd., Hong Kong, China | Sales and distribution | | 2,891 | 160 | 100.00 | 0 |
| **36** Wacker Metroark Chemicals Pvt. Ltd., Parganas, India | Silicones | | 35,056 | 6,925 | 51.00 | 0 |
| **37** Wacker Chemicals Korea Inc., Seoul, South Korea | Silicones, Polymers | | 28,051 | 1,793 | 100.00 | 16 |
| **38** Wacker Chemicals East Asia Ltd., Tokyo, Japan | Sales and distribution | | 55 | –65 | 100.00 | 0 |
| **39** Wacker Chemicals Trading (Shanghai) Co. Ltd., Shanghai, China | Silicones | | 10,213 | 385 | 100.00 | 35 |
| **40** Wacker Chemicals Fumed Silica (ZJG) Holding Co. Private Ltd., Singapore | Holding | | 47,919 | –14 | 51.00 | 0 |
| **41** Wacker Chemicals Fumed Silica (ZJG) Co. Ltd., Zhangjiagang, China | Silicones | | 12,267 | 640 | 51.00 | 40 |
| **42** Wacker Chemicals (Zhangjiagang) Co. Ltd., Zhangjiagang, China | Silicones | | 39,656 | 3,259 | 100.00 | 44 |
| **43** Wacker Polymer Systems (WUXI) Co. Ltd., Wuxi, China | Biosolutions | | 5,559 | 686 | 100.00 | 44 |
| **44** Wacker Chemicals (China) Company Ltd. (Holding), Shanghai, China | Sales and distribution | | 75,997 | –10,431 | 100.00 | 0 |
| **45** Wacker Chemicals (Nanjing) Co. Ltd., Nanjing, China | Polymers, Biosolutions | | 49,935 | –304 | 100.00 | 44 |
| **46** Wacker Chemicals India Ltd., Mumbai, India | Sales and distribution | | 3,217 | 78 | 100.00 | 16 |
| **47** Siltronic Singapore Pte. Ltd., Singapore | Siltronic | | 111,251 | 28,687 | 100.00 | 23 |
| **48** Siltronic Asia Pte. Ltd., Singapore | Siltronic | | 484 | 412 | 100.00 | 23 |
| **49** Siltronic Japan Corp., Hikari, Japan | Siltronic | | –12,338 | –5,800 | 100.00 | 23 |
| **50** Siltronic Silicon Wafer Pte. Ltd., Singapore | Siltronic | | –6,438 | –51,981 | 77.70 | 23 |
| **Other regions** | | | | | | |
| **51** Wacker Chemicals Australia Pty. Ltd., Melbourne, Australia | Sales and distribution | | 568 | 155 | 100.00 | 0 |
| **52** Wacker Chemicals Middle East Ltd., Dubai, UAE | Sales and distribution | | 3,590 | 798 | 100.00 | 0 |

### Joint Ventures/Associated Companies[3]

| Serial number | Activity | Identifier* | Equity in € '000 | Net income for the year in € '000 | Capital share in % | Held by serial number[1] |
|---|---|---|---|---|---|---|
| 53 Wacker Asahi Kasei Silicone Co. Ltd., Tokyo, Japan | Silicones | | 12,101 | 2,524 | 50.00 | 0 |
| 54 Dow Corning (ZJG) Holding Co. Private Ltd., Singapore | Silicones | | 350,163 | –3,267 | 25.00 | 0 |
| 55 Wacker Dymatic (Shunde) Co. Ltd., Guangdong, China | Silicones | | 21,646 | 5,259 | 50.00 | 44 |

### Structured Entity

| Serial number | Activity | Identifier* | Equity in € '000 | Net income for the year in € '000 | Capital share in %[4] | Held by serial number[1] |
|---|---|---|---|---|---|---|
| 56 WMM-Universal-Fonds, Germany | – | | 197,884 | 1,082 | 100.00 | 0 |

* Identifier:
a) Wacker Chemie AG has concluded profit-and-loss or loss transfer agreements with these entities, either directly or indirectly.
b) The shareholders of Wacker Chemie AG have agreed not to disclose the financial statements of these entities (Section 264, Subsection 3 of the German Commercial Code).

[1] Serial number 0: Wacker Chemie AG
[2] Prior-year figures
[3] Only direct holdings in the relevant parent company are listed
[4] Share of special assets; as per IFRS

The Group applies the equity method to account for the above-mentioned joint ventures and associates. Their impact on the Group's earnings, net assets and financial position is not material. If loans have been made to joint ventures and associates by shareholders, extinguishment of these loans takes precedence over the distribution of dividends.

The following table shows the change in the total carrying amount of the investments in the reporting period, calculated using the equity method:

### Joint Ventures Accounted for Using the Equity Method

| € million | 2014 | 2013 |
|---|---|---|
| **Carrying amount of the investments in accordance with the equity method** | | |
| At the beginning of the year | 15.9 | 37.6 |
| Share of profit/loss for the period | 3.7 | –16.1 |
| Share of change in other equity | 1.0 | –2.1 |
| Overall result of the companies | 4.7 | –18.2 |
| Capital measures/dividends/changes | –4.0 | –3.5 |
| At the end of the year | 16.6 | 15.9 |

The Singapore-based joint venture Siltronic Samsung Wafer Pte. Ltd. was fully consolidated as of January 24, 2014 following the takeover of a majority of shares. As of December 31, 2013, the joint venture's equity amounted to €–41.5 million and its net income for the year to €–84.3 million. As of the same date, WACKER held 50 percent of the shares in Siltronic Samsung Wafer Pte. Ltd. Attributable losses from the previous year amounting to €20.6 million were offset with a shareholder loan classified as a net investment.

### Associated Companies Accounted for Using the Equity Method

| € million | 2014 | 2013 |
|---|---|---|
| **Carrying amount of the investments in accordance with the equity method** | | |
| At the beginning of the year | 3.0 | 3.4 |
| Share of profit/loss for the period | –0.8 | 0.7 |
| Share of change in other equity | 1.7 | –1.1 |
| Overall result of the companies | 0.9 | –0.4 |
| At the end of the year | 3.9 | 3.0 |

The following shows the key figures for companies accounted for using the equity method. Deviations between share of net income and the result from investments in joint ventures and associates, and between share of equity and the carrying amount of investments in joint ventures and associates accounted for using the equity method are primarily the result of fair-value adjustments and amendments to WACKER's accounting policies.

### Key Figures for Joint Ventures

| € million | 2014 | | 2013 | |
|---|---|---|---|---|
| | Total | Attributable to WACKER | Total | Attributable to WACKER |
| Profit or loss from continuing operations | 7.4 | 3.7 | –74.9 | –37.5 |
| Post-tax profit or loss from discontinued operations | – | – | – | – |
| Other comprehensive income | 2.0 | 1.0 | –4.2 | –2.1 |
| Overall result | 9.4 | 4.7 | –79.1 | –39.6 |

### Key Figures for Associated Companies

| € million | 2014 | | 2013 | |
|---|---|---|---|---|
| | Total | Attributable to WACKER | Total | Attributable to WACKER |
| Profit or loss from continuing operations | –3.3 | –0.8 | 2.7 | 0.7 |
| Post-tax profit or loss from discontinued operations | – | – | – | – |
| Other comprehensive income | 6.8 | 1.7 | –4.4 | –1.1 |
| Overall result | 3.5 | 0.9 | –1.7 | –0.4 |

## 24 Related Party Disclosures

IAS 24 stipulates that a person or company that controls, or is controlled by, Wacker Chemie AG must be disclosed unless the person or company is already included in Wacker Chemie AG's consolidated financial statements as a consolidated company. A shareholder is deemed to have control if the shareholder 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.

In the year under review, the WACKER Group was affected by the disclosure obligations under IAS 24 in respect of the business relations with Wacker Chemie AG's major shareholders and its 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.

Dr. Alexander Wacker Familiengesellschaft mbH, Munich, informed Wacker Chemie AG on June 7, 2006, that it holds over 50 percent of the voting shares in Wacker Chemie AG. Blue Elephant Holding GmbH, Pöcking, informed Wacker Chemie AG on April 12, 2006, that it holds over 10 percent of the voting shares in Wacker Chemie AG.

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.

Apart from that, WACKER Group companies have not conducted any material transactions 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.

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 land on which it stands from a subsidiary of Pensionskasse der Wacker Chemie VVaG. The total expenditures amounted to €45.6 million (2013: €41.4 million), while the receivables from the pension fund totaled €40.4 million (2013: €40.3 million).

Business with joint ventures and associates, the pension fund, and non-consolidated subsidiaries is conducted under conditions that are customary between outside third parties (arm's length transactions). Contractually agreed transfer-price formulas have been defined for joint-venture and associated-company product shipments.

**Related Party Disclosures**

| € million | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Income | Expenses | Receivables | Liabilities | Income | Expenses | Receivables | Liabilities |
| Associated companies | **6.3** | **123.5** | **2.1** | **15.9** | 5.7 | 81.7 | 2.0 | 7.6 |
| Joint ventures | **28.0** | **1.7** | **4.3** | **0.2** | 69.0 | 51.5 | 25.3 | 3.9 |
| Other | **–** | **–** | **–** | **–** | – | – | – | 0.2 |

Transactions with joint ventures and associates relate to such supplies and services as arise during the normal course of business (for example in connection with sales revenue, license revenue and administrative expense allocations). Joint ventures and associates submitted invoices for material purchases and commissions. Any guarantees or other security pledges are reported under other financial obligations. See Note 17.

In addition, there is a loan to an associated company totaling €93.6 million (2013: €231.6 million). In the previous year loans to Siltronic Silicon Wafers Pte. Ltd. were included in this amount.

# Information Regarding Compensation for the Supervisory and Executive Boards:

## Compensation for the Executive and Supervisory Boards

| € | Fixed compensation | Variable compensation | Pension expenses[1] | Total |
|---|---|---|---|---|
| Executive Board compensation 2014 | 2,633,579 | 3,057,625 | 934,991 | **6,626,195** |
| Executive Board compensation 2013 | 2,273,953 | 1,945,000 | 1,339,214 | **5,558,167** |
| Pension commitments for active members of the Executive Board 2014 | | | | **25,151,057** |
| Pension commitments for active members of the Executive Board 2013 | | | | **18,587,743** |
| Compensation for former members of the Executive Board and their surviving dependents 2014 | | | | **1,851,841** |
| Compensation for former members of the Executive Board and their surviving dependents 2013 | | | | **2,162,941** |
| Pension commitments for former members of the Executive Board and their surviving dependents 2014 | | | | **35,200,916** |
| Pension commitments for former members of the Executive Board and their surviving dependents 2013 | | | | **29,313,594** |
| Supervisory Board compensation 2014 | 1,729,041 | – | – | **1,729,041** |
| Supervisory Board compensation 2013 | 1,758,482 | – | – | **1,758,482** |

[1] The amount for retirement benefits is based on service cost. Interest expense amounted to €706,334 (2013: €624,871).

Detailed information about Executive Board compensation is contained in the compensation report, which forms part of the management report. German commercial law (HGB) requires the inclusion of this information in the notes to the consolidated financial statements.

Other business relations with members of the Supervisory and Executive Boards comprise the purchase and sale of shares in Wacker Chemie AG. Such transactions take place on customary market terms and conditions. These transactions were published both in the German register of companies and on the Wacker Chemie AG website at: www.wacker.com/directors-dealings.

The members of Wacker Chemie AG's Supervisory Board and Executive Board are listed on the following pages.

**Munich, March 2, 2015**
**Wacker Chemie AG**

**Rudolf Staudigl** **Tobias Ohler**

**Joachim Rauhut** **Auguste Willems**

# Supervisory Board

## Dr. Peter-Alexander Wacker[1,2,3]

**Chairman**
Starnberg
Former President & CEO
of Wacker Chemie AG, businessman

**Chairman of the Supervisory Board and Advisory Council**
Giesecke & Devrient GmbH

**Chairman of the Administrative Council and Board of Trustees**
ifo Institute – Leibniz Institute for Economic Research at the University of Munich

## Anton Eisenacker*[1,2,3]

**Deputy Chairman**
Perach, master chemical technician

## Peter Áldozó*

Burghausen, HR specialist

## Dr. Andreas H. Biagosch

(since January 26, 2015)
Munich, Managing Director of Impacting I GmbH & Co. KG and Impact GmbH

**Member of the Board of Directors**
Ashok Leyland, Chennai, India

**Member of the Supervisory Board**
Aixtron SE

**Member of the Advisory Board**
Lürssen Werft GmbH & Co. KG

**Member of the Southern Regional Advisory Council**
Commerzbank AG

## Dr. Gregor Biebl

Munich, Undersecretary
Bavarian Ministry of Finance

## Matthias Biebl

Munich, attorney and bank in-house lawyer
UniCredit Bank AG

## Dagmar Burghart*

Kirchdorf, industrial mechanic

**Deputy Chairwoman of the Supervisory Board**
Pensionskasse der Wacker Chemie VVaG

## Konrad Kammergruber*

Burghausen, Director of Infrastructure Services

## Eduard-Harald Klein*

Neuötting, operator

## Manfred Köppl*[1]

Kirchdorf, industrial mechanic

* Employee representative
** Affiliated company
[1] Mediation Committee (Chairman: Dr. Peter-Alexander Wacker)
[2] Executive Committee (Chairman: Dr. Peter-Alexander Wacker)
[3] Audit Committee (Chairman: Franz-Josef Kortüm)

## Franz-Josef Kortüm[1,2,3]

Munich
Former Chairman of the Executive Board of Webasto SE

**Deputy Chairman of the Supervisory Board**
Webasto SE

**Member of the Supervisory Board**
Schaeffler AG (until February 28, 2014)

**Chairman of the Advisory Council**
Brose Fahrzeugteile GmbH & Co. KG

**Member of the Board of Directors**
Autoliv Inc., USA (since March 1, 2014)

## Seppel Kraus*

Olching, regional head of the IG BCE labor union, Bavaria

**Member of the Supervisory Board**
Novartis Deutschland GmbH
Hexal AG
Gerresheimer AG

## Harald Sikorski*

Munich, District Chairman of the IG BCE labor union, Altötting

**Member of the Supervisory Board**
Siltronic AG**

## Dr. Thomas Strüngmann

Tegernsee, Co-Managing Director, ATHOS Service GmbH

## Dr. Bernd W. Voss

(until December 31, 2014)
Kronberg, i.T.
Former member of the Board of Managing Directors of Dresdner Bank AG

**Member of the Supervisory Board**
Continental AG (until September 30, 2014)

## Dr. Susanne Weiss

Munich, attorney, and a partner in the law firm Weiss Walter Fischer-Zernin

**Chairwoman of the Supervisory Board**
PIAG AG, Austria (since August 1, 2014)
ROFA AG

**Member of the Supervisory Board and Advisory Council**
Giesecke & Devrient GmbH (until April 1, 2014)

**Member of the Supervisory Board**
UniCredit Bank AG
Porr AG, Austria
Schattdecor AG

**Member of the Advisory Council**
Alu-Sommer GmbH, Austria

## Prof. Dr. Ernst-Ludwig Winnacker

Munich
Professor emeritus of Biochemistry at LMU, Munich
Secretary General of the HFSP Human Frontier Science Program, Strasbourg

**Member of the Supervisory Board**
Bayer AG

# Executive Board

## Dr. Rudolf Staudigl

**President & CEO**
WACKER POLYSILICON
Executive Personnel
Corporate Development
Corporate Communications
Investor Relations
Corporate Auditing
Legal
Compliance

**Chairman of the Supervisory Board**
Pensionskasse der Wacker Chemie VVaG

**Deputy Chairman of the Supervisory Board**
Groz-Beckert KG

**Member of the Advisory Council, Bavaria**
Deutsche Bank AG

## Dr. Tobias Ohler

WACKER POLYMERS
Human Resources (Personnel Director)
Technical Procurement & Logistics
Raw Materials Procurement
Region: Asia

**Member of the Supervisory Board**
Siltronic AG**

## Dr. Joachim Rauhut

SILTRONIC
Corporate Accounting and Tax
Corporate Controlling
Corporate Finance and Insurance
Corporate Engineering
Information Technology
Region: The Americas

**Member of the Supervisory Board**
Pensionskasse der Wacker Chemie VVaG
MTU Aero Engines AG
B. Braun Melsungen AG

**Chairman of the Supervisory Board**
Siltronic AG**

**Member of the Advisory Council**
J. Heinrich Kramer Holding GmbH

**Member of the Regional Advisory Committee, South**
Commerzbank AG

## Auguste Willems

WACKER SILICONES
WACKER BIOSOLUTIONS
Sales & Distribution
Corporate Research & Development
Intellectual Property
Site Management
Corporate Security
Environment, Health, Safety
Product Stewardship
Regions: Europe, Middle East

**Member of the Supervisory Board**
Siltronic AG**

**Member of the Bavarian State Branch Advisory Committee**
TÜV Süd AG

** Affiliated company

# Corporate Governance Report and Declaration on Corporate Management

Corporate governance is an important part of a company's success, responsible corporate management and supervision. Wacker Chemie AG attaches great importance to the rules of proper corporate governance. In this report, the Executive Board provides details – also for the Supervisory Board – on corporate governance in accordance with Item 3.10 of the German Corporate Governance Code (Code) and Section 289a (1) of the German Commercial Code (HGB).

## Declaration of Conformity and Corporate Governance Reporting

In the 2014 fiscal year, the Executive and Supervisory Boards dealt intensively with the company's corporate governance and the recommendations of the Code published on June 24, 2014. The Executive Board and the Supervisory Board resolved in December 2014 to issue the following Declaration of Conformity as per Section 161 of the German Stock Corporation Act (AktG). The Declaration of Conformity has since been made permanently available to the general public on the company's website.

## The 2014 Declaration of Conformity Issued by Wacker Chemie AG's Executive and Supervisory Boards

### General Declaration Pursuant to Section 161 of the German Stock Corporation Act

In December 2013, the Executive Board and the Supervisory Board of Wacker Chemie AG issued a declaration of conformity pursuant to Section 161 of the German Stock Corporation Act. Since that time, Wacker Chemie AG has complied with the recommendations of the German Corporate Governance Code in the version dated May 13, 2013, with the following exceptions, and will continue to comply with the recommendations of the Code in the version dated June 24, 2014, except as follows:

### Exceptions

#### a) D&O Insurance Deductible for Supervisory Board Members

German law and a company's Articles of Association set clear limits in regards to the Supervisory Board's ability to exert influence on the business activities of a stock corporation. Pursuant to Section 76 (1) of the German Stock Corporation Act, the Executive Board is responsible for independently managing the corporation. A Supervisory Board is instrumental in defining the main features of corporate strategy. However, beyond this contribution, the Supervisory Board's abilities are limited in terms of influencing operations or the implementation of corporate strategy. The same applies to measures taken to avert damage or loss to the company. Since the Supervisory Board members receive a relatively low representation allowance compared with the Executive Board members' compensation, we do not consider a deductible to be reasonable for members of the Supervisory Board.

#### b) Appropriate Representation of Women on the Executive Board

The considerable importance that Wacker Chemie AG attaches to diversity extends to Executive Board membership. Nonetheless, expertise – including experience gained abroad – and qualifications are the key criteria here. For this reason, we do not consider it expedient to prioritize "the aim of appropriate representation of women" over expertise and qualifications.

**c) Formation of a Nomination Committee within the Supervisory Board**
The Supervisory Board is to establish a Nomination Committee that is exclusively composed of shareholder representatives and whose task it is to make recommendations to the Supervisory Board with regard to candidates suitable for proposal to the Annual Shareholders' Meeting.

We do not comply with this recommendation because, in view of our shareholder structure, we do not believe that the formation of such a committee is appropriate. Due to the majority situation, nominations to the Supervisory Board must be agreed with the majority shareholder in any case, so that an additional nomination committee would not serve to increase efficiency.

**d) Announcement to the Shareholders of Proposed Candidates for the Chair of the Supervisory Board**
According to this recommendation, shareholders are to be informed of any candidates for the Supervisory Board chair even though, as a rule, the Supervisory Board has not yet been appointed. Under German law, the Supervisory Board chair must be elected by, and from among, the Supervisory Board members. There is no legal requirement to announce the candidates for the chair from among a yet-to-be-appointed group of Supervisory Board members. Furthermore, this would result in a de facto predetermination, which is also not provided for under German law. For these reasons, we do not comply with this recommendation.

**e) Naming of a Specific Target Number of Independent Members of the Supervisory Board**
In its current composition, Wacker Chemie AG's Supervisory Board complies with the requirements concerning an adequate number of independent supervisory board members. What is more, in its future recommendations to the shareholders in respect of appointments, the Supervisory Board will make sure it proposes what it considers to be an adequate number of independent candidates. Setting a specific target for the number of independent Supervisory Board members would not only restrict the selection of suitable candidates for that body, but also curb the rights of the shareholders to select those candidates that they consider the most appropriate for the task. For these reasons, we do not comply with this recommendation.

**f) Time Limitation on Applications for Judicial Appointment of a Supervisory Board Member**
According to this recommendation, applications for the judicial appointment of a Supervisory Board member should be limited in time until the next Annual Shareholders' Meeting.

We do not follow this recommendation. Proposals for a candidate to be appointed by the court are agreed in advance with the majority shareholder in any case. Due to the majority situation, the subsequent election of the same candidate at the next Annual Shareholders' Meeting would only be confirmation of his/her appointment, which is superfluous from our point of view.

## Corporate Governance Reporting

### Shareholders and Annual Shareholders' Meeting

**Transparent Information for Shareholders and the Public**
WACKER's aim is to inform all of the company's target groups – whether shareholders, shareholder representatives, analysts, media, or the interested general public – promptly and without preference. We regularly publicize important dates for the company in a financial calendar published in our Annual Report, in the interim reports and on our website. Capital market participants are in close contact with our Investor Relations

team. We inform investors and analysts about the current and future development of business in telephone conferences held whenever a quarterly report is published. We regularly attend roadshows and investors' conferences and organize a "Capital Markets Day" once a year. Important presentations can be viewed freely on the internet, where all of the press releases and ad-hoc disclosures in both German and English, the online version of the Annual Report, all interim reports and the Sustainability Report can also be found. Further information is provided by our online customer magazine, media library and Podcast Center. www.wacker.com

### Annual Shareholders' Meeting

The Annual Shareholders' Meeting provides an efficient and inclusive forum for informing shareholders about the company's situation. Even before the Annual Shareholders' Meeting begins, shareholders receive important information about the previous fiscal year in the Annual Report. The agenda items are described and the conditions of attendance explained in the invitation to the Annual Shareholders' Meeting. The notice of the Annual Shareholders' Meeting – together with all legally prescribed reports and documents, including the Annual Report (of which the consolidated financial statements and the combined management report form part) – as well as the annual financial statements of Wacker Chemie AG are also available on the company's website. After the Annual Shareholders' Meeting, we publish the attendance figures and the results of the votes on the internet. All these communication measures contribute to the regular exchange of information with our shareholders. WACKER helps its shareholders exercise their voting rights by giving them the option of casting their vote either in person or by proxy. Proxies are available to exercise shareholders' voting rights as instructed and can also be contacted during the Annual Shareholders' Meeting.

### Working Methods of the Executive and Supervisory Boards

Wacker Chemie AG has a dual management system as prescribed in the German Stock Corporation Act. It consists of the Executive Board, which manages the company, and the Supervisory Board, which supervises the company. These two bodies are kept strictly separate from one another with regard to both their membership and their spheres of competence. The Executive and Supervisory Boards collaborate closely to ensure WACKER's sustainable long-term success.

### Executive Board

The Executive Board currently consists of four members. The Executive Board bears complete responsibility for managing the company and represents Wacker Chemie AG in all dealings with third parties. The Executive Board's actions and decisions are driven by the company's interest and the aim to sustainably increase the Group's value. With this goal in mind, the Executive Board determines the WACKER Group's strategic alignment. It then steers and monitors this by allocating funds, resources and capacities, and by supporting and overseeing the operating units. The Executive Board also ensures compliance with legal requirements and establishes an appropriate risk management system.

The members of the Executive Board bear joint responsibility for managing the company, but are fully responsible for managing their respective units. All Executive Board decisions require a simple majority. In the case of a tie of votes, the president&CEO has the deciding vote. However, he/she does not have the right to veto Executive Board resolutions.

### Close Collaboration between the Executive and Supervisory Boards

The Executive and Supervisory Boards work together closely to promote the interests of the company. Their common goal is the sustainable growth of the company and the enhancement of its value. The Executive Board reports to the Supervisory Board

regularly, promptly and comprehensively about all issues of strategy, planning, business development, risk exposure, risk management and compliance that are relevant to the company. Between meetings, the Supervisory Board chairman maintains contact with the Executive Board, in particular with the president&CEO, consulting with that body on the above-mentioned issues. The Executive Board explains to the Supervisory Board any deviations in the course of business from the approved plans and objectives, and specifies the reasons for them.

Certain transactions defined in the Rules of Procedure of Wacker Chemie AG's Executive Board require the Supervisory Board's approval prior to their conclusion. These include approving the annual budget (including financial and investment planning), acquiring and disposing of shares in companies, establishing new production or business units, or suspending existing ones, and concluding sizable long-term loans.

### Supervisory Board

The Supervisory Board appoints, oversees and advises the Executive Board and is directly involved in any decisions of crucial importance to WACKER. Fundamental decisions on the company's development require Supervisory Board approval.

The Supervisory Board comprises 16 members. In compliance with the German Co-Determination Act (MitbestG), it has an equal number of shareholder and employee representatives. The Supervisory Board appoints the members of the Executive Board and oversees and advises them on the management of the company.

As members of the Supervisory Board cannot simultaneously sit on the Executive Board, this structure ensures a high degree of independence in monitoring the Executive Board.

Where necessary, in particular when forming resolutions in respect of personnel, the Supervisory Board convenes without the Executive Board.

### Committees Increase the Supervisory Board's Efficiency

The Supervisory Board has constituted three professionally qualified committees to help it perform its duties optimally. The work of those committees is reported on regularly at Supervisory Board meetings.

The Executive Committee prepares the Supervisory Board's personnel decisions, especially the appointment and dismissal of Executive Board members and the nomination of the president&CEO. In addition, it deals with contracts with Executive Board members and develops the system for Executive Board compensation, on the basis of which the meeting of the full Supervisory Board determines the compensation payable to Executive Board members. The Executive Committee consists of the Chairman of the Supervisory Board, Dr. Peter-Alexander Wacker, and Supervisory Board members Anton Eisenacker and Franz-Josef Kortüm.

The Audit Committee does the groundwork for the Supervisory Board's decisions on the adoption of the annual financial statements and the approval of the consolidated financial statements. Its work also includes an audit of the consolidated interim financial statements for the first half-year, discussion of the quarterly reports, and issues involving risk management. In connection with this, the committee is obliged to pre-audit the annual financial statements, the consolidated financial statements, the combined management report and the proposal for the appropriation of profits. In particular, this committee monitors the accounting processes, the company's compliance with laws and regulations, and the effectiveness of the internal control, risk management and auditing systems. It performs these tasks in close cooperation with the external auditors. The Audit Committee also prepares the agreement with the external auditors and takes

suitable steps to monitor the auditors' independence and the services they deliver. On this basis, it gives the Supervisory Board a recommendation as to which auditors it should propose to the Annual Shareholders' Meeting. The members of this committee are Dr. Bernd W. Voss, Dr. Peter-Alexander Wacker and Anton Eisenacker. The chairman of the Audit Committee is Dr. Bernd W. Voss, who was unable to perform this task in 2014 due to personal reasons. Therefore, the Supervisory Board elected Franz-Josef Kortüm, an independent Supervisory Board member, to stand in for Dr. Voss on the Audit Committee and to act as that committee's chairman. With a degree in management and due to his many years of professional experience, most recently as CEO of Webasto SE, Mr. Kortüm has special expertise and experience in the fields of accounting and auditing.

The Group also has a statutory Mediation Committee, the tasks of which are stipulated by German law. Chaired by Dr. Peter-Alexander Wacker, this committee also consists of Anton Eisenacker, Franz-Josef Kortüm and Manfred Köppl. The committee is chaired by Dr. Peter-Alexander Wacker.

## Key Corporate Management Practices

### Compliance as a Key Managerial Duty of the Executive Board

At WACKER, managerial and monitoring duties include ensuring that the company complies with legal requirements and that employees observe internal company regulations. The Group's compliance policy is regularly reviewed and adapted.

WACKER's compliance organization is responsible in this regard. The company has appointed and trained compliance officers in Germany, Norway, the USA, China, Japan, India, South Korea, Brazil, Mexico, Singapore, Dubai (UAE) and Taiwan, who hold regular training courses to inform employees of key legal provisions and internal regulations. They also serve as contacts whenever employees have questions or need advice about compliance. One focus of compliance management in 2014 continued to be in improving communication with the company's international sites within the compliance organization and on training the local employees at those sites.

### Responsible Care® and the Global Compact – Integral Parts of Corporate Management

Two voluntary global initiatives form the basis for sustainable corporate management: the chemical industry's Responsible Care® initiative and the UN's Global Compact. WACKER has been an active member of the Responsible Care® initiative since 1991. Program participants undertake to continually improve health, safety and environmental performance on a voluntary basis – even in the absence of statutory requirements. WACKER is equally committed to the UN's Global Compact initiative. We observe the Global Compact's ten principles, which address social and environmental standards, anticorruption and the protection of human rights. We also expect our suppliers to respect the principles of the Global Compact, and we evaluate them on this point in our risk assessments.

In 2011, WACKER created an internal Corporate Sustainability department that implements its voluntary commitments under Responsible Care® and the Global Compact, and coordinates WACKER's sustainability activities worldwide.

### Social Commitments

Companies can be commercially successful only if they have society's trust. Consequently, WACKER takes its social responsibilities seriously toward communities near its sites and wherever people are in need around the world. We regularly promote and support a wide variety of charitable projects, organizations and initiatives. Our commitment covers activities relating to science, education, sport and various charities.

## Further Information on Corporate Governance at WACKER

### Compliance with the Provisions of Section 15 of the German Securities Trading Act (WpHG)

We comply with the statutory provisions of Section 15 of the German Securities Trading Act. For a number of years, we have maintained an "ad-hoc publicity" coordination unit in which representatives of various specialist areas examine issues for their ad-hoc relevance. In this way, we guarantee that potential insider information is handled in accordance with the law. Employees required to access insider information as part of their job are listed in an insider directory.

### Share Dealings by the Executive and Supervisory Boards

Section 15a of the German Securities Trading Act stipulates that members of the Executive and Supervisory Boards and certain of their dependents are obliged to notify the German Federal Financial Supervisory Authority (BaFin) and the company of any purchase or sale of WACKER shares or any other rights related to such shares if an amount of €5,000 is exceeded within one calendar year.

In 2014, members of the Supervisory Board and their dependents subject to reporting requirements gave no notification of sales or acquisitions of WACKER shares.

Blue Elephant Holding GmbH, which is majority-owned by Dr. Peter-Alexander Wacker (Supervisory Board Chairman of Wacker Chemie AG), holds over 10 percent of the shares in Wacker Chemie AG.

### Dealing Responsibly with Opportunities and Risks

Dealing responsibly with risks is an important part of good corporate governance. WACKER has in place an opportunity and risk management system to regularly identify and monitor material risks and opportunities. Its objective is to recognize risks at an early stage and minimize them through systematic risk management. The Executive Board informs the Supervisory Board regularly about existing risks and their development. The Audit Committee regularly reviews the accounting process and the effectiveness of the internal control, risk management and auditing systems. It is also involved in auditing the financial statements. The opportunity and risk management system is continuously being enhanced and adapted to meet changing conditions.

### Accounting and Auditing

As stipulated by the Corporate Governance Code, we have agreed with the auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, that the Chairman of the Supervisory Board shall be informed without delay during the audit about any grounds for disqualification and/or bias. In addition, the auditors shall immediately report all significant discoveries and events which concern the Supervisory Board's duties. If, in the course of their audit activities, the auditors establish facts that reveal errors in the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act, the Supervisory Board shall be notified accordingly and/or a note included in the audit report.

### D&O Insurance

WACKER has concluded a financial liability insurance policy that also covers the activities of the Executive and Supervisory Board members (i.e. D&O insurance). This insurance provides for the statutory deductible for the members of the Executive Board.

## Targets for Supervisory Board Composition

WACKER has always placed importance on having highly qualified individuals sit on its Supervisory Board. Pursuant to Item 5.4.1 of the German Corporate Governance Code in the version of May 26, 2010, WACKER's Supervisory Board resolved at its meeting of December 9, 2010 to set itself the following specific targets in respect of its composition,

which also include the qualifications, international experience and gender of Supervisory Board members:

1. An appropriate number of Supervisory Board members – at least one – should have international experience.
2. The Supervisory Board's Rules of Procedure already deal extensively with members' conflicts of interest. In addition, the Supervisory Board actively strives to prevent such conflicts of interest and will also take this goal into account when making recommendations to the Annual Shareholders' Meeting.
3. In the interests of even greater diversity, the Supervisory Board will strive to increase the number of female Supervisory Board members to at least two over the next two terms. In its bid to meet this goal, the Supervisory Board plans to appoint at least one female employee representative and at least one female shareholder representative.

The Supervisory Board's Rules of Procedure already define an age limit.

As the Supervisory Board believes that an adequate number of its members are independent, it does not comply with the additional recommendation made in Section 5.4.1 of the German Corporate Governance Code in the version dated June 24, 2014 to name a specific target number of independent members. The reasons for this decision are given in the Declaration of Conformity of December 11, 2014.

The Supervisory Board took account of its adopted composition-related targets in its recommendations to shareholders as part of the scheduled Supervisory Board elections held in 2013. During those elections, two female Supervisory Board members – one each from the shareholder representative and employee representative sides – were nominated and elected, and the same applies to the election of an appropriate number of members with international experience. The Supervisory Board's composition-related targets were thus met in full.

## Report on Compensation

The following compensation report is part of the combined management report and of the audited consolidated financial statements.

### Compensation System for the Executive Board

The full Supervisory Board, following preparation by the Executive Committee, is responsible for determining the individual compensation paid to members of Wacker Chemie AG's Executive Board.

In accordance with the Executive Board compensation system in effect since January 1, 2010, the Executive Board's compensation is comprised of the following key components:

**(I) A fixed annual salary:**

The fixed annual salary is paid monthly in identical installments.

**(II) A variable, performance-related bonus:**

The amount of the variable bonus, which is paid annually and retrospectively, depends on the attainment of agreed annual Group targets set by the Supervisory Board for all Executive Board members. The bonus is calculated based on goal achievement in the reporting year, as well as on average overall target attainment for both prior years. The targets are based on the following key indicators: business value contribution, cash flow, target return, and return on capital employed (ROCE). The computational target bonus in the event of 100-percent target attainment during the evaluation period depends on the

Executive Board member in question and amounts to either 180 percent or 140 percent of the average annual base salary in the last year of the evaluation period. The maximum bonus, too, depends on the specific Board member and amounts to either 220 percent or 180 percent of the average annual base salary in the last year of the evaluation period. Thus, the Supervisory Board has the discretion to increase or reduce the calculated bonus based on overall recognition of all circumstances, including individual performance, by as much as 30 percent. The Executive Board members are obligated to purchase Wacker Chemie AG shares in the amount of 15 percent of their annual gross bonus. A holding period of two years is in effect for these shares.

**(III) A contribution to retirement benefits:**
The members of the Executive Board become entitled to the payment of an annual retirement pension should the event insured against occur, i.e. when the member in question reaches retirement age or becomes afflicted by permanent occupational disability. Before the event insured against occurs, Dr. Rudolf Staudigl and Dr. Joachim Rauhut have a basic entitlement to the premature payment of an annual pension if they leave the Executive Board against their will without good cause or if they, of their own accord, cease their activity for good cause, the company being responsible for said cause. The pension sum is calculated in accordance with the last fixed annual salary received and the length of Executive Board membership. A percentage of the base salary is defined as a basic amount and adjusted by means of an annual percentage rate of increase for each year of service. Entitlement to a pension presupposes at least five years of service on the Executive Board.

The company grants the members of the Executive Board appropriate insurance coverage, in particular D&O insurance, with a deductible in accordance with "VorstAG" stipulations.

After all, if they leave the company, the Executive Board members are each subject to a 12-month obligatory waiting period, which is tied to competitive-restriction compensation. The competitive-restriction compensation is calculated on the basis of 50 percent of the most recently received overall annual compensation (average of the last three years). Any pension will be set off against the competitive-restriction compensation.

If Executive Board membership is prematurely terminated without good cause, the contracts with Executive Board members specify that any compensatory payments for Dr. Staudigl, Dr. Rauhut or Mr. Willems be limited to a maximum of two full annual salaries and, in the case of Dr. Ohler, a maximum of one full annual salary (severance pay cap).

## Total Compensation for the Members of the Executive Board for Fiscal 2014

Effective April 1, 2014, Dr. Rudolf Staudigl's fixed gross annual salary was raised to €800,000, and those of Dr. Joachim Rauhut and Mr. Auguste Willems to €580,000 each.

WACKER had implemented a large number of programs to reduce costs and improve productivity in 2013 in response to the challenging earnings situation. In order to set a positive example, the members of the Executive Board had temporarily reduced the amount of their fixed monthly salaries by 10 percent from March to November 2013 inclusive. Due to improved earnings in 2014, Executive Board members were paid a sum of 50 percent of each withheld amount from 2013 as pro rata compensation for the temporary reduction.

The current level of each Executive Board member's compensation is listed in the tables below, which now follow the model tables recommended by the German Corporate Governance Code (DCGK).

The following table shows the value of compensation and benefits granted for fiscal 2014. It also lists minimum and maximum attainable values.

## Compensation and Benefits Granted for the Year Under Review

| € | Dr. Rudolf Staudigl, President & CEO | | | | Dr. Joachim Rauhut, Executive Board member | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2014 (min.) | 2014 (max.) | 2013 | 2014 | 2014 (min.) | 2014 (max.) | 2013 |
| **Fixed compensation** | **787,500** | 787,500 | 787,500 | 693,750 | **572,500** | 572,500 | 572,500 | 508,750 |
| **Payment unrelated to the accounting period**[1] | **28,125** | 28,125 | 28,125 | – | **20,625** | 20,625 | 20,625 | – |
| **Additional benefits**[2] | **61,539** | 61,539 | 61,539 | 54,030 | **63,556** | 63,556 | 63,556 | 54,228 |
| **Total** | **877,164** | 877,164 | 877,164 | 747,780 | **656,681** | 656,681 | 656,681 | 562,978 |
| One-year variable compensation[3] | **250,000** | 250,000 | 250,000 | – | **–** | – | – | – |
| Multiyear variable compensation[4] | **937,125** | 322,875 | 1,354,500 | 847,500 | **681,275** | 234,725 | 984,700 | 621,500 |
| **Total** | **2,064,289** | 1,450,039 | 2,481,664 | 1,595,280 | **1,337,956** | 891,406 | 1,641,381 | 1,184,478 |
| Pension expenses[5] | **8,490** | 8,490 | 8,490 | 351,573 | **222,842** | 222,842 | 222,842 | 232,611 |
| **Total compensation** | **2,072,779** | 1,458,529 | 2,490,154 | 1,946,853 | **1,560,798** | 1,114,248 | 1,864,223 | 1,417,089 |

## Compensation and Benefits Granted for the Year Under Review

| € | Auguste Willems, Executive Board member | | | | Dr. Tobias Ohler, Executive Board member (since January 1, 2013) | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2014 (min.) | 2014 (max.) | 2013 | 2014 | 2014 (min.) | 2014 (max.) | 2013 |
| **Fixed compensation** | **572,500** | 572,500 | 572,500 | 508,750 | **400,000** | 400,000 | 400,000 | 370,000 |
| **Payment unrelated to the accounting period**[1] | **20,625** | 20,625 | 20,625 | – | **15,000** | 15,000 | 15,000 | – |
| **Additional benefits**[2] | **52,290** | 52,290 | 52,290 | 52,189 | **39,319** | 39,319 | 39,319 | 32,256 |
| **Total** | **645,415** | 645,415 | 645,415 | 560,939 | **454,319** | 454,319 | 454,319 | 402,256 |
| One-year variable compensation[3] | **–** | – | – | – | **–** | – | – | – |
| Multiyear variable compensation[4] | **681,275** | 234,725 | 984,700 | 621,500 | **368,000** | 128,000 | 552,000 | 352,000 |
| **Total** | **1,326,690** | 880,140 | 1,630,115 | 1,182,439 | **822,319** | 582,319 | 1,006,319 | 754,256 |
| Pension expenses[5] | **452,899** | 452,899 | 452,899 | 486,006 | **250,760** | 250,760 | 250,760 | 269,024 |
| **Total compensation** | **1,779,589** | 1,333,039 | 2,083,014 | 1,668,445 | **1,073,079** | 833,079 | 1,257,079 | 1,023,280 |

[1] Pro rata compensation of withheld amount from 2013.
[2] Additional benefits include, in particular, use of a company car and social insurance allowances.
[3] Special bonus for outstanding personal performance.
[4] Multiyear refers to the assessment basis. The Executive Board members purchase Wacker Chemie AG shares in the amount of 15 percent of their annual gross bonus (holding period of two years). Once determined, the fixed bonus amount calculated using a three-year assessment basis is not otherwise influenced by subsequent developments. The actual goal-achievement success level of the two previous years was taken into consideration for calculating the minimum and maximum values, respectively. The following values were set for 2014: a minimum value of 0 percent and a maximum value of either 220 percent or 180 percent. The disclosure of each theoretically attainable minimum or maximum value also includes the Supervisory Board's possible scope of discretion.
[5] Service cost pursuant to IAS 19 from pension commitments and other pension-related benefits.

The following table shows the payments for fiscal 2014 from fixed compensation, additional benefits and variable compensation – grouped according to one-year and multiyear variable compensation – as well as pension expenses.

## Payments in the Year Under Review

| € | Dr. Rudolf Staudigl<br>President & CEO | | Dr. Joachim Rauhut<br>Executive Board member | | Auguste Willems<br>Executive Board member | | Dr. Tobias Ohler<br>Executive Board member<br>(since January 1, 2013) | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Fixed compensation** | **787,500** | 693,750 | **572,500** | 508,750 | **572,500** | 508,750 | **400,000** | 370,000 |
| **Payment unrelated to the accounting period**[1] | **28,125** | – | **20,625** | – | **20,625** | – | **15,000** | – |
| **Additional benefits**[2] | **61,539** | 54,030 | **63,556** | 54,228 | **52,290** | 52,189 | **39,319** | 32,256 |
| **Total** | **877,164** | 747,780 | **656,681** | 562,978 | **645,415** | 560,939 | **454,319** | 402,256 |
| One-year variable compensation[3] | **250,000** | – | **–** | – | **–** | – | **–** | – |
| Multiyear variable compensation[4] | **984,375** | 675,000 | **715,625** | 495,000 | **715,625** | 495,000 | **392,000** | 280,000 |
| **Total** | **2,111,539** | 1,422,780 | **1,372,306** | 1,057,978 | **1,361,040** | 1,055,939 | **846,319** | 682,256 |
| Pension expenses[5] | **8,490** | 351,573 | **222,842** | 232,611 | **452,899** | 486,006 | **250,760** | 269,024 |
| **Total compensation** | **2,120,029** | 1,774,353 | **1,595,148** | 1,290,589 | **1,813,939** | 1,541,945 | **1,097,079** | 951,280 |

[1] Pro rata compensation of withheld amount from 2013.
[2] Additional benefits include, in particular, use of a company car and social insurance allowances.
[3] Special bonus for outstanding personal performance.
[4] Multiyear refers to the assessment basis. The Executive Board members purchase Wacker Chemie AG shares in the amount of 15 percent of their annual gross bonus (holding period of two years). Once determined, the fixed bonus amount calculated using a three-year assessment basis is not otherwise influenced by subsequent developments.
[5] Service cost pursuant to IAS 19 from pension commitments and other pension-related benefits; this does not concern payments during the fiscal year.

### Compensation for Former Executive Board Members and Their Surviving Dependents

| € | Total |
|---|---|
| **2014** | **1,851,841** |
| 2013 | **2,162,941** |

### Pension Obligations for Executive Board Members

| € | Total |
|---|---|
| **Pension obligations for active Executive Board members** | |
| **2014** | **25,151,057** |
| 2013 | **18,587,743** |
| **Pension obligations for former members of the Executive Board or their dependents** | |
| **2014** | **35,200,916** |
| 2013 | **29,313,594** |

## Compensation of Supervisory Board Members

The compensation of Wacker Chemie AG's Supervisory Board members is governed by the company's Articles of Association.

In return for their work, the members of the Supervisory Board receive fixed annual compensation in the amount of €70,000 payable when the fiscal year expires and are additionally refunded any VAT payable on their compensation. Supervisory Board members who join, or depart from, the Supervisory Board during the ongoing fiscal year receive the appropriate pro rata compensation.

The compensation is multiplied by a factor of 3 for the Chairman of the Supervisory Board, by a factor of 2 for the Vice Chairman and for committee chairmen, and by a factor of 1.5 for members of committees. This arrangement does not take account of double and multiple functions.

The members of the Supervisory Board are compensated for any outlays incurred in connection with the execution of their duties with an annual lump sum of €18,000. They are additionally refunded any VAT payable on their compensation.

The company grants the members of the Supervisory Board appropriate insurance coverage; in particular, the company concludes a D&O insurance policy for the benefit of the Supervisory Board's members.

### Supervisory Board Compensation

| € | Fixed compensation[1] | Variable compensation | Total |
|---|---|---|---|
| **2014** | 1,729,041 | – | **1,729,041** |
| 2013 | 1,758,482 | – | **1,758,482** |

[1] Fixed compensation includes the aforementioned annual lump sum.

# Declaration by the Executive Board on Accounting Methods and Auditing

The Executive Board is responsible for preparing Wacker Chemie AG's consolidated financial statements and combined management report. WACKER's consolidated financial statements were prepared in compliance with the rules published in London by the International Accounting Standards Board (IASB) and endorsed by the European Union. WACKER has set up effective internal monitoring and steering systems to guarantee that the combined management report and the consolidated financial statements comply with the applicable rules and procedures of proper corporate reporting. The reliability and workability of the monitoring and steering systems are examined continuously by the internal auditing division on a worldwide basis. KPMG AG Wirtschaftsprüfungsgesellschaft has audited Wacker Chemie AG's consolidated financial statements and Group management report and granted them an unqualified certificate. WACKER's consolidated financial statements, its combined management report and the auditors' report were discussed in detail by the Supervisory Board's Audit Committee at its meeting on March 2, 2015. For information about the Supervisory Board's audit, please refer to its report.

**Assurance by the Legal Representatives in Accordance with Sections 297 (2) and 315 (1) HGB**

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

**Munich, March 2, 2015**
**Wacker Chemie AG**

**Rudolf Staudigl** **Tobias Ohler**

**Joachim Rauhut** **Auguste Willems**

# Auditors' Report

We have audited the consolidated financial statements prepared by Wacker Chemie AG, Munich – comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes – together with the report on the position of the Company and the Group for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the report on the position of the Company and the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB (Handelsgesetzbuch: "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the report on the position of the Company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and with the additional requirements of German commercial law pursuant to Section 315 a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The report on the position of the Company and the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 2, 2015
KPMG AG Wirtschaftsprüfungsgesellschaft

**Pastor**
Auditor

**Prof. Grottel**
Auditor

# Multiyear Overview

## Multiyear Overview

| € million | 2014 | Change in % | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|
| **Sales** | **4,826.4** | 7.8 | 4,478.9 | 4,634.9 | 4,909.7 | 4,748.4 | 3,719.3 | 4,298.1 |
| **Income before taxes** | **365.2** | > 100 | 31.0 | 203.9 | 567.4 | 732.3 | 3.3 | 641.8 |
| **Net income for the year** | **195.4** | > 100 | 6.3 | 114.7 | 356.1 | 497.0 | –74.5 | 438.3 |
| **EBITDA** | **1,042.3** | 53.6 | 678.7 | 795.4 | 1,104.2 | 1,194.5 | 606.7 | 1,055.2 |
| **EBIT** | **443.3** | > 100 | 114.3 | 266.6 | 603.2 | 764.6 | 26.8 | 647.9 |
| **Fixed assets** | **4,471.0** | 9.9 | 4,067.7 | 4,260.7 | 3,797.7 | 3,273.5 | 3,017.5 | 2,951.7 |
| Intangible assets | **32.9** | 61.3 | 20.4 | 25.5 | 30.2 | 33.2 | 22.0 | 24.7 |
| Property, plant and equipment, including investment property | **4,312.8** | 13.9 | 3,785.6 | 3,924.4 | 3,502.0 | 3,027.2 | 2,778.5 | 2,659.6 |
| Financial assets | **125.3** | –52.1 | 261.7 | 310.8 | 265.5 | 213.1 | 217.0 | 267.4 |
| **Current assets, incl. deferred taxes + accruals and deferrals** | **2,476.2** | 9.3 | 2,264.7 | 2,232.1 | 2,439.3 | 2,227.7 | 1,524.4 | 1,673.4 |
| **Liquid funds** | **325.9** | –24.5 | 431.8 | 192.6 | 473.9 | 545.2 | 363.6 | 204.2 |
| **Equity** | **1,946.5** | –11.4 | 2,197.1 | 2,121.3 | 2,629.7 | 2,446.8 | 1,942.4 | 2,082.8 |
| Subscribed capital | **260.8** | – | 260.8 | 260.8 | 260.8 | 260.8 | 260.8 | 260.8 |
| Capital reserves | **157.4** | – | 157.4 | 157.4 | 157.4 | 157.4 | 157.4 | 157.4 |
| Treasury shares | **–45.1** | – | –45.1 | –45.1 | –45.1 | –45.1 | –45.1 | –45.1 |
| Retained earnings/ consolidated net income/ other equity items | **1,549.3** | –14.2 | 1,805.7 | 1,730.0 | 2,230.3 | 2,049.0 | 1,552.4 | 1,695.3 |
| Non-controlling interests | **24.1** | 31.7 | 18.3 | 18.2 | 26.3 | 24.7 | 16.9 | 14.4 |
| **Borrowed capital** | **5,000.7** | 20.9 | 4,135.3 | 4,371.5 | 3,607.3 | 3,054.4 | 2,599.5 | 2,542.3 |
| Provisions | **2,137.7** | 52.5 | 1,401.9 | 1,575.3 | 904.2 | 893.2 | 867.8 | 719.5 |
| Liabilities, incl. deferred taxes + accruals and deferrals | **2,863.0** | 4.7 | 2,733.4 | 2,796.2 | 2,703.1 | 2,161.2 | 1,731.7 | 1,822.8 |
| **Net financial debt (–) Net financial receivables (+)** | **–1,080.6** | 36.4 | –792.2 | –700.5 | 95.7 | 264.0 | –76.1 | 32.9 |
| Total assets | 6,947.2 | 9.7 | 6,332.4 | 6,492.8 | 6,237.0 | 5,501.2 | 4,541.9 | 4,625.1 |
| Employees (average for the year) | **16,744** | 3.8 | 16,134 | 16,663 | 16,934 | 16,033 | 15,719 | 15,798 |
| Employees (Dec. 31) | **16,703** | 4.3 | 16,009 | 16,292 | 17,168 | 16,314 | 15,618 | 15,922 |
| Employees (total) | 16,703 | 4.3 | 16,009 | 16,292 | 17,168 | 16,314 | 15,618 | 15,922 |

| € million | 2014 | Change in % | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|
| **Key profitability figures** | | | | | | | | |
| Return on sales (EBIT) = EBIT/sales (%) | **9.2** | n.a. | 2.6 | 5.8 | 12.3 | 16.1 | 0.7 | 15.1 |
| Return on sales (EBITDA) = EBITDA/sales (%) | **21.6** | n.a. | 15.2 | 17.2 | 22.5 | 25.2 | 16.3 | 24.6 |
| Return on equity = net income for the year/equity (as of Dec. 31) (%) | **10.0** | n.a. | 0.3 | 5.4 | 14.0 | 22.6 | –3.7 | 22.2 |
| ROCE – return on capital employed = EBIT/capital employed (%) | **8.4** | n.a. | 2.2 | 5.2 | 13.9 | 19.1 | 0.7 | 19.2 |
| **Key statement-of-financial-position figures** | | | | | | | | |
| Investment intensity of the fixed assets = fixed assets/total assets (%) | **64.4** | n.a. | 64.2 | 65.6 | 60.9 | 59.5 | 66.4 | 63.8 |
| Equity ratio = equity/total assets (%) | **28.0** | n.a. | 34.7 | 32.7 | 42.2 | 44.5 | 42.8 | 45.0 |
| Capital structure = equity/borrowed capital (%) | **38.9** | n.a. | 53.1 | 48.5 | 72.9 | 80.1 | 74.7 | 81.9 |
| **Cash flow and investments** | | | | | | | | |
| Cash flow from operating activities | **485.2** | 4.6 | 464.0 | 363.2 | 867.0 | 1,103.1 | 767.5 | 1,005.4 |
| Cash flow from long-term investing activities | **–497.3** | –10.4 | –555.2 | –1,053.8 | –831.5 | –681.5 | –800.4 | –983.7 |
| Cash flow from financing activities | **–88.6** | > 100 | 227.6 | 326.6 | 37.4 | 3.7 | 92.5 | –87.7 |
| Net cash flow = CF from operating activities + CF from investing activities – additions from finance leases | **215.7** | 96.6 | 109.7 | –536.2 | 6.2 | 421.6 | –32.9 | 21.7 |
| Investments | **572.2** | 13.6 | 503.7 | 1,095.4 | 981.2 | 695.1 | 740.1 | 916.3 |
| **Share and valuation** | | | | | | | | |
| Consolidated net income | **195.4** | > 100 | 6.3 | 114.7 | 352.6 | 490.7 | –70.8 | 439.4 |
| Earnings per share (€) = consolidated net income/number of shares | **4.10** | > 100 | 0.05 | 2.4 | 7.1 | 9.9 | –1.4 | 8.8 |
| Market capitalization (total number of shares without treasury shares) | **4,523.2** | 13.2 | 3,994.1 | 2,466.5 | 3,087.5 | 6,487.9 | 6,066.7 | 3,710.9 |
| Number of shares | **49,677,983** | – | 49,677,983 | 49,677,983 | 49,677,983 | 49,677,983 | 49,677,983 | 49,677,983 |
| Price as of reporting date December 31 | **91.05** | 13.2 | 80.4 | 49.7 | 62.2 | 130.6 | 122.1 | 74.7 |
| Dividend per share (€) | **1.50** | > 100 | 0.50 | 0.60 | 2.20 | 3.20 | 1.20 | 1.80 |
| Dividend yield (%) | **1.7** | n.a. | 0.8 | 1.0 | 3.5 | 2.8 | 1.4 | 1.5 |
| Capital employed | **5,260.7** | 0.4 | 5,238.2 | 4,979.0 | 4,343.8 | 4,004.4 | 3,846.3 | 3,371.8 |

# Chemical Glossary

## B Biotechnology

Biotech processes use living cells or enzymes to transform and produce substances. Depending on the application, a distinction is made between red, green and white biotechnology. Red biotechnology: medical and pharmaceutical applications. Green biotechnology: agricultural applications. White biotechnology: biotech-based products and industrial processes, e.g. in the chemical, textile and food industries.

## C Chlorosilanes

Compounds of silicon, chlorine and hydrogen. The semiconductor industry mainly uses trichlorosilane to make polysilicon and for the epitaxial deposition of silicon.

### Cyclodextrins

Cyclodextrins belong to the family of cyclic oligosaccharides (i.e. ring-shaped sugar molecules). They are able to encapsulate foreign substances such as fragrances and to release active ingredients at a controlled rate. WACKER BIOSOLUTIONS produces and markets cyclodextrins.

### Cysteine

Cysteine is a sulfur-containing amino acid. It belongs to the non-essential amino acids, as it can be formed in the body. It is used, for example, as an additive in food and cough mixtures. Cysteine and its derivatives are a business field at WACKER BIOSOLUTIONS.

## D Dispersions

Binary system in which one component is finely dispersed in another. VINNAPAS® dispersions from WACKER are vinyl-acetate-based binary copolymers and terpolymers in liquid form. They are mainly used as binders in the construction industry, e.g. for grouts, plasters and primers.

### Dispersible Polymer Powders

Created by drying dispersions in spray or disc dryers. VINNAPAS® polymer powders from WACKER are recommended as binders in the construction industry, e.g. for tile adhesives, self-leveling compounds and repair mortars. The powders improve adhesion, cohesion, flexibility and flexural strength, as well as water-retention and processing properties.

## E Elastomers

Polymers that exhibit almost perfectly elastic behavior, i.e. they deform when acted upon by an external force and return to their exact original shape when the force is removed. While the duration of the force has no effect on perfectly elastic behavior, the temperature does.

### Ethylene

Ethylene is a colorless, highly reactive gas and a key raw material in the chemical industry.

## P Polymer

A polymer is a large molecule made up of smaller molecular units (monomers). It contains between 10,000 and 100,000 monomers. Polymers can be long or ball-shaped.

### Polymer Blends

Mixtures of synthetic and natural products in which the renewable raw material forms the main component comprising at least 65 percent. The VINNEX® binder system allows polymer blends to be produced from renewable raw materials such as starch, polylactic acid (PLA) or polyhydroxyalkanoates (PHA).

### Polysilicon
Hyperpure polycrystalline silicon from WACKER POLYSILICON is used for manufacturing wafers for the electronics and solar industries. To produce it, metallurgical-grade silicon is converted into liquid trichlorosilane, highly distilled and deposited in hyperpure form at 1,000 °C.

### Pyrogenic Silica
White, synthetic, amorphous silicon dioxide ($SiO_2$) in powder form, made by flame hydrolysis of silicon compounds. It is versatile in applications as an additive for silicone rubber grades, sealants, surface coatings, pharmaceuticals and cosmetics.

## S

### Semiconductor
A substance whose electrical conductivity is much lower than that of metals, but increases dramatically as the temperature rises. Semiconductors can be modified for a particular purpose by doping them with foreign atoms.

### Silanes
Silanes are used as monomers for the synthesis of siloxanes or sold directly as reagents or raw materials. Typical applications include surface treatment, reagents in pharmaceutical synthesis or coupling agents for coatings.

### Silicon
After oxygen, silicon is the most common element in the earth's crust. In nature, it occurs without exception in the form of compounds, chiefly silicon dioxide and silicates. Silicon is obtained through energy-intensive reaction of quartz sand with carbon and is the most important raw material in the electronics industry.

### Silicon Wafer
A silicon wafer is a disc with a thickness of between approximately 200 and 800 µm and is used by the semiconductor industry for the manufacture of semiconductor devices, i.e. integrated circuits and discrete components.

### Silicones
General term used to describe compounds of organic molecules and silicon. According to their areas of application, silicones can be classified as fluids, resins or rubber grades. Silicones are characterized by a myriad of outstanding properties. Typical areas of application include construction, the electrical and electronics industries, shipping and transportation, textiles and paper coatings.

### Siloxanes
Systematic name given to compounds comprising silicon atoms linked together via oxygen atoms and with the remaining valences occupied by hydrogen or organic groups. Siloxanes are the building blocks for the polymers (polysiloxane and polyorganosiloxane) that form silicones.

## V

### VINNAPAS®
VINNAPAS® is the name of WACKER's product line of dispersions, polymer powders, solid resins and their associated product solutions. VINNAPAS® dispersions and polymer powders are primarily used in the construction industry as polymeric binders, e.g. in tile adhesives, exterior insulation and finish systems (EIFS)/external thermal insulation composite systems (ETICS), self-leveling compounds, and plasters.

# Financial Glossary

B **Business Value Contribution (BVC)**
BVC is a financial performance measurement that determines the value created by the WACKER Group and its units once all capital costs have been deducted. BVC is the difference between profit (EBIT) and cost of capital (WACC x CE). BVC is a profit variable that is adjusted to allow for extraordinary effects (e.g. sale of parts of the company). This makes it an ideal tool for measuring business performance.

C **Capital Employed (CE)**
Capital employed is the sum of average noncurrent fixed assets (less noncurrent securities), plus inventories and trade receivables less trade payables. It is a variable used in calculating the cost of capital.

**Cash Flow**
Cash flow represents the movement of cash and cash equivalents into or out of a business activity during a finite period. Net cash flow is the sum of cash flow from operating activities (excluding changes in advance payments received) and cash flow from ongoing investing activities (before securities), including additions due to finance leases.

E **EBIT**
Earnings before interest and taxes: EBIT is a good indicator for comparing companies' profitability, since it is widely used across the corporate world.

**EBITDA**
Earnings before interest, taxes, depreciation and amortization.

**Equity Ratio**
The equity ratio is calculated from the ratio of equity to a company's total assets. It indicates the level of economic and financial stability at a company.

I **IFRS**
The International Financial Reporting Standards (until 2001 International Accounting Standards, IAS) are compiled and published by the London-based International Accounting Standards Board (IASB). Since 2005, publicly-listed EU-based companies have been required to use IFRS in accordance with IAS regulations.

R **Return on Capital Employed (ROCE)**
Return on capital employed is the profitability ratio relating to the capital employed.

# List of Tables and Figures

## 4 Combined Management Report Outlook



## 5 Consolidated Financial Statements

# Index

Our Annual Report was published on March 17, 2015. It is available in German and English and you can access both versions online. www.wacker.com/annual-report

This Annual 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.

# Financial Calendar 2015

## April 30
Interim Report
on the 1st Quarter

## May 8
Annual Shareholders' Meeting
Munich

## August 3
Interim Report
on the 2nd Quarter

## October 29
Interim Report
on the 3rd Quarter

# Contacts


**Investor Relations**
Joerg Hoffmann
Head of Investor Relations
Tel. +49 89 6279-1633
joerg.hoffmann@wacker.com

**Media Relations**
Christof Bachmair
Tel. +49 89 6279-1830
christof.bachmair@wacker.com


# Imprint


**Publisher**
Wacker Chemie AG
Corporate Communications
Hanns-Seidel-Platz 4
81737 München, Germany
Tel. +49 89 6279-0
Fax +49 89 6279-1770
www.wacker.com

**Overall Responsibility**
Jörg Hettmann

**Project Coordination**
Heide Feja

**Concept and Design**
hw.design, Munich, Germany
www.hwdesign.de

**Wacker Chemie AG**
Hanns-Seidel-Platz 4
81737 München, Germany
Tel. +49 89 6279-0
Fax +49 89 6279-1770
www.wacker.com