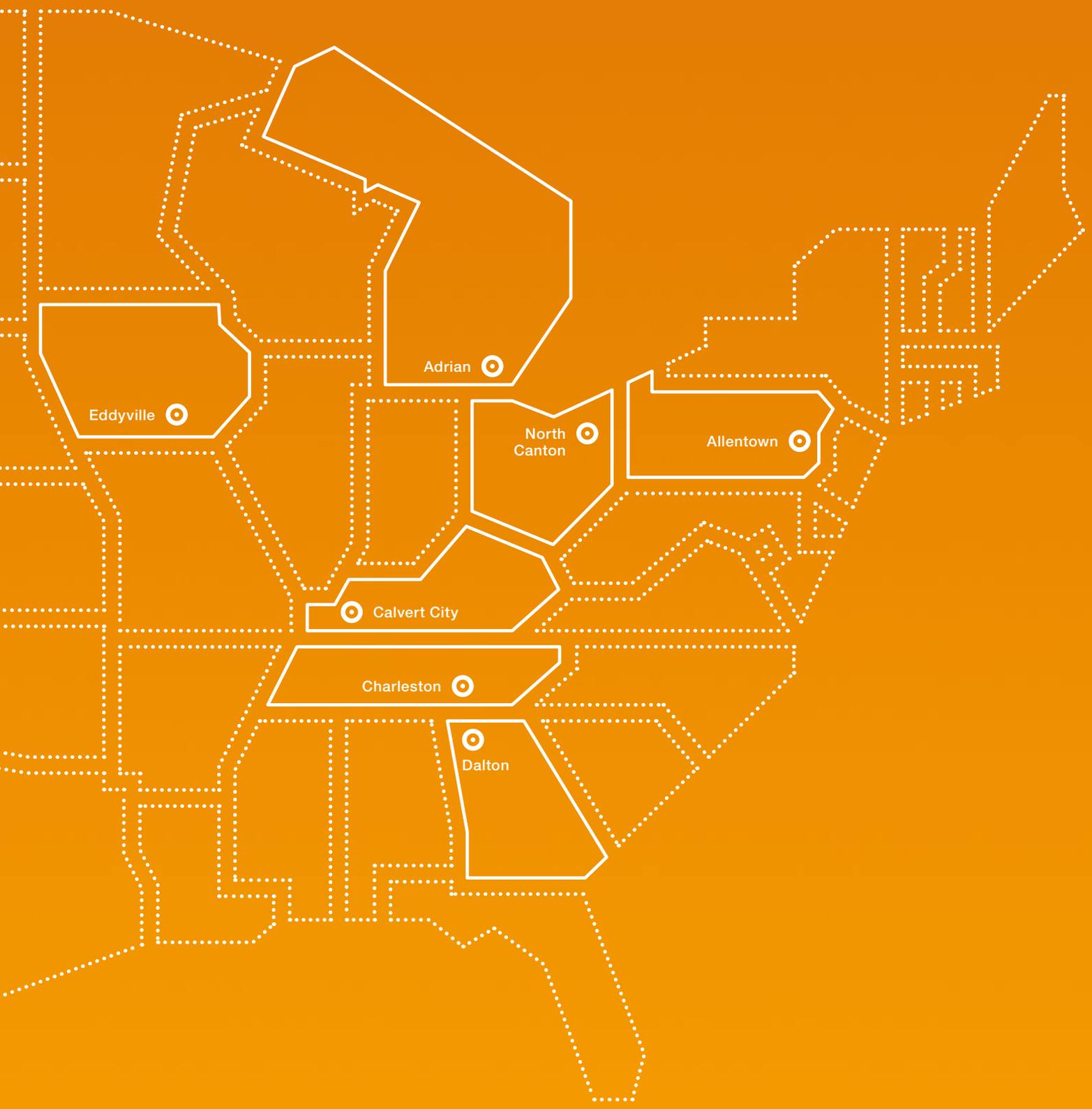
WACKER

Annual Report

2015

Strengthening Our Presence to Expand Markets

The Americas



WACKER at a Glance

€ million	2015	2014	Change in %
Results/Return			
Sales	**5,296.2**	4,826.4	9.7
EBITDA[1]	**1,048.8**	1,042.3	0.6
EBITDA margin[2] (%)	**19.8**	21.6	n.a.
EBIT[3]	**473.4**	443.3	6.8
EBIT margin[2] (%)	**8.9**	9.2	n.a.
Financial result	**–66.7**	–78.1	–14.6
Income before taxes	**406.7**	365.2	11.4
Net income for the year	**241.8**	195.4	23.7
Earnings per share (basic/diluted) (€)	**4.97**	4.10	21.1
ROCE (%)	**8.1**	8.4	n.a.
Financial Position/Cash Flows			
Total assets	**7,264.4**	6,947.2	4.6
Equity	**2,795.1**	1,946.5	43.6
Equity ratio (%)	**38.5**	28.0	n.a.
Financial liabilities	**1,455.4**	1,601.5	–9.1
Net financial debt[4]	**1,074.0**	1,080.6	–0.6
Capital expenditures (including financial assets)	**834.0**	572.2	45.8
Depreciation (including financial assets)	**575.1**	599.0	–3.9
Net cash flow[5]	**22.5**	215.7	–89.6
Research and Development			
Research and development expenses	**175.3**	183.1	–4.3
Employees			
Personnel expenses	**1,350.1**	1,246.9	8.3
Employees (December 31, number)	**16,972**	16,703	1.6

[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 2015

February

Focusing on Health

A new health center was built at the Burghausen site. WACKER invested some €4 million in the new center, and the state-of-the-art medical technology there, to provide flexible health care to the site's approximately 10,000 employees. The center's outpatient facility is staffed around the clock with paramedics. This investment underpins WACKER's commitment as an employer to the health of its employees – especially since working life is longer.

March

Food-Grade Solid Resins

WACKER commissioned a new production plant for food-grade polyvinyl acetate (PVAc) solid resins at its Nanjing site in China. The solid resins are used for manufacturing gumbase. The Group invested around €20 million in this expansion project, strengthening its position as the world's leading manufacturer of PVAc solid resins for the chewing-gum industry. With an annual capacity of 20,000 metric tons, the plant is the largest of its kind in Asia and is certified to the highest food standards.

June

IPO of Siltronic AG

Siltronic shares started trading on June 11, 2015 in the regulated market segment (Prime Standard) of the Frankfurt Stock Exchange. A total of 12.65 million shares were placed, consisting of 5 million new shares issued through a capital increase at Siltronic and 7.65 million shares originally held by WACKER. The issue price was set at €30 per share. The total proceeds from the IPO amounted to just under €380 million. The free float for Siltronic AG stood at 42.2 percent, with WACKER holding a 57.8-percent stake in the company.

August

Online Sustainability Report

WACKER published its Sustainability Report for 2013/2014. The facts and figures in the publication illustrate that WACKER has made further progress in many areas that are important for sustainable business management. For example, the company has reduced its specific energy consumption for polysilicon production by 29 percent. WACKER again published the report exclusively as an online version – also in the interests of environmental protection.

September

Company of the Year

The weekly publication ICIS Chemical Business named WACKER as its Company of the Year. The jury stated that WACKER had captured strong growth in 2014, kept costs under control and pushed profits and margins higher against a difficult global economic and oil-price environment. The Group had increased its 2014 sales despite the challenging conditions and was well-positioned for future gains. The jury's analysis took into account absolute and year-on-year profits and margins performance as well as sales and profits growth.

September

Outstanding Logistics Strategy

The German Chemical Industry Association (VCI) held a Responsible Care® competition in 2015 on the theme of "We have good ideas for transport safety and sustainable logistics." At the award ceremony in Hamburg, the VCI honored a WACKER project designed to optimize overseas freight shipments. WACKER had submitted a sustainable strategy for efficient container management. This has reduced the number of empty containers transported since 2011 by 20 percent, thereby cutting CO_2 emissions, too. The jury praised the "quantifiable success" and "optimization of the entire logistics chain." Prior to this, the Bavarian branch of the VCI had already presented its Responsible Care® Award to WACKER for this project.

October

New Dispersions Plant in the USA

WACKER started operating a new plant for vinyl acetate-ethylene (VAE) copolymer dispersions at its US site in Calvert City, Kentucky. The Group invested around €50 million in expanding production and infrastructure there. This additional capacity enables WACKER to meet rising global demand for dispersions and dispersible polymer powders. WACKER has been manufacturing such products at its Calvert City site since 1998.

November

Change in Executive Board

Dr. Joachim Rauhut, CFO of Wacker Chemie AG, left the company as planned when his contract expired on October 31, 2015. Dr. Tobias Ohler, a WACKER Executive Board member since early 2013, took over as CFO. Dr. Christian Hartel, previously in charge of WACKER SILICONES, joined the Executive Board, effective November 1, 2015.

December

New Production Site in the USA

WACKER has been gradually starting up its facilities at the new polysilicon production site in Charleston, Tennessee (USA) since December 2015. The new site is the largest investment project in the Group's history to date. The decision to build in Tennessee is part of WACKER's strategy of operating fully integrated, local sites for silicon-based products in the world's key economic regions.

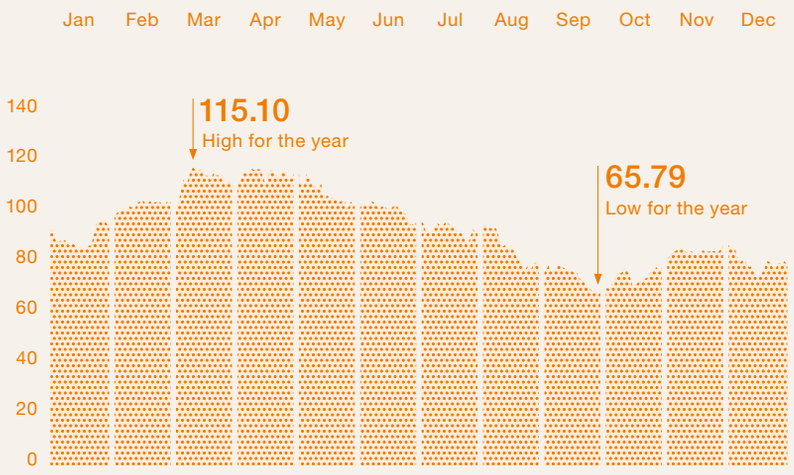
Vision

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

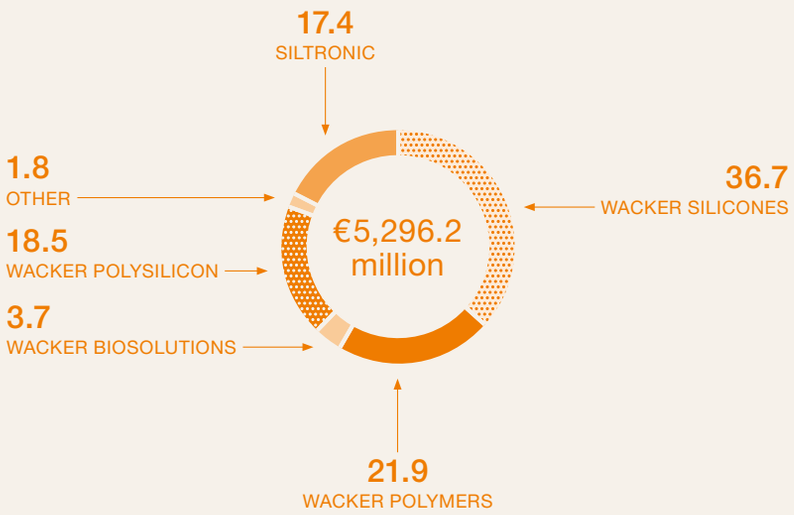
In the future, we want to continue developing and supplying solutions that meet our rigorous demands – creating added value for our customers and shareholders, and growing sustainably.

Key Financial Indicators

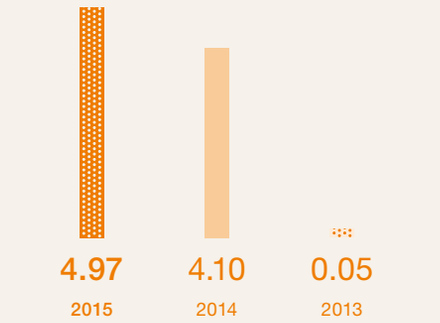
WACKER Share Performance (€)



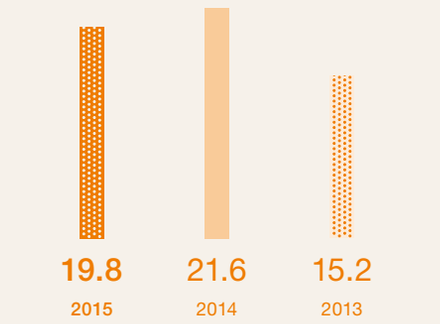
Divisional Shares in Group Sales (%)



Earnings per Share (€)



EBITDA Margin (%)



Return on Capital Employed (ROCE) (%)

Annual Report 2015

Strengthening Our Presence to Expand Markets

The Americas 2

1

FOR OUR SHAREHOLDERS

2

Combined Management Report of the WACKER Group and Wacker Chemie AG

GROUP BUSINESS FUNDAMENTALS

3

Combined Management Report

BUSINESS REPORT

4

Combined Management Report

OUTLOOK

5

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

STATES
50

POPULATION
321.4 million

LAND AREA
9,826,675 km²

The World's Second-Largest Chemical Market

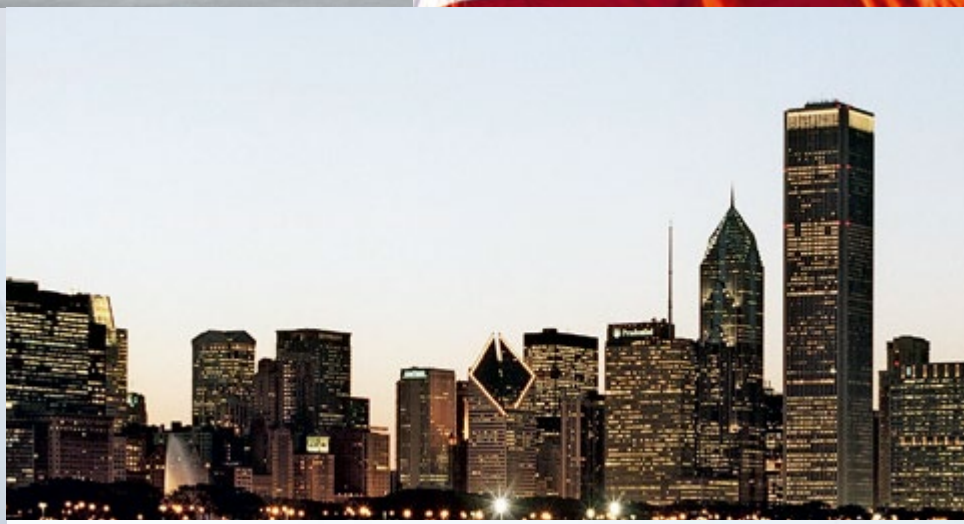
Thanks to the boom in shale gas, the US chemical market in particular has been undergoing a renaissance since 2009. Over the past few years, annual chemical production in the Americas has risen by 3.6 percent on average. Investments have climbed 10 percent during the same period. The chemical industry on the other side of the Atlantic is dominated by two countries. The US chemical sector accounts for 90 percent of chemical sales in North America. The main player in South America is Brazil, which represents 51 percent of chemical sales there.

WACKER first entered the North American chemical market when it established a subsidiary in New York in 1965. In 1969, we acquired a stake in Stauffer Chemicals Corporation in Adrian, Michigan, which remains our base for coordinating our silicones business in the Americas. Now, 46 years later, a new era dawns for WACKER – because by commissioning the Charleston plant (Tennessee), the foundations are being laid for our first fully integrated production site in the Americas.


Griswold


WELCOME


EAST
BUSINESS
223




SCHOOL BUS
SCHOOL BUS

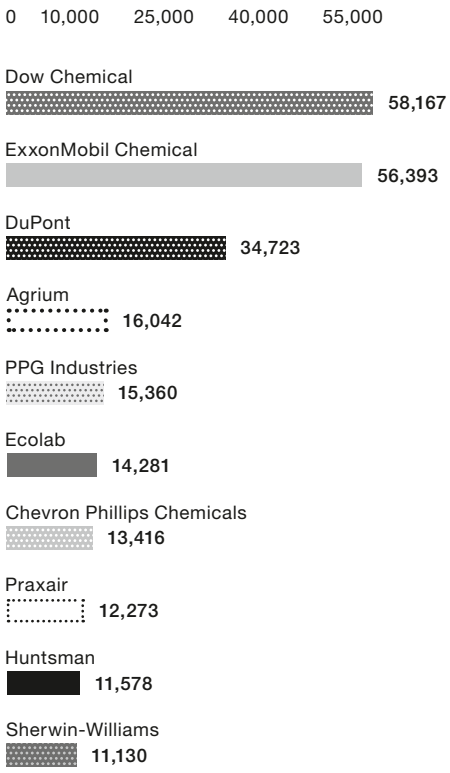
The American Dream

From rags to riches: Rose Blumkin was among those who embodied the American dream. This petite lady may only have been 1.47 meters tall, but she was "a business giant," according to business magnate Warren Buffett. She arrived in Omaha, Nebraska, as a poor immigrant from Minsk in present-day Belarus. In the 1930s, this young woman used a loan of US$500 to open a tiny furniture store. With her seven-day week and "Sell cheap and tell the truth" motto, she turned her store into the largest of its kind in America over the decades to come. Warren Buffet eventually purchased her "Nebraska Furniture Mart" – for US$1 billion.

Rose Blumkin was a passionate saleswoman, who stayed loyal to the company throughout, driving around the vast shop premises in her motorized cart and continuing to advise customers until her death in 1998 at the ripe old age of 104. Warren Buffett opened huge new branches of her store, the most recent near Dallas in May 2015. The sheer size of the store was "a shock," marveled The Economist. A 2,300-strong workforce sells furniture, mattresses, carpets, floor coverings, gardening and baby articles, computers and other electronic devices over a retail space the size of ten American football fields. Every day, 70 delivery trucks arrive, and 20,000 shoppers descend each Saturday. Warren Buffet expects sales to reach US$1 billion during his first year.

Biggest Chemical Companies in the USA

in US$ Million



Source: ICIS Chemical Business, Top 100 listing

The Largest Domestic Market in the World

"Think big." The same phrase applies to the whole of this vast country as well as to its high-spending inhabitants. The USA is 25 times the size of Germany and has 321 million inhabitants. That's only about 4.5 percent of the world's population, but they account for an astonishing 20 percent of the world's total economic output. While the European Union argued about the distribution of 160,000 refugees in 2015, a million new arrivals to the USA get their Green Card every year. They help to create the world's largest domestic market: every year, American consumer spending amounts to US$12 trillion – more than China spent in total even during its best boom years. The US economy grew by some 2.5 percent in 2014 and again in 2015. That's a whole percentage point more than in the European Union. Job growth was higher in 2014 than at any other time since the turn of the new millennium, with some 260,000 new jobs being created every month. This trend, despite tailing off slightly, continued in 2015. As a result, unemployment in October fell to 5 percent – the last time it was this low was back in 2008 before the labor market was hit by the financial crisis. Germany's economic development agency GTAI (Germany Trade and Invest) gave the following assessment: "In the summer of 2015, there was still no end in sight to the economic upswing that had started over six years ago." With the BRICS flagging, America has become the main engine for global growth.

The US – an Attractive Market for German Exports

As the world's largest market for imported goods, the USA has become even more attractive and important, especially for Germany's export-driven economy. In 2014, the US trade balance closed with a deficit of US$505 billion – roughly equivalent to the total gross domestic product of Bavaria. The USA's

biggest trade deficit is with China, while its second largest is with Germany: what the USA imported was worth US$73.7 billion more than its exports. After more than fifty years, the USA replaced France as Germany's major trading partner in 2014.

A Consumer-Friendly Environment

Alongside the strong dollar, oil and gas price trends are the main reason for America's importance to Germany. In 2014, the USA became the largest gas producer in the world, due to fracking and the exploitation of new shale deposits. At the same time, the price of crude oil fell over nine months from 110 dollars to below 60 dollars at the start of 2015. In September, the price of gasoline reached an eleven-year low. In December 2015, the price of crude oil fell to around 30 dollars. The money that people now save at the gas station can be spent on consumer goods instead: in 2015, US disposable income rose an average 4.8 percent.

As a result, some 18 million new cars were sold in 2015, the highest level of sales since 2000. The increased demand for cosmetics and anti-aging products shows the extent to which consumption, and hence the chemical industry, depend on social trends. Every day, some 10,000 Americans turn 65: the baby boomers are approaching retirement age.

Favorable Energy Prices – Reindustrialization

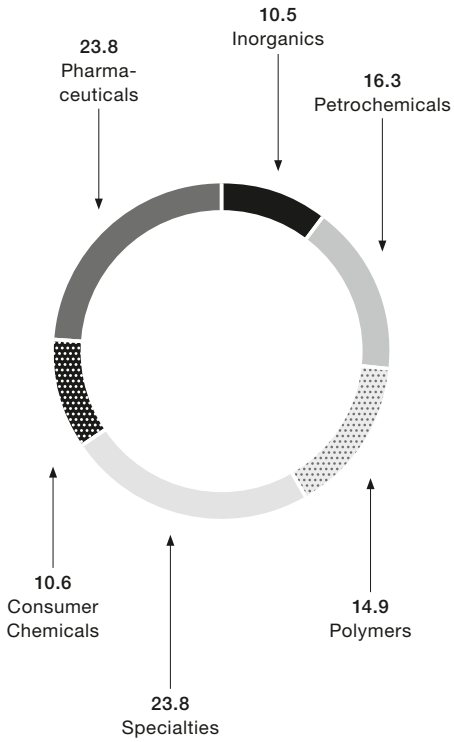
No end to this positive consumer spending is in sight, because, as BP boss Bob Dudley puts it, the price of oil is bound to stay low "for a few years yet." This gives the USA further long-term opportunities. It's no coincidence that the USA agreed to be this year's partner country at the world's largest industrial tradeshow in Hannover. In Germany, industry accounts for 31 percent of gross domestic product, but just 20 percent in the USA. That is set to change. "Our goal is to be among the world's leading production centers once more," says President Obama. This reindustrialization is in full swing. "Thanks to the gas boom, 400 new industrial projects have been launched," says a delighted Ernest Moniz, US Secretary of Energy. Cheap gas gives the American chemical industry, in particular, "a crucial competitive edge," underscores the American Chemistry Council (ACC), which estimates that US$153 billion have been invested in new facilities and capacity expansion. Of this amount, over half is due to investments by foreign companies. In a VCI survey, two-thirds of German chemical companies that invest in the USA mentioned the low production costs as the main reason.

Where Venture Capital Feels at Home

Low energy prices are not the only favorable factor: companies also often benefit from measures to promote business, such as the states' willingness to provide roads and other infrastructure. What's more, the pro-business and innovative mindset encountered in the USA is reflected by the considerable sums of money that private investors put into startups. Between 2011 and 2013, venture capital raised amounted to US$87 billion – thirty times more than in Germany. Most of it goes to California's Silicon Valley, where tech companies continue to secure the country's globally dominant position in the IT and internet sectors.

Chemical-Industry Sales in America

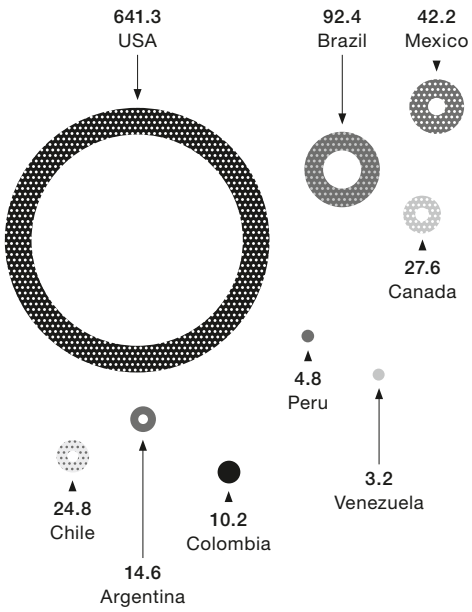
Sales by Sector, in %



Source: Chemdata International, VCI

Key Chemical Performance Indicators in Various Parts of the Americas

Sales in € Billion, 2014
The Americas as a Whole: 891.1



Source: Chemdata International, Destatis, VCI

Benefiting from an Innovative Online Sector

The innovators based in California are meanwhile moving America's policymakers toward innovation as well. The data centers run by the internet giants need huge amounts of electricity, to be generated from renewable sources in the future. For instance, Facebook announced it would be building its fifth computer center, to be supplied by a 200-MW wind farm. Google has set up a US$300-million fund for Solarcity, a company that makes photovoltaic modules. The idea is to use the money to help private homeowners switch over to solar modules.

Benefiting from Pioneering Industries

California's internet and IT companies were among the first to join the American Business Act on Climate Pledge in support of President Obama's efforts to reduce greenhouse gases. There are now over 80 such companies, employing nine million people in total. Coal-fired power stations are to be replaced by gas-fired power plants, wind power and solar installations. These companies are not just concerned with the environment; by setting company-specific climate targets, they also expect to cut costs, innovate and become more attractive to qualified workers.

Free Trade 1: TPP

Whether solar power installations, cars or anti-aging creams: the German chemical industry stands every chance of benefiting from trends, particularly if the Transatlantic Trade and Investment Partnership (TTIP) works out. Back in October 2015, the USA and eleven other Pacific Rim states agreed to create a new free-trade zone called TPP (Trans-pacific Partnership), which is expected to come into force in one to two years once national parliaments have given their approval. The agreement will dismantle trade barriers within a region accounting for 40 percent of the world's trade volume.

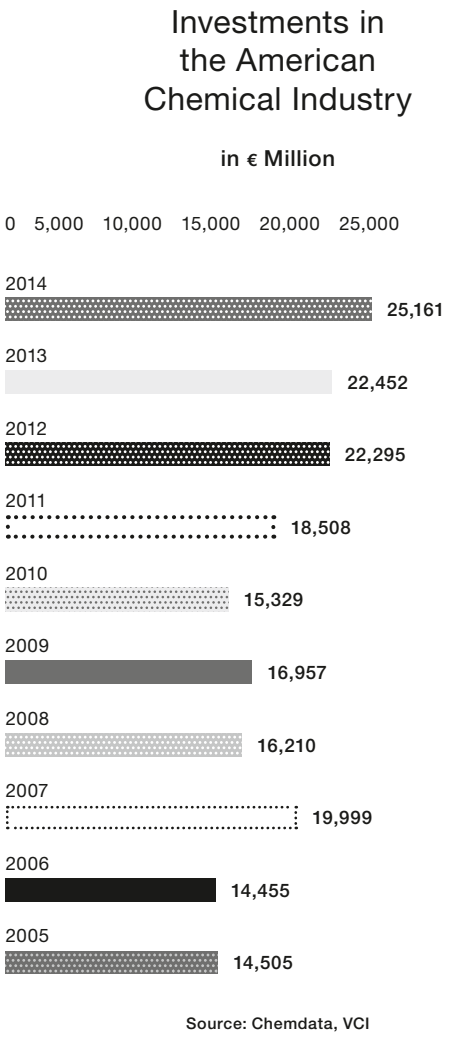
Free Trade 2: How NAFTA Affects Mexico

Since its foundation in 1994, NAFTA – the North American Free Trade Agreement – has largely gone unnoticed in Germany. Yet it is thanks to NAFTA that America's southern neighbor has become a key emerging market. Mexico is already the world's 14th largest economy and also among the top ten oil-exporting countries. Industry, in particular, is strong in Mexico, and it's no coincidence that BMW and Daimler-Benz announced the construction of new plants there in mid-2014. The country is the seventh largest automaker in the world, with 17 plants run by a total of nine international manufacturers. The economy is expected to grow by about 3 percent in 2016, just as it did in 2015. Growth is driven by exports, an astounding 80 percent of which head for the USA. "Investing activity, especially on the part of foreign companies, continues apace, because Mexico is becoming increasingly important as a production platform for North America," says Germany Trade & Invest, which specializes in promoting German exports.

Free Trade 3: TTIP

While Mexico and the USA benefit from North American free trade, there is opposition in Europe to the planned transatlantic agreement. In October, some 150,000 demonstrators in Berlin expressed their fears about an erosion of environmental and consumer standards. These standards, though, are

neither lower nor less strictly enforced in the USA, as shown by the EPA's discovery of emissions tampering at VW. German Chancellor Angela Merkel regards the agreement as "a first step toward giving globalization an acceptable face." Ultimately, TTIP aims not only at removing customs tariffs for the first time, but also at defining common product standards and test procedures.



Source: Chemdata, VCI

TTIP would create the largest chemical-sector trading zone in the world. The USA and EU already account for some 35 percent of global trade in chemical products. It is to the USA, rather than to any single one of its European neighbors, that the German chemical industry sends most of its exports. In 2014, German companies sold goods worth €16.5 billion to US customers – nearly 10 percent of the country's total exports. According to the German Chemical Industry Association (VCI), TTIP would create some 2,000 new chemical-sector jobs in Germany, increasing product sales by €2 billion and generating value added of €600 million.

Outlook

Based on an American Chemical Council (ACC) survey, US chemical firms continue to be optimistic about the future. During the first nine months of 2014, US chemical-sector production grew 3.9 percent, i.e. much faster than the economy as a whole. Total chemical output in the USA rose 48 percent between 2004 and 2014. The ACC expects production to rise by almost another third in the period to 2019, reaching an annual value of over US$1 trillion.

Presence in USA Vital

Even without free-trade agreements, the degree to which the German and American chemical sectors are interlinked is already huge. It is important for major players on the US chemical market, which exports just one-fifth of its output, to operate their own local production plants. German subsidiaries in the USA number 130 and employ 70,000 people. In 2013, they generated sales of €52 billion – over three times as much as the German chemical industry achieves in China, its second-largest base outside Germany.

PRODUCT
Polysilicon

CAPACITY
Over 20,000 metric tons p. a.

UNDEVELOPED AREA
2,226,000 m²

TENNESSEE

High-Tech in the Countryside

There are three reasons why the new polysilicon plant in the us state of Tennessee is a historic milestone for WACKER. First, it is the biggest single investment thus far in the history of the company, which recently celebrated its centennial. Second, the new site signals a clear commitment to North America, a key region for WACKER alongside Europe and Asia. Third, the greenfield plant, which will employ some 650 workers, is one of the most modern facilities worldwide for the manufacture of hyperpure polysilicon, a base material for high-efficiency photovoltaic systems. The Charleston plant will enable WACKER to maintain its customary standard of high quality, reliably providing polysilicon to meet growing international demand for many years to come. Gradually, the site will become a fully integrated production plant. In order to achieve this, the project team members and technical experts, along with production employees, engaged in a close transatlantic dialogue right from the word “go.”

01 A kilometer-long network of pipes and pipe bridges interconnects the various production buildings on the 550-acre lot. It ensures the reliable supply of raw materials, which are reacted, processed and recycled in a giant material loop. Since construction work began, over 100,000 cubic meters of concrete and 40,000 metric tons of steel have been used.

02 “Witnessing the site’s daily progress”: Konrad Bachhuber has been on site since 2011 and oversaw construction of the new plant.

03 Dr. Erika Burk, head of HR at the site, was the first person to be employed at the plant. She has sifted through over 10,000 applications since 2010.

As you drive along the winding country roads of eastern Tennessee, past typical American farms with their large round silos, you hardly expect to encounter such a large-scale industrial site around the next bend. Where the Hiwassee River snakes its way through the green, hilly countryside and the tiny town of Charleston (official population: 651) is nestled, Wacker Chemie AG’s newest plant suddenly comes into view.

A High Level of Complexity

A row of distillation columns, some of them over 60 meters high, sparkle in the sunshine, flanked on one side by a seven-story building for the manufacture of trichlorosilane and, on the other, by a deposition hall. These distinctive structures are only three out of a total 34 buildings on the 550-acre site; since ground was first broken in early 2011, WACKER has transformed the site from simple farmland into the world’s most cutting-edge plant for the production of hyperpure polysilicon.

Known inside the company as Poly 11, the plant is a major project. At the peak of construction, over 3,500 workers from more than 140 contractors were on the building site. A total of 237,500 flatbed trailers moved 2.9 million cubic meters of earth. Some 111,000 cubic meters of concrete was poured and over 40,000 metric tons of steel used. WACKER and its partners installed around 100,000 instruments and valves.

“The site’s daily progress was extraordinary, and it was very exciting to witness this impressive plant ramp-up firsthand,” says site manager Dr. Konrad Bachhuber, who has supervised the project since December 2011. A doctor of chemistry, he has worked for WACKER for 26 years. During that time, he has handled several major projects in Germany and China, but Charleston was bigger than anything he’d ever experienced. “To build a plant of this complexity on a greenfield site is a once-in-a-lifetime experience,” says Bachhuber.

At around US$2.5 billion, Charleston is not just WACKER’s single biggest investment to date. In more ways than one, WACKER has entered uncharted territory with this project. It is not only the first time that the company has built an entirely new polysilicon plant on a greenfield site instead of expanding an existing site’s infrastructure. It is also WACKER’s first major production site for polysilicon in North America, where the underlying conditions

are in many ways quite different from those in Germany: different building regulations and approval procedures, for instance, different approaches to finding qualified workers, and cultural differences such as the way people interact in the workplace. As Bachhuber sums up: "We have had five very intensive years in Tennessee. During this time, both sides learned a lot from each other. There were many things we could not simply apply unchanged from Germany, and we had to find new partners who understood our requirements, and were able to fulfill them."

The result is a plant that is a model for the efficient manufacture of high-quality polysilicon. The process in Charleston is the same as in the existing plants at Burghausen and Nünchritz in Germany: silicon metal is undergoes a chemical reaction with hydrogen chloride to make trichlorosilane, which is subsequently purified in the distillation columns before the hyperpure polysilicon is deposited on rods in the deposition reactors. Crushed and packed, the polysilicon is delivered to solar and semiconductor-wafer manufacturers. "Our product is so perfect that impurities are measured in no more than parts per trillion," explains Bachhuber. "That's the same as a single typing error in 1,000,000 books of 1,000 pages each."

Charleston is designed to be able to manufacture over 20,000 metric tons of polysilicon a year when running at full capacity and, according to WACKER's own plans, the plant will account for at least around one-quarter of the company's total production in 2017. "Solar power and semiconductors are megatrends. We are taking a long-term approach and building up the capacity to serve this international market," says Bachhuber.

Newly installed photovoltaic capacity rose by another 20 percent last year to reach some 55 gigawatts, and experts are expecting a further increase to around 65 gigawatts in 2016. This enormous growth is driving down the system costs of solar installations even further. In many countries, photovoltaic systems have now reached cost parity with gas-fired power plants – the success of solar power is becoming a global phenomenon. The USA, China, Japan and India have now overtaken Europe as the main markets for PV systems. But in many other markets, too, projects to tap the sun's capacity as an extremely low-cost, virtually inexhaustible source of clean energy are sprouting up everywhere.

That means that demand for polysilicon is likely to continue growing strongly. WACKER will be prepared to meet this demand, as the Charleston site – like Nünchritz and Burghausen – offers sufficient space to expand polysilicon production capacity if needed; the site has long-term potential to become a fully integrated silicon site. Such a site would include the production of pyrogenic silica, which can be used to adjust the viscosity of paints and adhesives, and perhaps even silicones at a later stage.

"Eastern Tennessee is an ideal location for this," explains Gary Farlow, President & CEO of the Chamber of Commerce of Cleveland/Bradley County, where the new plant is located. "WACKER really did its homework before making the single biggest private-sector investment in Tennessee's history right here in our county." Two power plants of the publicly owned Tennessee Valley Authority supply the plant with reliable, low-cost electricity. The nearby river provides cooling water as well as one of several means of transport. After shipment from Europe, the distillation columns were transported to near the site by river barge. Charleston offers excellent access to several highways, another option for the transportation of raw materials and finished polysilicon.

What is more, says Farlow, the local governments and the state of Tennessee have cooperated closely with WACKER from the outset to train workers for the 650 new jobs created at the plant. "Providing 650 new jobs is important in itself. But it is even more important that the new jobs are both challenging and well-paid," says Farlow. "WACKER's project will have a positive long-term effect on the entire economy of the region. The plant may even be the seed for a solar energy cluster."

Tailored Training Facility

One result of this close collaboration, and one that has earned acclaim across the country, is the WACKER INSTITUTE, a tailored educational institution the company developed in partnership with Chattanooga State Community College. It has taken the model that has been tried and tested at the Burghausen Vocational Training Center since 1969 and, in a manner of speaking, exported it to Tennessee. "The WACKER INSTITUTE has been a resounding success," says Dr. George Graham, who has been head of the institute since January 2012 and a WACKER employee since June 2014. "What we have created here in the record time of six months differs

fundamentally from the traditional American vocational training system, in which apprenticeships are not as common."

The WACKER INSTITUTE is located on the college campus, in a dedicated building in which the state of Tennessee, the local government and the company invested a total of US$13 million. Since fall 2011, around 200 students have been trained there as chemical technicians or electrical & instrumentation technicians, and WACKER has already employed 110 of them. "Anyone completing their training here is given first consideration by WACKER. This offers the people in the local region excellent prospects of finding jobs that are challenging and secure," says Graham. "I wish this practical vocational training model would be replicated elsewhere." For its outstanding achievements, the WACKER INSTITUTE was honored in 2013 with the Bellwether Award for the best worker training program in the entire USA.

An Equal Partner

"Without the institute, we would never have managed to meet our demand for personnel," says Erika Burk, head of Human Resources at WACKER in Charleston. "We do not see the Community College as a service provider, but rather as an equal partner, who provides us with extremely valuable input." Burk became the planned plant's first employee in December 2010. Initially, she searched for suitable workers, making calls on her cellphone and using the wireless LAN in local cafés – all months before the first excavators rolled onto the site. In her first year of employment, she and her staff sifted through some 10,000 applications and chose 53 from 4,200 candidates to start training as chemical operators.

In her opinion, the WACKER INSTITUTE has not only acted as a magnet for talented workers within a 100-mile radius, but also raised the German company's profile among the population. "We wanted to become an attractive employer, one that offers people careers and not just jobs," says Burk. "And we've succeeded. People understand that we take the long view and they respect that."

Shervon Frazier agrees. She began working for WACKER in July 2011, as an assistant to the engineering and construction team, and watched an ultramodern plant grow before her eyes from the office in which she worked. "We were something akin to the first settlers. Anyone who had anything to do with the project came through us," says Frazier, who at peak times managed temporary offices for approximately 400 employees. "It fills me with immense pride every day to be a part of this team."

Aaron Franckhauser is equally enthusiastic. A WACKER employee from the neighboring town of Cleveland, he was among the initial intake of 53 students. "It was important to me that WACKER placed so much emphasis on good training. I'm also interested in the renewable energy sector." So, starting June 2011, Franckhauser attended classes for six months at the WACKER INSTITUTE before spending another six months at the Burghausen plant in Germany. He has been part of the Infrastructure Team in Charleston since August 2012.

"As we are the company's own utility, we were the first to go on stream – with heating and cooling, water and wastewater, and chemicals such as chlorine gas, hydrogen, caustic soda and nitrogen," says Franckhauser, describing his job. With hindsight, he sees the fact that commissioning of the plant was delayed by 18 months due to rescheduling as an unexpected opportunity to improve his qualifications. "We were flexible enough to take on other tasks at the plant." These included safety tests, learning how to safely work with chemicals and handling aspects of building inspections. "I now know every tool that I'll be working with inside out," says Franckhauser.

Dan King, who began setting up the plant fire department in January 2013, is similarly proud. After 19 years as a deputy fire chief in Harriman City, some 60 miles from Charleston, the new job at the WACKER plant was, in his own words, "the challenge of my career."

As plant fire departments are a rarity in the USA, he consulted closely with his new colleagues in Germany and sought the advice of experts at Texas A&M University. "WACKER is very serious about safety, which is why I had all the resources at my disposal to put an all-star team together," he says. He now leads a team of 31 firefighters. King is particularly proud of one thing: the fire department badge, which is emblazoned with five shining distillation columns. All the members of his team wear it on their sleeves. "I designed the badge even before I'd interviewed the first applicants for the team," he says. "For one simple reason: it is the embodiment of everything WACKER stands for in Tennessee."

04 Measurement data is reported in real time, enabling constant monitoring of material flows during production. More than 100,000 instruments and valves are in use on site.

05 Polysilicon production heat exchanger. There's a good reason why the pipes have different colors: each one indicates the particular chemical that passes through the piping.

06 The five distillation columns are a distinctive feature of the new production site. It is in these columns that the starting materials for polysilicon production are purified to semiconductor grade.

PRODUCTS

Silicone raw materials,
silicone fluids, emulsions

EMPLOYEES

540

LAND AREA

970,000 m²

Steeped in History

The original seed for WACKER's business activities in the Americas is to be found in Adrian, a small town in Michigan. Although the site is now home to a state-of-the-art plant producing for diverse industries, including high-tech silicones for the medical-technology and cosmetics industries, it remains steeped in history.

Groups of visitors occasionally come to the site to experience a page taken out of American history.

A past that has nothing to do with WACKER, however. This former residence on the Adrian site is called Sutton Place and was built in 1853. Shortly before the outbreak of the American Civil War, thousands of slaves from the southern states fled to the north. They were helped by a network of anti-slavery activists known as abolitionists, who hid the escaped slaves from bounty hunters. One of their hiding places was a secret basement underneath Sutton Place.

Where WACKER's Business in the Americas Started

Adrian is steeped in history for WACKER, too. WACKER has been producing silicones in Adrian since 1969, initially in a joint venture with a US partner company and, since 1987, as the plant's sole owner. It is WACKER's oldest production plant in the USA and the original seed of the company's business activities in the Americas, where it now generates about a fifth of its total sales.

Originally, it was the proximity to the big automakers in Detroit that was important, with the majority of the silicones produced in Adrian destined for use in American automobiles. Nowadays, the raw silicone materials, silicone fluids and silicone emulsions WACKER manufactures in Adrian supply a wide variety of different industries across the continent. The small town of Adrian is also the headquarters of Wacker Chemical Corporation, WACKER's North American subsidiary. Administration, finance, marketing, sales and technical staff all work there. The site has its own WACKER ACADEMY, and the WACKER BIOSOLUTIONS division has its US headquarters there as well.

From his office, which offers views of the surrounding countryside, the new President & CEO, David Wilhoit, has been in charge of business for North and Central America & Norte Andino since early 2015. For Californian-born Wilhoit, Adrian is a real contrast to his previous place of work, Singapore, where he was head of a joint venture between Siltronic AG and Samsung. "California probably has more in common with Singapore than it does with Michigan," he says jokingly.

01

01 David Wilhoit has been in charge of WACKER's business in North and Central America since the start of 2015.

02

02 Intensive R&D: hybrid polymers from WACKER are innovative materials for bonding, grouting and sealing. Their major properties include high strength, easy processing, and pronounced environmental compatibility.

Rural Surroundings

No one driving along rural-looking Sutton Road would guess there is a chemical plant beyond the low fence: nothing to be seen but spacious lawns, magnificent old trees, a few parked cars, the Stars and Stripes atop the flagpole.

But this picturesque setting is only part of the allure. Those working in the production plant in 1987 will remember how the WACKER site developed. The original workforce of 300 has grown to around 560 today. The silicone mixers, which look like greatly oversized food processors, were partially switched over to continuous operation very early on, and numerous production halls, warehouses and administrative buildings have been added in the intervening period.

Today, green signs bear the names of the streets on the production site, like Innovation Highway and Silicone Valley. The production halls are extremely clean. Things were quite different in the period before WACKER took over, as long-time employees recall.

> "The USA is the world's second-largest chemicals market. We work hand in hand with our customers to develop silicones for special applications."

Those from Adrian's initial days would also tell you that, at first, it was far from easy working with their new German colleagues. According to the American pioneers, the Germans tended to be slow, as they sometimes over-analyzed problems; while the Germans could not understand that their US colleagues' planning horizon typically had a shorter reach than what Germans were accustomed to.

Today, the employees in Adrian and their CEO see themselves as part of a global team. Silicones business in Adrian has become much more international as well. In addition to the USA, which is the world's second-largest chemical market, Canada, Mexico, Central America and the northern tip of South America have grown in importance.

Wilhoit talks enthusiastically about the smaller silicone sites in Chino, California, and North Canton, Ohio, both of which produce customized silicone rubber compounds. "At these plants, we work hand in hand with our customers to develop specialty products; we can respond quickly and produce in small quantities if required," says Wilhoit. The facilities there are used, for example, to make extremely reliable and durable silicones for sealing aircraft windows.

Big Potential

Wilhoit sees a lot of potential for silicones in the healthcare sector, especially when it comes to new specialty silicones for wound dressings, for example. These silicones are skin-friendly and breathable. Even more importantly, however, hairs or skin cells do not stick to them – so that changing a dressing is no longer a painful experience. The market for these silicones is immense.

In fact, the USA is the world's biggest market for medical technology, with seven of the world's ten largest medical technology corporations headquartered there. With current total sales of US$134 billion, these ten leading companies account for more than a third of global sales, according to market researchers at Evaluate Ltd.

Tapping new business fields is an exciting challenge for the employees in Adrian. A number of them were already working at the plant when WACKER produced its first silicones there back in 1969. Some families can even boast several generations of WACKER employees and, for decades, the company has had very close ties with the local community. Even though WACKER has grown into a global player over the years, residents in Adrian still consider it a local business.

For Wilhoit, this close bond between the company and the community is remarkable. "While the company spirit is expressed differently in the world's regions," he says. "Adrian's culture is extremely close knit." So he was very impressed when 1,200 people turned out at the Adrian site for the company's open house in 2014. The employees from Procurement, whose offices are in historic Sutton House, share that sense of enthusiasm. After all, they are accustomed to having vendors and community visitors – visitors in search of American history in the basement of a German chemical company.

PRODUCTS

VINNAPAS®
dispersible polymer powders
polymer dispersions

EMPLOYEES

Approx. 110

LAND AREA

60,000 m²

CALVERT CITY

4,000 Tank Trucks Full

One of the world's largest dispersion reactors has just come on stream in Calvert City, Kentucky. WACKER has invested around €50 million in the site, and the new facility is a clear indicator that the market for polymers in America still has plenty of potential.


JV8604A
TO REACTOR
FV8604C

01 Mary Beth Hudson is in charge of the Calvert City site.

02 Sophisticated technology: dispersions are made under high pressure. The entire plant is designed to cope with such demanding conditions.

Mary Beth Hudson is doing one of her rounds of the premises. It is early morning, and the sun has barely warmed the clear Kentucky air. The metal pipes above the visitors' heads point the way to the new reactor, already casting clearly defined shadows on the ground.

"I want to see how painting of the new building is coming along," says Hudson, head of WACKER's polymer plant in Calvert City. The facade of the new reactor, which the employees simply refer to as "CC6," is being painted in the light gray color typical of WACKER. Inside the reactor building, everything has been running according to plan for many months.

High Product Quality

From a vantage point at the very top of the stairs in the new building, you can see a very thick stirring rod protruding from the gleaming silver reaction vessel. It rotates at 64 rpm, blending liquid vinyl acetate monomer with ethylene gas. The new reactor has an annual production capacity of 85,000 metric tons of vinyl acetate-ethylene copolymer dispersion – better known as VINNAPAS®. That is more than 4,000 tank trucks full. It is probably the biggest reactor for VAE dispersions in the world. Together with the other five reactors already in place at the Calvert City plant, the new reactor will help meet the growing demand for polymeric binders in North and South America.

In the new laboratory next door, two employees are analyzing the bright white dispersion produced in the reactor – and they are satisfied with the results. Since CC6 gradually began ramping up last summer, the facility has been manufacturing binders of the highest quality – no rejects and no second-rate product. "It's all gone exceptionally smoothly," says Hudson, smiling.

Her contentment is also evident back in her office, where she views the production figures on screen: in 2015, the two spray dryers, which turn the dispersions into dispersible polymer powders, had the highest utilization rates since 2007, a record Hudson expects will be broken again in 2016. Dispersions are performing well, too. In the region supplied by

the Calvert City plant, WACKER already has a market share of 50 percent for VAE dispersions, and the new capacity expansion underscores that the American market promises WACKER huge growth potential.

Diverse Application Areas

Only a small portion of the dispersions produced in Calvert City are processed into dispersible polymer powders on site, something that sets the region apart from both Europe and Asia. The lion's share of the dispersions made in Calvert City are shipped by road or rail to customers in North, Central and South America. The plant's location close to America's Midwest makes it an ideal hub. Whereas people from America's East and West Coasts joke about Kentucky as a "flyover state" – viewed only from high above through an airplane window – WACKER appreciates its good transport infrastructure, which includes the Ohio River, rail lines and highways. "From here, we can reach three-quarters of our customers in just a few days," says Hudson.

Those customers use VINNAPAS® binder to make low-odor, highly compatible interior paints, water-based adhesives, tear-resistant nonwovens for wet wipes and paper towels, and robust exterior coatings. Carpet manufacturers, too, use the dispersion to bond fibers to the carpet backing. In the USA, business with paint manufacturers in particular has grown strongly in recent months – a reason for continuing optimism.

> "People are optimistic about the future and are spending more money again."
>
> Mary Beth Hudson

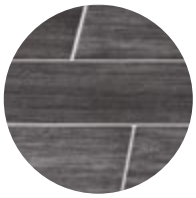
Low gasoline prices are currently fueling this trend in the USA. "People are optimistic about the future and are spending more money again," says Hudson, adding that paint manufacturers such as industry leader Sherwin-Williams are expecting double-digit growth rates.

Hudson's colleague John Tacca, who works at WACKER POLYMERS' US headquarters in Allentown, Pennsylvania, has an even better overview of the market. He is responsible for the company's polymer business in America. Tacca explains that, in

WACKER POLYMERS Product Portfolio

Adhesives

Excellent ability to adhere to difficult-to-bond substrates

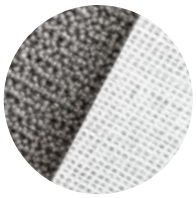


Construction & Paints

Higher-performing tile adhesives and low-emission interior paints

Nonwovens

Good tensile strength, soft hand and controlled absorbency



Carpet

Good penetration and fiber adhesion

03 John Fotheringham, who hails from Great Britain, is head of WACKER's global dispersions business.

04 Smooth operation: the new reactor – CC6 – was ramped up in stages during summer 2015, and has been producing premium-quality dispersions ever since.

05 Ensuring long-term supply security: ethylene, a key base material, is no longer delivered by freight train, but straight from a pipeline.

2015, sales of existing homes in the USA rose dramatically. “And if you buy an old home, the first thing you do is renovate and paint the walls,” he says with a smile.

Tacca adds that the situation with new properties is positive as well. Statisticians in the USA estimate that more than a million private building projects were launched in 2015. Market researchers at The Freedonia Group expect to see strong growth in paints with low concentrations of volatile organic compounds. “Paints like these are increasingly becoming the standard in the USA – and VAE binders, in particular, can score points in this area,” he says.

For Tacca and his team, partnerships with successful, highly innovative customers are a key growth driver. His ambition is to have the industry leaders in his customer base. He talks, for instance, about one of America’s biggest paint manufacturers, who recently began offering a new paint collection, based on VINNAPAS®. “These paints are apparently selling like hotcakes,” says an enthusiastic Tacca, “and we are noticing it in our order books.” For every bucket of paint contains its fair share of VINNAPAS®.

> “Our ambition is to have the industry leaders in our customer base.”
>
> John Tacca

In Central and South America as well, sales of polymers are on the rise, adds Tacca. In countries like Mexico, Brazil and Colombia, many manufacturers of paints, plasters or tile adhesives are still not using polymeric binders, he says. But there is great interest in high-value products among the aspiring middle classes and manufacturers themselves. Only recently, says Tacca, he and his colleagues were able to convince some 100 potential customers in Mexico City of the effec-tiveness of VINNAPAS®. They were invited to kick a soccer ball at two walls with different plaster coatings – one with polymeric binders and one without. “Afterwards, the wall without VINNAPAS® had some sizable dents in it,” Tacca is pleased to note.

John Fotheringham and his team of dispersion strategists at WACKER headquarters in Munich want to use VAE binders to tap industries in which other binders – such as acrylate, acrylostyrene and styrene-butadiene – still reign supreme. “After all, the market for binders is fourteen times larger than the VAE market,” he explains. Fotheringham, who hails from Great Britain, is head of WACKER’s global dispersions business.

> “After all, the market for binders is fourteen times larger than the VAE market.”
>
> John Fotheringham

The engineers at WACKER’s lab in the USA are working, for instance, on new binders for use in paper manufacturing, on additives for asphalt and on sealants for the construction industry. “We don’t want to compete simply on price. We want to tailor our products to add real value for our customers,” says Tacca. He has been in the business for years and knows that customers are cautious. They need to have very good reasons before adapting their production to a new technology.

Biggest Plant for VAE Dispersions in the USA

Mary Beth Hudson has recently shown many new or potential clients around the Calvert City plant. The tours are hard work, says the head of 140 employees, before quickly adding: “But they’re worth it. When I show people around the plant here, they’re really impressed. Calvert City happens to be the biggest plant of its kind on the continent.”

But, sometimes, the innovations of her lab colleagues make her a little bit nervous. When an entire industry suddenly switches from one binder to another, it can be really tough for the people in production. But then Hudson laughs at her own misgivings. Of all the employees at the Calvert City plant, she has been with WACKER the longest and has successfully tackled many challenges. “I’m an engineer,” she says. “I love solving problems.”

PRODUCT
Cyclodextrins

EMPLOYEES
20

LAND AREA
145,000 m²

The Treasure of Eddyville

WACKER's production of cyclodextrins takes place amid the cornfields of the American Midwest. To date, these sugar molecules made from corn have been used mainly in room sprays to neutralize unpleasant odors. Now, they are beginning to display their versatility in foodstuffs as well.

01

03

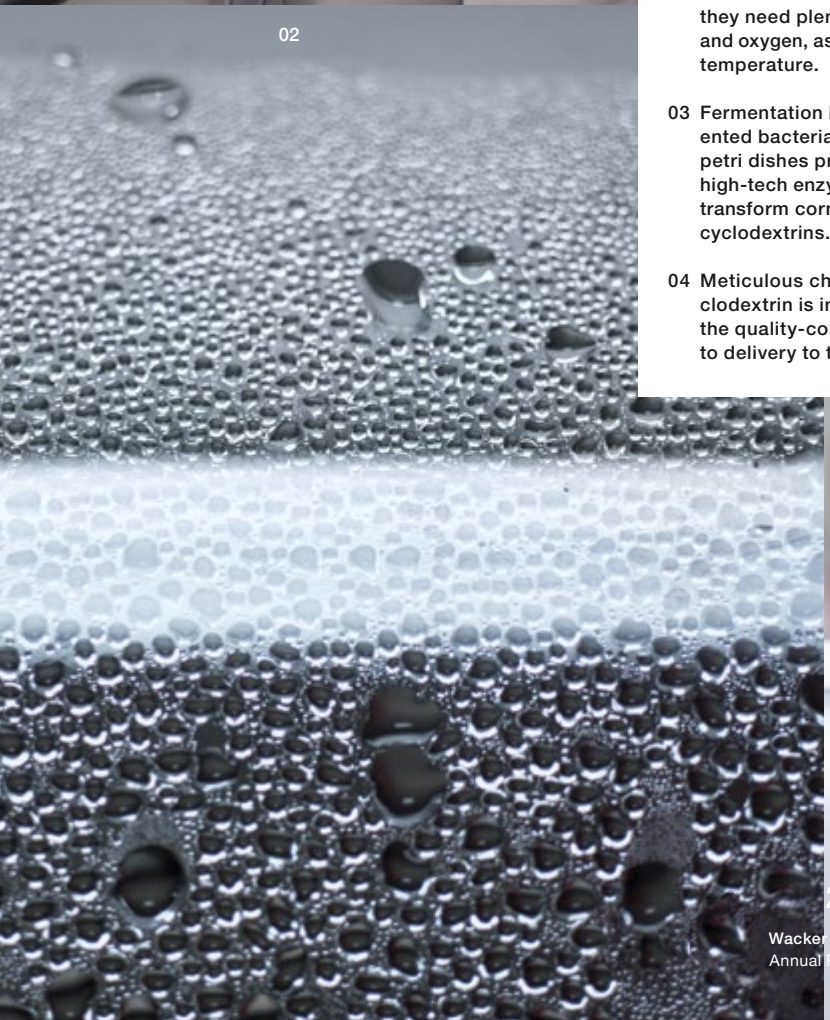
01 Dr. Susanne Leonhartsberger is responsible for WACKER BIOSOLUTIONS in the USA.

02 Perfect conditions: if the bacteria are to work their magic, they need plenty of nutrients and oxygen, as well as the right temperature.

03 Fermentation lab: the patented bacterial strains in the petri dishes produce special high-tech enzymes that transform corn starch into cyclodextrins.

04 Meticulous checks: the cyclodextrin is inspected in the quality-control lab prior to delivery to the customer.

02



04

The treasure of Eddyville is tucked away in a rather inconspicuous deep freeze, Only the lock on the deep freeze betrays the fact that something valuable is inside: patented bacterial strains that produce special high-tech enzymes. Divided into portions, they are stored at –78 °C until needed.

Cyclodextrins Have Versatile Applications

Here, surrounded by the world's largest corn-growing region, WACKER has been using these high-tech enzymes since 1999 in the state of Iowa to manufacture cyclodextrins, naturally occurring carbohydrates made from corn starch. The ring-shaped sugar molecules can encapsulate other substances. They are what enable room sprays to neutralize unpleasant odors, for example. Cyclodextrins can also mask the bitter taste of green tea or ensure that certain vitamins are more effectively absorbed by the body. "Hardly any other product can be used in so many different applications," says an enthusiastic Dr. Susanne Leonhartsberger, who is responsible for the US market at WACKER BIOSOLUTIONS. She expects to see double-digit sales growth for cyclodextrins in the years ahead.

In recent months, her colleague Dr. Helmut Reuscher, Sales & Technology Director, Americas, has been working on alpha- and gamma-cyclodextrins at the company's US headquarters in Adrian, Michigan. Although these two molecules are more difficult to produce than the tried-and-tested beta type, they can also do a lot more – meaning they add considerably more value. WACKER is the only manufacturer in the world capable of producing all three natural cyclodextrins in large quantities.

In Reuscher's laboratory – which, with its big stove against the rear wall, looks more like an experimental kitchen than an R&D laboratory in which new applications are developed and patented – he and his team have discovered, for instance, that alpha-cyclodextrins are an ideal ingredient for the baking industry. They enable manufacturers to replace unhealthy solid fats in cake icings with vegetable oils. In a beaker, an electric mixer beats sunflower oil, water and a small amount of white cyclodextrin powder to a thick paste. As this type of icing does not melt, even at high ambient temperatures, Reuscher considers it ideal for countries with hot climates.

For the food industry, alpha-cyclodextrin is also attractive as an emulsifier or whipping aid. It enables water and oil to be beaten to form mayonnaise-like products, without the addition of egg yolk. It is not only completely harmless, but is also a healthy soluble dietary fiber that brings many benefits to food products; cyclodextrin does not even require an E number. Dessert makers, too, can benefit from the substance. Reuscher fetches a small glass of light-pink raspberry mousse from the lab refrigerator. "There's not a single gram of fat or protein in this, just fruit puree and sugar," he assures us, his fascination for cyclodextrins shimmering through even after his decades of work with them.

Ultimately, the market will decide whether the molecules come to be used in certain applications or not. "But we have studied the market and customer needs, and cyclodextrins are so versatile for use in so many areas that I feel certain they have a bright future," he says.

The team in Eddyville already spends about half the year producing high-quality alpha- and gamma-cyclodextrins. WACKER benefits from a decisive technological edge in this field: the bacterial strains in the deep freeze produce enzymes that extract the precise cyclodextrin type required from the corn starch. "Without these selective enzymes, we would wind up with a mixture of alpha-, beta- and gamma-cyclodextrins – and we couldn't do much with that," explains Reuscher.

Fresh Corn Starch from Next Door

Four times a day, a tanker truck delivers a load of corn starch from a factory right next door. An agricultural enterprise uses it to produce corn syrup and ethanol. "It is important to us to be able to obtain fresh starch at exactly the right time," says Leonhartsberger, which is why it is ideal having a raw-material supplier right next door.

Although most of the finished cyclodextrins go to customers in the USA, some are intended for global export. Since 2013, production volumes have increased by more than 40 percent, and Leonhartsberger knows that this growth would not have been possible without a major effort on the part of the workforce. Happily, the bacteria from the deep freeze have no trouble growing – all they need is oxygen and sufficient nutrients to multiply all by themselves.

FOR OUR SHAREHOLDERS

Chapter

Healthcare

Hydroxytyrosol is a new active ingredient in the cosmetic industry. Extracted from olives, this free-radical scavenger protects the skin against UV radiation. WACKER has launched a nature-identical form of hydroxytyrosol for hair and skin care – HTEssence® – which is far purer and much more reliable than the natural substance.

FOR OUR SHAREHOLDERS

Dear Shareholders,

The year 2015 was characterized by geopolitical tensions in various regions, slower-than-expected economic growth in China, a steep drop in oil prices and a weakening of the euro against the US dollar. All these factors produced uncertainty and a high level of volatility in the markets.

Nonetheless, we achieved – and in some cases even exceeded – the sales and earnings targets we had set ourselves for fiscal 2015. For the first time in our company's history, sales passed the five-billion-euro mark. At €5.30 billion, they were almost 10 percent higher year over year, thanks to positive exchange-rate effects and volume growth across all our business divisions.

Relative to the previous year, earnings before interest, taxes, depreciation and amortization (EBITDA) were substantially higher, when adjusted for special income from advance payments retained and damages received from solar-sector customers. Net income for the year was better than expected. Instead of declining as we had assumed, it rose to over €240 million.

We want you, our shareholders, to share in this positive performance. The Supervisory and Executive Boards will be proposing a dividend payment of €2.00 at the Annual Shareholders' Meeting in May. Compared with the previous year's dividend, that represents an increase of 33 percent. Overall, we will be distributing 40 percent of the company's profit for the year to you.

Net financial debt did not rise, contrary to our planning, but remained on a par with the previous year, at €1.07 billion. Of course, the proceeds from the IPO of Siltronic AG played a part in this. We were able to finance our capital expenditures of €830 million from ongoing cash inflows.

2015 was an eventful year for WACKER. In June, we floated part of our stake in Siltronic AG – previously a wholly owned subsidiary – on the Frankfurt Stock Exchange. The IPO was a first step toward selling

off more shares in Siltronic in the medium term, thus reducing capital intensity at the WACKER Group.

We continued working at full pace to complete our new site in Charleston, Tennessee (USA) and to begin manufacturing polysilicon there. The first quantities of high-grade polysilicon were produced at the plant in early January of this year, and we have been gradually increasing production output since then, as scheduled.

Commissioning such a technically complex greenfield plant has been a big challenge for the company and a formidable task for all concerned. On behalf of the entire Executive Board, I wish to sincerely thank all our employees for their exceptional levels of commitment and for their achievements.

Our chemical business developed particularly well in 2015. Sales totaled over €3.3 billion and EBITDA was up 38 percent, growing significantly more than sales, to about €530 million. This trend shows that we have the right products for global markets.

Our polysilicon business performed very respectably, amid lower prices and the start-up costs of some €90 million for our new site in Charleston. It was important to us that our production capacities were fully utilized, that we increased sales volumes and that we further reduced our production costs.

In our silicon-wafer business, we posted a substantial rise in sales and a slight improvement in earnings, even though volume growth slowed in the second half of the year. Here, too, we were able to compensate for lower prices by achieving a notable reduction in costs.

Completion of the polysilicon production plant in Tennessee marks a turning point. Over the next few years, our capital expenditures will be significantly lower and WACKER's figures will show a substantial increase in cash flow.

The focus of our capital expenditures will shift to facilities for the manufacture of intermediate and downstream products at our chemical divisions – products we hope will enable us to exploit growth opportunities in all key markets.

In last year's Letter to Our Shareholders, I wrote that all over the world we were seeing developments with outcomes we cannot predict, let alone reliably plan for. This continues to hold true. In fact, the risks have intensified and no lasting solutions are in sight to any of the various geopolitical conflicts.

Provided that the global economic situation does not deteriorate any further, we remain optimistic about our business trend in 2016, fully aware that the year ahead will be challenging. We want to continue increasing sales and can see prospects for further growth, especially in our chemical business. Demand for polysilicon will continue to rise in 2016 and, as a result, we expect to be able to sell our output on the market amid current manufacturer overcapacity. As yet, regulatory uncertainties remain regarding ongoing anti-dumping proceedings. In silicon wafers, business got off to a slow start in the new year, making us cautious here for the moment, especially about how sales will actually develop in 2016. The digitalization trend – as embodied by Industry 4.0 – is opening up new application areas in which silicon is certain to play a role as a base material.

EBITDA is expected to rise slightly, when adjusted to exclude special income. Higher levels of depreciation due to the capital expenditures of recent years will reduce net income. However, net cash flow will increase markedly in 2016 because capital expenditures will then be lower.

As you know, one of WACKER's greatest strengths is its broad range of sophisticated products for key industries. But there is something else that sets us apart. We are continuously searching for new solutions. One example is 3D printing. We have developed a new method

that makes it possible to use 3D printing to manufacture objects of silicone. This method opens up new application areas – especially in the automotive, medical, optical and household sectors – and we intend to benefit from these opportunities.

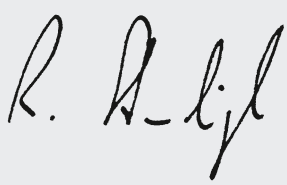
Innovation is one of the main drivers of our business, which is why "Creating tomorrow's solutions" is our motto. I would like to add the word "today" to it. This aspiration places great demands on us, and we want to continue meeting these high standards. Without doubt, WACKER will contribute to countless products that are as yet unknown – that first have to be invented and made marketable.

The second main factor driving our business success is our presence in the world's most important economic regions. We intend to systematically expand our network of technical competence centers, extend the range of specialized training we offer via WACKER ACADEMY and use our mobile testing labs to intensify our direct contacts with construction-industry customers.

The potential these options offer us has by no means been exhausted. We are convinced that WACKER has good prospects for further successful growth.

The foundation of our business success is to collaborate reliably and closely – both within the company and externally. My Executive Board colleagues and I would like to express our thanks to you, our shareholders, and to our customers and suppliers for the trust placed in us. Together with you, we want to continue driving WACKER forward.

Munich, Germany, March 2016



Dr. Rudolf Staudigl
President & CEO of Wacker Chemie AG

Executive Board: Auguste Willems, Dr. Christian Hartel, Dr. Rudolf Staudigl, 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. Christian Hartel

(since November 1, 2015)
WACKER POLYMERS
Human Resources (Personnel Director)
Corporate Engineering
Region: Asia

Dr. Tobias Ohler

SILTRONIC
Corporate Accounting and Tax
Corporate Controlling
Corporate Finance and Insurance
Information Technology
Technical Procurement & Logistics
Raw Materials & Energy
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

Dr. Joachim Rauhut left the
Executive Board on October 31, 2015
when his contract expired.

Report of the Supervisory Board

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

Dear Shareholders,

2015 was another year in which WACKER posted good figures. Whereas lower polysilicon prices dampened what would otherwise have been even stronger growth in sales and earnings, our chemical divisions performed very well – due, in part, to favorable exchange-rate effects and lower raw-material costs. The important thing is that we took advantage of these tailwinds to substantially increase our sales volumes. This is clearly reflected in chemical-division earnings, which grew at a significantly faster rate than sales. It is particularly remarkable that we again succeeded in increasing the share of specialty silicones in our sales mix, and that, by commissioning new facilities for dispersions and dispersible polymer powders, we have paved the way for further growth worldwide.

In large part, these accomplishments were due to our employees. Their high performance levels, their outstanding expertise and their strong identification with WACKER are key to ensuring the company's long-term success. The Supervisory Board of Wacker Chemie AG wishes to thank them for their achievements in 2015.

2015 was a special year for WACKER. The completion of production facilities at our new site in Charleston, Tennessee (USA) concludes the biggest investment program in the company's 101-year history. We financed our capital expenditures of €830 million in 2015 through our own cash flow, which was an excellent achievement. Over the next few years, we will be establishing the Charleston location as an integrated production site that will open up new opportunities for us to continue expanding in the USA, the world's second-largest chemical market. We now own integrated production sites in what are currently the world's key regions, thereby strengthening our global presence and enhancing our cost positions. This is especially important for further growth.

We will scale back our investing activities in the next few years, substantially increasing our cash flow as early as this year and, from 2017 onward, lowering our net financial debt.

The greatest challenge we face going forward will be to take an even more systematic approach to transforming our strengths into business success. This could be particularly important if the benefits from favorable exchange rates and low raw-material costs are no longer as marked as they were in 2015. Our main task, therefore, is to continue making every effort to improve our cost positions and our efficiency at each process stage. WACKER has clearly shown on many occasions in the past that it is capable of meeting such challenges.

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 2015, the Supervisory Board performed – with great diligence – the duties incumbent upon it under 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 oral 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, the company's liquidity and financial position, and the IPO of Siltronic AG.

The Supervisory Board held four ordinary meetings in 2015, two in the first half of the year and two in the second. In addition, extraordinary Supervisory Board meetings took place on April 16, 2015 and May 8, 2015 to prepare the IPO of Siltronic AG. Between meetings, the Executive Board 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.

Every Supervisory Board member attended at least half of the meetings of the Supervisory Board or of the committees on which that member sat.

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 IPO of Siltronic AG
- Future and ongoing investment projects
- The representation of women in Wacker Chemie AG's supervisory and managerial structures
- The extension of Dr. Tobias Ohler's membership on the Executive Board and the appointment of Dr. Christian Hartel as a new Executive Board member and as Personnel Director
- The anti-dumping proceedings against the solar industry in the USA, EU and China; their impact on WACKER; and corresponding courses of action
- Progress of construction at the polysilicon production site at Charleston, Tennessee (USA)
- Performance of the share price

The Supervisory Board discussed the WACKER Group's plans for fiscal 2016 at its meeting of December 10, 2015. On that occasion, the Supervisory Board also dealt with medium-term corporate plans for the period 2016–2020. It also discussed and approved the capital-expenditure budget for 2016.

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 Franz-Josef Kortüm, the Chairman of the Supervisory Board, Dr. Peter-Alexander Wacker, chairs the committees.

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 2014, 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 (which included determining the focus of auditing) to the chosen auditors and submitted a proposal for the choice of auditors for 2015 to the full Supervisory Board.

The Executive Committee convened twice in fiscal 2015. Its discussions centered around personnel matters related to the Executive Board (compensation, performance goals, changes in Board composition, and employment contracts).

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 10, 2015, 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 264 onward.

At its meeting in December 2015, 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 2015, the consolidated financial statements and the combined management report (as of December 31, 2015), 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 8, 2015. 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 February 29, 2016, 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 8, 2016, 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 raise no objections to 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, 2015 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 profit.

Changes in the Composition of the Supervisory and Executive Boards

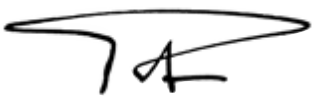
After many years as a Supervisory Board member, Dr. Bernd W. Voss left the Supervisory Board effective December 31, 2014. He was succeeded by Dr. Andreas Biagosch, who was appointed by court order on January 26, 2015.

The mandate and Executive Board contract of Dr. Joachim Rauhut, member of the Executive Board and Chief Financial Officer of Wacker Chemie AG, expired as scheduled on October 31, 2015. At the Supervisory Board meeting on June 24, 2015, Dr. Christian Hartel was appointed as a new Executive Board member and as Personnel Director effective November 1, 2015. The duration of his contract is three years. Previously, Dr. Hartel had been president of the WACKER SILICONES division.

At its meeting of June 24, 2015, the Supervisory Board also extended Dr. Tobias Ohler's membership of the Executive Board for a further five years and appointed him Chief Financial Officer.

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

Munich, March 8, 2016
The Supervisory Board



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

WACKER Stock in 2015

WACKER's share price was impacted not only by the IPO of Siltronic in June 2015, but also by developments in the solar and semiconductor industries. In addition, macroeconomic factors dampened the share price, including China's uncertain growth trend and the strong drop in oil prices. Although the continued strength of the chemical divisions supported WACKER stock, by year end it was outweighed by doubts about future trends in the semiconductor market and the low price-level in our polysilicon business.

The stock was bolstered in Q1 2015 by eurozone and US central-bank policies, which extended bond-buying programs and combated deflationary tendencies with interest-rate cuts. The ongoing crises in Ukraine and the Middle East did not have any major impact. Overall, stock prices climb markedly in the quarter to March 2015, with the DAX posting its biggest quarterly gain since 2003. In this three-month period, the DAX rose by nearly 23 percent and the MDAX by 22 percent.

Given this favorable environment, WACKER stock climbed almost 19 percent from January through March, performing largely in line with the two main German benchmark indices. WACKER stock started Q1 2015 trading at €90.85 on January 2. The price then edged down temporarily until mid-January, to its first-quarter low of €83.53 on January 14. On March 10, 2015, WACKER announced that it would reorganize the ownership structure of Siltronic. The option of splitting off the capital-intensive and cyclical business of Siltronic inspired the imagination of investors. As a result, the stock reached its year-high of €115.10 on March 11.

Closing at €107.75 on March 31, the stock gained 18.6 percent in the first quarter, which corresponds to a market capitalization of €5.35 billion.

The second quarter of 2015 was turbulent for international financial markets. As Q2 progressed, stock markets were increasingly affected by worries about the financial situation in Greece and, from mid-June, by concerns about the Chinese economy.

Initially, WACKER stock held its level of €110. From mid-May, declining prices and new capacities for polysilicon clouded the outlook for the stock. Even the May 15 announcement about the IPO of Siltronic did not reverse this trend.

Siltronic made its debut on the Frankfurt Stock Exchange on June 11, with its issue price set at €30.00 per share. Siltronic stock started trading in the regulated market segment (Prime Standard), under the ticker symbol WAF300 and the ISIN DE000WAF3001. A total of 12.65 million shares were placed, including the greenshoe option that the syndicate banks exercised in full on June 15. The total placement consisted of 5 million new shares issued through a capital increase at Siltronic and 7.65 million shares originally held by WACKER. The WACKER Group and Siltronic, together with the joint global coordinators and the joint bookrunners, had set the issue price at €30 per share. The total proceeds from the IPO amounted to nearly €380 million. The free float for Siltronic AG stands at 42.2 percent, with WACKER currently holding 57.8 percent of the shares.

Overall, WACKER stock decreased almost 15 percent in Q2. During the same period, the DAX lost close to 9 percent and the MDAX nearly 6 percent. WACKER stock started the second quarter trading at €108.50 on April 1. Until mid-April, it resumed the upward trend of Q1, reaching its second-quarter high of €114.75 on April 10. In the weeks that followed, the stock trended sideways. As market sentiment became increasingly negative, WACKER stock started losing ground from mid-May, as did the DAX and MDAX. On June 30, 2015, the stock posted its low for the quarter of €92.60.

In Q3 2015, turbulence on financial markets in China dragged down equity markets. Investors were worried that a slowdown of China's economy would cause a global economic slump. In particular, the stocks of major exporting companies fell. WACKER was not immune to this trend, given the large proportion of its products exported to Asia. Then came the news of the VW Group's diesel-engine emissions tampering, which weighed on the stocks of auto makers and suppliers. As a result, Germany's main equity benchmark, the DAX, fell below the psychologically important mark of 10,000 points for the second time within a very short period.

Given the difficult environment, news of further declines in polysilicon prices put WACKER stock under additional strain, even though the company's production output remained good. Softer demand for smartphones and reduced inventories meant that plant utilization in the semiconductor sector dropped, dampening the expectations of silicon-wafer manufacturers. Overall, WACKER stock dropped 28 percent from the beginning of July to the end of September. In the same period, the DAX lost 14 percent and the MDAX 4 percent. WACKER stock had started Q3 2015 at €93.92. It then dropped gradually and, on September 28, reached its third-quarter low of €65.79. It closed the quarter at €67.91.

In the fourth quarter, conditions on capital markets remained difficult. Oil prices (Brent) dropped by over 20 percent, from US$48 to US$37.6, in the final quarter. This reinforced investor hopes of positive effects for the global economy, despite the slowdown in China. As a result, the DAX climbed by nearly 13 percent in Q4 and the MDAX by 8.3 percent. On December 21, Siltronic's stock was listed on the TecDAX.

From early October to year-end, WACKER stock gained 13.2 percent, advancing from €68.50 to €77.52.

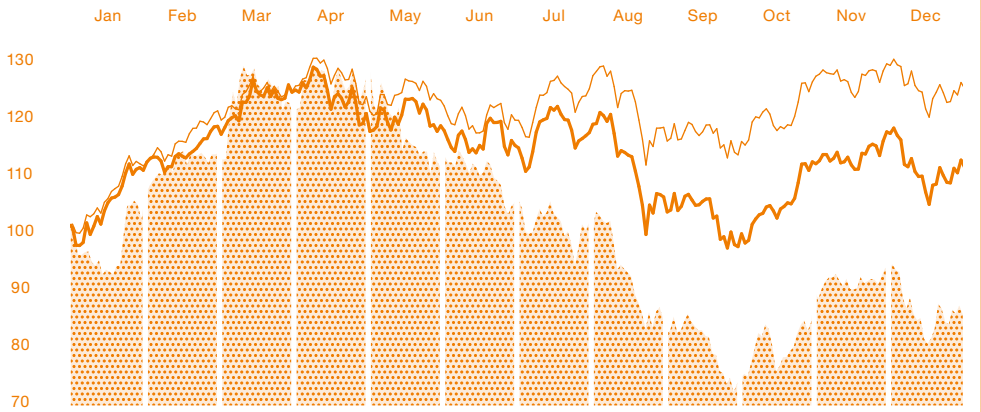
During the year, discussions with capital-market participants were dominated by questions about supply/demand balance with regard to polysilicon and Siltronic. It was not until the Q3 report was released that the success of the chemical divisions moved more prominently into the foreground.

Performance of WACKER Stock Compared with DAX and MDAX

In full-year 2015, Germany's DAX and MDAX indices gained 9.56 percent and 22.67 percent, respectively. WACKER's share price, on the other hand, decreased by 14.7 percent during the same period. The stock started the year at €90.85 (opening price on Jan. 2, 2015) and at year-end stood at €77.52.

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 11, 2015)	115.1
	Year-low (on Sept. 28, 2015)	65.79
	Year-end closing price (on Dec. 30, 2014)	91.05
	Year-end closing price (on Dec. 30, 2015)	77.52
	Performance for the year (without dividend) (%)	14.86
	Year-end market capitalization (shares outstanding; prior year: 4.5) (billion)	3.85
	Average daily trading volume[1] (prior year: 18.0) (million)	17.9
	Earnings per share (prior year: 4.10)	4.97
	Dividend per share (proposal)	2.00
	Dividend yield[2] (%)	2.21

[1] Trading platforms (Xetra, Chi-X and Turquoise).
[2] Dividend proposal based on an average weighted share price of €90.65 in 2015

Earnings per Share of €4.97

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 the reporting year, the number of shares in circulation was 49,677,983. On this basis, the EPS is €4.97.

Useful Information on WACKER Stock

T 1.3

ISIN	DE000WCH8881
German security identification number (WKN)	WCH888
Frankfurt Stock Exchange	WCH
Bloomberg	CHM/WCK.GR
Reuters	CHE/WCHG.DE
Capital stock	€260,763,000
Number of shares (Dec. 31, 2015)	52,152,600

Dividend Payment of €1.50 per Share

At the Annual Shareholders' Meeting of Wacker Chemie AG held in Munich on May 8, 2015, all Executive and Supervisory Board proposals were adopted by large majorities. WACKER distributed a total of €74.5 million to its shareholders as a dividend for 2014 (2013: €24.8 million). The dividend per dividend-bearing share was €1.50 (2013: €0.50). The dividend yield based on WACKER's average share price in 2014 was 1.7 percent (2013: 0.8 percent).

Dividend Trends

T 1.4

€	2014	2013	2012
Dividend	1.50	0.50	0.60
Dividend yield (%)	1.7	0.8	1.0
Net result for the year (allocable to WACKER's shareholders) (million)	203.8	2.6	120.7
Dividend payout (million)	74.5	24.8	29.8
Distribution ratio (%)	36.6	>100	26.0

Trading Volume and Analysts

In the reporting year, the average daily trading volume on the Xetra, Chi-X and Turquoise trading platforms for WACKER stock was approximately 197,000 shares. This was at the level of the prior-year figure of around 200,000 shares. In 2015, numerous banks changed their analysts. As a result, a new group of analysts will be covering WACKER in the future. In total, though, their number remained unchanged at 21 in 2015 (2014: 21). During the year, analysts' consensus price target for WACKER stock rose. In Q1, the average price target for WACKER stock was €107.36 (13 estimates)[1]. At year-end 2015, though, analysts set their fair-value price target at €86.46 on average (13 estimates)[1], which was 19 percent lower than at the start of the year.

[1] Consensus figures from VARA Research (Q1 = April 14, 2015/Q3 = November 13, 2015)

Banks and Investment Firms Covering and Rating WACKER

T 1.5

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

As of the end of December 2015

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 2015. 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, 2015)

By year-end, WACKER's market capitalization had decreased from €4.5 billion to €3.8 billion (total stock without treasury shares) due to share-price performance. WACKER's MDAX market capitalization based on the free float was €1.2 billion (€1.4 billion in 2014). WACKER thus had an MDAX weighting of 0.75 percent (prior year: 1.03), and it is currently ranked No. 25 (prior year: 12; by 12-month trading volume) and No. 47 (prior year: 31; by market capitalization) among the 50 companies in the index.

WACKER's GEX weighting was 9.8 percent. Deutsche Börse AG's GEX mid-cap index 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 2015, WACKER ranked 4th in the GEX weighting.

WACKER Communicates Closely with Capital Markets

Key elements of our corporate strategy include organic growth, investment in promising markets, and 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 20 roadshows with a total of 35 roadshow days in Germany, Europe, the USA and Asia. We held about 600 meetings in total, both in person and by telephone, as well as some 160 group discussions, and we participated in various international conferences. WACKER gave presentations at the following events, among others:

- HSBC Sustainability Conference SRU/Cleantech in Frankfurt
- Nomura Global Chemical Industry Leaders Conference in London
- Commerzbank German Mid-Cap Investment Conference in New York/Boston
- Deutsche Bank: German, Swiss and Austrian Conference in Berlin
- Warburg Highlights in Hamburg
- Commerzbank Sector Conference, Chemicals & Life Sciences in Frankfurt
- Credit Suisse Global Chemicals and Agriculture Conference in London
- UBS Best of Germany Conference in New York
- Baader Investment Conference in Munich
- Goldman Sachs/Berenberg German Corporate Conference in Munich
- UBS European Conference in London
- Sanford C. Bernstein 12th Annual European Strategic Decisions Conference in London
- Bank of America Merrill Lynch: European Chemicals Conference in London
- German Equity Forum in Frankfurt

Shareholder Structure

Wacker Chemie AG's largest shareholder is still Dr. Alexander Wacker Familiengesellschaft mbH, Munich, with over 50 percent of the voting shares (2014: 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 (2014: over 10 percent).

Free Float: US Share Ownership Increases

Based on our shareholder analysis[1] (Dec. 31, 2015), the number of shareholders in the USA increased further during the year. In December 2014, the level of US-held shares was 35 percent. A year later, it was 47 percent. Thus, our strongest increase in shareholders was in the USA. Share ownership in Germany rose to 22 percent (2014: 18 percent). Share ownership in Canada declined to 8 percent (2014: 11 percent), in the UK to 7 percent (2014: 13 percent), and in Switzerland to 4 percent (2014: 5 percent). Other European share ownership also declined from 19 percent to 11 percent.

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

Short Positions in WACKER Stock

At the end of 2014, short sales of Wacker Chemie AG's stock amounting to 8.56 percent of the shares outstanding were reported as per Section 30h of the German Securities Trading Act ("WpHG"). The largest position amounted to 2.86 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 WACKER CHEMIE AG

GROUP BUSINESS FUNDAMENTALS

Chapter

Renewable Energy

For decades, WACKER has been at the forefront in the development of innovative methods for generating climate-friendly power. Take, for example, polycrystalline silicon. This hyperpure raw material is essential for developing and manufacturing highly efficient solar cells.

Combined Management Report of the WACKER Group and 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 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 has demonstrated strong growth – an area in which WACKER is one of the world's largest manufacturers.

Technical Competence Centers Support Sales and Marketing Activities

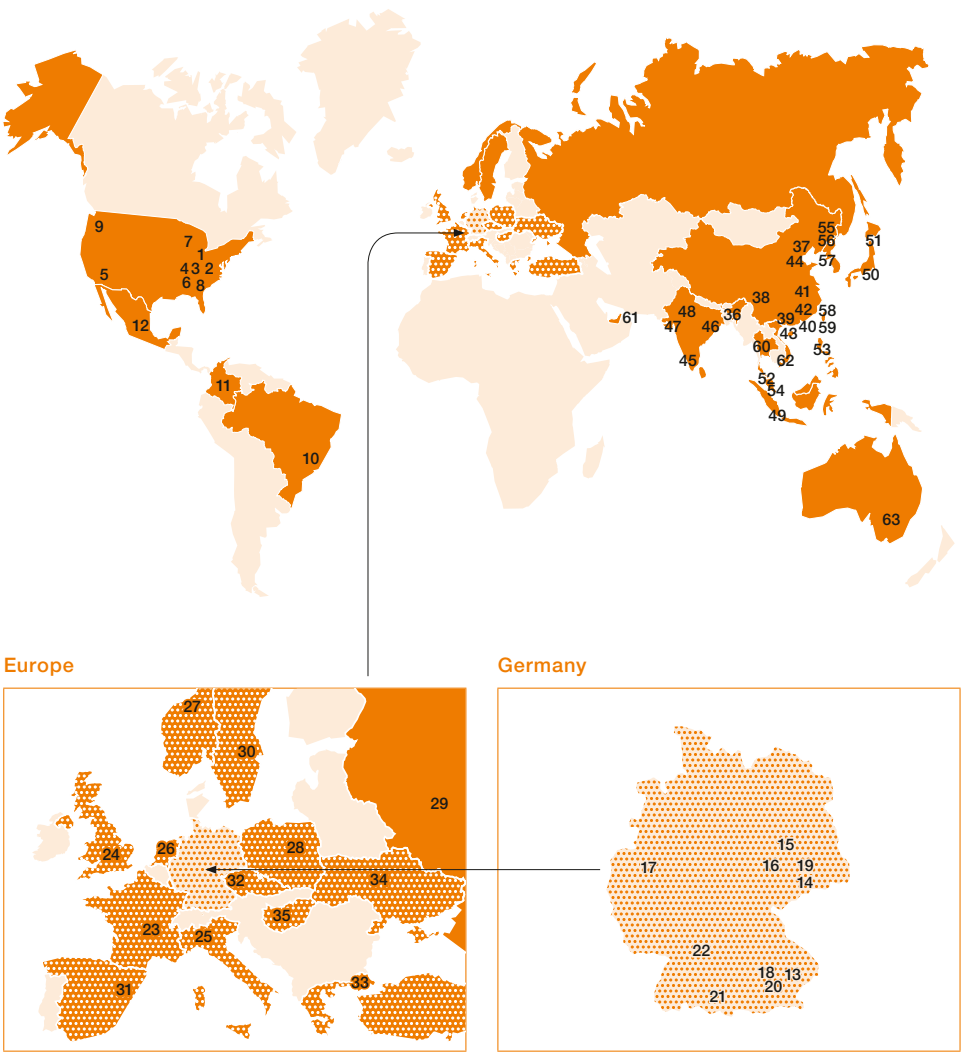
WACKER operates all over the world. Our sales strategy is centered around expanding our presence in growth markets. In total, WACKER has 50 sales offices in 31 countries. Our sales organization is supplemented not only by a network of technical competence centers, where customers learn about WACKER's product portfolio, but also by the WACKER ACADEMY, where we offer technical training sessions on our products and their application fields. In 2015, we expanded our existing technical competence centers in Mexico City and Moscow.

New Production Site in the USA

WACKER's integrated global production system consists of 25 production sites (2014: 25) – nine in Europe, eight in the Americas and eight in Asia. A new production site was added to the manufacturing network when WACKER began commissioning the facilities in Charleston, Tennessee (USA). 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 2015, Burghausen manufactured more than 780,000 metric tons of product, accounting for around 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 **Charleston, Tennessee** USA[2]
5 **Chino, California,** USA
6 **Dalton, Georgia,** USA
7 **Eddyville, Iowa,** USA
8 **North Canton, Ohio,** USA
9 **Portland, Oregon,** USA
10 **Jandira, São Paulo,** Brazil
11 **Bogotá,** Colombia
12 **Mexico City,** Mexico

Europe

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

Asia

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

Australia

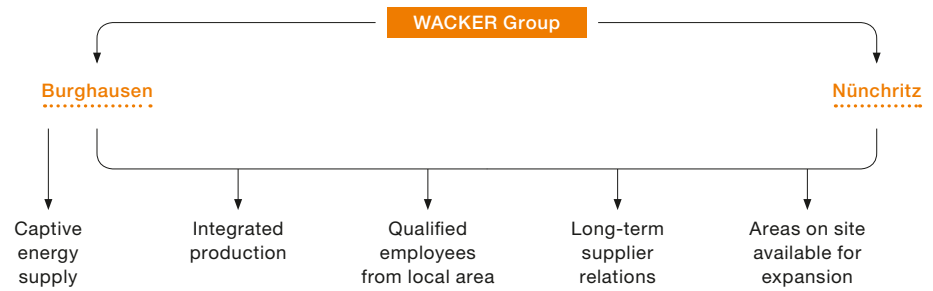
63 **Melbourne, Victoria,** Australia

Production site ● Sales site ▲ Technical competence center

[1] Only majority-owned subsidiaries and joint ventures
[2] As of February 2016

Key Factors for Multidivisional Sites

G 2.2



Legal Structure

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.

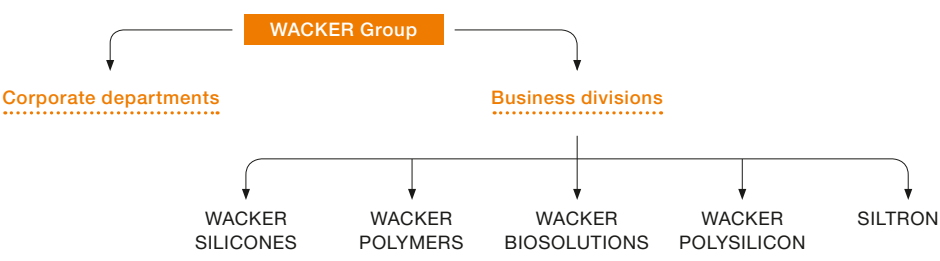
On June 11, 2015, WACKER placed 25.5 percent of its shares in its wholly-owned subsidiary Siltronic AG on the Frankfurt Stock Exchange in an IPO. At the same time, new shares were issued to increase the capital of Siltronic AG, reducing WACKER's stake by 16.7 percent. Following the IPO, WACKER remains the majority shareholder with its 57.8 percent stake and fully consolidates the company in its financial statements. The total proceeds from the transaction amounted to €379.5 million. Transaction costs were incurred in the amount of €17.6 million. 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 Changes in the Scope of Consolidation 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.

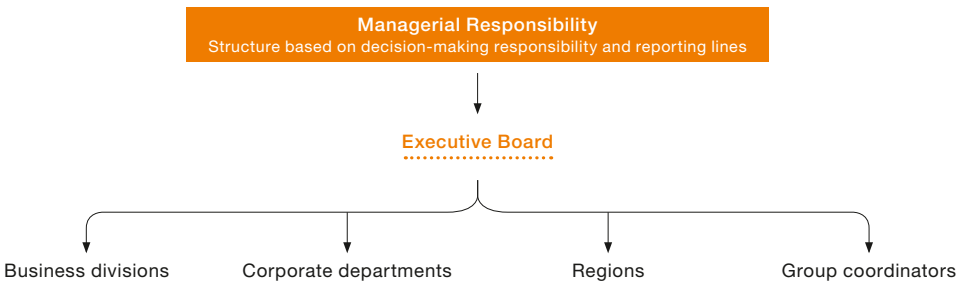
Group Structure

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

	Until October 31, 2015	Since November 1, 2015
Dr. Rudolf Staudigl	**President & CEO** WACKER POLYSILICON Executive Personnel, Corporate Development, Corporate Communications, Investor Relations, Corporate Auditing, Legal, Compliance	**President & CEO** WACKER POLYSILICON Executive Personnel, Corporate Development, Corporate Communications, Investor Relations, Corporate Auditing, Legal, Compliance
Dr. Christian Hartel		WACKER POLYMERS Human Resources (Personnel Director), Corporate Engineering Region: Asia
Dr. Tobias Ohler	WACKER POLYMERS Human Resources (Personnel Director), Technical Procurement & Logistics, Raw Materials & Energy Region: Asia	SILTRONIC Corporate Accounting and Tax, Corporate Controlling, Corporate Finance and Insurance, Information Technology, Technical Procurement & Logistics, Raw Materials & Energy Region: The Americas
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	WACKER SILICONES WACKER BIOSOLUTIONS Sales & Distribution, Corporate Research & Development, Intellectual Property, Site Management, Corporate Security, Environment/ Health/Safety, Product Stewardship Regions: Europe, Middle East

Executive Board and Supervisory Board in Fiscal 2015

There were changes in the Executive Board and Supervisory Board in 2015.

CFO Dr. Joachim Rauhut left Wacker Chemie AG's Executive Board on October 31, 2015 at the end of his term. Executive Board member Dr. Tobias Ohler took over as CFO effective November 1, 2015. Dr. Christian Hartel joined WACKER's Executive Board also effective November 1, 2015, taking over as Personnel Director.

Supervisory Board member Dr. Bernd W. Voss 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

The declaration on corporate management required by Section 289a of the German Commercial Code is included in the corporate governance report. This declaration forms part of the combined management report and is also 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 2015. In several application areas, however, we expanded our product portfolio. Our WACKER SILICONES division 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 semiconductors and electronics and – above all – for the solar sector. 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

The competitive positions of WACKER's four biggest divisions in terms of sales were unchanged in 2015. We rank among the world's top three suppliers, and we are the global market leader for some 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.

WACKER's Competitive Positions

T 2.6

	Number 1	Number 2	Number 3
WACKER SILICONES	Dow Corning	**WACKER**	Momentive
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**

Market Positions of WACKER's Divisions

WACKER SILICONES ranks a strong number 2 in the silicones market worldwide, and leads the market 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 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. Acquired in 2014, Scil Proteins Production GmbH provides us with a platform for this development. This acquisition was merged into Wacker Biotech GmbH in early 2015.

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. WACKER POLYSILICON is number two in the world in terms of production capacity. Our sales volume was more than 55,000 metric tons in 2015.

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.

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 ones. Goods 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 concludes short- and medium-term contracts, some of which 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 use 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.

Leading Operational Indicators

T 2.7

Business Divisions	Leading Operational Indicator	Indicator of:
WACKER SILICONES WACKER POLYMERS WACKER BIOSOLUTIONS	Raw-material and energy price trends	Our cost trends
WACKER SILICONES	Orders received per month	Our capacity utilization
WACKER POLYSILICON	Short-, medium- and long-term contracts	Our capacity utilization, further market trends
	Market research, talks with customers	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 remained unchanged in many areas. Accounting for around 42 percent of production costs, energy and raw-material costs had the largest impact in 2015.

► 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. We continually focus on improving our energy efficiency. The goal is to reduce specific energy consumption by half between 2007 and 2022. When procuring raw materials, we increase price flexibility by sometimes concluding new contracts with shorter terms, with more scope regarding volumes or with regular price adjustments that reflect wholesale market prices.

► Exchange-rate fluctuations

As a rule, WACKER hedges against exchange-rate fluctuations. We hedge at least half of our dollar and yen exposures for each subsequent year with derivative currency hedging transactions. The hedging ratio for 2015 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. The appreciation of the US dollar against the euro in 2015 had a positive impact of €120 million on EBITDA. However, only €60 million of this amount effectively benefited EBITDA due to negative currency-translation effects stemming from receivables and hedging.

- **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. The cost of manufacturing photovoltaic products is expected to decline further, which will additionally reduce the dependence on state-regulated incentive and feed-in tariff programs over the next few years. Our assumption is that, in a few years, solar energy will manage even without special incentives, particularly in combination with cost-efficient storage possibilities. At the same time, WACKER will keep 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

China has imposed anti-dumping and anti-subsidy tariffs on polysilicon manufacturers in the USA. As things stand now, polysilicon produced at our site in Charleston, Tennessee (USA) will also be affected by these tariffs. Negotiations are being conducted between China and the USA with the aim of resolving the trade dispute regarding solar products, which would also benefit WACKER. However, WACKER has the option of taking up direct contact with China to discuss an exemption from tariffs. In May 2014, WACKER and the Chinese Ministry of Commerce (MOFCOM) signed a minimum price agreement for exports of polysilicon produced in Europe. MOFCOM, in turn, has refrained from imposing anti-dumping and anti-subsidy tariffs on this material. The agreement is valid until the end of April 2016. In addition, the agreement signed by the European Union and China regulating the import of solar modules from Chinese solar companies still applies.

Total of 178 Registration Dossiers Submitted as Part of REACH

By late 2015, WACKER had submitted 178 registration dossiers to the European Chemicals Agency (ECHA). For some of the phase-one and phase-two dossiers, submitted in 2010 and 2013, ECHA required additional information, which we provided in 2015. By the end of 2015, ECHA and EU-member-state agencies had jointly designated 168 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 very 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) had been reclassified pursuant to EU-GHS by May 31, 2015. A central register for hazardous substances has been set up at the ECHA.

The ICCA (International Council of Chemical Associations) has developed the Global Product Strategy (GPS), which is a guideline on how to assess chemical properties and provide product safety information. 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 2015, 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

Since 2013, our strategic focus has been 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 2015 alone, WACKER achieved cost savings of some €160 million, attributable to the positive impact from increased production volumes. Due to the intensive investment phase reached at our polysilicon production site in Charleston, Tennessee (USA), investments exceeded depreciation in 2015. Over the next two years, investments are expected to be substantially below the level 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 construction, 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

On the basis of the medium-term planning figures approved in December, our medium-term goals (those for 2017) are still within the realms of possibility.

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 at current levels. 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.

WACKER POLYMERS

WACKER POLYMERS remains firm in the pursuit of 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 2015 and commissioned new production plants in Burghausen (Germany) and in Calvert City, Kentucky (USA). 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 sales growth.

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 new facilities at the site in Charleston, Tennessee (USA) will add a further 20,000 metric tons to the division's production capacity by the end of 2016. The cost position is a key factor for success in this competitive market, which is why we continue to focus on reducing costs by improving productivity and optimizing our supplier base.

SILTRONIC

At Siltronic, there are four coordinated strategic priorities. By concentrating on lead sites, we will 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. 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. The IPO of Siltronic AG on the Frankfurt Stock Exchange has enhanced the company's strategic growth options and its possibilities for raising capital. With a stake of 57.8 percent, WACKER remains Siltronic AG's majority shareholder.

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 a dedicated budget parameter used in the calculation of variable compensation for Executive Board members and senior managers.

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 projects, 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 2015, we continued to use the same key financial performance indicators for value management as in previous years. These are:

- 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. 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). This 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. We calculate BVC by deducting the cost of capital, non-operational factors, and depreciation and amortization from EBITDA. The development of BVC is related mainly to changes in EBITDA. Changes in the cost of capital 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. As part of our medium-term planning, we set capital expenditure priorities and an investment 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
Electricityand 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 2015

EBITDA margin: In 2015, the target margin was 20 percent, with the Group posting an actual EBITDA margin of 19.8 percent.

ROCE: WACKER's ROCE in 2015 was 8.1 percent. In our forecast, we had assumed that ROCE would be lower than in the prior year due to the increase in capital employed.

EBITDA: We were expecting EBITDA – adjusted for special income – to be marginally higher in 2015 compared with the prior year, and we achieved this target. Compared with the prior year, EBITDA exclusive of special income rose by €75.2 million to €911.2 million. EBITDA inclusive of special income rose by a slight €6.5 million from €1,042.3 million to €1,048.8 million. In 2015, the cost of capital before taxes was 10.4 percent. Although we did not meet our BVC target at the Group level in 2015, the actual amount at €–119.1 million was on a par with the prior year.

Net cash flow: Given our high level of investment spending, we projected a slightly positive net cash flow for 2015. At €22.5 million, net cash flow was in line with our forecast.

Planned and Actual Figures

T 2.10

€ million	2014	Forecast 2015[1]	Reported for 2015
EBITDA margin (%)	21.6	Substantially lower	19.8
ROCE (%)	8.4	Lower	8.1
EBITDA	1,042.3	Slight rise when adjusted for special income	1,048.8
Net cash flow	215.7	Slightly positive, but substantially lower than in 2014	22.5

[1] March 2015 forecast

ROCE and BVC

T 2.11

€ million	2015	2014
EBIT	**473.4**	443.3
Capital employed[1]	**5,875.4**	5,260.7
ROCE[2] (%)	**8.1**	8.4
Pre-tax cost of capital (%)	**10.4**	11.3
BVC[3]	**–119.1**	–114.4

[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 adjusting EBIT for non-operational factors.

Two-Stage Strategic Planning

Strategic planning, which determines how we can meet value-related and corporate goals, 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 by means of operating cash flow, and short-term and long-term financing.

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

Financing Measures in 2015

The Group took no significant financing measures in 2015. As planned, WACKER repaid a €150 million installment of a promissory note (German Schuldschein) on schedule. We made both early and scheduled repayments totaling €56 million on loans taken out to finance projects in China. In 2015, the syndicated loan of €200 million taken out in 2014 was extended until 2020. This credit line is currently not being utilized.

The placement of 42.2 percent of the shares in Siltronic AG on the Frankfurt Stock Exchange on June 11, 2015 brought the Group €379.5 million, while the costs of this transaction amounted to €17.6 million. The additional capital gained will benefit WACKER's chemical and polysilicon business.

The Group's financing agreements contain standard market credit terms and, in the case of large loans, 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, 2015, WACKER had unused lines of credit with terms of over one year in the amount of around €600 million.

WACKER collaborates with a number of banks (core-bank principle), who must have an investment-grade credit rating and a long-term business model.

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 2.13

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

§ 315 (4) 1	**Composition of subscribed capital:** 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 a 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:** There are no restrictions on voting rights or the transfer of shares.
§ 315 (4) 3	**Direct or indirect capital stakes:** 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	**Owners of shares with special rights:** Shareholders have not been given any special rights that bestow control powers.
§ 315 (4) 5	**Method of voting-right control in the case of employee participation:** 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:** 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:** In accordance with a resolution passed at the May 8, 2015 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:** 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:** 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

Chapter

Industrial Coatings

Coatings are used to beautify objects of all types – whether cultural or commercial – and preserve their functionality. To fulfill these tasks, they have to be correctly formulated. Silicone resins from WACKER enhance the properties of coatings to provide lasting protection.

Combined Management Report

BUSINESS REPORT

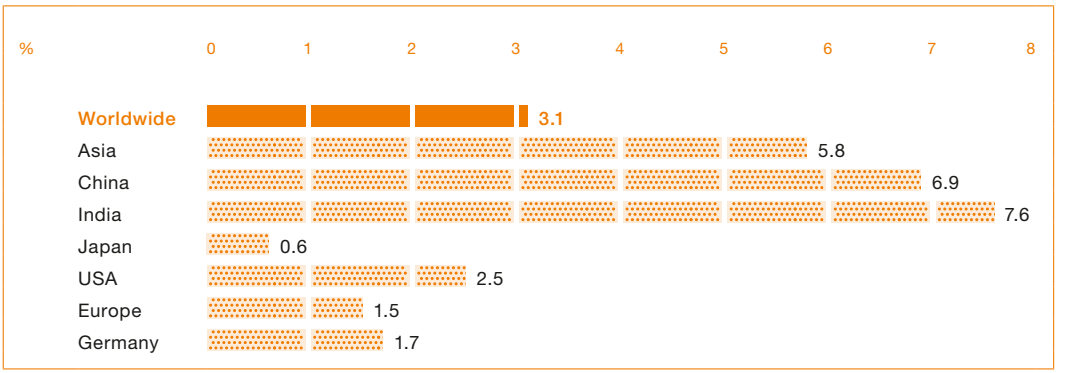
Business Report

Economic Trends

Having grown at a moderate rate in the first half of 2015, the global economy lost momentum in the second half of the year. Growth in the developing and emerging economies slowed for the fifth year in succession. Especially the turmoil in the Asian financial markets and uncertainty about the state of the Chinese economy impeded global economic output. Additional negative economic impacts included the conflicts in the Middle East and restrictions imposed on trade with Russia. While low oil and commodity prices are beneficial to economies with strong manufacturing and consumer bases, they are detrimental to the growth prospects of commodity-exporting countries such as Russia and Brazil. Economic recovery in the United States remains on track, but growth in the EU member states proved to be weaker than expected. The International Monetary Fund (IMF) estimates that the world economy grew 3.1 percent in 2015 (2014: 3.4 percent), falling short of expectations. Last April, the IMF had still been expecting 3.5-percent growth.

GDP Trends in 2015

G 3.1



Sources – worldwide: IMF; Asia: ADB; China: National Bureau of Statistics; India: Central Statistical Office of India; Japan: IMF; USA: IMF; Europe: IMF/OECD; Germany: Federal Statistics Office

Asian Growth Slows Further

Growth in Asia weakened in 2015. Nevertheless, the Asian economies are still reporting the world's highest growth rates, with data from the Asian Development Bank (ADB) indicating an overall rise in gross domestic product of 5.8 percent (2014: 6.3 percent). In China, the government was forced to intervene several times during the year with fiscal measures to shore up the capital markets and support economic and export activity. According to figures of China's National Bureau of Statistics, the People's Republic grew at its slowest rate since 2009, with GDP increasing by 6.9 percent (2014: 7.2 percent). In the ADB's opinion, reduced demand in China impeded growth in other Asian countries as well. However, China remains a key growth engine for the region. India's economy continues to grapple with infrastructure deficiencies, while major structural reforms that could stimulate growth are slow in taking hold. According to the National Bureau of Statistics, the country's gross domestic product rose 7.6 percent (2014: 7.3 percent), primarily because of strong domestic demand. In Japan, positive trends at the start of the year gave way to unexpected weakness in consumer and investment spending, which, combined with low exports, took its toll on the economy in the second half of the year. Based on IMF forecasts, Japan's GDP grew only 0.6 percent (2014: –0.1 percent).

US Economy in Good Shape

In the USA, the economy got off to a slow start because of the long winter, but picked up momentum as the year progressed. Supported by rising household consumption, falling unemployment and cheap crude oil, US gross domestic product grew by 2.5 percent in 2015 according to the IMF (2014: 2.4 percent). However, the strong dollar remains a burden on exports.

Eurozone Grows Moderately

The economy in the eurozone once again grew moderately in 2015, with countries such as Spain, Ireland and Italy posting higher-than-expected growth rates. The fall in the price of crude oil, lower interest rates and the weak euro had a positive impact on industrial production in the eurozone in the first half of the year. On the other hand, the consequences of the debt crisis, high unemployment and low investment spending held back economic growth. According to OECD and IMF estimates, GDP in the eurozone rose 1.5 percent (2014: 0.9 percent).

Stable Growth in Germany

The German economy continues to grow, albeit not quite as strongly as expected. But Germany is still Europe's main growth engine, fueled mainly by exports and strong domestic demand. The employment market remains in good shape, inflation rates are still low, and real wages have been rising – all of which have bolstered household consumption. Data issued by the German Federal Statistics Office show that GDP increased by 1.7 percent (2014: 1.6 percent).

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.

WACKER's Chemical Divisions Report Good Sales Trend

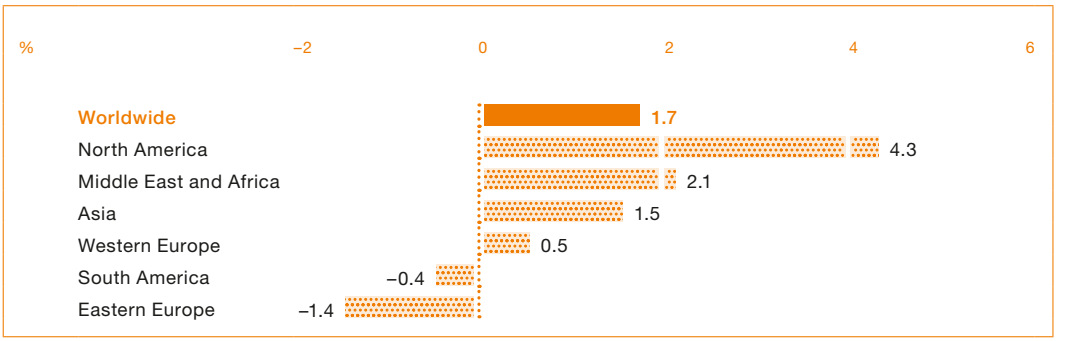
In the chemical industry, the upward trend of the previous year continued, but lost some of its momentum. Prices for chemical products declined. Global consumption (including pharmaceuticals) totaled €4.2 trillion in 2014, with Asia accounting for over 50 percent. The difficult international market environment also affected German chemical companies. According to the German Chemical Industry Association (VCI), chemical production in Germany is likely to have expanded by 1 percent in 2015. Low oil prices have helped make German producers more competitive, while the weak euro has bolstered exports. Capacity utilization at German chemical plants was 83.3 percent. With prices down 2.5 percent, sales were flat at €190.8 billion (2014: €190.8 billion). While the German chemical business achieved solid gains in the NAFTA region, demand in Europe declined even though industrial production there was stable. Exports to other regions did not compensate for this development, the main reason being slower growth in China and other emerging markets. WACKER's chemical divisions posted higher sales year over year, mainly because of positive exchange-rate effects for all three divisions as well as volume growth and somewhat higher prices in a number of product segments. WACKER SILICONES recorded good demand for silicone products for electronics, consumer goods, the automotive sector and medical technology, as well as for industrial applications. WACKER POLYMERS substantially increased its sales of dispersible polymer powders and VAE dispersions. At WACKER BIOSOLUTIONS, revenue from sales of polyvinyl acetate solid resin for manufacturing gumbase rose as a result of price increases.

Construction Industry Grows in 2015

According to market research institute B+L Marktdaten GmbH, the global construction industry grew by 1.7 percent in 2015 to US$8.4 trillion (2014: US$8.3 trillion). Construction contracts in Europe stayed at a low level, rising in Western Europe by a marginal 0.5 percent. Sales in the German construction industry amounted to US$333.6 billion in real terms (2014: US$329.3 billion). Eastern Europe saw a decline in construction contracts of 1.4 percent. China – at US$1.8 trillion – remains the largest market worldwide. The North American real-estate market continued to stabilize in 2015, spurring the construction industry, where volumes rose by 4.3 percent. Asia, however, posted an increase of just 1.5 percent as the real-estate crisis in China took its toll.

Growth Rate of Construction by Region in 2015

G 3.2



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 countries such as the USA and India and in regions like Southeast Asia and the Middle East. In these areas, we achieved double-digit sales growth. We also recorded further sales growth in Western Europe. Overall, we sold around 20,000 additional metric tons to the construction industry. As for dispersions, WACKER POLYMERS performed very strongly in Asia, especially in Southeast Asia and in China. 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 12 percent, with all three product segments – building protection, sealants and adhesives, and silane-modified polymers – posting gains. WACKER SILICONES grew 12 percent in sealants and adhesives, its largest segment. In 2015, sales rose in Germany and the rest of Europe, as well as in the USA and, particularly, in the Middle East. Sales were also higher in Asia, rising 12 percent. Our performance in India was particularly strong at over 38 percent. Sales in China grew by around 10 percent.

Electrical and Electronics Industries Grow in Emerging Markets

With global sales of approximately €3.9 trillion, the electrical and electronics industries continued their upward trend in 2015 (2014: €3.7 trillion). The German Electrical and Electronic Manufacturers' Association (ZVEI) estimates worldwide growth at 5 percent for 2015. 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 were up by about 3.4 percent and, according to ZVEI data, amounted to about €178 billion (2014: €172 billion).

WACKER has three business divisions that supply customers in the electrical and electronics industries. Siltronic's year-over-year increase in sales to semiconductor customers was due to exchange-rate effects. WACKER POLYSILICON sold around 10 percent of its polysilicon volumes to customers in the electronics industry in 2015. WACKER SILICONES improved its sales in this market by 11 percent. The strongest growth was generated in Asia, where

sales were 36 percent higher. We recorded sales growth in media-resistant potting compounds, in highly specialized silicone rubber grades and silanes for the semiconductor industry, and in silicone gels for automotive electronics. Sales in this segment were up 39 percent in China alone. The cable and insulator business also grew, with sales rising by 15 percent.

Photovoltaics Become a Mainstay of Global Energy Supply

The global photovoltaic (PV) market continued to grow strongly in 2015. According to various market studies and our own estimates, some 54 gigawatts (GW) of capacity were installed worldwide (2014: 44 GW). This is an increase of about 23 percent year over year, resulting in a total of around 230 GW in installed photovoltaic capacity worldwide at the end of 2015. Approximately 60 percent of new capacity was installed in China, Japan and the USA. The German PV market continues to shrink. According to the country's Federal Network Agency, 1.5 GW of capacity was installed in Germany in 2015 (2014: 1.9 GW). But the industry is growing very strongly in many other regions, and photovoltaic systems are becoming a key mainstay of global energy supply – all of which is reflected in robust worldwide demand for PV modules. Key factors that have markedly spurred growth in PV installations are substantially lower costs for modules and continued incentives in several countries. Despite strong global growth in PV installations in 2015, market conditions in this industry remained difficult. Global production capacity throughout the supply chain still exceeded demand. Strong price pressure has prevented companies in this industry from achieving any substantial improvement in their financial situation.

Installation of New PV Capacity in 2014 and 2015

T 3.3

	Installation of New PV Capacity (MW)		Growth in 2015
	2015	2014	%
Germany	**1,500**	1,900	–21
France	**1,000**	900	11
Italy	**300**	600	–50
Rest of Europe	**6,500**	4,000	63
USA	**7,500**	6,200	21
Japan	**10,000**	9,300	8
China	**13,000**	13,200	–2
India	**2,200**	1,000	120
Other regions	**12,000**	6,900	74
Total	**54,000**	44,000	23

Sources: PV market in 2015: Germany's Federal Network Agency, Commissariat Général au Développement Durable, IHS, RTS Corporation, WACKER's own market research
PV market in 2014: Germany's Federal Network Agency, Digest of United Kingdom Energy Statistics (DUKES), Commissariat Général au Développement Durable, Anie Energia, IHS, Solar Energy Industries Association (SEIA), RTS Corporation, WACKER's own market research

Planning certainty in the PV industry was negatively influenced by the anti-dumping proceedings and anti-dumping tariffs imposed by the European Union on Chinese solar companies and by the Chinese Ministry of Commerce on polysilicon manufacturers in the US, South Korea and Europe. In 2014, WACKER and the Chinese Ministry of Commerce (MOFCOM) had reached an agreement on the issue of polysilicon exports to China, in which WACKER undertook not to sell polysilicon produced at its European sites below a specific minimum price in China. MOFCOM, in turn, 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.

Growing Demand for Silicon Wafers

Demand for silicon wafers for the semiconductor industry grew in 2015 compared with the prior year. According to data of the trade association SEMI (Semiconductor Equipment and Materials International), global volumes – by surface area sold – rose by 3.3 percent year over year. Record volumes were recorded in each of the first two quarters. As the year progressed, however, volumes weakened as semiconductor manufacturers began adjusting their inventories. As a result, demand for silicon in the second half of the year was somewhat lower than in 2014.

Spot-Price Trends for WACKER's Key Raw Materials

G 3.4

⌀ Annual average in each case

Price trends for our key raw materials were not uniform in 2015. The price of silicon metal continued to rise in the first half of the year before declining steeply again toward the end of the year. On average, spot prices were up slightly year over year. The price of ethylene rose in Europe in the first half of 2015, before declining substantially in the second half. Over the year as a whole, prices remained at prior-year levels. In other regional markets, by comparison, spot prices were considerably lower year over year. Methanol was much cheaper compared with the prior year, with average annual spot prices being roughly 15 percent lower. After a strong rise in 2014, vinyl acetate monomer prices returned to more normal levels again, with spot prices down almost 20 percent. However, there was no return to the levels seen in 2013.

Overall Statement by the Executive Board on Underlying Conditions

The global economy was influenced in 2015 by the turmoil in Asian financial markets and uncertainty about the state of the Chinese economy. Global economic output was additionally impeded by the conflict between Russia and Ukraine and the related sanctions imposed on Russia by the USA and the EU. It was also affected by the situation in the Middle East and the slower-than-expected pace of economic recovery in Europe. The People's Republic of China posted its slowest growth rate in six years at just under 7 percent. Germany, on the other hand, continued to be a center of stability in Europe in 2015. In particular, the fall in the price of crude oil and the weak euro had a positive effect on production in the eurozone in the first half of the year. The US economy has also continued to recover.

WACKER's business developed well in 2015, despite the geopolitical risks. Our three chemical divisions performed well. Thanks to positive exchange-rate effects, volume growth and somewhat higher prices in a number of product segments, all three divisions achieved higher sales and earnings in 2015. The pricing situation for WACKER's main raw materials has also eased further, as raw-material prices were lower overall than in the previous year. The global solar market had another growth year, but lower prices for polysilicon held back sales and earnings. Overall, WACKER sold more polysilicon in 2015 than ever before. In our semiconductor business, expectations for additional growth were not fulfilled in 2015. Even though demand for chips for mobile end-user devices continued to increase worldwide, sales of PCs and tablets fell short of forecasts. The second half of the year, in particular, saw sales at Siltronic dampened by low prices and weaker order levels.

In 2015, we increased sales in all our regions. We recorded double-digit sales growth in the Americas and Asia, as well as in the regions grouped under "Other." India, in particular, is increasingly becoming a key market for our chemical products, with sales there rising by 29.3 percent. At 42.5 percent, Asia again accounted for the largest share in Group sales.

Our performance in the first weeks of 2016 was in line with expectations.

Key Events Affecting Business Performance

Divestitures

WACKER did not divest any business fields or product business in 2015.

Changes in Our Joint Ventures and Associates

Having previously been the sole shareholder, WACKER completed an initial public offering to launch part of Siltronic AG on the Frankfurt Stock Exchange on June 11, 2015. A total of 12,650,000 shares were placed, including a greenshoe option, at an issue price of €30 per share. The total consisted of 5,000,000 new shares issued through a capital increase at Siltronic AG and 7,650,000 shares originally held by WACKER. The proceeds from the issue amounted to €379.5 million, of which Siltronic AG received €150.0 million, and Wacker-Chemie Dritte Venture GmbH, €229.5 million. The costs of this transaction amounted to €17.6 million. The WACKER Group has held 57.8 percent of the capital stock of Siltronic AG since the IPO; the free float is 42.2 percent.

Investments

Capital expenditures rose by just under 46 percent year over year, to €834.0 million (2014: €572.2 million).

WACKER's investing activities remained centered on the construction of the new polysilicon site at Charleston, Tennessee (USA). About €550 million – or some 65 percent of all investment spending in 2015 – went toward this project. In December 2015, we started commissioning the production facilities there. To respond to growth in our chemical business, we completed a number of facilities in 2015, as scheduled. They included a new dispersion reactor at the Calvert City site with an annual capacity of 85,000 metric tons and a production plant for dispersible polymer powders at Burghausen with an annual capacity of 50,000 metric tons. We also expanded our production capacity for modified siloxanes at Burghausen. Products from this plant are used in a wide variety of end products, such as silicone fluids, emulsions and resins.

Comparing Actual with Forecast Performance

During the year, WACKER specified and revised the targets originally set at the start of the year. The revisions affected the statements made regarding the sales trend, the EBITDA margin, ROCE, net cash flow, investment spending, depreciation and net financial debt. WACKER crossed the five-billion-euro sales threshold for the first time thanks to higher volumes and positive exchange-rate effects. Sales increased by 9.7 percent and were thus within the range we indicated when we published the Q1 Interim Report. The EBITDA margin was slightly lower than in 2014, as was forecast in the Q2 Interim Report. After adjustment for special income, EBITDA was substantially higher year over year, and thus better than we had forecast. In 2015, we again retained advance payments and received damages due to the termination of long-term polysilicon supply contracts, but the amounts involved were below the prior-year level. At WACKER POLYSILICON, solar-silicon prices decreased during the year. At Siltronic, volumes were slightly higher than in the prior year, prices were substantially lower in US dollar terms, and positive exchange-rate effects more than compensated for lower wafer prices. However, currency-hedging losses dampened earnings. Overall, Siltronic EBITDA was slightly higher year over year. As expected, the business trend was positive at our three chemical divisions – WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS – due to a substantial rise in volumes and positive exchange-rate effects. On the whole, all three divisions increased their sales markedly. EBITDA was also substantially above the prior-year figure. Energy and raw-material cost trends varied. Raw-material costs came in somewhat higher; energy costs were within budget. The exchange rates of the US dollar and the yen against the euro developed as expected.

Sales Projections Raised after First Quarter

With the publication of the Q1 Interim Report in April 2015, WACKER raised its forecast for sales. Instead of a high-single-digit percentage increase, WACKER was now assuming that sales would rise by around 10 percent. Projections for ROCE were adjusted from lower to somewhat lower year over year. In the Q2 Interim Report in July 2015, the forecast for the EBITDA margin was revised. Instead of being substantially lower, the EBITDA margin was now expected to be only somewhat lower than in the previous year. Group sales in 2015 came in at €5.30 billion. WACKER EBITDA amounted to €1,048.8 million in the reporting year and, as expected, was on a par with the year before (2014: €1,042.3). Due to the termination of polysilicon supply contracts, we posted €137.6 million in income from advance payments retained and damages received. Our EBITDA for 2015 includes this income. Without this special income, EBITDA amounted to €911.2 million (2014: €836.0 million) and was thus substantially higher than in the previous year.

We increased investments during the year. Having originally estimated investments at around €700 million, we raised that projection to some €725 million in the Q1 forecast, then to about €775 million in Q2 and finally to about €800 million in Q3. At €834.0 million, investments ultimately came in somewhat higher than the forecast published in our Q3 Interim Report. The largest share of this sum went toward the ongoing expansion of our polysilicon production facilities. The main reasons for this were higher assembly costs and exchange-rate effects.

Comparing Actual with Forecast Performance

T 3.5

	Results in 2014	Forecast March 2015	Forecast Aug. 2015	Forecast Oct. 2015	Results in 2015
Key Financial Performance Indicators					
EBITDA margin (%)	21.6	Substantially lower	Somewhat lower	Somewhat lower	**19.8**
ROCE (%)	8.4	Lower	Somewhat lower	Somewhat lower	**8.1**
EBITDA (€ million)	1,042.3	Slight rise when adjusted for special income	Slight rise when adjusted for special income	Slight rise when adjusted for special income	**1,048.8**
Net cash flow (€ million)	215.7	Slightly positive, but substantially lower than in 2014	Slightly positive	Slightly positive	**22.5**
Supplementary Financial Performance Indicators					
Sales (€ million)	4,826.4	High-single-digit % increase	Increase of about 10%, over 5 billion	Increase of about 10%, over 5 billion	**5,296.2**
Investments (€ million)	572.2	Approx. 700	Approx. 775	Approx. 800	**834.0**
Net financial debt (€ million)	1,080.6	Increase of between 200 and 300	At the prior-year level	At the prior-year level	**1,074.0**
Depreciation (€ million)	599.0	Approx. 625	Approx. 625	Approx. 600	**575.4**

Net financial debt developed more favorably than had been expected at the beginning of the year. In March 2015, we had forecast that net financial debt would climb by between €200 million and €300 million by the end of the year. We subsequently assumed in the Q2 Interim Report that it would remain roughly at the prior-year level. Net financial debt was actually at this level at year-end, and amounted to €1,074.0 million. The reduction in net financial debt was mainly due to the proceeds from the Siltronic AG IPO. As expected, net cash flow was slightly positive.

R&D expenditures for the development of future products and solutions amounted to €175.3 million for full-year 2015, slightly lower than the figure forecast at the beginning of the year. This was due to more prudent management of resources, which meant the budget was not fully spent.

As anticipated at the start of the year, the workforce increased. As of the reporting date, WACKER had 16,972 employees, an increase from a year earlier.

The Executive and Supervisory Boards will propose a dividend of €2.00 per share for 2015 (dividend for 2014: €1.50) at this year's Annual Shareholders' Meeting.

Deviations from Projected Expenses

Personnel costs increased year over year in absolute terms. As a percentage of sales, however, these expenses were lower, which was basically in line with our target. A higher number of employees during the year under review was the primary reason for the increase in personnel costs. In addition, personnel expenses at our subsidiaries in the US dollar area rose due to the change in the dollar-euro exchange rate. Personnel expenses as a percentage of sales improved year over year as a result of our initiatives to improve productivity and optimize costs. In the mid-term, we expect personnel expenses as a percentage of sales to decrease slightly thanks to additional productivity measures.

Raw-material costs increased in absolute terms year over year, but decreased slightly as a percentage of sales. As in previous years, a better product mix and our measures to optimize raw materials consumption had a positive effect. Raw-material prices developed unevenly. Prices for silicon metal were higher on average than in the prior year. Vinyl acetate monomer (VAM), methanol and ethylene were cheaper. As a result, we came in under our target figure for 2015.

Expenses by Cost Type

T 3.6

% of sales	2014	Target 2015	Reported for 2015
Personnel costs	26.2	25.5	25.7
Raw-material costs	25.5	26.8	25.0
Energy costs	8.8	8.8	7.7
Depreciation	12.4	11.6	10.9

The same applies to energy costs, which were also under the target figure due to more favorable procurement costs and a lower regulatory cost burden.

Both in absolute terms and as a proportion of sales, depreciation was lower year over year and below our target figure. This was the result of declining depreciation at Siltronic and lower-than-planned depreciation on our new polysilicon production facilities in Charleston, Tennessee (USA). We expect depreciation to increase significantly in 2016 due to the commissioning of this new site.

Earnings

WACKER achieved a substantial increase in sales in 2015, which passed the five-billion-euro mark for the first time. Group EBITDA was unchanged year over year. Driven by robust customer demand and positive exchange-rate effects, sales grew by almost 10 percent. Each of the business divisions succeeded in selling larger volumes and posting higher sales than in the previous year. The chemical divisions, in particular, contributed to sales growth. WACKER POLYSILICON was able to post a slight increase in sales in a challenging market environment and Siltronic, too, achieved a substantial increase in sales. Group EBITDA remained fairly constant year over year, and amounted to €1,048.8 million (2014: €1,042.3 million). In 2014 and 2015, we recognized special income from advanced payments retained and damages received, which had a positive effect on EBITDA. Net income for the year amounted to €241.8 million, substantially higher than the prior year (€195.4 million).

Group Sales of €5.30 Billion Almost 10 Percent Higher Year over Year

In 2015, WACKER's sales reached €5.30 billion (2014: €4.83 billion), up almost 10 percent year over year. The main reasons for this increase were the higher volumes sold by all divisions and the declining value of the euro against the US dollar and other currencies. While some prices were unchanged compared with the previous year, those at WACKER POLYSILICON and Siltronic were lower in 2015 due to the market environment.

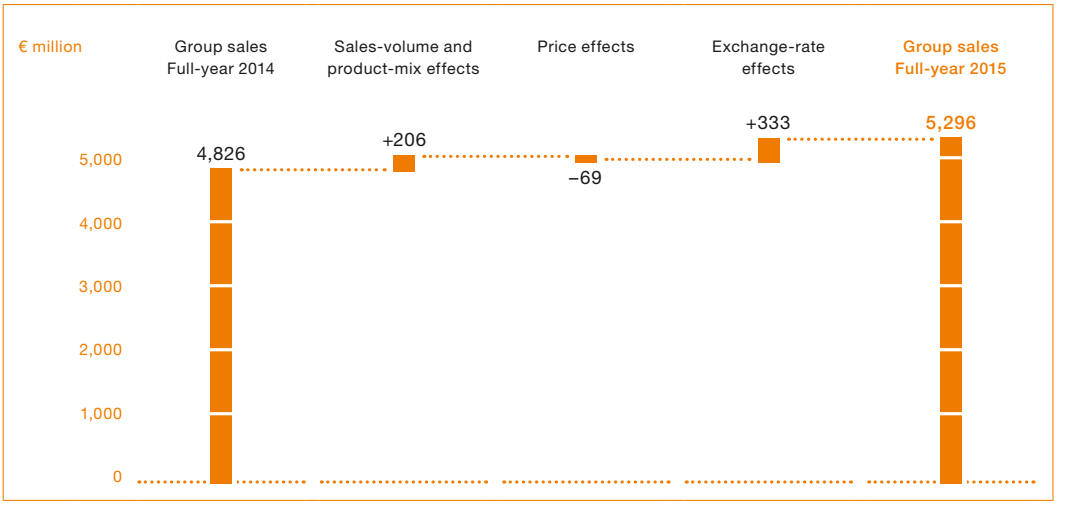
The chemical divisions generated sales of €3.33 billion (2014: €2.97 billion), up 12 percent year over year. WACKER SILICONES, the company's biggest business division, increased its sales to €1.94 billion (2014: €1.73 billion), also equivalent to a year-over-year rise of 12 percent. Positive exchange-rate effects and higher volumes were the main factors in this growth. WACKER POLYMERS increased its sales by 11 percent to €1.19 billion (2014: €1.06 billion), with both dispersions and dispersible polymer powders driving growth. Exchange rates had a positive effect here as well. WACKER BIOSOLUTIONS achieved sales of €197.1 million (2014: €176.2 million), up 12 percent. Higher volumes and favorable exchange rates had a positive effect here, too.

Although WACKER POLYSILICON benefited from strong volume growth, sales increased only slightly, due to persistently low polysilicon prices. Sales amounted to €1.06 billion (2014: €1.05 billion), up 1 percent year over year. Strong competition and excess capacity were again features of the market in 2015.

Siltronic posted strong sales growth in 2015, up 9 percent to €931.3 million (2014: €853.4 million). Positive exchange-rate effects more than compensated for lower semiconductor wafer prices. At the same time, Siltronic also raised its volumes slightly.

Year-over-Year Sales Comparison

G 3.7



Higher volumes had a positive impact on sales, adding €206 million. Price effects decreased Group sales by €–69 million, while exchange-rate effects had a positive impact of €333 million. The exchange rates of the US dollar, Japanese yen and Chinese renminbi to the euro played a decisive role here, with the appreciation of the US dollar clearly having a positive effect on our sales. The major currencies developed as follows in relation to the euro:

Average Exchange Rate

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	2015	2014
US dollar	**1.11**	1.33
Japanese yen	**134.27**	140.50
Chinese renminbi	**6.97**	8.18

WACKER generated the majority of its sales outside Germany. During 2015, international sales reached €4.61 billion (2014: €4.16 billion) or 87 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)

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€ million	2015	2014	2013	2012	2011	2010	2009
External sales	**5,296.2**	4,826.4	4,478.9	4,634.9	4,909.7	4,748.4	3,719.3
Of which Germany	**684.9**	663.7	647.0	686.0	899.4	887.3	774.6
Of which international	**4,611.3**	4,162.7	3,831.9	3,948.9	4,010.3	3,861.1	2,944.7

Non-Recurring Factors Enhance Group EBITDA

WACKER's earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €1,048.8 million in 2015 (2014: €1,042.3 million), again surpassing the one-billion-euro mark. The EBITDA margin edged down, to 19.8 percent (2014: 21.6 percent), partly due to negative effects from currency hedging. Special income from advance payments retained and damages received was also lower than in the previous year. Although WACKER POLYSILICON benefited from special income received in connection with terminated contracts, the start-up costs for the new polysilicon site in Charleston, Tennessee (USA) weighed on the division's EBITDA. WACKER POLYSILICON generated EBITDA of €402.4 million in 2015 (2014: €537.0 million), down 25 percent against the previous year. Thanks to volume growth, positive exchange-rate effects and, in some cases, lower raw-material costs, the chemical divisions achieved a substantial increase in EBITDA compared with the prior year. EBITDA rose to €530.6 million after €382.9 million in 2014, an increase of almost 39 percent. Despite the negative effects of currency-hedging transactions, Siltronic was able to post EBITDA of €124.0 million (2014: €114.0 million). On average, silicon-wafer prices were somewhat lower than in 2014 in US-dollar and yen terms. Sales growth due to exchange-rate effects, along with the good coverage of fixed costs due to high plant utilization, had a positive impact on EBITDA.

Non-recurring factors had a major effect on EBITDA in both 2015 and 2014. WACKER POLYSILICON terminated contractual relationships with a number of solar-industry customers. In this connection, the division retained advance payments and received damages, generating income in the amount of €137.6 million (2014: €206.3 million). Adjusted for this effect, Group EBITDA in 2015 was €911.2 million (adjusted 2014: €836.0 million). That corresponded to a rise of almost 9 percent, yielding an EBITDA margin of 17.2 percent.

WACKER's earnings before interest and taxes (EBIT) reached €473.4 million in 2015 (2014: €443.3 million). EBIT is EBITDA with depreciation and amortization factored in. Depreciation totaled €575.4 million in 2015 (2014: €599.0 million). WACKER did not post any impairments in 2015. The EBIT margin for 2015 amounted to 8.9 percent (2014: 9.2 percent).

Cost of Goods Sold Slightly Higher over Prior Year

Gross profit from sales climbed to €1.13 billion, up almost 34 percent year over year (2014: €844.2 million). The gross margin amounted to 21 percent, 4 percentage points higher than in 2014, mainly due to increased sales.

The cost of goods sold rose by nearly 5 percent in the year under review, amounting to €4.17 billion (2014: €3.98 billion). This increase was mainly attributable to high plant utilization rates and high sales volumes, resulting in good fixed-cost coverage. Raw-material costs remained virtually unchanged year over year. Price trends for raw materials varied. Silicon metal was more expensive on average than in the prior year. Vinyl acetate monomer (VAM), methanol and ethylene were noticeably cheaper. The cost-of-sales ratio amounted to 79 percent in the year under review, 3 percentage points better than in 2014 (82 percent).

Functional Costs Higher

Other functional costs (selling, R&D and general administrative expenses) were 6 percent higher year over year, rising to €623.5 million (2014: €587.4 million). Selling and general administrative expenses, in particular, increased in the reporting period, while higher personnel costs impacted all functions.

Other Operating Income and Expenses

In 2015, the balance of other operating income and expenses was €–35.3 million (2014: €183.5 million). Diverse factors contributed to this negative result. Income from advance payments retained and damages received in connection with terminated contracts with solar-sector customers amounted to €137.6 million (2014: €206.3 million). The Group posted a net foreign-currency loss of €–69.1 million in the year under review, compared with a gain of €17.1 million in the prior year. This loss was mainly due to transactions intended to hedge the company's sales in foreign currencies. Owing to the decline in the value of the euro against the US dollar, the corresponding forward-exchange contracts generated losses. Other operating income and expenses also included costs for commissioning the new polysilicon production plant in Charleston, Tennessee (USA).

Operating Result

Due to the effects described above, the operating result improved by €30.0 million to €470.3 million.

Financial and Net Interest Result

WACKER's financial result improved year over year and amounted to € -66.7 million (2014: €–78.1 million). Interest income amounted to €7.3 million (2014: €8.4 million), while interest expenses came to €31.8 million (2014: €46.2 million). The net interest result was €–24.5 million (2014: €–37.8 million). The capitalization of construction-related borrowing costs reduced interest expenses by €18.6 million (2014: €5.1 million), helping improve the financial result relative to the previous year.

The other financial result amounted to €–42.2 million (2014: €–40.3 million). It primarily comprised interest-bearing components of pension and other noncurrent provisions, but also income and expenses from the exchange-rate effects of financial investments.

Income Taxes

For 2015, the Group reported tax expenses of €164.9 million (2014: €169.8 million). The Group's effective tax rate was 40.5 percent (2014: 46.5 percent), which was influenced by non-deductible start-up costs for the Charleston, Tennessee (USA) production site and by losses incurred at some subsidiaries. The effective tax rate was better than in the prior year due to higher earnings before tax in 2015. In 2014, tax expenses for prior years added to the tax burden.

Consolidated Net Income

As a result of the effects mentioned, consolidated net income rose substantially, reaching €241.8 million (2014: €195.4 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 year, ROCE came in at 8.1 percent (2014: 8.4 percent). This modest decrease was mainly due to the higher amount of capital employed, in combination with only slightly higher EBIT. Higher capital expenditure on new production facilities increased the level of capital employed, which rose from €5,260.7 million to €5,875.4 million in the year under review.

Combined Statement of Income

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€ million	2015	2014	Change in %
Sales	**5,296.2**	4,826.4	9.7
Gross profit from sales	**1,129.1**	844.2	33.7
Selling, R&D and general administrative expenses	**–623.5**	–587.4	6.1
Other operating income and expenses	**–35.3**	183.5	n.a.
Operating result	**470.3**	440.3	6.8
Result from investments in joint ventures and associates	**3.1**	3.0	3.3
EBIT	**473.4**	443.3	6.8
Financial result	**–66.7**	–78.1	–14.6
Income before taxes	**406.7**	365.2	11.4
Income taxes	**–164.9**	–169.8	–2.9
Net income for the year	**241.8**	195.4	23.7
Of which			
Attributable to Wacker Chemie AG shareholders	**246.7**	203.8	21.1
Attributable to non-controlling interests	**–4.9**	–8.4	–41.7
Earnings per common share (€) (basic/diluted)	**4.97**	4.10	21.1
Average number of shares outstanding (weighted)	**49,677,983**	49,677,983	–
Reconciliation to EBITDA			
EBIT	**473.4**	443.3	6.8
Depreciation/appreciation of noncurrent assets	**575.4**	599.0	–3.9
EBITDA	**1,048.8**	1,042.3	0.6
ROCE (%)	**8.1**	8.4	–

Segments

WACKER SILICONES

In 2015, WACKER SILICONES increased its sales by 12.0 percent to €1.94 billion (2014: €1.73 billion). The main reasons for this growth were higher volumes, positive exchange-rate effects and slightly improved prices. WACKER SILICONES was able to increase its sales across all business sectors, with sales of specialty products continuing to rise. Silicones for personal-care products and consumer goods, for textile, paper and medical-technology applications, and for the energy sector all sold particularly well. We succeeded in increasing our sales in all regions, with the highest growth rate (20 percent) being recorded in Asia. Growth in India remained strong in the year under review, with sales there climbing 25 percent.

Compared with the previous year, EBITDA outpaced sales growth, rising 31.6 percent to €276.2 million (2014: €209.8 million). WACKER SILICONES recorded slightly higher raw-material costs in 2015, especially for silicon metal. At 14.2 percent, the EBITDA margin was higher than in the prior year (2014: 12.1 percent).

Investments Somewhat Lower Year over Year

Investments were down somewhat over the prior year. At €82.0 million (2014: €88.5 million), they were 7.3 percent lower. Investments went primarily toward expanding capacity for intermediate and downstream products. WACKER SILICONES expanded its production capacity for functional silicone fluids at the Burghausen site. Such highly specialized fluids are key upstream products for specialty oils and silicone emulsions in the paint, coating, paper and textile industries, as well as for cosmetics and personal-care products. Around €26 million was invested in this expansion project. WACKER SILICONES had 4,353 employees as of December 31, 2015 (Dec. 31, 2014: 4,240).

Key Data: WACKER SILICONES

T 3.11

€ million	2015	2014	2013	2012	2011	2010	2009
Total sales	**1,943.3**	1,733.6	1,672.2	1,648.0	1,593.8	1,580.5	1,238.8
EBITDA	**276.2**	209.8	230.2	189.3	182.9	229.9	157.9
EBITDA margin (%)	**14.2**	12.1	13.8	11.5	11.5	14.5	12.7
EBIT	**194.5**	128.9	151.1	106.4	103.3	150.0	33.5
Investments	**82.0**	88.5	85.4	158.8	106.3	92.9	102.2
Employees (December 31, number)	**4,353**	4,240	4,109	3,960	3,956	3,892	3,873

WACKER POLYMERS

Sales at WACKER POLYMERS rose again in 2015, climbing 11.4 percent to €1.19 billion (2014: €1.06 billion). This increase was fueled by higher volumes for dispersions and dispersible polymer powders and by positive exchange-rate effects.

WACKER POLYMERS grew its sales in all regions. The strongest growth was recorded in Southeast Asia and the Middle East, with sales increasing by 31 percent in each of these regions. Business again performed very well in India in 2015, with the division achieving sales growth of 35 percent.

At €222.2 million, EBITDA was substantially higher than in 2014 (€149.5 million) thanks to higher sales and lower raw-material costs than in the prior year. The EBITDA margin improved to 18.7 percent (2014: 14.0 percent).

New Production Facilities Come on Stream

Investments fell slightly year over year, amounting to €47.4 million (2014: €56.3 million). In 2015, WACKER POLYMERS completed new production facilities at the sites in Burghausen (Germany) and Calvert City, Kentucky (USA). In Burghausen, the newly commissioned facility for dispersible polymer powders has an annual capacity of 50,000 metric tons, while another for specialty monomers can produce 3,800 metric tons of product per year. The specialty monomers in question – vinyl neodecanoate and vinyl laurate – are important raw materials for producing high-value specialty grades of dispersible polymer powders. Production at the Calvert City site has been expanded by a new reactor for VAE dispersions, which has an annual capacity of 85,000 metric tons. As of December 31, 2015, the business division had 1,461 employees (Dec. 31, 2014: 1,408), a slight rise over the previous year.

Key Data: WACKER POLYMERS

T 3.12

€ million	2015	2014	2013	2012	2011	2010	2009
Total sales	**1,185.5**	1,064.4	978.7	1,003.1	928.1	810.0	743.8
EBITDA	**222.2**	149.5	147.8	147.4	111.8	122.6	117.2
EBITDA margin (%)	**18.7**	14.0	15.1	14.7	12.0	15.1	15.8
EBIT	**184.4**	118.7	112.9	110.7	76.2	82.2	77.8
Investments	**47.4**	56.3	36.8	58.8	30.4	13.1	40.0
Employees (December 31, number)	**1,461**	1,408	1,377	1,365	1,412	1,377	1,362

WACKER BIOSOLUTIONS

At WACKER BIOSOLUTIONS, too, sales were substantially higher in 2015, rising 11.9 percent to €197.1 million (2014: €176.2 million). Volume growth and favorable exchange-rate effects were the main contributing factors in this growth. The pharmaceuticals and agrochemicals segment, especially pharmaceutical proteins, performed particularly well, posting double-digit sales growth. WACKER BIOSOLUTIONS increased its sales in all regions except Germany. At 26 percent, growth was particularly strong in the rest of Europe. In 2015, we completed the integration of Scil Proteins Production GmbH, based in Halle, Germany.

EBITDA grew faster than sales, rising 36.4 percent to €32.2 million (2014: €23.6 million) despite slightly higher energy and raw-material costs. The EBITDA margin climbed to 16.3 percent (2014: 13.4 percent).

Investments were down 26.2 percent year over year and totaled €6.2 million (2014: €8.4 million). Employee numbers increased compared with the prior year. As of December 31, 2015, WACKER BIOSOLUTIONS had 491 employees (Dec. 31, 2014: 484).

Key Data: WACKER BIOSOLUTIONS

T 3.13

€ million	2015	2014	2013	2012	2011	2010	2009
Total sales	**197.1**	176.2	158.4	157.6	144.5	142.4	104.9
EBITDA	**32.2**	23.6	23.6	24.5	20.4	25.0	9.9
EBITDA margin (%)	**16.3**	13.4	14.9	15.5	14.1	17.6	9.4
EBIT	**21.0**	13.6	17.2	17.8	13.3	16.6	4.7
Investments	**6.2**	8.4	10.2	19.3	8.6	6.5	12.7
Employees (December 31, number)	**491**	484	371	357	354	363	344

WACKER POLYSILICON

Sales at WACKER POLYSILICON rose marginally in 2015, climbing 1.4 percent to €1.06 billion (2014: €1.05 billion). Volume growth more than made up for the effects of lower polysilicon prices. The Asian market, especially China, continued to gain in significance as a sales market.

At €402.4 million, EBITDA was much lower than in 2014 (€537.0 million). This decrease was predominantly attributable to reduced special income from advance payments retained and damages received from solar-sector customers, and to higher costs for commissioning of the new site in Charleston, Tennessee (USA). At WACKER POLYSILICON, special income from advance payments retained and damages received from customers totaled €137.6 million (2014: €206.3 million). The EBITDA margin was 37.8 percent (2014: 51.2 percent).

Increase in Investments

Investments at WACKER POLYSILICON rose in 2015, up 73.9 percent to €581.8 million (2014: €334.5 million). This was due to the funds needed to complete the production facilities at the new site in Charleston, Tennessee, which accounted for the majority of investment spending.

The number of employees rose to 2,373 (Dec. 31, 2014: 2,093). This increase is related to the commissioning of facilities at the Charleston site.

Key Data: WACKER POLYSILICON

T 3.14

€ million	2015	2014	2013	2012	2011	2010	2009
Total sales	**1,063.6**	1,049.1	924.2	1,135.8	1,447.7	1,368.7	1,121.2
EBITDA	**402.4**	537.0	233.9	427.5	747.3	733.4	520.8
EBITDA margin (%)	**37.8**	51.2	25.3	37.6	51.6	53.6	46.5
EBIT	**162.6**	305.3	0.1	200.8	545.6	586.7	414.1
Investments	**581.8**	334.5	290.0	698.1	566.5	309.9	400.1
Employees (December 31, number)	**2,373**	2,093	2,102	2,349	2,251	1,763	1,600

SILTRONIC

In 2015, Siltronic once again generated higher sales, which rose 9.1 percent to €931.3 million (2014: €853.4 million). Whereas higher volumes and favorable exchange-rate effects enhanced sales, lower prices had the reverse effect. Volumes for 300 mm silicon wafers grew in particular. Asia remained the strongest region, and Siltronic succeeded in growing its sales there by 8 percent.

EBITDA improved by 8.8 percent compared with the previous year, climbing to €124.0 million (2014: €114.0 million). Additional cost-reduction measures and good production-capacity utilization had a positive impact, whereas currency-hedging losses dampened EBITDA. The EBITDA margin was 13.3 percent (2014: 13.4 percent).

Higher Investments Year over Year

Investments at Siltronic grew in 2015 to €75.1 million (2014: €40.7 million), up 84.5 percent year over year. The funds were invested primarily in improved technology and automation processes as well as in the modernization of crystal-pulling facilities.

The number of employees at Siltronic decreased markedly. The division had 3,894 employees as of December 31, 2015 (Dec. 31, 2014: 4,165).

Key Data: SILTRONIC

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€ million	2015	2014	2013	2012	2011	2010	2009
Total sales	**931.3**	853.4	743.0	867.9	992.1	1,024.8	637.5
EBITDA	**124.0**	114.0	26.5	0.7	49.2	87.7	–162.4
EBITDA margin (%)	**13.3**	13.4	3.6	0.1	5.0	8.6	–25.5
EBIT	**4.5**	–43.5	–95.9	–92.2	–56.7	–3.5	–414.7
Investments	**75.1**	40.7	30.9	103.2	128.1	75.5	73.0
Employees (December 31, number)	**3,894**	4,165	3,746	3,978	4,974	5,025	5,096

Other

Sales reported under "Other" totaled €197.5 million in 2015 (2014: €165.9 million), up 19.0 percent year over year.

"Other" EBITDA amounted to €–8.9 million in the year under review (2014: €12.7 million), with currency hedging losses playing a role.

"Other" EBIT amounted to €–94.5 million (2014: €–75.4 million).

As of December 31, 2015, the "Other" segment had 4,400 employees (Dec. 31, 2014: 4,313). This segment at WACKER covers, for example, the management and employees of the infrastructure units at the Burghausen and Nünchritz sites as well as corporate functions.

Divisional Shares in External Sales

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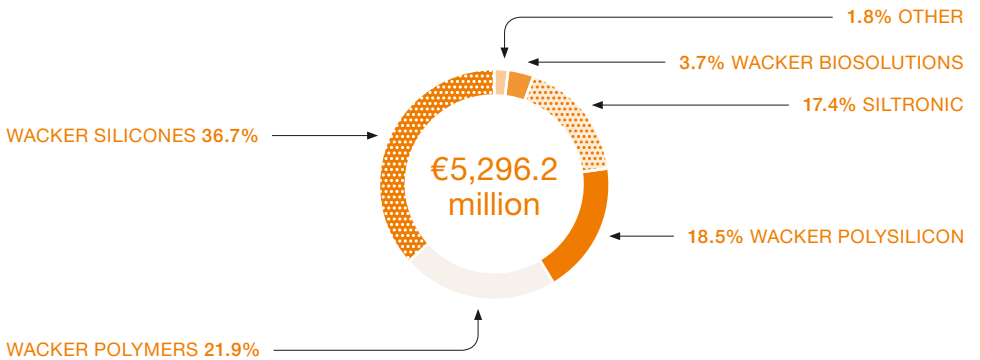

Regions

WACKER's operations are highly international. In 2015, 87.1 percent of the Group's €5.30 billion in sales (2014: €4.83 billion) were generated by international business. Germany accounted for 12.9 percent.

Further Sales Growth in Asia

Asia is the region that accounts for the largest portion of our business, and the main impetus there comes from rising standards of living in the region's emerging economies. Asia accounted for 42.5 percent of total Group sales (2014: 42.3 percent). Sales there reached €2.25 billion (2014: €2.04 billion), up 10.5 percent. In the Greater China region (which includes Taiwan), sales grew to €1.34 billion (2014: €1.22 billion), up 9.8 percent year over year. WACKER again posted very strong growth in India, with sales rising by 29.3 percent.

Europe Generates Higher Sales

In Europe (excluding Germany), a market where WACKER has always had a strong position, sales grew in the last financial year, climbing 6.2 percent to €1.20 billion (2014: €1.13 billion). Europe accounted for 22.7 percent of Group sales (2014: 23.4 percent). In Germany, sales rose by 3.2 percent to €684.9 million (2014: €663.7 million).

External Sales by Customer Location

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€ million	2015	2014	2013	2012	2011	2010	2009
Germany	**684.9**	663.7	647.0	686.0	899.4	887.3	774.6
Rest of Europe	**1,202.7**	1,130.5	1,073.8	1,090.7	1,186.7	1,175.4	944.1
The Americas	**945.1**	810.7	761.0	834.2	846.4	818.2	636.3
Asia	**2,253.1**	2,039.7	1,826.1	1,862.0	1,822.0	1,717.4	1,252.9
Other regions	**210.4**	181.8	171.0	162.0	155.2	150.1	111.4
Group	5,296.2	4,826.4	4,478.9	4,634.9	4,909.7	4,748.4	3,719.3

Rising Sales in the Americas

Business performance in the Americas was good in 2015, with sales increasing by 16.6 percent to €945.1 million (2014: €810.7 million). Part of this increase was due to positive exchange-rate effects. The Americas accounted for 17.8 percent of Group sales (2014: 16.8 percent).

Continuing Growth in "Other" Regions

Sales in the "Other" regions continued to grow, rising 15.7 percent to €210.4 million (2014: €181.8 million). More than 40 percent of these sales were generated in Middle Eastern countries. The "Other" regions accounted for 4.0 percent of Group sales (2014: 3.8 percent).

External Sales by Group Company Location

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€ million	2015	2014	2013	2012	2011	2010	2009
Germany	**4,332.6**	4,006.5	3,782.3	3,972.9	4,250.8	4,150.9	3,272.0
Rest of Europe	**134.0**	137.8	144.7	156.8	138.3	74.3	23.5
The Americas	**892.8**	769.7	742.1	817.6	783.0	779.4	599.2
Asia	**1,164.5**	962.3	761.6	729.7	750.4	684.1	491.4
Other regions	**9.2**	7.6	7.0	6.8	7.4	6.3	3.5
Consolidation	**–1,236.9**	–1,057.5	–958.8	–1,048.9	–1,020.2	–946.6	–670.3
Group	5,296.2	4,826.4	4,478.9	4,634.9	4,909.7	4,748.4	3,719.3

Net Assets

WACKER's total assets were 5 percent higher compared with December 31, 2014. They rose by €317.2 million to €7.26 billion as of December 31, 2015 (Dec. 31, 2014: €6.95 billion), for several reasons. The fall in value of the euro relative to the US dollar and other currencies had a marked impact on the Group's assets and liabilities in the reporting period. Foreign currency translation effects, especially in fixed assets, equity and financial liabilities, increased the total balance sheet by €260 million. Property, plant and equipment increased markedly as work on construction of the polysilicon production site in Charleston, Tennessee (USA) progressed. At the same time, high capital expenditure reduced liquidity. On the equity and liabilities side of the balance sheet, there was a decrease both in provisions for pensions and, in particular, in advance payments received in connection with polysilicon contracts. The latter was due to the fact that we made the agreed polysilicon deliveries to our customers or terminated customer contracts. Group equity rose by €549.8 million, due in part to the net income for the period, lower actuarial losses, and currency translation effects. Proceeds from the successful IPO of Siltronic AG also increased Group equity by €361.9 million.

Asset and Capital Structure

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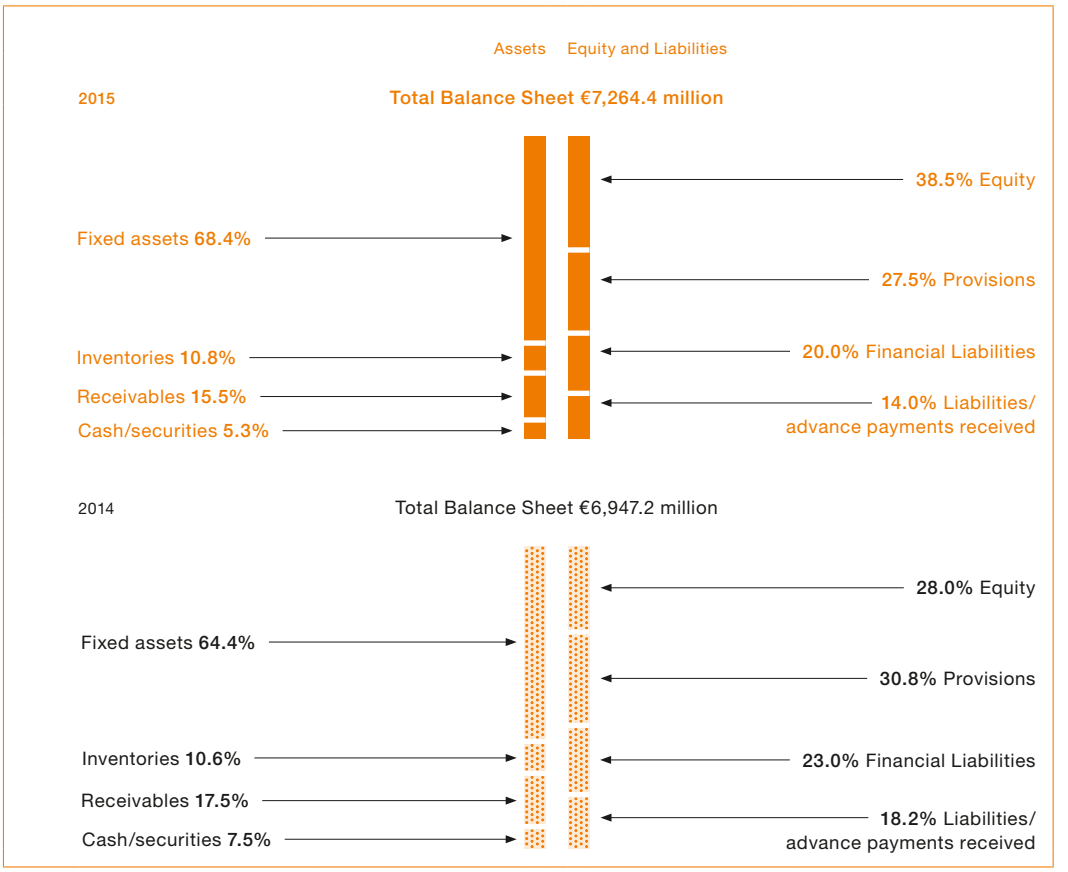


Trends: Assets

Current and Noncurrent Assets

Noncurrent assets rose by €440.7 million to €5.29 billion (Dec. 31, 2014: €4.85 billion) – equivalent to an increase of 9 percent – and accounted for 73 percent of total assets (Dec. 31, 2014: 70 percent). Compared with December 31, 2014, current assets declined from €2.09 billion to €1.97 billion, a decrease of 6 percent. Their share in total assets fell by 3 percentage points to 27 percent. Capital expenditures were substantially higher than depreciation due to the intensive construction phase reached at the polysilicon site in Charleston, Tennessee (USA). That also increased property, plant and equipment. The increase in inventories was due in part to exchange-rate effects. Trade receivables remained unchanged. Noncurrent and current liquidity declined year over year, as did deferred tax assets.

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

Intangible assets, property, plant and equipment and investment property grew by €487.0 million, amounting to €4.83 billion as of December 31, 2015 (Dec. 31, 2014: €4.35 billion). While this increase was due in part to exchange-rate effects, it was driven mainly by current investments in property, plant and equipment, which had risen by €487.8 million as of December 31, 2015, up 11 percent. Current investment spending on property, plant and equipment amounted to €830.6 million, with around 65 percent of this amount going toward completion of the production site in Charleston, Tennessee (USA). The new WACKER POLYSILICON production plant there manufactured its first batches of polysilicon in early 2016. Additional investments were made for WACKER SILICONES, WACKER POLYMERS and Siltronic. Depreciation reduced fixed assets by €575.4 million year over year (Dec. 31, 2014: €599.0 million). Changes in exchange rates increased the carrying amount of fixed assets by €230 million.

Noncurrent Financial Assets and Securities

Other noncurrent assets totaled €440.9 million as of December 31, 2015 (Dec. 31, 2014: €487.9 million), down 10 percent year over year. In the course of the year, noncurrent securities were liquidated and the proceeds used to finance investment spending. Investments in noncurrent securities declined from €37.6 million as of December 31, 2014 to €3.7 million. Deferred tax assets decreased by €12.9 million to €321.4 million, mainly due to lower actuarial losses from the provisions for pensions.

Current Assets

Current assets decreased by just under 6 percent year over year, totaling €1.97 billion (Dec. 31, 2014: €2.09 billion). Inventory levels grew from €734.3 million to €785.2 million, one reason being exchange-rate effects. That represented an increase of 7 percent. Inventories also rose in connection with commissioning of the polysilicon site in Tennessee. Trade receivables amounted to €679.4 million at the end of the reporting year (Dec. 31, 2014: €684.0 million). Inventories and trade receivables together accounted for 20 percent of total assets, unchanged over the previous year.

Other current assets declined substantially, from €674.8 million to €505.0 million – a decrease of 25 percent. They mainly comprise securities, and cash and cash equivalents. Current securities amounted to €67.2 million at the end of Q4 2015 (Dec. 31, 2014: €157.4 million), with WACKER investing liquid funds in fixed-term deposits. Liquid funds remained virtually unchanged, amounting to €310.5 million on the balance sheet date (Dec. 31, 2014: €325.9 million). After deduction of transaction costs, the Group received total proceeds of €361.9 million in Q2 2015 from the IPO of Siltronic AG. WACKER used a portion of these funds to finance capital expenditures. In Q1 2015, the company repaid €150 million on promissory

notes (German Schuldscheine). Other current assets included income tax receivables of €19.0 million (Dec. 31, 2014: €15.2 million) and other tax receivables of €41.5 million (Dec. 31, 2014: €49.6 million). Other current assets accounted for 7 percent of total assets (Dec. 31, 2014: 10 percent).

Trends: Equity and Liabilities

Equity Up by 44 Percent

Group equity rose by €848.6 million year over year, amounting to €2.79 billion as of December 31, 2015 (Dec. 31, 2014: €1.95 billion). The resulting equity ratio was 38.5 percent (Dec. 31, 2014: 28.0 percent). The Group's net income for the year increased retained earnings by €246.7 million, whereas the dividend payment of €74.5 million reduced retained earnings. Other equity items increased equity, essentially as a result of the adjustment to pension provisions that was not recognized in the income statement. The remeasurement of defined benefit plans at the end of the financial year resulted in lower actuarial losses, which increased equity by €131.9 million. Currency translation effects increased equity by €141.9 million.

When Siltronic AG went public on June 11, 2015, 12.65 million shares were placed with investors, of which 5.0 million were new shares issued through a capital increase at Siltronic and 7.65 million were shares originally held by WACKER. As a result of the IPO, WACKER increased its equity by €361.9 million. At the same time, WACKER's stake in Siltronic AG was reduced from 100 percent to 57.8 percent. The free float for Siltronic AG now stands at 42.2 percent. Since the Group still retains the majority of shares in the company, the equity of Wacker Chemie AG shareholders climbed by €197.1 million as a result of the transaction. At the same time, the share of non-controlling interests in Group equity rose by €164.8 million. At the end of the financial year, the share of non-controlling interests in the Siltronic Group amounted to €196.6 million.

Liabilities

Compared with the previous year, WACKER's liabilities fell by €531.4 million, or almost 11 percent, and amounted to €4.47 billion (Dec. 31, 2014: €5.0 billion). They accounted for 62 percent of total equity and liabilities (Dec. 31, 2014: 72 percent).

Noncurrent Liabilities

As of the balance sheet date, noncurrent liabilities amounted to €3.31 billion (Dec. 31, 2014: €3.84 billion), down 14 percent year over year. They accounted for 46 percent of total equity and liabilities (Dec. 31, 2014: 55 percent). Provisions for pensions fell by €146.5 million to €1.61 billion, a decrease of 8 percent. This decline was attributable to the newly determined discount rate for defined benefit plans, which was higher than at year-end 2014. As of the balance sheet date, the discount rate was 2.75 percent in Germany and 4.2 percent in the USA (Dec. 31, 2014: 2.3 percent in Germany and 3.8 percent in the USA). Provisions for pensions accounted for 22 percent of total equity and liabilities (Dec. 31, 2014: 25 percent). Other noncurrent provisions increased, amounting to €217.0 million (Dec. 31, 2014: €181.8 million). In this context, low interest rates had an impact on anniversary-payment provisions and provisions for environmental protection. Provisions for phased early retirement increased due to the corresponding new contracts concluded during the financial year.

Noncurrent financial liabilities fell by €181.5 million to €1.14 billion (Dec. 31, 2014: €1.32 billion). Noncurrent financial liabilities totaling €200 million were reclassified as current due to their maturities. Overall, other noncurrent liabilities were lower at €293.5 million (Dec. 31, 2014: €533.9 million). This was due to the change in noncurrent advance payments received. They amounted to €287.5 million as of the balance sheet date (Dec. 31, 2014: €523.0 million). The retention of advance payments received in connection with terminated contracts with polysilicon customers led to a substantial reduction in noncurrent advance payments.

Current Liabilities

Current liabilities remained constant year over year, totaling €1.16 billion (Dec. 31, 2014: €1.16 billion) and accounting for 16 percent of total equity and liabilities. At €378.3 million, trade payables were roughly the same as in the previous year (Dec. 31, 2014: €374.5 million). The high level of capital expenditures, especially for the production site in Charleston, Tennessee (USA), was the reason for the large amount of trade payables. Other current provisions and liabilities fell 9 percent to €460.6 million (Dec. 31, 2014: €507.1 million). Current advance payments received amounted to €165.8 million as of the reporting date (Dec. 31, 2014: €166.1 million). Current income tax provisions and liabilities for forward-exchange contracts were lower at the end of the financial year. The fair value of currency hedging instruments was firmly in negative territory due to the euro's decline against the US dollar. Personnel liabilities, including those related to vacation, flextime and performance-related compensation, were higher as of the balance sheet date.

WACKER Posts Net Financial Debt of €1.07 Billion

Current financial liabilities were 12 percent higher and amounted to €318.7 million as of December 31, 2015 (Dec. 31, 2014: €283.3 million). The primary reason for this increase was the reclassification of noncurrent items as current. In Q2 2015, the company repaid €150.0 million on a promissory note (German Schuldschein). Overall, financial liabilities fell 9 percent to €1.46 billion (Dec. 31, 2014: €1.60 billion) and accounted for 20 percent of total equity and liabilities. The depreciation of the euro against the US dollar and other currencies caused financial liabilities to increase by €60 million. Current liquidity (current securities, cash and cash equivalents) fell slightly, amounting to €377.7 million (Dec. 31, 2014: €483.3 million). Noncurrent securities decreased from €37.6 million to €3.7 million. As of December 31, 2015, WACKER had net financial debt (the balance of gross financial debt and noncurrent and current liquidity) totaling €1,074.0 million (Dec. 31, 2014: €1,080.6 million).

Unrecognized Assets and Off-Balance-Sheet Financing 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' 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 processes. 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 3.20

€ million	2015	2014	Change in %
Assets			
Intangible assets, property, plant and equipment, and investment property	4,832.7	4,345.7	11.2
Investments in joint ventures and associates accounted for using the equity method	21.2	20.5	3.4
Other noncurrent assets	440.9	487.9	–9.6
Noncurrent assets	5,294.8	4,854.1	9.1
Inventories	785.2	734.3	6.9
Trade receivables	679.4	684.0	–0.7
Other current assets	505.0	674.8	–25.2
Current assets	1,969.6	2,093.1	–5.9
Total assets	7,264.4	6,947.2	4.6
Equity and Liabilities			
Equity	2,795.1	1,946.5	43.6
Noncurrent provisions	1,881.5	1,983.7	–5.2
Financial liabilities	1,136.7	1,318.2	–13.8
Other noncurrent liabilities	293.5	533.9	–45.0
Of which advance payments received	287.5	523.0	–45.0
Noncurrent liabilities	3,311.7	3,835.8	–13.7
Financial liabilities	318.7	283.3	12.5
Trade payables	378.3	374.5	1.0
Other current provisions and liabilities	460.6	507.1	–9.2
Current liabilities	1,157.6	1,164.9	–0.6
Liabilities	4,469.3	5,000.7	–10.6
Total equity and liabilities	7,264.4	6,947.2	4.6
Capital employed	5,875.4	5,260.7	11.7

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 loans from local banks. We receive the necessary outside funding from contractually agreed lines of credit denominated 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 2015, WACKER complied with its long-term policy of financing its investments essentially from its own cash flow. Net cash flow totaled €22.5 million in 2015 (2014: €215.7 million), demonstrating that long-term investments are predominantly covered by the cash flow from operating activities.

Net Cash Flow

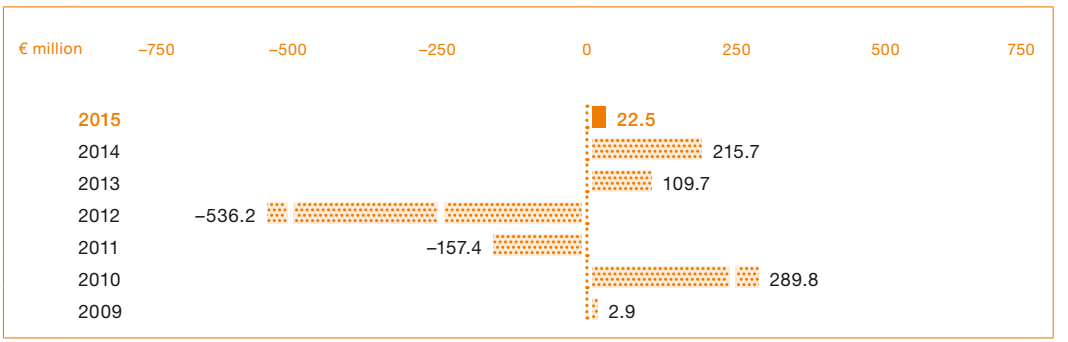
T 3.21

€ million	2015	2014
Cash flow from operating activities (gross cash flow)	**617.2**	485.2
Changes in advance payments received	**238.3**	227.8
Cash flow from long-term investing activities before securities	**–815.6**	–497.3
Additions from finance leases	**–17.4**	–
Net cash flow	**22.5**	215.7

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 finance leases.

Net Cash Flow

G 3.22



Net Financial Debt

Financing liabilities amounted to €1.46 billion as of December 31, 2015 (Dec. 31, 2014: €1.60 billion), down €146.1 million year over year. In Q1 2015, the company repaid a €150.0 million tranche of a promissory note (German Schuldschein). In addition, loans taken out to finance projects in China were redeemed. On the other hand, exchange-rate effects increased financial liabilities by around €60 million.

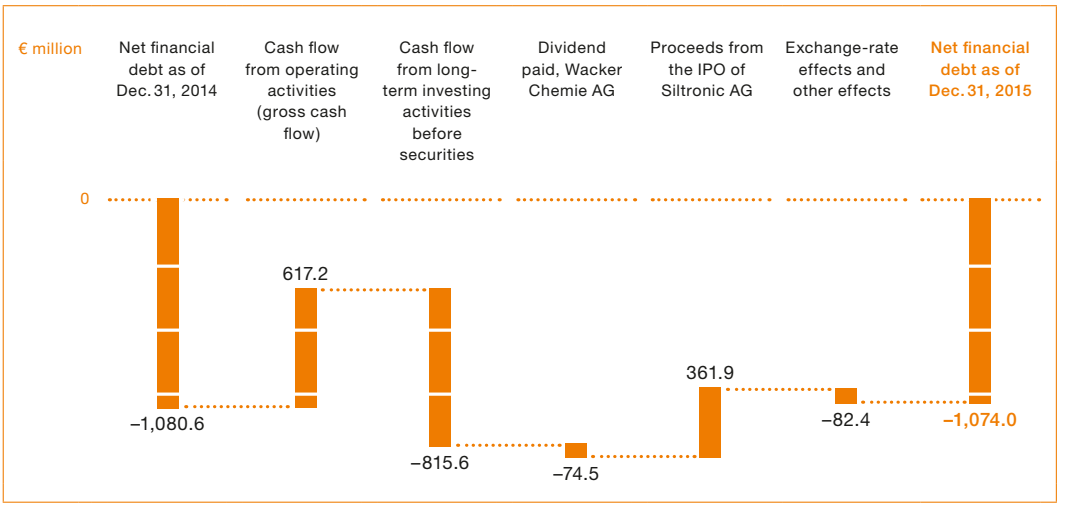
WACKER defines net financial debt – which is one of its financial indicators – as the balance of gross financial debt (current and noncurrent financing liabilities) and existing noncurrent and current liquidity, consisting of securities, cash and cash equivalents. Net financial debt was more or less unchanged in 2015, decreasing by just €6.6 million to €1,074.0 million (Dec. 31, 2014: €1,080.6 million). This figure was the result of contrasting effects: whereas the IPO of Siltronic AG resulted in a cash inflow of €361.9 million, the funds needed for the high volume of capital expenditures – particularly for the polysilicon

production site in Charleston, Tennessee (USA) – reduced liquidity. Overall, liquidity amounted to €381.4 million as of December 31, 2015 (Dec. 31, 2014: €520.9 million). In the reporting year, WACKER invested €834.0 million, which corresponds to an investment ratio of 16 percent (2014: 12 percent), based on Group sales.

Aside from the financing liabilities disclosed in the report on net assets, WACKER has at its disposal adequate unused syndicated loans for around €600 million, with maturities of over one year. 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 3.23



Trend in Cash and Cash Equivalents

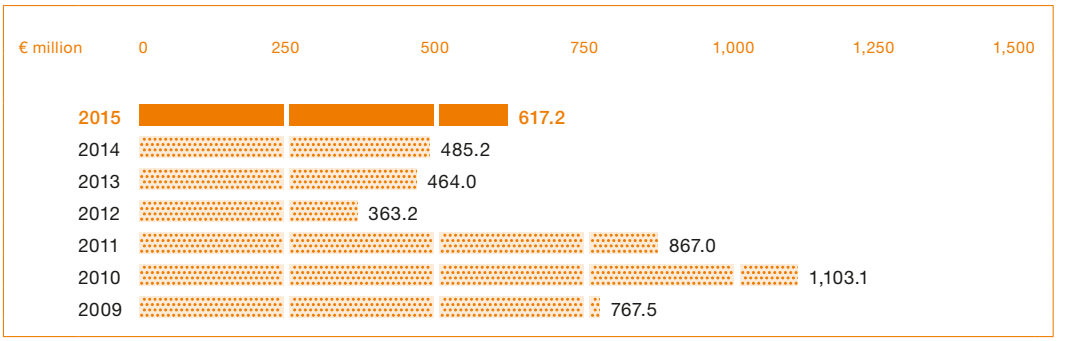
Cash flow (with its components) shows the change in cash and cash equivalents in the period under review.

Gross Cash Flow

Cash flow from operations (gross cash flow) totaled €617.2 million in 2015 (2014: €485.2 million), up 27 percent. The higher net income for the period of €241.8 million had a positive impact and included non-cash expenses and income amounting to € -39.1 million. Depreciation totaling €575.4 million (2014: €599.0 million) and changes in provisions in the amount of €84.7 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 €28.3 million. Cash payments increased to cover the higher volume of inventories, while trade receivables and payables were lower. As expected, advance payments received for polysilicon deliveries changed in the reporting year by €–238.3 million (2014: €–227.8 million) in line with the deliveries made and the advance payments retained in connection with terminated contracts. Previously deferred income taxes were paid in the financial year, which reduced gross cash flow. Employer contributions to the pension fund that were paid in advance in 2014 had a positive effect on cash flow from operations in 2015.

Cash Flow from Operating Activities (Gross Cash Flow)

G 3.24

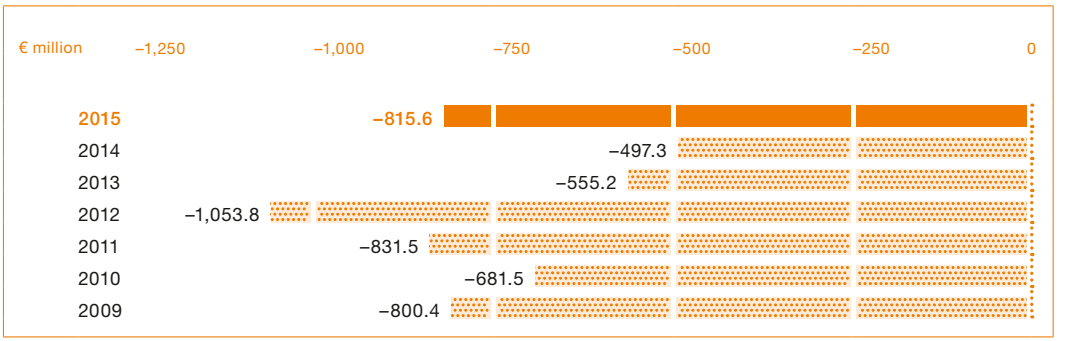


Cash Flow from Investing Activities

The Group's investment projects influence cash flow from long-term investing activities. In 2015, 65 percent of investment spending went toward completion of the polysilicon production plant in Charleston, Tennessee (USA). Cash flow from long-term investing activities before securities increased from €–497.3 million in 2014 to €–815.6 million due to the high level of payments for projects. Acquisitions had led to a cash inflow of €25.8 million in the previous year. This figure essentially represented 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 3.25



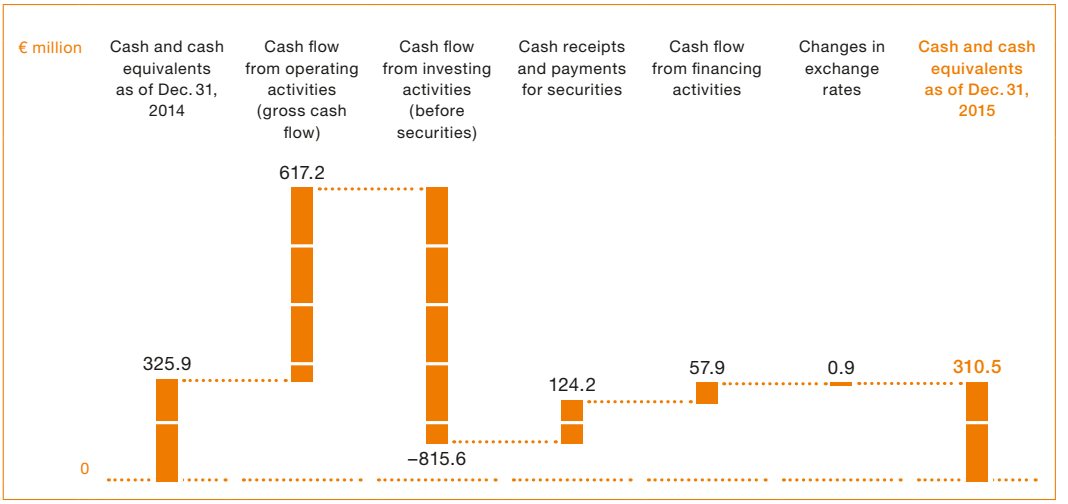
Cash flow from investing activities during the reporting period amounted to €–691.4 million (2014: €–505.6 million). Apart from investments in fixed assets, it included cash receipts and payments for securities and fixed-term deposits with maturities of more than three months. In the reporting period, WACKER used its portfolio of securities and fixed-term deposits for financing purposes.

Cash Flow from Financing Activities

Cash flow from financing activities totaled €57.9 million in 2015 (2014: €–88.6 million), and mainly comprised cash outflows of €319.5 million to repay external financing liabilities and of €99.8 million in new financing liabilities. The dividend payment by Wacker Chemie AG in the second quarter of 2015 also led to a cash outflow of €74.5 million. Cash receipts from the change in ownership interests in Siltronic AG following the IPO in June 2015 increased cash flow from financing activities by €361.9 million. In the previous year, funds had been used to repay Siltronic Silicon Wafer Pte. Ltd.'s external financing liabilities following Siltronic's acquisition of a majority stake in that company. The capital payments and additional payments were used to redeem ssw's bank loans. Cash and cash equivalents decreased by €15.4 million compared with December 31, 2014 (€325.9 million), amounting to €310.5 million as of December 31, 2015.

Changes in Cash and Cash Equivalents

G 3.26



Proposal on Appropriation of Profits

In 2015, Wacker Chemie AG posted a retained profit of €1,221.8 million under German Commercial Code accounting rules. The Executive and Supervisory Boards will propose a dividend of €2.00 per share at the Annual Shareholders' Meeting. Based on the number of shares entitled to dividends as of December 31, 2015, the cash dividend corresponds to a payout of €99.4 million. Calculated in relation to WACKER's average share price in 2015, the dividend yield is 2.21 percent. At the Annual Shareholders' Meeting, the Executive and Supervisory Boards will propose treating the amount remaining after deduction of the dividend as profit carried forward.

Rating

WACKER has sufficient lines of credit with banks and does not issue rated financing 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

Operations at WACKER during 2015 were influenced by volume growth in all five business divisions and favorable exchange-rate effects. Advance payments retained and damages received in connection with terminated long-term delivery contracts with solar-sector customers were another factor with a favorable effect on earnings. On the whole, the Group achieved its annual forecast with regard to all its key performance indicators.

Chemical sales continued to rise, primarily due to volume gains and favorable exchange-rate effects. As a result, the chemical divisions' EBITDA was substantially higher than in the prior year. At WACKER POLYSILICON, lower prices weighed on sales. Thanks to continuing healthy demand, polysilicon production ran at full capacity for the entire year. Siltronic achieved a considerable increase in semiconductor sales, with higher volumes and positive exchange-rate effects more than making up for lower semiconductor prices. EBITDA, too, was marginally higher than in the prior year; currency-hedging expenses weighed on EBITDA. Measures to enhance productivity and reduce costs had a positive impact on earnings.

In absolute terms, personnel expenses were higher year over year, but accounted for a lower percentage of sales than in the prior year. Raw-material costs went up in absolute terms, but were lower year over year as a proportion of sales. Energy costs, too, were lower than our target figure. Depreciation was somewhat lower year over year and somewhat below our target figure.

At €2.79 billion, Group equity was €848.6 million higher than at December 31, 2014, the main reasons being the good net income for the year, adjustments to pension provisions that were not recognized in the income statement and the IPO of Siltronic AG. The equity ratio increased from 28.0 percent to 38.5 percent. The Group's net financial debt developed better then expected, mainly because of the proceeds from the IPO of Siltronic AG in June 2015. Net financial debt amounted to €1.07 billion as of December 31, 2015 and was essentially on a par with year-end 2014. We increased our investments during the year: at €834.0 million, they were well above the level of depreciation. Net cash flow developed as expected and, at €22.5 million, was substantially lower than in the prior year.

Supplementary Report

No major events subject to reporting requirements occurred between the closing date (December 31, 2015) and the date of preparing the consolidated financial statements (February 29, 2016). 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 2016.

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 continuing success.

Research & Development

WACKER's research and development pursues three goals.

- Firstly, we contribute to the market success of our customers by searching for solutions that meet their needs.
- 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, digitalization and growing prosperity.

R&D Expenses

T 3.27

€ million	2015	2014	2013	2012	2011	2010	2009
Research and development expenses	175.3	183.1	173.8	173.7	172.9	165.1	164.0

R&D expenditures in 2015 amounted to €175.3 million (2014: €183.1 million). At 3.3 percent (2014: 3.8 percent), the R&D rate – research and development spending as a percentage of Group sales – was down from the prior-year figure due to the positive sales trend and lower expenses.

New-Product Rate (NPR)[1]

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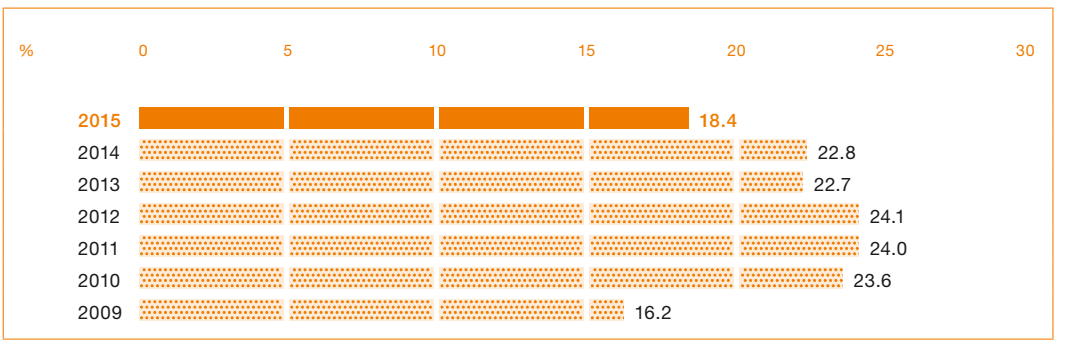
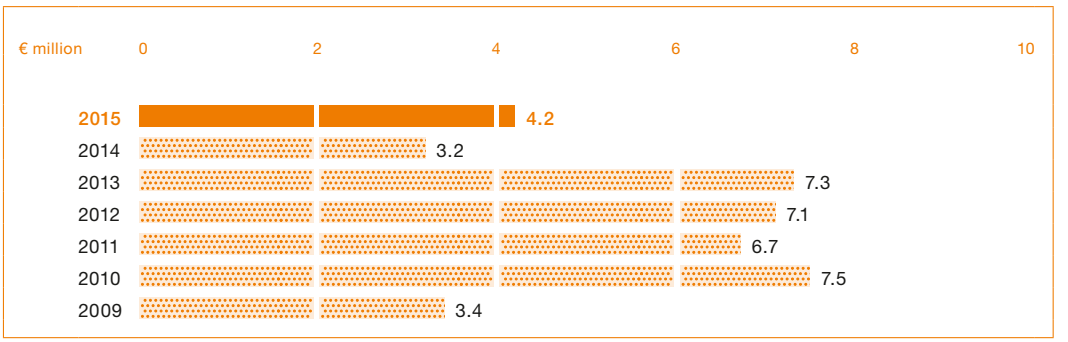


[1] Percentage of sales accounted for by products launched in the last five years

We received about €4.2 million from licensing agreements in 2015 (2014: €3.2 million). WACKER's innovative strength is reflected in the number of patents held and patent applications submitted. In 2015, we filed 114 patent applications (2014: 111). Our portfolio contains about 5,300 active patents worldwide, as well as 2,000 patent applications currently pending.

Licensing Income

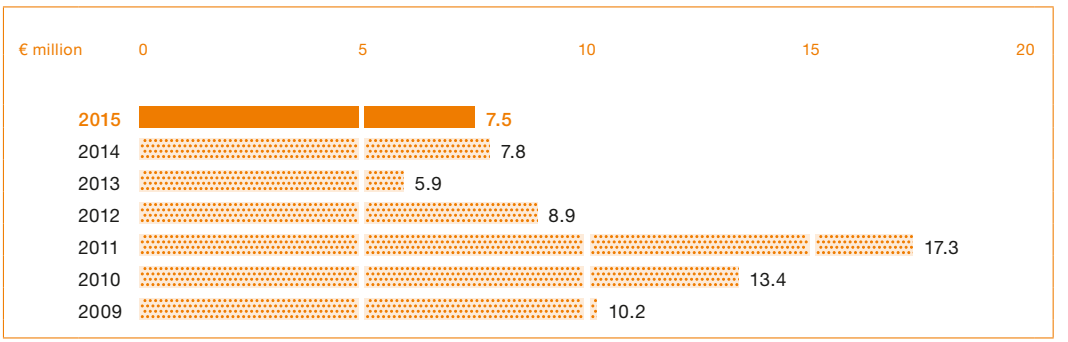
G 3.29



In 2015, WACKER invested €7.5 million in R&D facilities (2014: €7.8 million). Among our investments were new pilot reactors, where positive project results are scaled up and then converted to full production. Examples include polymerization reactors at WACKER POLYMERS and deposition reactors at WACKER POLYSILICON. Additional investments included equipping laboratories to facilitate R&D carried out locally at customer locations. We have invested in analytical equipment that will provide us with quick and precise results for use in the evaluation of experiments.

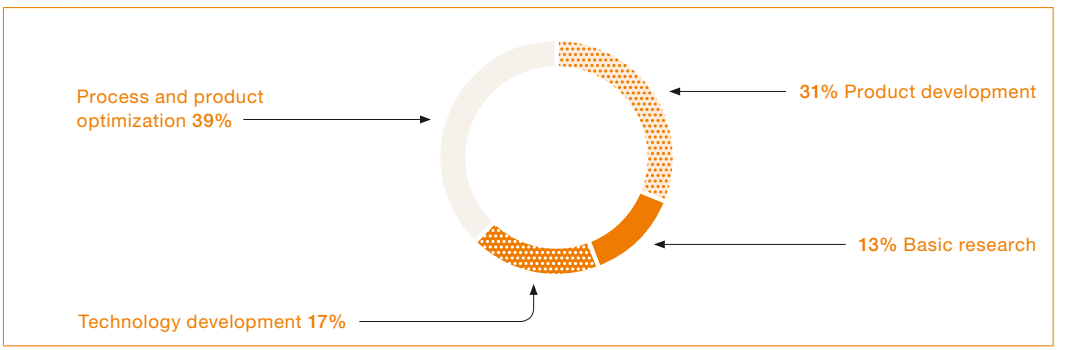
Investment in R&D Facilities

G 3.30



Breakdown of R&D Expenditures

G 3.31



Most of the €175.3 million (2014: €183.1 million) in R&D costs was spent on the development of new products and production processes. WACKER scientists are currently working on some 260 projects based on more than 40 technology platforms. 24 percent of these topics are key strategic projects that account for 36 percent of all project costs (totaling €67.3 million) incurred in 2015. WACKER operates in highly promising fields, ranging from energy, electronics, construction and automotive engineering to household and personal-care products, food and biotechnology.

In 2013, we launched the New Solutions initiative, the goal of which is to develop technically and commercially superior solutions for new applications. Expertise from various parts of the company is consolidated groupwide and applied to projects as needed. In 2015, we started a new project under this initiative. The market and technology evaluations of this project reveal potential additional sales worth hundreds of millions of euros. The first product developments from this initiative are currently in the market launch phase.

In 2015, we spent some €208,000 (2014: €768,000) on third-party R&D expertise acquired from four different partners.

Some of the research projects we completed in 2015 were subsidized by government grants. Here are some examples:

- The Federal Ministry of Education and Research (BMBF) subsidizes research related to the energy transition. This includes the iC4 project (Integrated Carbon Capture, Conversion and Cycling), which received €6.3 million in funding between 2012 and 2015. The goal is to use surplus green electricity for water electrolysis. The resulting hydrogen is converted to methane gas with the aid of carbon dioxide and then stored in the gas grid. WACKER, Clariant, E.ON, Linde, MAN and Siemens were involved in the project, as are eight institutes at the Technical University of Munich and the Fraunhofer Institute for Interfacial Engineering and Biotechnology. WACKER headed two of the four subprojects.

- The goal of the SafeBatt project was to develop battery components that would increase the safety and reliability of lithium-ion batteries (LIBs) for electric vehicles. Between 2012 and 2015, 14 project partners from industry and the scientific community developed materials, models, test methods, sensors and evaluation electronics. The Federal Ministry of Education and Research (BMBF) provided funding for SafeBatt in the amount of €19 million. WACKER's work in this group focused on silicon-containing additives for making lithium-ion batteries safer.

- The Alpha-Laion consortium project was started in 2012 to develop high-energy traction batteries for electric vehicles. Bosch headed the project, and the other partners were WACKER, BASF, SGL, BMW and Daimler. In this project, WACKER developed silicon-containing anode materials. Alpha-Laion was funded with €13 million by the then Federal Ministry of Economics and Technology (BMWi).

During 2015, our business divisions and Central R&D submitted applications for six more projects (in the areas of energy generation and storage, electronics and new materials) to government sponsors, with approvals pending. Our externally-funded research projects are coordinated by our Public Funding office, which evaluates prospective 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 2015, we introduced Project System Innovation (PSI), our project management system, to additional subsidiaries.

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 2015, 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. We have participated in electricity storage projects with universities in Braunschweig, Munich and Münster.

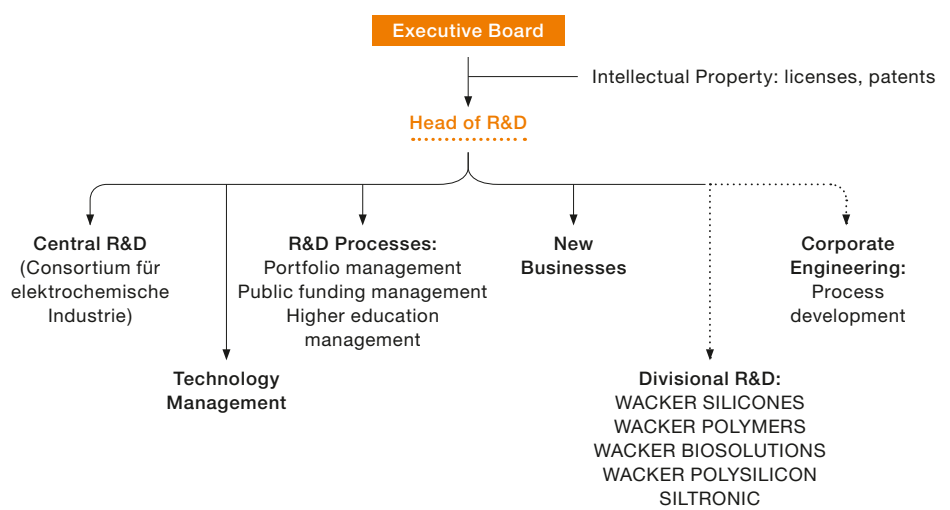
WACKER has also created a worldwide network of 21 technical competence centers, which liaise between sales offices and local production sites. Specialists in these centers customize products to regional requirements, including climatic conditions, national standards and local raw materials. They develop 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 3.32



WACKER had 1,043 research and development staff in 2015, which represents 6.1 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. Examples of what our other R&D personnel do include building research equipment in our workshops and performing administrative functions in such fields as market research and trend analysis.

Employees in R&D as of December 31, 2015

T 3.33

Number	2015	2014	2013	2012	2011	2010	2009
Group R&D employees	**1,043**	1,061	987	1,008	1,100	1,057	1,072
R&D ratio[1], groupwide	**6.1**	6.4	6.2	6.2	6.4	6.5	6.9
R&D employees, Germany	**821**	833	817	849	868	855	860
R&D employees, international	**222**	228	170	159	232	202	212
R&D employees, Germany, by qualification	**821**	833	817	849	868	855	860
Scientists and engineers	**307**	322	318	339	346	337	332
Lab staff and technicians	**406**	341	329	332	350	344	349
Other personnel	**108**	170	170	178	172	174	179
R&D employees, international, by qualification[2]	**121**	114	102	92	93	95	90
Scientists and engineers	**51**	45	38	32	35	31	30
Lab staff and technicians	**35**	37	34	32	30	32	29
Other personnel	**35**	32	30	28	28	32	31
R&D employees, international, Siltronic AG only (without differentiation by qualification)	**101**	114	68	67	139	101	122

[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 presented the 2015 Alexander Wacker Innovation Award in the product innovation category to a Burghausen-based researcher who had developed a process for producing ultrathin silicone films. As thin as 10 micrometers, these precision films with their dielectric properties provide the basis for innovative products in such areas as electronics, robotics, sensors and medical technology. Named after the company's founder, the €10,000 award has been presented annually since 2006 – alternating between the categories of product innovation, process innovation and basic research.

Siltronic Inventor Award

Siltronic AG confers its Inventor Award, also endowed with €10,000, on employees who have produced technological innovation. The 2015 prize was awarded for simulation tests that promote higher yields and improve defect monitoring during the silicon-crystal pulling process. Siltronic's Crystal Growth Control project helped to significantly increase the amount of pulled crystals conforming to customer specifications for what are known as prime wafers.

Selected Corporate R&D Research Topics

One focus of research was wood-plastic composite materials, or WPCs. Wood plastic composites are composed of up to 75 percent wood fiber, for example sawdust, and a thermoplastic polymer such as polypropylene. WPCs can be molded into the desired form with modern plastic technology processes: extrusion, injection and rotational molding, compacting and thermoforming. GENIOPLAST® PP is a production aid that can substantially raise productivity, which in turn lowers production costs. Areas of application include floor coverings and automotive interior trims.

With ESETEC® 2.0, we offer an efficient method for producing high yields of antibody fragments for medical therapies. One big step achieved by our research on this system was the development of a selectable element that permits stable fermentation without the usual addition of antibiotics. This patented antibiotic-free process for high-yield production of pharmaceutical proteins also contributes to greater safety and environmental compatibility.

Selected Divisional Research Projects

WACKER SILICONES is currently researching a method for using silicones in 3D printing. Uses include the manufacture of components for the automotive industry, for medical or optical applications and for household-care products. To enhance efficiency in paper production, we are developing foam-control agents that remain effective longer at lower concentrations. Our research has discovered new uses for silicone resins as binders, for example in mineral wool or artificial stone, also for use outdoors. We have developed skin-compatible SILPURAN® silicone gels for advanced wound dressings. One variation of these dressings contains plasma, a substance that kills microbes and multiresistant bacteria, and promotes healing.

WACKER POLYMERS focuses its research on polymers that allow the formulation of low-emission end products, thereby fulfilling 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, or low in volatile organic compounds (VOCs). Examples of our development efforts are reactive self-crosslinking dispersible polymer powders for cementitious flooring systems and polymer dispersions for finishing mineral-based surfaces. We have intensified our work on silica-polymer composite materials for emulsion paints and wood coatings.

WACKER BIOSOLUTIONS licensed its ESETEC® 2.0 process for manufacturing antibody fragments to MedImmune, AstraZeneca's R&D division for biologics. The high productivity and simple purification processes offered by our technology help speed up the process of providing new medications to patients.

To improve the energy balance of solar cells and reduce costs, we are striving to further reduce energy consumption in polysilicon production. WACKER POLYSILICON has continued to optimize the processes in its closed production loop, further reducing energy consumption during deposition and conversion. Technological progress in the development of solar modules continues to proceed by leaps and bounds. Our customers have steadily reduced the thickness of wafers: from 450 µm in 1995 to 250 µm in 2005 and to under 200 µm in 2010, with the standard thickness currently around 180 µm. Cell efficiency has risen in parallel, and is now around 18 percent for multicrystalline standard cells and well over 19 percent for monocrystalline cells. High-efficiency monocrystalline cells have efficiency levels ranging from over 20 to as much as 25 percent. The energy payback time, i.e. the service life of a photovoltaic cell required to generate the energy expended for its manufacture, varies according to geographical location from between six months (in the Sahara) and 18 months (in northern Europe).

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 per square centimeter fit on a device. The semiconductor industry's standard design rules in recent years of 22 and 16 nanometers (nm) have already been replaced in some cases by an 11 nm standard. In the years to come, we expect this trend to continue and forecast design rules increasingly approaching 8 nm. Siltronic is currently developing processes to produce 300 mm wafers that can be used for these new design rules. In the reporting period, regular shipments of 11 nm wafers continued to increase and we further refined the technology for 8 nm wafers. We worked on wafers for power and LED applications as well as for high-frequency applications in the area of mobile communications.

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 2015, we sponsored some 210 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 by signing a corresponding agreement in 2014. WACKER and TUM founded the Institute of Silicon Chemistry in 2006.

Key Product Launches in 2015

T 3.34

Product	Description	Application	Sector
BELSIL® EG 1	Silicone elastomer gel	Improved texture of cosmetic formulations	Cosmetics
BELSIL® PF 200	Phenyl silicone fluid	Shine of water-based hair and skin care products	Cosmetics
BELSIL® REG 102	Silicone elastomer gel	Improved water resistance of cosmetic formulations	Cosmetics
DEHESIVE® SFX	Solvent-free silicone polymer	Highly efficient coating compound for label release papers and films	Paper and label industries
ELASTOSIL® RT 779	Condensation-curing two-part silicone rubber	Silicone adhesive for engine oil pans	Automotive
FOLDTEC®	E. coli-based refolding technology	Manufacture of highly pure pharmaceutical proteins	Pharmaceuticals
GENIOSIL® XT	Silane-terminated polymers	Industrial adhesives, liquid waterproofing systems, and coatings	Automotive, adhesive and sealant industries
PRIMIS® AF 1000	Dispersion	Innovative binders for dirt- and weather-resistant exterior paints and plasters	Construction and paints
PULPSIL® 968 S	Silicone surfactant	Energy-saving dewatering formulations	Pulp and paper manufacturing
SILPURAN® 2117	Silicone adhesive gel	Skin-compatible, breathable wound dressings	Healthcare
SILRES® BS	Silicone resin emulsion	Additive for water-repellent wood-protection coatings	Construction
SMARGO®	Dispersible polymer powder	Binder for dry-mix mortars	Construction
VINNAPAS® 4040 E	Dispersible polymer powder	Formulation of flexible sealing slurries	Construction
VINNAPAS® 4800 G	Dispersible polymer powder	Modification of gypsum drywall products	Construction
VINNAPAS® 5518 H	Dispersible polymer powder	Binder for water-repellent skim coats	Construction
VINNAPAS® EF 104	VAE dispersion	Coating of printed paperboard surfaces	Paper and packaging
VINNAPAS® EF 8860	VAE dispersion	Formulation of adhesives for flexible floor coverings	Adhesives
VINNAPAS® LL 3031	Dispersion	Binder for environmentally compatible interior and exterior paints, as well as plasters	Construction and paints
WETSOFT® NE 500	Hydrophilic silicone emulsion	Makes textiles more comfortable to wear	Textile industry
WETSOFT® NE 750	Anhydrous silicone formulation	Makes textiles more comfortable to wear	Textile industry

Employees

Increase in Staff

WACKER's workforce increased slightly in 2015. We had 16,972 employees worldwide as of December 31, 2015 (Dec. 31, 2014: 16,703), up 1.6 percent year over year. The major reasons for this growth were the increase in production at WACKER SILICONES sites outside Germany and the start-up of polysilicon production in Tennessee in the USA.

Siltronic continued to carry out its productivity measures in the reporting year. In Germany, the number of employees at Siltronic was reduced by 210 through intra-Group transfers, phased early retirement and voluntary severance packages.

Number of Employees at December 31, 2015

T 3.35

	2015	2014	2013	2012	2011	2010	2009
Germany	**12,251**	12,366	12,322	12,635	12,813	12,235	11,925
International	**4,721**	4,337	3,687	3,657	4,355	4,079	3,693
Group	**16,972**	16,703	16,009	16,292	17,168	16,314	15,618

12,251 WACKER employees (72 percent) work in Germany and 4,721 employees (28 percent) at non-German sites. WACKER also employed 412 temporary workers in the year under review.

Number of Temporary Workers at December 31, 2015

T 3.36

	2015	2014	2013	2012	2011	2010	2009
Germany	**358**	393	286	14	48	374	247
International	**54**	134	58	77	65	114	53
Group	**412**	527	344	91	113	488	300

As a manufacturing company, WACKER has a large contingent of industrial employees (54.1 percent), about a seventh of whom are women (13.4 percent).

Personnel expenses rose to €1,350.1 million (2014: €1,246.9 million), up 8.3 percent from the prior year. These expenses included outlays for social benefits and the company pension plan amounting to €279.9 million (2014: €238.8 million). The reasons for the rise in personnel expenses were the higher number of employees, the increase in the standard pay scale, and exchange-rate effects in the US-dollar area.

Personnel Expenses

T 3.37

€ million	2015	2014	2013	2012	2011	2010	2009
Personnel expenses	**1,350.1**	1,246.9	1,133.0	1,196.8	1,282.5	1,135.7	1,090.3

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. This payment comprises a profit-sharing amount and a personal-performance component. In 2015, WACKER's chemical-sector employees in Germany received a profit share for 2014. Variable compensation payments totaled €61.7 million groupwide in 2015.

The IG BCE labor union and chemical-industry employers agreed on a new 17-month collective-bargaining agreement in March 2015. The standard pay scale increased by 2.8 percent, and it was agreed to raise the demographic sum per standard-pay-scale employee to €550 as of 2016 and to €750 as of 2017.

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 8,000 retirees. The average pension paid was around €640 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 wage agreements. For the base amount, employees receive a 28-percent match called "Chemieförderung I"; additional contributions receive the 13-percent "Chemieförderung II" match. Employees in Germany also receive an additional supplementary pension for that portion of their salary which exceeds the pension insurance contribution assessment ceiling.

School Recruiting Efforts Intensified

In its personnel development activities, WACKER also relies on vocational training. In 2015, 178 young people began their training at WACKER or at the Burghausen Vocational Training Center (BBiW). In total, the company employed 597 trainees, slightly fewer than a year earlier (2014: 635). At 4.7 percent, the percentage of trainees (ratio of trainees to Group employees in Germany) is slightly below the previous year's level (2014: 4.9 percent). 514 trainees are in scientific and technical disciplines and 83 in business-related fields. In 2015, WACKER offered jobs to the majority of suitable trainees – 182 graduates – hiring 74 of them on temporary contracts and 108 on permanent contracts. The BBiW also provides training for 18 partner companies. The public foundation set up by WACKER thus satisfies an intercompany training mandate – in 2015, partner companies sent 55 trainees to start courses at the BBiW.

The high quality of the BBiW's training is evidenced by all the awards won by its trainees. An electronics technician for automation technology received the Medallion for Excellence in the WorldSkills competition in Brazil. The Nünchritz site produced Saxony's best chemical technician – for the fourth time in a row. The site was therefore named Outstanding Vocational Training Company for 2015 by the Dresden Chamber of Industry and Commerce.

WACKER will remain innovative and competitive as long as it has highly-skilled employees, which is why we offer all of 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 2015, our employees completed about 66,000 e-learning sessions (2014: about 74,000), and more than 16,500 participants (2014: more than 16,400) attended seminars, advanced training programs and conventions, or received tutoring.

In 2015, we launched two new types of development programs for experienced managerial employees. The Learning Company seminar allows participants to assume different leadership roles as part of a model organization and obtain feedback on their performance from experienced instructors. During the External Peer Reflection program, our managers can exchange ideas with executives of the same hierarchical level from other companies.

In the reporting year, WACKER completed the second cycle of the talent-management process launched in 2013, culminating in the Executive Board conference on succession planning. The aim of talent management is to identify and encourage talent at an early stage, so that WACKER can fill challenging positions, too, with highly qualified in-house candidates in the medium and long term. In the reporting year, we surveyed the group targeted by talent management – above-standard pay scale employees and OFK executive personnel. Three-quarters of participants considered the process to be logical, and two-thirds felt the talent management goals were worthwhile.

Overall, WACKER invested €7.7 million in personnel-development measures and advanced training in 2015 (2014: €7.0 million).

WACKER Signs Diversity Charter and Implements Quota for Women

Globalization, demographic change and new regulatory requirements are making diversity and inclusion increasingly important issues. In 2015, WACKER started a groupwide initiative to promote diversity and inclusion in the workforce. The company joined the German nationwide Diversity Charter initiative. WACKER Germany is focusing on gender, age/experience and cultural background. People from 70 different nations work for WACKER. At the end of 2015, 41 of a total of 190 executive personnel groupwide were of non-German nationality – which corresponds to 22 percent of the total. Overall, 16 nationalities were represented at the executive level.

The German statute on equal opportunity for women and men in management that became law on May 1 has been implemented at WACKER as follows:

Executive Board: While Wacker Chemie AG attaches considerable importance to diversity as regards appointments to the Executive Board, expertise and qualifications remain the principal criteria for such appointments. In addition, there are no regular new appointments planned for the next available opening (June 30, 2017). Under these circumstances, the target for the proportion of women in the Executive Board for the period up to June 30, 2017, is zero.

Management levels below the Executive Board: WACKER is focusing its attention on the two levels of management below the Executive Board as depicted in the Wacker Chemie AG organizational chart. With regard to the second reporting level, we have also decided to include only managerial employees from the highest above-standard pay scale or those who are OFK executive personnel with responsibility for managing employees.

We have also designated the period up to June 30, 2017 as the reporting period for the two management levels below the Executive Board. Because our numbers are based on the status quo as of June 30, 2015, we will have a two-year period to observe developments.

Proportion of women: We aim to increase the proportion of women in the first level of management from 8 percent to 10 percent. For the second level of management, we have set a goal of raising the proportion of women from 14.5 percent to 17.5 percent. This goal is ambitious, given the fact that WACKER is a technology-oriented company. As a rule there are fewer women in the scientific-technical professions that are important to WACKER. Furthermore, there is very little staff turnover in Germany, and new appointments to the first and second levels of management are usually the result of employees going into retirement.

Employee Surveys at German Sites

WACKER conducted an inter-site employee survey in Germany in 2015. The goal was to identify the organization's strengths and areas for potential improvement. The survey is also intended as a tool for assisting managerial employees in improving performance in their areas of responsibility. The evaluation of all German site results showed that WACKER employees identify with their employer to a large degree.

80 percent of the respondents are proud to work for WACKER and 82 percent would recommend WACKER as an employer. 78 percent are willing to exert themselves and carry out tasks above and beyond what is required of them to contribute toward the Group's success. In addition, employees gave the Group a better-than-average rating for customer focus. 92 percent emphasized the fact that their tasks and what was expected of them were clearly defined. 90 percent responded that they are given work commensurate with their knowledge and abilities.

Employees felt that there was room for improvement regarding acknowledgment of their accomplishments, perceptions of appropriate compensation and opportunities for personal development. At the plants in particular, the employees expressed the wish to be included more in change processes and to learn together from mistakes.

Idea Management: Fewer Suggestions

The ideas submitted by WACKER's employees help it to do things better and stay competitive. The number of employee suggestions decreased in 2015. In total, we received 7,429 suggestions (2014: 7,672), down by roughly 3 percent. The participation rate (number of submitters per 100 employees) also fell slightly to 29 percent (2014: 30 percent). The calculable benefit was €6.8 million (2014: €8.3 million).

Idea Management

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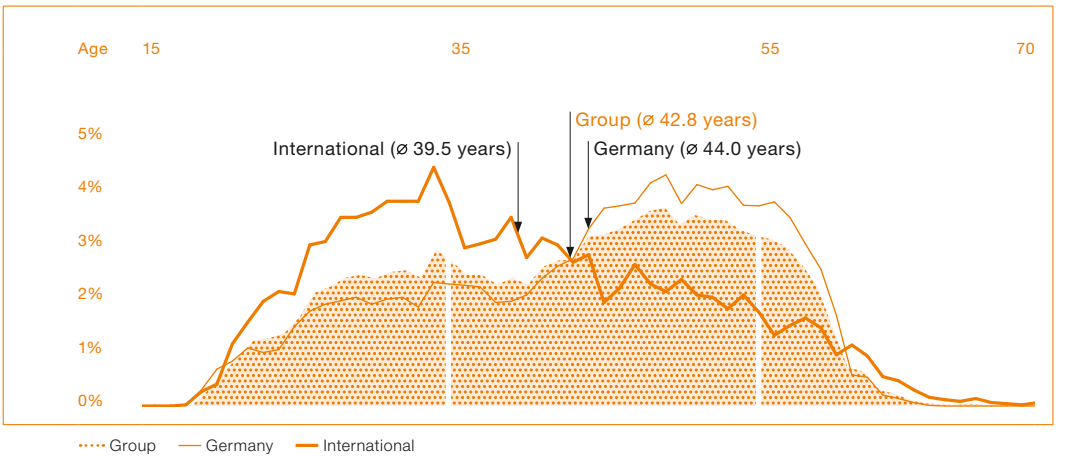
	2015	2014	2013	2012	2011	2010	2009
Number of improvement suggestions	**7,429**	7,672	9,159	8,982	8,220	7,702	5,724
Participation rate (%)	**29**	30	32	34	34	33	28
Calculable benefit (€ million)	**6.8**	8.3	7.7	4.9	7.8	10.5	11.2

WACKER has been addressing demographic change for many years. The average age of the Group's workforce at the reporting date was 42.8. Employees at non-German sites are younger (average age: 39.5) than in Germany (44.0). The age structure abroad varies greatly from region to region. Staff at Asian sites are comparatively young (average age: 34.8), while staff at US locations have an average age of 45.3. Regional variations in age structure are not exclusive to WACKER; they reflect the age structures of the populations in the respective continent or country.

Demographic Analysis of German and International Sites in 2015

G 3.39



Health Management Continues to Focus on Back Health

To maintain WACKER's long-term innovative and competitive strength, we have set ten strategic goals. Long-term measures for the workforce range from training opportunities to health programs. WACKER's health management program focuses on five fields. Our goal is to prevent spinal disorders and cardiovascular diseases in our workforce, increase mental resilience, ensure that tasks are age-appropriate and find suitable jobs for staff with health restrictions. In 2015, Health Services continued the groupwide initiative for back health it had initiated in the previous year. This campaign aims to raise awareness and introduce prevention programs. At WACKER, back problems are the leading cause of sick days.

In 2015, the Fit for Your Shift project included Siltronic AG employees for the first time. In this health program tailored to shift workers, participants are taught habits that can help them deal better with the pressures of shift work in the long term. The evaluation of two years of practical experience demonstrated that participants reduced risk factors such as being overweight and improved their fitness and quality of sleep.

WACKER initiated the Health Culture 2020 program in Germany, with the aim of improving the long-term health of its employees, ensuring that they remain fit for work and thus reducing days of work missed due to illness. The main emphasis of the project is to strengthen our employees' sense of responsibility for their own health and to assist managers in stewardship of their resources and promoting healthy behavior in their employees.

At our main site in Burghausen, we opened a new health center: a modern, efficient facility for providing occupational and emergency medical care to about 10,000 employees.

Good social benefits, competitive compensation and motivating tasks make WACKER an attractive employer. This explains our high level of employee loyalty. The average length of service in Germany (permanent staff) was 18.4 years (2014: 18.1 years). In 2015, the groupwide employee turnover rate remained virtually constant at 4.6 percent (2014: 4.1 percent), while in Germany it was only 1.1 percent (2014: 0.8 percent). At non-German sites, the rate was 14.6 percent (2014: 13.8 percent).

Employee Turnover Rate

T 3.40

%	2015	2014	2013	2012	2011	2010[2]	2009
Germany	**1.1**	0.8	0.9	0.9	0.9	0.6	0.7
International	**14.6**	13.8	11.9	30.8[1]	8.9	8.7	8.6
Group	4.6	4.1	3.4	7.9	2.9	2.5	2.5

[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 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 2015. In the annual satisfaction survey conducted by Germany's Association of Chemical-Industry Executives (VAA), Wacker Chemie AG returned to the top ten of German chemical and pharmaceutical companies. WACKER ranked eighth with a score of 2.9 (with 1 being the highest and 5 the lowest), up from twelfth place in 2014, and performed above the average grade of 3.1 that managerial employees from 23 companies gave their respective employers.

Sustainability

Managing Sustainability

Companies can be profitable in the long term only if they assume responsibility for the environment and society. Sustainability has been firmly rooted in our business processes for many years. Its importance to our company is shown by the fact that we have made sustainability 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: the chemical industry's Responsible Care® initiative and the UN's Global Compact. These voluntary measures to protect the environment, employees and society go beyond what is legally required. We also expect our suppliers to observe the principles of the UN's Global Compact and the Responsible Care® initiative, and have anchored this in our general terms of procurement.

WACKER made substantial progress on strategic sustainability-management projects in 2015.

► Regional Emphasis

In 2015, the USA was the focal region of WACKER's sustainability management, and we examined the environmental, health and safety aspects of individual sites, including the new plant in Charleston, Tennessee.

► Group Certificate

Our Group certification program ensures that customer-driven specifications and our corporate standards are implemented at all WACKER sites. Almost all WACKER production sites are included in the Group certification program. Exceptions to this are the sites in Brazil, the Kolkata plant belonging to Wacker Metroark Chemicals Pvt. Ltd., India, and the WACKER BIOSOLUTIONS site in Halle, Germany. All these sites, however, have corresponding individual certificates. As of 2012, all sites belonging to Wacker Chemie AG, Siltronic AG and Alzwerke GmbH have been certified to ISO 50001 (energy management

systems). Wacker Biotech GmbH, DRAWIN Vertriebs-GmbH and Wacker-Chemie Versicherungsvermittlung GmbH began introducing this standard during the reporting year. The silicone-producing sites in Burghausen and Nünchritz (Germany), Jandira (Brazil), Zhangjiagang (China) and Amtala (India) have been certified to ISO 22716 for the cosmetics industry.

- **Greenhouse Gas Emissions**

The Group's corporate CO_2 footprint report is an important tool for improving climate protection. We have been calculating our indirect greenhouse-gas emissions in accordance with the Greenhouse Gas Protocol Scope 3 Accounting and Reporting Standard since 2012. These emissions include all those generated along the supply chain, e.g. by suppliers or through waste disposal and the transportation of products. In 2015, we also started calculating downstream transportation routes in accordance with Scope 3. In addition, calculations of our carbon footprint now include the effects of procured products and handling of our sales products right to the end of the product lifecycle.

- **Sustainability Platform**

In 2015, groupwide implementation of our new IT system for sustainability reporting (SPIRIT) was completed, thereby replacing various individual systems. We use this software to record environmental and safety-related events, for example, and to manage internal and external Integrated Management System (IMS) audits. Over 4,000 Group employees used SPIRIT during the year under review.

Sustainability Report Published

In 2015, WACKER published its Sustainability Report for 2013/2014. The company again published the report exclusively as an online version – also in the interests of environmental protection. The report fully meets the G3 guidelines set by the Global Reporting Initiative (GRI). GRI accorded the report an A, its highest application level.

Compliance Management Reports Increase in Cybercrime Activities

WACKER's ethical principles of corporate management go above and beyond the legal requirements. There are 24 compliance officers available worldwide to answer employee inquiries. They are based in Germany, the USA, China, Taiwan, Japan, India, South Korea, Brazil, Mexico, Singapore, Russia and the United Arab Emirates. Compliance issues arising in countries other than those listed are handled in Germany by the Chief Compliance Officer. When Siltronic AG went public in the reporting year, a Chief Compliance Officer was also named for this Group subsidiary. We named a compliance officer for the new polysilicon site in Tennessee, USA, as well.

Employees are instructed to inform their supervisors, the compliance officers, the employee council or their designated HR contacts if they notice any violations. In 2015, Compliance Management consulted with the international sites to ensure that globally applicable measures comply with local requirements. Another focus was the continued prevention of cybercrime.

Workplace and Plant Safety – 1,600 Machines Inspected

Operating plants and processes in a manner that poses no risk to people or the environment is an important objective at WACKER. To this end, we have installed a groupwide safety management system that addresses both workplace and plant safety. In 2015, we completed alignment of our processes and workplace safety standards with the international OHSAS 18001 standard.

Systematic workplace safety includes regular evaluation of hazards and work-area monitoring. The first step in ensuring plant safety is to systematically identify risks and assess them. This includes analyzing how well we control the energy present in a process (e.g. pressure, heat) and determining the effect that a single 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.

One area of focus since 2013 has been on machine safety as part of our ANSIKO project. By the end of 2015, experts had inspected around 1,600 machines at all sites all over the globe. We then used their recommendations to make these machines even safer for our employees.

WACKER attaches particular importance to providing its safety experts with ongoing training. We hold regular training sessions on topics such as plant safety. During the reporting year, we conducted training for our specialists in Adrian (USA), in particular in the area of explosion damage protection. We also carried out safety inspections at the US sites in Adrian, Calvert City and Eddyville. Safety experts from Germany assisted with commissioning of the new Charleston site.

Our goal for occupational safety in 2015 was to reduce our groupwide accident rate (the number of workplace accidents per million hours worked) to below 2.0. We did not reach this target, having 2.6 workplace accidents with missed workdays per 1 million hours worked groupwide in the reporting year. 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 2015 was 1.0 per 1 million hours worked (2014: 1.2), whereas in 2014, 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 WACKER 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 elements of successful safety strategies at 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 2015 on reviewing and updating hazard assessments. As a consequence, we have improved protection strategies and safety measures in many areas. The program will be continued at all German sites in 2016.

Workplace Accidents Involving Permanent Staff and Temporary Workers

T 3.41

Number	2015	2014	2013	2012	2011	2010	2009
Accident rate for Group employees: accidents[1] per 1 million hours worked	**2.6**	2.8	3.8	4.7	3.9	4.3	4.0
Accident rate for Group employees: reportable accidents[2] per 1 million hours worked	**1.0**	1.2	1.4	2.1	1.4	1.2	1.2

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

Safe Transport of Hazardous Materials

WACKER ensures that its products are safely transported and stored. We carefully inspect vehicles before loading them, especially if hazardous goods are involved. In 2015, we had inspections carried out on over 7,000 trucks. If a vehicle fails an inspection, we refuse to deploy it until the defects have been remedied. Failure rates have been low for years now. In 2015, the rate was about 1.5 percent for hazardous goods shipments in Germany (2014: 0.3 percent). WACKER regularly audits its hazardous goods shippers.

We also review aspects of transport safety with our logistics providers. If deficiencies are found, we agree on improvements and then follow up on their implementation. When selecting logistics service providers and evaluating their performance, 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). Through the use of standards and specifications, WACKER ensures that even the subcontractors working for our logistics providers meet our stringent safety requirements.

In 2015, we recorded 13 transport incidents (2014: 8). This number includes accidents occurring during distribution of our intermediates and products in cases where we commissioned the transport. It also includes incidents not involving hazardous goods, whether or not they adversely impact people or the environment.

For high-risk products, we use packaging and tanks that meet the highest quality standards – in some cases exceeding statutory requirements.

Transport Accidents

T 3.42

Number of Accidents	2015	2014	2013	2012	2011	2010	2009
Road	**10**	5	4	8	6	4	5
Rail	**2**	2	1	2	1	1	–
Sea	**1**	1	2	–	1	–	–
Inland waterways	**–**	–	1	–	–	–	–
Air	**–**	–	–	–	–	–	–

Experiment Kit Wins Award and Commitment to Refugees

A company can be successful only if it enjoys the trust of the public, which is why we take our social responsibilities seriously, especially in communities around our sites. Training young people in the natural sciences is especially important to us because we need dedicated scientists and engineers in order to remain competitive.

WACKER continued work on its $CHEM_2DO$ experiment kit during the reporting year. After two years of seeing how the kit was used in practice, we adapted the 2012 edition to better reflect both the situation in the schools and the students' prior knowledge. The new edition has been available since autumn of 2015. Germany's federal SCHULEWIRTSCHAFT association presented Wacker Chemie AG with first place for the 2015 SCHULEWIRTSCHAFT "That has potential!" award in the Beginners – Large Companies category for its $CHEM_2DO$ Experiment Kit. This network awards its prize to active companies committed to improving job prospects for students. WACKER once again sponsored the Dresden/East Saxony regional heat of Young Scientists in 2015.

We attach particular importance to projects that help children and young people. In 2007, we began supporting Die Arche (The Ark), a Munich-based Christian charity for children and adolescents. The initiative, which works with around 400 children and young people from socially disadvantaged families, including refugee children, provides children with hot meals and extra tutoring, organizes leisure activities and offers counseling. In the reporting year, WACKER presented its ninth annual donation of €100,000 to the charity's Munich branch.

WACKER's own Burghausen Vocational Training Center (BBiW) accommodated four unaccompanied adolescent refugees from Afghanistan in its youth guest house in 2015. Along with the eight African refugees taken in by WACKER in 2014, the company is now helping to integrate twelve displaced young people. The 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 vocational training.

New WACKER HILFSFONDS Project

Large areas of Nepal were devastated by two severe earthquakes in the spring of 2015, and the country still has not recovered from the disaster. According to UNICEF estimates, 400,000 people, one-fourth of them children, were ill-prepared for the onset of winter, more than half a year after the earthquake.

WACKER HILFSFONDS, our foundation for disaster aid, asked employees last year to make a donation to Namaste Nepal S-GmbH, a student charity based in Freiberg, Germany. The project was founded in 2015 by students at Geschwister-Scholl-Gymnasium secondary school, with the aim of cooperating with a Nepalese aid organization in building schools and preschools in the Sindhupalchok province. Wacker Chemie AG is taking part in the fundraising campaign by making an initial donation of €50,000 and then matching employees' donations.

Environmental Protection

WACKER attaches particular importance to integrated environmental protection, which commences with product development and plant planning. Our environmental protection measures often surpass statutory requirements – in the spirit of the central idea behind the Responsible Care® initiative. WACKER constantly works on improving its production processes, with the aim of conserving 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.

Our commitment to environmental protection is visible in the awards we have won. For example, in 2015, the Association of International Chemical Manufacturers (AICM) in Beijing presented the Responsible Care® Chairman Award to WACKER Greater China for the second time. WACKER received the 2015 GreenFleet award for its sustainable fleet and passenger transport strategy. The award was conferred by FleetCompany GmbH, a subsidiary of TÜV Süd (the German association for technical inspection). The jury honored WACKER for using environmentally friendly vehicles, keeping passenger transports and business trips to a minimum, organizing shuttle services, and maintaining a fleet of on-site bicycles.

In 2015, WACKER invested €5.7 million in environmental protection (2014: €5.1 million). In the same period, environmental operating costs amounted to €83.8 million (2014: €88.2 million). Our silicon-metal plant in Holla (Norway), which we acquired in 2010, has been included in our environmental performance indicators since 2011. Metallurgical production at the site is quite different from WACKER's typical chemical operations with respect to environmental impact. Airborne emissions, in particular, have risen as a result of the acquisition. Accounting for environmental performance indicators has included consolidated reporting on the new pharmaceutical site in Halle since 2015. The Charleston site reported environmental performance indicators for the commissioning phase in 2015.

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 in which our main global production sites are located. This assessment has been conducted since 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.

One of our goals is to ensure even better protection of rivers and other surface water against the escape of harmful substances. In 2015, we identified potential groupwide risks to water and researched possible countermeasures. As part of our plant safety plans, we have developed additional measures for further enhancing protection. We have completed a project at the Burghausen site for improving protection of the Salzach river. We have further minimized the risk of water pollution caused by harmful substances leaking out from our direct-stream cooling system. To this end, we have, for example, shortened test equipment intervals and safeguarded our cooling water using secondary loops. In 2015, Wacker Chemie AG joined together with seven other companies from ChemDelta Bavaria to form the Naturnahe Alz association. The aim of this environmental initiative is to support the state of Bavaria in renaturalizing the Alz river and enhancing its ecosystem over the long term.

In 2015, we applied for a permit as required under German water law that will allow us to extract more groundwater at the Burghausen site in the future. We want to ensure the quality of our ultrapure water supply and, in particular, to bridge periods of poor-quality surface water. We will implement an extensive monitoring program when extracting groundwater. This will include measuring groundwater levels and discharge at three streams in the Haiming municipality and carrying out a functional check of the habitats in the riparian woodland, including evaluations of the status of conservation. Our aim is to ensure that groundwater extraction does not have a negative impact on the environment.

At the Burghausen site, WACKER SILICONES reduced the organic burden within the effluent feed to the biological wastewater treatment plant by means of Fentox® split-stream treatment. Over the last six years, we have gradually reduced the volume of harmful substances emitted into the Salzach river. We switched the biological wastewater treatment plant's first bio-stage from double-tank to single-tank mode and started operation of an additional intermediate wastewater storage tank. We use it to collect peak pollutant loads so that they can be fed into the biological wastewater treatment system in a controlled manner during phases of low influent from production. The consistent feed-in supply leads to more stable operation of the biological wastewater treatment plant. Emissions of organic pollutants to the Salzach river have decreased by 42 percent since 2010. "Save Wastewater and Make a Profit" was the title of a special Employee Suggestion Program initiative that took place at the Nünchritz site from December 2014 to September 2015. The purpose of the initiative was to encourage employees to develop ideas for conserving and recycling water in production, thereby raising their general awareness for reducing wastewater. In the course of the initiative, wastewater in the central wastewater treatment plant at Nünchritz went down by some 5 percent.

Carbon dioxide emissions (Scope 1) were reduced groupwide by 1.4 percent, while NO_x emissions fell by around 4 percent. At the Freiberg site, Siltronic took a third stage of the NO_x scrubber into operation. We modernized a burner stage of the steam generator in Nünchritz. We reduced our NO_x emissions in Nünchritz by cutting the amount of waste that is thermally processed. Extending the operating time of the gas turbine in our Burghausen power plant had a positive effect on NO_x emissions.

At WACKER BIOSOLUTIONS' Eddyville site in Iowa (USA), optimization of apparatus maintenance and solvent recovery has enabled us to continuously reduce NMVOC emissions since 2012 by 33 percent. NMVOC emissions rose groupwide due to increases in production.

At the Burghausen site, we commissioned a facility to recover 2,400 metric tons per annum of ethylene – previously disposed of in the waste-gas generator there – and utilize it for VAM production at WACKER POLYMERS.

In the reporting year, we also recorded waste at the Burghausen site that was not generated during production, but rather during construction and investment activities, e.g. rubble, scrap steel and paper. The amounts of waste produced in the period 2009 through 2014 were amended retroactively. The overall volume of waste generated decreased by around 3 percent groupwide in the reporting year.

Ever since WACKER acquired the Norwegian site in Holla in 2010, the main focus there has been on ongoing improvements to environmental protection efforts for the site's energy-intensive silicon-metal production facilities. For example, maintenance was optimized for equipment that removes dust from silicon-metal production. These measures have significantly reduced emissions. While 3 kilograms of dust were emitted per metric ton of product in 2014, this figure was down to 2.5 kilograms in the reporting year, a specific reduction of 20 percent.

Environmental Indicators from 2009 to 2015

T 3.43

	2015	2014	2013	2012	2011	2010	2009
Air							
CO_2 emissions[1]							
Direct (kt)	**1,234**	1,251	1,253	1,311	1,341	986	969
Indirect (kt)	**1,544**	1,420	1,241	1,133	1,075	–	–
NO_x nitrogen oxides (t)[2]	**1,910**	1,990	2,010	2,225	2,221	926	963
Non-methane volatile organic compounds (NMVOCs) (t)[3]	**910**	870	830	750	700	610	530
Water							
Water consumption (thousand m³)	**237,060**	241,973	220,908	242,072	268,657	252,151	264,532
Chemical oxygen demand (COD) (t)	**1,150**	1,230	1,320	1,460	1,680	1,820	2,730
Halogenated organic hydrocarbons (AOX) (t)	**2**	2	2	3	5	6	6
Waste[4]							
Disposed of (t)	**46,490**	51,570	39,210	41,340	46,640	48,620	84,310
Recycled (t)	**121,420**	121,540	124,040	114,330	110,920	91,970	73,550
Hazardous (t)	**75,520**	78,330	78,910	70,910	73,950	71,340	102,200
Non-hazardous (t)	**92,390**	94,780	84,340	84,760	83,610	69,250	55,660
Energy[5]							
Electricity consumption (GWh)	**5,147**	4,926	4,521	4,519	4,277	3,623	2,568
Primary energy consumption							
Of which							
Natural gas (GWh)	**5,029**	4,975	5,051	5,927	5,771	5,463	5,378
Solid fuels (coal, charcoal, wood) (GWh)	**768**	839	872	862	886	432	–
Heat supplied by third parties (steam and district heating) (GWh)	**245**	242	236	223	218	228	209
Heating oil (GWh)	**20**	20	17	18	16	13	8

[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 CO_2 emissions. Scope 2: indirect emissions from the consumption of purchased energy (converted into CO_2 equivalents for purchased electricity). 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. In addition to the Group's direct CO_2 emissions, sites' intra-plant traffic emissions were also taken into account for sustainability reporting.
[2] Corrected NO_x emissions for 2014 for the Burghausen site following groupwide harmonization of data reported.
[3] The method for calculating the total volume of non-methane volatile organic compounds (NMVOCs) emitted by our production facilities was amended in 2014. Further groupwide harmonization of data reported in 2015 resulted in another adjustment to the emission volumes reported as of 2009. The rise between 2014 and 2015 was due to production increases.
[4] Since the 2015 financial year, all waste has been recorded at the Burghausen site, even waste that is not generated during production. The latter mainly includes rubble, scrap steel, paper, etc. The corresponding amounts of waste generated were adjusted for the period 2009 through 2014.
[5] Further groupwide harmonization of data reported in 2015 resulted in another adjustment to the energy figures reported as of 2009.

Our indirect CO_2 emissions from procured energy (as per Greenhouse Gas Protocol Scope 2) rose to 1,544 kt in 2015 (2014: 1,420 kt). The rise is due to the inclusion of emissions from electricity consumption for 300 mm wafer production in Singapore, increased production volumes at Burghausen and Nünchritz, and the higher emissions factor for electricity generation in Germany (data in accordance with "CO_2 Emissions from Fuel Combustion, 2015 Edition" published by the International Energy Agency). We used energy-efficiency measures to reduce weighted specific energy consumption and related specific CO_2 emissions – while maintaining a comparable product portfolio.

The Group's corporate CO_2 footprint report is an important tool for improving climate protection. Accordingly, in addition to starting in 2011 to track our indirect greenhouse gas emissions from procured energy (in accordance with Greenhouse Gas Protocol Scope 2), 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 2015, we once again provided this 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.

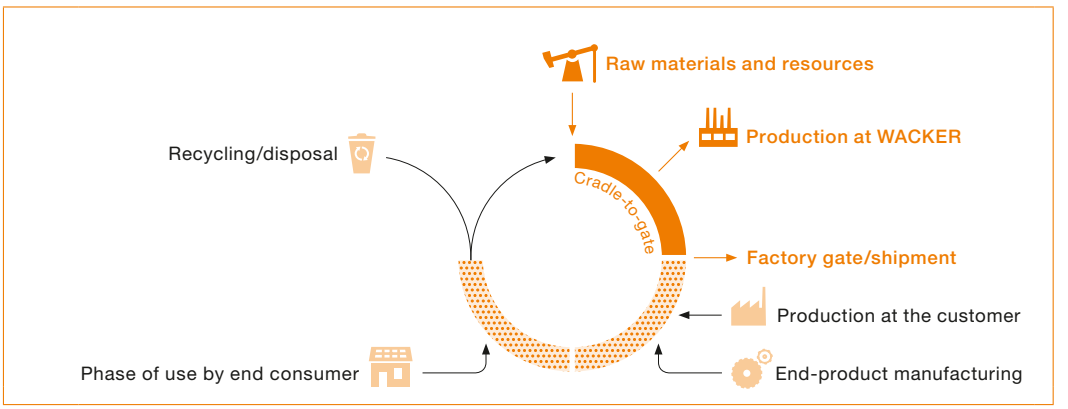
Wacker Chemie AG once again improved its annual sustainability rating bestowed by CDP. Achieving a disclosure score of 97 out of a possible 100 points and a performance score of B on a scale of A to E, we are above average in the Energy & Materials category. WACKER is among the leading companies listed in the MDAX index.

Product Stewardship

WACKER takes environmental, health and safety aspects into consideration 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. Our evaluations factor in the material, water and energy consumption of a product, as well as its ecotoxicity, over the entire lifecycle. With the help of the WACKER EcoWheel®, we identify key sustainability topics and, together with our customers, set priorities for research projects.

Product Lifecycles

G 3.44



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 while at the same time contributing to 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) consumed by our power plants.

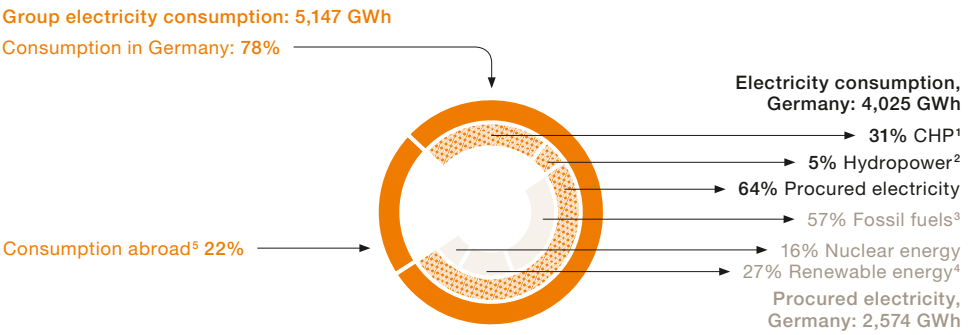
To enhance energy efficiency and reduce specific energy consumption (amount of energy per unit of net production output), the Executive Board has defined energy targets for WACKER Germany. Our original goal was to reduce weighted specific energy consumption by one-third between 2007 and 2022, but we had already achieved that by 2014. We have now set a goal of reducing specific energy consumption by half of the 2007 level by the year 2022. Our energy goals ensure that we meet one of the requirements of the energy management system as per ISO 50001, a standard that we have introduced and certified at all sites of Wacker Chemie AG, Siltronic AG and Alzwerke GmbH in Germany. Accordingly, we introduced an energy management system three years before it even became mandatory to do so in 2015.

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 major sites in Burghausen and Nünchritz, we produce steam and electricity using cogeneration systems. These combined heat and power (CHP) plants are highly efficient, with more than 80-percent fuel efficiency, which is significantly higher than that of conventional plants generating electricity and heat separately.

Electricity Supply

G 3.45



[1] Burghausen
[2] Burghausen
[3] Coal, lignite, oil, gas; modified calculation method: since 2014, data has been in line with Germany's energy mix; source: BDEW (German Association of Energy and Water Industries); status as of Nov. 2015, for the year 2014
[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

While absolute electricity consumption rose slightly to 5,147 GWh in 2015 (2014: 4,926 GWh), we were able to reduce specific energy consumption with energy-efficiency measures. The rise in absolute consumption stemmed from high polysilicon-plant utilization throughout the year and from including 300 mm wafer production in Singapore in the energy report. The Group's power plants – the hydroelectric and CHP plants in Burghausen and the power plant in Nünchritz – produced around 1,451 GWh in 2015 (2014: 1,405 GWh). This means that WACKER covered almost 30 percent of its total energy requirements from its own production. 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 (2014: 1.1 million metric tons).

WACKER is subject to the regulations of the EU emissions trading system because of its CHP plants at the Burghausen and Nünchritz sites. Procurement of emission allowances has been included in energy-procurement planning since 2013. Having achieved a surplus in the second trading period (2008 through 2012), we did not have to purchase additional emission allowances for 2013. We have covered shortfalls since 2014 by buying emission allowances for facilities subject to emissions trading.

WACKER's German production sites accounted for 78 percent (2014: 79 percent) of its total electricity needs. In Germany, WACKER purchased 64 percent (2014: 64 percent) of the electricity it required. In line with the German energy mix, 57 percent of this electricity was generated from fossil fuels (2014: 56 percent), with 16 percent coming from nuclear energy (2014: 15 percent) and 27 percent from renewable energy sources (2014: 26 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 3,520 GWh (2014: 3,571 GWh).

Energy Consumption[1]

T 3.46

GWh	2015	2014	2013	2012	2011	2010	2009
Electricity consumption	**5,147**	4,926	4,521	4,519	4,277	3,623	2,568
Heat consumption[2]	**3,520**	3,571	3,709	3,734	3,828	3,321	2,738
Primary energy use (total)	**6,062**	6,081	6,176	7,030	6,891	6,136	5,595
Of which							
Natural gas	**5,029**	4,975	5,051	5,927	5,771	5,463	5,378
Solid fuels[3] (coal, charcoal, wood)	**768**	839	872	862	886	432	–
Heat supplied by third parties (steam and district heating)	**245**	242	236	223	218	228	209
Fuel oil	**20**	20	17	18	16	13	8

[1] Further groupwide harmonization of data reported in 2015 resulted in another adjustment to the energy figures reported as of 2009.
[2] 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.
[3] Used as a reducing agent at the silicon-metal plant in Holla, Norway

Procurement and Logistics

WACKER's procurement volume increased in 2015, primarily due to higher investment spending and increases in volumes. Volumes are broken down into raw materials and energy, and into services, materials and equipment, with a high proportion for investments. WACKER spent €3.66 billion (2014: €3.19 billion) on raw materials, other materials and services. This figure includes investment-project procurements of €834 million (2014: €572 million). Our procurement rate – raw materials, services and other materials as a percentage of sales – was 69 percent (2014: 66 percent). In 2015, we procured around 1,300 different raw materials as well as numerous technical goods and services for plant engineering and for maintenance. Our suppliers number about 11,500 (10,500 at Technical Procurement & Logistics and 1,000 at Raw Materials & Energy).

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

At €1.73 billion, the Group's energy and raw-material procurement volumes were 4.8 percent higher (2014: €1.65 billion), a mid-single-digit range growth rate. The weakening of the euro relative to the US dollar and the Chinese renminbi had a negative impact on raw-material prices. On the other hand, weak demand for raw materials and the continued drop in the oil price slowed the price increases. Prices for key petrochemical raw materials were only partially affected – and with a delay – by the steep drop in the oil price. Downtime at several crackers in Europe and Asia led to tight markets for olefins and olefin derivatives. However, prices for our petrochemical raw materials, such as vinyl acetate monomer, were on the whole significantly lower than in 2014. The price of silicon metal rose because Brazil, a major supplier, reduced production of this raw material due to water shortages. The prices we paid for gas and electricity were stable or slightly lower in 2015. Price hedging strategies meant that the effects of lower costs were not felt in full.

Procurement Volumes (incl. Procurement for Capital Expenditures)

T 3.47

€ million	2015	2014	2013	2012	2011	2010	2009
Procurement volumes	**3,655**	3,187	3,076	3,493	3,418	2,799	2,342

In North America, we initiated the start-up of the new site in Charleston (Tennessee) at the end of 2015 and made preparations for supplying it with the necessary raw materials and energy.

Technical Procurement&Logistics

The Technical Procurement & Logistics department's invoice volume was some 25 percent above the prior-year level due to higher investment expenditures. We were able to avoid price increases for technical materials, whereas there were moderate price increases for services. Delivery times were at 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 2015, we signed major multi-year master agreements in particular segments such as logistics and technical services. Launched in 2013, an initiative for reducing dependence on individual suppliers continues to show measurable results and is being expanded. Last year, our Project Procurement unit handled 15 projects at various stages of planning. The largest of these were the polysilicon expansion project in Tennessee (USA) and the new dispersions reactor in Kentucky (USA).

As a result of investment projects carried out in the USA, Asia and Europe, we have worked with a large number of qualified local suppliers. We will continue this collaboration so that WACKER can benefit from the advantages of a global procurement market and increase competition among our long-standing suppliers. Our goal is to optimize our procurement costs, delivery times and quality, as well as to quickly tap additional supply sources.

Systematic review of supplier risks is an important tool used by WACKER for properly 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 & Logistics, we reviewed 366 suppliers in 2015.

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 up to payment of invoices. An important indicator is the number of orders placed automatically. A global total of over 650,000 items were ordered by Technical Procurement & Logistics and Raw Materials & Energy (2014: over 600,000 items), of which around 490,000 items are attributable to Technical Procurement's activities at our major sites. In 2015, 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. We currently work together with approximately 160 suppliers on the basis of e-catalogs.

Direct Contact with Our Suppliers

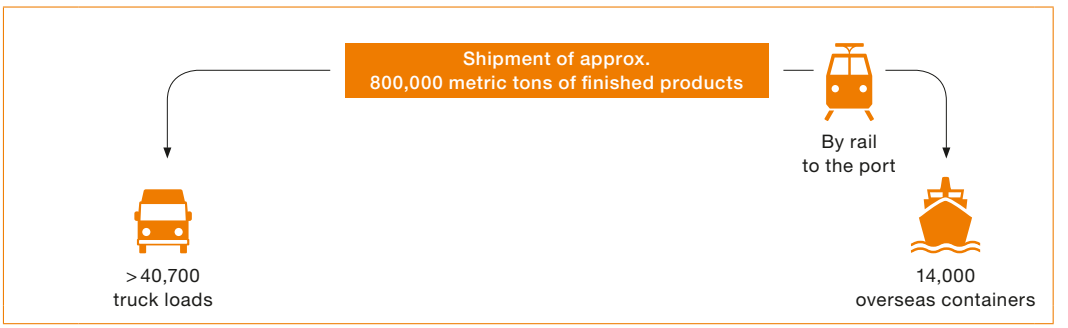
At WACKER, we have always valued direct contact with our suppliers. About 420 companies attended our Supplier Day held in Burghausen on June 11, 2015. Prizes were awarded to two companies, Elektro Kreuzpointner and Maasch Metallbau, for their reliability and long-term partnership with WACKER, while Kirsch Apparatebau was named Best Partner in the Equipment/Hardware category. The prize for Best Joint Innovation went to Kunert Wellpappe, and the Best Service Partner award was conferred on Sächsische Binnenhäfen Oberelbe GmbH. OOCL Logistics Ltd. was honored for its good global collaboration with WACKER. WACKER is interested in building long-term relationships with its suppliers, while at the same time reducing its dependence on individual suppliers. 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.

Shipping Volumes Up

Shipping volumes rose year over year. The Group's largest logistics hub, Burghausen, increased its shipping volume by about 5 percent to around 800,000 metric tons (2014: 762,000 metric tons). The number of truckloads and overseas containers rose slightly, to 40,700 and 14,000, respectively.

Transport Volumes for the Burghausen Logistics Hub

G 3.48



More Rail Shipments

At our new production site in Charleston, Tennessee (USA), we developed and installed the logistics processes required for start-up and production. At the Zhangjiagang plant, a new logistics storage and distribution center started operation in September 2015 in order to more efficiently process higher volumes of raw materials and downstream products and to serve customers more quickly. The combined road and rail terminal in Burghausen, open to public use, has significantly increased the number of goods transshipments and transport connections. Besides additional trains to the northern ports of Hamburg and

Bremerhaven, new connections to Cologne and Trieste have been introduced, helping us to shift more traffic from road to rail. The German Chemical Industry Association (VCI) and the Bavarian VCI presented WACKER with the Responsible Care® Award for its efforts in optimizing overseas shipments.

In February 2015, WACKER joined the Together for Sustainability procurement initiative. The goal of this initiative is to establish a standardized, global program for responsible procurement of goods and services in the chemical industry and to raise the ecological and social standards of suppliers.

Production

Year-over-Year Increase in Production Output

In 2015, production output increased compared with the previous year. WACKER POLYSILICON sold higher volumes than ever before. Our chemical divisions also reported increased volumes, and high plant utilization of over 80 percent. There were no major facility shutdowns. Production costs were up by 4 percent. Maintenance costs of €427 million were above the prior-year level.

Plant Utilization in 2015

T 3.49

%	Plant Utilization
WACKER SILICONES	98
WACKER POLYMERS	85
WACKER POLYSILICON	100
SILTRONIC	87

Investments in new production facilities amounted to €834.0 million in the reporting year (2014: €572.2 million). Most of this amount was for polysilicon production in Tennessee (USA), where we have built a new polysilicon site, construction work having started there in April 2011.

Key Start-Ups

T 3.50

Location	Projects	Start-Up
Calvert City	Dispersions reactor	2015
Burghausen	Polymer powder dryer	2015
Burghausen	Expansion of Performance Silicones Plant (PSP)	2015
Burghausen	Specialty monomers	2015
Holla	Modernization of silicon furnace	2015

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

Focus on Productivity: Higher Plant Capacity Utilization and Lower Specific Maintenance Expenditures

High productivity throughout the supply chain is a key to WACKER's success. The Wacker Operating System (WOS) program helps us to boost productivity along the entire supply chain. Our goal is to continue reducing specific operating costs every year. In 2015, we implemented more than 600 projects in operational business and corporate departments. Some 400 of these concerned operations, with the corporate departments accounting for about 200. Last year, WOS focused on improving plant utilization levels, specific energy consumption and raw-material yields, as well as on optimizing specific maintenance costs and reducing third-party contracting.

Productivity Projects According to Focus

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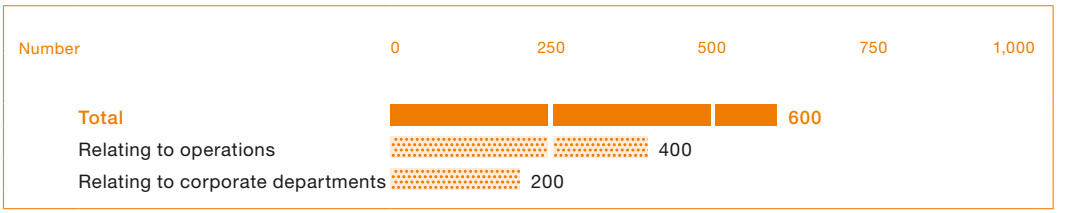

During the year under review, our WOS ACADEMY (founded in 2009) held seven training courses at which some 100 employees were trained in the application of new productivity methods, such as Six Sigma. In addition to these courses, we carried out projects aimed at reducing specific costs.

Sales and Marketing

Sales of WACKER Products Rise

Overall sales of our products were higher in 2015, due to higher volumes and positive exchange-rate effects. 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 2015 product sales were transacted with customers we had supplied in 2014. At WACKER POLYMERS, the repeat-purchase rate was 97 percent (by sales), and the rate at WACKER SILICONES was somewhat over 90 percent. The repeat-purchase rate at WACKER POLYSILICON is not meaningful, since there are customers who have completely withdrawn from the solar business.

Global presence and proximity to customers are among the factors responsible for WACKER's success. Efficient business processes play a significant role here. The experience accumulated over the years by regional sales teams combined with specific measures for improving productivity is at the focus of such processes. International project teams are working on interlinking and optimizing manual and digital sales processes. Another priority is to continue improving sales channels and structures.

WACKER customers can be categorized in three groups: global key accounts, customers, and distributors. Global key accounts are customers of special strategic significance for WACKER and those generating high sales levels. WACKER currently has 39 global key accounts, with which we generated around 25 percent of our 2015 revenue in the chemical divisions (WACKER SILICONES, WACKER POLYMERS and 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 2015. Such platforms are in place in 73 countries. Worldwide, around 47 percent of our sales at the chemical divisions are processed using electronic sales channels. Asia is still at the fore, with over 50 percent.

Sales and Distribution Network Expanded

The chemical divisions' distribution business posted a significant rise in sales in 2015, with the number of distribution partners (300) and the number of cross-regional distributor groups (5) remaining constant. Our 50 most important distributors generated around 80 percent of distribution sales revenue, unchanged from the previous year. In 2015, we reviewed and optimized our existing delivery channels and launched various initiatives for enhancing cooperation with our distributors.

Marketing communications is a key element in strengthening WACKER's branding and effectively promoting sales of our products. In 2015, we spent €14.8 million (2014: €15.2 million) on marketing communications.

Percentage of Marketing Costs

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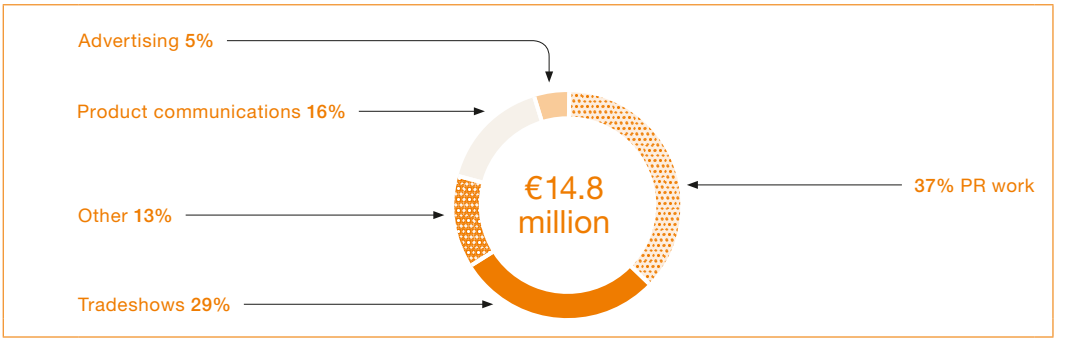

Attendance at 86 Tradeshows Worldwide

WACKER's tradeshow presence remained at a high level in 2015. We had our own booth at a total of 86 tradeshows (2014: 81). The most important tradeshows for us in 2015 were the European Coatings Show in Nuremberg, where we presented our entire expertise in the areas of construction, coatings and adhesives; in-cosmetics in Barcelona; and Compamed, a medical tradeshow in Düsseldorf. We regularly analyze the qualitative and quantitative success of our tradeshow communications, with 30 shows reviewed in 2015 (2014: 24).

Tradeshows in 2015

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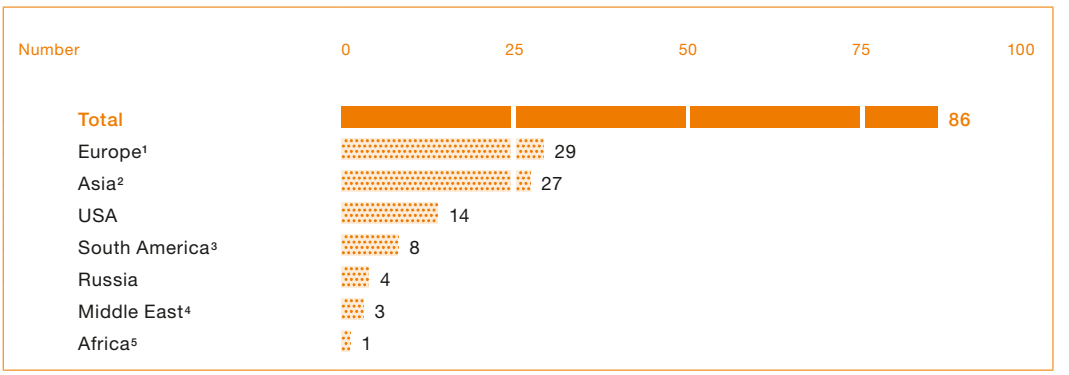

[1] Austria, Belgium, Croatia, France, Germany, Italy, the Netherlands, Serbia, Spain, Sweden, Turkey, UK
[2] China, India, Indonesia, Japan, Myanmar, South Korea, Thailand, Turkmenistan
[3] Brazil
[4] Dubai, Jordan
[5] South Africa

Management Report of Wacker Chemie AG

(Additional Information as per the German Commercial Code)

The management report of Wacker Chemie AG and the Group management report for fiscal 2015 are combined in accordance with the German Commercial Code (HGB) Section 315, Subsection 3 in connection with Section 298, Subsection 3. The annual financial statements of Wacker Chemie AG 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. As of the reporting date, Wacker Chemie AG held a direct and indirect stake of 57.8 percent in Siltronic AG. It placed 25.5 percent of its shares on the Frankfurt Stock Exchange in an IPO on June 11, 2015, and reduced its direct and indirect stake by another 16.7 percent through a simultaneous capital increase at Siltronic AG. Siltronic AG's profit-and-loss transfer agreement with Wacker-Chemie Dritte Venture GmbH, a Wacker Chemie AG subsidiary, was terminated by mutual agreement, effective January 1, 2015. Accordingly, Siltronic AG no longer belongs to the Wacker Chemie AG tax consolidation group. Wacker Chemie AG's directly and indirectly held subsidiaries and investments located in Germany and abroad have a strong influence on its business. Wacker Chemie AG has s total of 56 subsidiaries, joint ventures and associated companies, and also provides corporate functions to the Group. Wacker Chemie AG's Executive Board exercises key leadership functions for the Group as a whole, which include determining the Group's strategy, allocating resources (such as funds for investment), and bearing responsibility for managing executive personnel and 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 in all of the Group's 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 it. For more information, please refer to the respective details provided on the WACKER Group as a whole. The general business conditions of Wacker Chemie AG principally correspond to those of the Group and are stated in section 3.

Wacker Chemie AG had 9,519 employees as of December 31, 2015.

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). These statements differ substantially from the IFRS figures in relation to fixed assets, depreciation and amortization, provisions for pensions, and deferred taxes. As regards EBITDA, 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

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€ million	2015	2014
Sales	**3,587.2**	3,343.3
Changes in inventories	**14.0**	21.4
Other capitalized self-constructed assets	**22.6**	28.8
Operating performance	**3,623.8**	3,393.5
Other operating income	**307.4**	333.1
Cost of materials	**–1,503.5**	–1,471.2
Personnel expenses	**–825.4**	–768.3
Depreciation and amortization	**–312.1**	–319.6
Other operating expenses	**–739.1**	–615.5
Operating result	**551.1**	552.0
Result from investments in joint ventures and associates	**71.5**	56.8
Net interest income	**–104.7**	–71.2
Other financial result	**–2.3**	3.2
Financial result	**–35.5**	–11.2
Pre-tax income	**515.6**	540.8
Income taxes	**–179.8**	–191.6
Net income	**335.8**	349.2
Profit carried forward from the previous year	**960.5**	636.1
Dividends paid	**–74.5**	–24.8
Retained profit	**1,221.8**	960.5
EBITDA*	**863.2**	871.6

* EBITDA is the operating result before depreciation, amortization and write-ups of fixed assets.

Wacker Chemie AG's overall earnings performance improved significantly, whereas the operating result was on par with the prior year. The positive impact of non-recurring effects was somewhat lower in the reporting year than in 2014. A higher net interest loss weighed on pre-tax income, causing net income to fall slightly, from €349.2 million to €335.8 million.

The operating result amounted to €551.1 million (2014: €552.0 million). The chemical divisions, in particular, substantially enhanced their contribution to earnings. At WACKER POLYSILICON, income from advanced payments retained and damages received in connection with terminated contracts was lower at €137.6 million than in 2014 (€206.3 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 €71.5 million (2014: €56.8 million). This figure includes the proceeds from the IPO of Siltronic AG shares. Net interest income was impacted in particular by interest expenses from provisions for pensions. Tax expense was lower, mainly due to slightly lower pre-tax income.

Overall, pre-tax income decreased to €515.6 million (2014: €540.8 million) and net income to €335.8 million (2014: €349.2 million).

Wacker Chemie AG's sales rose by 7 percent to €3.59 billion (2014: €3.34 billion). All of the business divisions contributed toward this growth. Sales at WACKER POLYMERS climbed by 10 percent to €739.5 million (2014: €673.5 million) and at WACKER SILICONES by 9 percent to €1.44 billion (2014: €1.33 billion). WACKER BIOSOLUTIONS' sales rose by 9 percent as well, reaching €136.5 million (2014: €124.8 million). WACKER POLYSILICON more than compensated for lower polysilicon prices with higher volumes, increasing sales by 2 percent to €1.07 billion (2014: €1.05 billion). Wacker Chemie AG's overall operating performance thus increased by €230.3 million to €3.62 billion overall.

At €1.50 billion, the cost of materials in 2015 roughly matched the prior-year level (2014: €1.47 billion). Of this total, outlays for energy declined slightly. Price trends for strategic raw materials were not uniform. Lower prices for ethylene, methanol and vinyl acetate monomer partially offset higher average prices for silicon metal. Overall, the material-to-sales ratio decreased to 41.5 percent (2014: 43.4 percent).

Personnel expenses rose to €825.4 million (2014: €768.3 million), up 7 percent from the previous year and thus in proportion to sales gains. The reasons for this were wage increases achieved under collective bargaining agreements and somewhat higher variable compensation than in 2014. Wacker Chemie AG had 9,519 employees as of December 31, 2015 (Dec. 31, 2014: 9,435). The employee-expense ratio remained constant at 22.7 percent (2014: 22.6 percent).

Depreciation and amortization decreased slightly to €312.1 million (2014: €319.6 million).

The other operating result, consisting of other operating income less other operating expenses, declined by €149.3 million to €–431.7 million (2014: €–282.4 million). This decrease was largely due to a reduction in income from advance payments retained and damages received in connection with terminated polysilicon contracts. In 2015, these payments amounted to €137.6 million (2014: €206.3 million). In addition to exchange-rate effects, other operating expenses comprised selling expenses, maintenance, other contractor work, rents, servicing costs, R&D costs and the assumption of costs of subsidiaries. In particular, the company incurred higher freight costs due to volume growth and posted a foreign-currency loss of €–21.1 million (2014: €6.7 million). Income from the reversal of provisions led to an increase of €5.2 million in the other operating result (2014: €8.4 million).

The operating result came in at €551.1 million and thus virtually matched the prior-year level of €552.0 million.

The result from investments in joint ventures and associates comprised income from profit-and-loss transfer agreements and dividend payments amounting to €81.7 million (2014: €61.2 million). Also included was a €10-million impairment of the stake in a WACKER subsidiary.

The negative net interest result declined further and amounted to €–104.7 million (2014: €–71.2 million). This was mainly due to the lower discount rate used for pension obligations, which led to interest expenses in the amount of €91.0 million (2014: €56.1 million). Interest expenses for financial liabilities were once again slightly lower year over year, as was interest income from securities and fixed-term deposits, while interest income from receivables owed by subsidiaries rose slightly.

Income tax expenses amounted to €179.8 million (2014: €191.6 million) and comprised current taxes paid by Wacker Chemie AG as well as taxes paid on behalf of those domestic subsidiaries with which it has profit-and-loss transfer agreements.

Net income came to €335.8 million. Retained profit for 2015 – calculated as the profit carried forward from the prior year less €74.5 million in dividends paid – totaled €1.22 billion (2014: €960.5 million).

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

Statement of Financial Position

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€ million	2015	2014
Assets		
Intangible assets	9.5	8.9
Property, plant and equipment	1,288.7	1,464.9
Financial assets	1,995.4	1,974.6
Fixed assets	3,293.6	3,448.4
Inventories	428.3	426.5
Trade receivables	357.7	377.3
Other receivables and other assets	920.6	736.0
Receivables and other assets	1,278.3	1,113.3
Securities and fixed-term deposits	20.0	89.2
Cash on hand and demand deposits	118.1	28.8
Current assets	1,844.7	1,657.8
Accruals and deferrals	3.8	3.4
Total assets	5,142.1	5,109.6
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	1,221.8	960.5
Equity	2,627.6	2,366.3
Provisions for pensions and similar obligations	693.6	609.1
Other provisions	328.8	342.6
Provisions	1,022.4	951.7
Financial liabilities	855.3	949.9
Trade payables	148.0	153.1
Other liabilities	450.0	649.6
Liabilities	1,453.3	1,752.6
Accruals and deferrals	38.8	39.0
Total equity and liabilities	5,142.1	5,109.6

Wacker Chemie AG's total assets were almost unchanged year over year, amounting to €5.14 billion (Dec. 31, 2014: €5.11 billion). The individual balance-sheet items did not develop uniformly.

Fixed assets fell slightly in the reporting year to €3.29 billion (2014: €3.45 billion). This was mainly due to a decline in property, plant and equipment, as depreciation of €307.8 million (Dec. 31, 2014: €315.9 million) was substantially higher than investment spending (€135.2 million). Investments primarily focused on plant and machinery. Financial assets grew from €1.97 billion to €2.00 billion. The largest single component of this figure was the €179.4 million in capital raised by an intermediate holding company of the production company Wacker Polysilicon North America, LLC. The purpose of the capital increase was to finance construction of the Tennessee production site. Also in 2015, capital was raised for the subsidiary Wacker Chemicals (China) Company Ltd. (Holding), in Shanghai, China in the amount of €42.3 million. Most of Wacker Chemie AG's stake in a closed-end securities fund was sold in the year under review. The fund assets came to €6.4 million as of the reporting date (Dec. 31, 2014: €197.1 million). The ratio of fixed assets to total assets was 64 percent, compared with 67 percent in the prior year.

The level of inventories remained constant year over year at €428.3 million (Dec. 31, 2014: €426.5 million). Trade receivables decreased from €377.3 million to €357.7 million.

Other receivables and other assets grew by 25 percent to reach €920.6 million as of the closing date (Dec. 31, 2014: €736.0 million). They included significantly higher receivables from affiliated companies in the amount of €868.1 million (Dec. 31, 2014: €636.0 million). As in the preceding year, this was due 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.

Other assets dropped markedly, to €47.4 million (Dec. 31, 2014: €96.3 million), and mainly included tax receivables and receivables from claims for damages against polysilicon customers. In the prior year, they had chiefly comprised tax receivables, advance payments and reimbursement claims.

As of December 31, 2015, Wacker Chemie AG held €20 million in fixed-term deposits with maturities of more than three months. Cash on hand and demand deposits amounted to €118.1 million as of December 31, 2015 (Dec. 31, 2014: €28.8 million).

Equity amounted to €2.63 billion as of the reporting date (Dec. 31, 2014: €2.37 billion), corresponding to an equity ratio of 51.1 percent (Dec. 31, 2014: 46.3 percent). At Wacker Chemie AG's annual shareholders' meeting, a resolution was passed to distribute €74.5 million in retained profit from 2014 as dividends. The remaining retained profit of €886.0 million was carried forward. Retained profit as of December 31, 2015 totaled €1.22 billion, and primarily comprised the current net income in 2015 of €335.8 million and the non-distributed profit carried forward from 2014.

Provisions for pensions and similar obligations continued to rise compared with the previous year, increasing by €84.5 million to €693.6 million (Dec. 31, 2014: €609.1 million). This was chiefly due to the lower discount rate compared with the prior year. Other provisions decreased in 2015 by 4 percent to €328.8 million (Dec. 31, 2014: €342.6 million), and primarily comprised provisions for taxes, personnel and environmental protection. The main reason for this decline was the utilization of provisions for taxes. Overall, provisions accounted for 20 percent of total equity and liabilities.

As of the reporting date, financial liabilities amounted to €855.3 million (Dec. 31, 2014: €949.9 million). This decline of 10 percent was due mainly to repayment of bank loans. Bank loans amounted to €756.1 million as of the reporting date (Dec. 31, 2014: €899.4 million). Liabilities due to affiliated companies rose by €50.2 million to €95.7 million as of the reporting date (Dec. 31, 2014: €45.5 million). Overall, the share of financial liabilities in total equity and liabilities declined to 17 percent (Dec. 31, 2014: 19 percent).

Trade payables declined slightly year over year, to €148.0 million (Dec. 31, 2014: €153.1 million). Other liabilities decreased once again due to the drop in advance payments received under polysilicon contracts and totaled €450.0 million as of the closing date (Dec. 31, 2014: €649.6 million). Polysilicon deliveries for which we had already received advance payments from customers as well as income related to the termination of long-term supply contracts together amounted to €214.4 million. Advance payments received for polysilicon deliveries accounted for 8 percent of total equity and liabilities, and came to €403.1 million (Dec. 31, 2014: €617.5 million).

Deferred income came to €38.8 million as of year-end 2015 (Dec. 31, 2014: €39.0 million) and concerned an advance compensatory payment by Siltronic AG to Wacker Chemie AG in return for the transfer of employees to the latter.

Cash flow from operating activities rose year over year, from €428.2 million to €501.3 million – up 17 percent. This was mainly due to the lower level of working capital, especially as a result of reduced trade receivables and the fact that the year-over-year increase in inventories was only very low. Net income for 2015 includes higher non-cash expenses for pension provisions and other provisions. Non-cash income was roughly on a par with the prior year. As expected, advance payments received for polysilicon deliveries changed in the reporting year by €–214.4 million in line with the deliveries made and the advance payments retained in connection with terminated contracts.

At €–182.1 million, Wacker Chemie AG's cash outflow from investing activities was considerably lower than in 2014 (€–446.8 million). The main reason for this was the fact that a closed-end fund was largely sold, leading to a net cash inflow of €189.0 million. In addition, investments in property, plant and equipment declined marginally, to €135.2 million (2014: €151.9 million). The majority of the funds were used for ongoing investments at the Burghausen site. Financial investments remained below the prior-year level as well. In 2015, capital increases for Wacker Polysilicon North America, LLC were carried out via an intermediate holding company. These increases were necessary to complete construction of the polysilicon production site at Charleston, Tennessee (USA). Financial investments also included a capital increase for Wacker Chemicals (China) Company Ltd. (Holding), Shanghai.

Net cash flow – as the sum of cash flow from operating activities excluding the change in advance payments received and cash flow from long-term investing activities (before securities) – improved substantially in the year under review, and amounted to €352.9 million (2014: €209.9 million).

Cash flow from financing activities totaled €–304.9 million (2014: €–266.6 million). Bank liabilities in the amount of €150.0 million were repaid. Furthermore, Wacker Chemie AG's amount of intra-Group financing was reduced in 2015, mainly due to cash inflows from the sale of shares in connection with the Siltronic AG IPO, which Wacker-Chemie Dritte Venture GmbH made available to Wacker Chemie AG by means of cash pooling. The dividend for fiscal 2014 led to an additional cash outflow of €–74.5 million.

Liquidity – defined as the sum of securities in current assets, shares in closed-end investment funds, and cash on hand and demand deposits – decreased substantially, from €315.1 million to €144.5 million as of December 31, 2015. Net financial debt – the balance of liquidity and liabilities to financial institutions – was only marginally higher, due to reduced liquidity in combination with lower bank liabilities. At year-end 2015, it amounted to €611.6 million (2014: €584.3 million).

Risks and Opportunities

Wacker Chemie AG's business performance is subject to the same risks and opportunities as 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. The measurement of joint ventures and associates is affected in particular by the risks specified in the Risk Management Report. Through our subsidiaries and holdings, we could face impairments arising from legal or contractual contingencies (especially financing). These contingencies are explained in the Notes to the financial statements 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 250 to 253 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 the Internal Control System (ICS) and the Internal Control System for Accounting starting on page 140.

Outlook

WACKER's main planning assumptions relate to raw-material and energy costs, personnel expenses and exchange rates. Our planning for 2016 is based on an exchange rate of US$1.10 and ¥135 to €1. Wacker Chemie AG's expectations for 2015 are essentially the same as those for WACKER, which are explained in full in the Group's Outlook section. Please refer to pages 163 to 174 of this Annual Report.

We are assuming that sales will be slightly higher than in the prior year and EBITDA will be considerably lower due to a reduction in special income. We expect Wacker Chemie AG to post a positive result for the period, though substantially below the prior-year figure.

Publication

The annual financial statements of Wacker Chemie AG have been submitted to the publisher of the "Elektronischer Bundesanzeiger" (the electronic version of Germany's Federal Gazette) and can be viewed on the website of the German register of companies. KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements and issued an unqualified audit certificate for them. 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 adequately, 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 2015. The scope of consolidation for risk reporting purposes comprises all WACKER majority shareholdings.

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, which consists of three intermeshed aspects:

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

The CFO has overall responsibility for the effectiveness and appropriateness of risk management systems.

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: this 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

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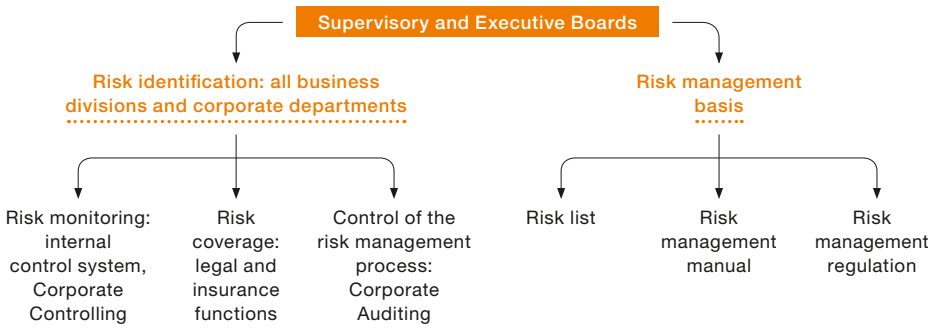

Assessment, Quantification and Management of Risks

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 & Energy, Technical Procurement & Logistics, Corporate Engineering, and Legal are involved in risk controlling at the Group level.

Financial risks are managed by Corporate Finance and Insurance, which is responsible for all measures relating to exchange-rate and interest-rate hedging transactions and ensuring adequate Group liquidity. The operational framework is 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)

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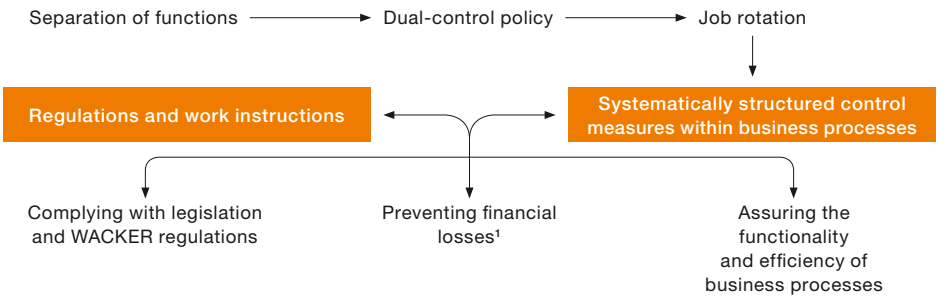

¹ Possible financial losses due to the intentional or inadvertent misconduct of our employees or third parties.

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 is thereby designed to avoid 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, the effectiveness of the internal-control and risk-management systems, and auditing procedures. 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 functions as part of our risk management system. On behalf of the Executive Board, this department performs regular, process-specific reviews of all relevant functions and corporate entities, placing its focus on internal control systems. Audit topics are selected using a risk-driven approach, with the selection finalized by the Executive Board. If necessary, the auditing schedule is flexibly adjusted during the year to take account of changes in underlying conditions. One focus in 2015 was on investment-project accounting. In addition, cross-functional audits were used to review the business processes of seven subsidiaries/sites. In total, Corporate Auditing conducted 28 audits in the reporting year (2014: 29 audits), basically completing the approved auditing schedule for 2015, with six issues to be promptly finalized in the first quarter of 2016. No major complaints came to light as regards functioning control systems. Any process optimization measures derived from the audits are implemented and subsequently monitored by Corporate Auditing.

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 2016.

Probability and Possible Impact of Our Risks in 2016

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Risk/Category	Probability	Possible Impact
Overall economic risks		
Chemical business	Unlikely	Medium
Polysilicon	Unlikely	Medium
Siltronic	Possible	Medium
Sales-market risks		
Chemical-segment overcapacity	Unlikely	Medium
Polysilicon overcapacities and price risks	Possible	High
Cyclical fluctuations and intense competition on the semiconductor market	Possible	Medium
Procurement-market risks	Unlikely	Low
Market-trend risks	Unlikely	Low
Investment risks	Possible	Medium
Production risks	Unlikely	Medium
Financial risks		
Credit risks	Unlikely	Low
Risks from fluctuations in exchange rates and interest rates	Possible	Medium
Liquidity risks	Unlikely	Low
Pensions	Unlikely	Low
Legal risks	Possible	Low
Environmental risks	Possible	Low
Tax-related risks	Possible	Low
Other risks	Possible	Low
Regulatory risks		
Energy transition	Possible	Low
Polysilicon anti-dumping proceedings and trade restrictions	Possible	High
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 2016. 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 debt crisis in

Europe continue to pose risks for the global economy. Likewise, China's financial-market turbulence and economic slowdown pose risks to 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 2016 could perform below current projections. China's economic slowdown would directly or indirectly influence all of our business fields.

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.

The future development of our polysilicon business will be determined by the regulatory framework for solar-power use and for international trade in photovoltaic systems and solar silicon. Economic trends additionally influence the underlying conditions. Should the world economy prove weaker than currently forecast, this would have a medium impact on earnings in WACKER's polysilicon business.

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.

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 2016. 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 some of our chemical divisions' products will persist in 2016.

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: Polysilicon overcapacities and price risks, difficult market conditions due to a rollback of government incentive programs, the tight financial situation of many customers and the expiration of long-term supply contracts.

Impact on WACKER: There will be volume risks if excessive and hurried cuts to government solar incentives negatively impact the photovoltaic market. The expiration of long-term contracts increases the risk to capacity-utilization rates. Overcapacity could lead to intense price competition, exerting pressure on margins. Both factors could result in declining sales and earnings.

Measures: We counter these risks by continuously improving our cost positions and by optimizing our product and customer portfolio in line with market developments. We counter customers' liquidity problems by demanding collateral. If demand slows, we flexibly adjust our production capacities to the market trend.

Evaluation: The photovoltaic industry is still dominated by production overcapacity and by the unsatisfactory earnings and liquidity situation of most solar companies. Prices declined 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 2016. As long as this trend persists and global production capacities exceed market demand, polysilicon prices are likely to remain at their current low 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.

Scenario 3: Cyclical fluctuations and intense competition on the semiconductor market.

Impact on WACKER: Volumes and prices decline.

Measures: Siltronic is counteracting these risks by increasing flexibility in production operations and implementing systematic cost management. We align our capacity with market trends and continuously improve the efficiency of production and business processes to strengthen our cost basis. Temporary employment is an example of one tool we use here.

Evaluation: We currently foresee overall volume growth for 2016. Market researchers expect global volumes of semiconductor-sector silicon wafers to increase by between 1.0 percent (SEMI) and 3.3 percent (IHS) in 2016.

Risk Assessment: In our semiconductor business, we anticipate that volumes in 2016 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.

Procurement-Market Risks

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

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. In select cases, we have also achieved partial backward integration and produce strategic raw materials ourselves. Our silicon-metal production site in Holla (Norway), for example, substantially reduces our dependency on external suppliers.

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 situations. 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.

WACKER uses a number of highly specialized raw materials for which there are only a few suppliers. If these suppliers were to cease deliveries, this could limit our production. We minimize this risk by taking appropriate measures (e.g. backup suppliers, safety stocks, change of products). In principle, however, we cannot completely rule out negative consequences for our business. Likewise, WACKER imports raw materials from third countries, some of which are subject to European Union anti-dumping tariffs. Since we sell a large part of our downstream products outside of the EU ("inward processing"), we are not generally affected by these tariffs. The legal provisions for inward processing are currently being amended by the EU as part of its new customs code. At the moment, we cannot rule out that this could have a negative impact on WACKER.

Under current legal provisions in Germany, energy-intensive companies or corporate entities are only required to pay part of the EEG (Renewable Energy Act) levy. 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. The scope of these exemption rules, particularly for captive power generation, is currently the topic of political discussion. The next revision of EEG legislation is expected in 2018, and could lead to renewed risks for WACKER. In general, the electricity price trend (wholesale prices, grid fees, capacity market) will continue to depend strongly 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.

Market-Trend Risks

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

Impact on WACKER: Misjudgment of future market trends 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 contracts 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 €3.0 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.

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), we started commissioning production facilities on schedule at the end of 2015. We cannot rule out that there may be delays in the continuation of the start-up process at these facilities. The total investment for the new site will amount to approximately US$2.5 billion.

Risk Assessment: It is possible that total investment costs in Tennessee could turn out to be higher than we currently expect. If that is the case, there may be a medium impact on earnings and net assets.

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 250 to 253 of the Notes section.

Controlling Financial Risks

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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 & Energy

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 conduct cash investments and derivative dealings with banks that usually have 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 specified 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 exchange rates and interest rates.

Impact on WACKER: Effect on earnings, liquidity, and financial investments and financial liabilities.

Measures: Currency risks primarily arise from exchange-rate fluctuations for receivables, liabilities, and cash and cash equivalents, and financial liabilities 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. A weaker renminbi exchange rate might cause our business in China to come under general price pressure. Altogether, we assume that there will not be any major effects from exchange-rate shifts on net income in 2016.

Risk Assessment: From today's perspective, we consider it possible that exchange-rate and interest-rate changes in 2016 will substantially differ from our planning assumptions. If this were to occur, we believe that it would have a medium 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 investment projects.

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: WACKER's liquidity decreased in 2015 compared with the previous year due to loan repayments amid continued high investment spending. Proceeds from the IPO of Siltronic AG had a positive effect, boosting liquidity by €361.9 million at the reporting date. At that time, financial liabilities exceeded liquidity (consisting of current and noncurrent securities, and cash and cash equivalents) by €1,074.0 million. The loans taken out contain a net debt-to-EBITDA ratio as the only financial covenant. At the same time, there were unused lines of credit with terms of over one year totaling some €603 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. Net financial debt would rise by tapping unused credit lines.

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 degree.

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. In 2015, this contribution rate remained unchanged.

Risk Assessment: We consider it unlikely in 2016 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. Subsequently, however, there is a greater likelihood that we will have to make higher payments to the pension fund and that pension expenses will rise. 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, which could impact our company's operations, image and reputation, and which 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. Although we do not see any specific indication of any such events that would have a significant impact on our business, we 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, involving the German "EEG" (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 German Federal Government's white paper, legislation on combined heat and power, 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 remained unchanged during 2015. 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 2016. Any decision, however, to completely abolish not only the rules relieving energy-intensive companies with regard to EEG feed-in tariffs, but also the grid charge and the privilege for self-generated electricity – due to regulatory amendments particularly in Germany – would have a high impact on WACKER's earnings in the medium term. We consider this to be a possible risk.

Polysilicon Anti-Dumping Proceedings/Trade Restrictions

Scenario: Anti-dumping proceedings have been completed 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 reviewed and extended. WACKER sells polysilicon in China in accordance with the terms of an amicable agreement reached with MOFCOM. Expiration of the agreements between WACKER and the Chinese government and increased restrictions imposed by China.

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: 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" and work together with the Chinese government to avoid a tightening of trade restrictions on polysilicon imports from Europe.

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: At the time these punitive tariffs were imposed, we had not yet made any polysilicon in the USA for shipment to China. Consequently, the possibility exists of reaching an individual solution with the Chinese Ministry of Commerce via a "New Shipper Review." We also have the opportunity of extensively selling US-made polysilicon to customers in other countries. WACKER may be affected by punitive tariffs, which would have a high impact on Group earnings in 2016.

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/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 2015. 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 cyberattacks.

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 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 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 2016, 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 some 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 2016

T 3.60

Risk/Category	Status
Overall economic risks	▲
Sales-market risks	●
Procurement-market risks	●
Market-trend risks	●
Investment risks	●
Production risks	●
Financial risks	
Credit risks	●
Fluctuations in exchange rates and interest rates	▲
Liquidity risks	●
Pensions	●
Legal risks	●
Regulatory risks	
Energy transition	●
Polysilicon anti-dumping proceedings and trade restrictions	▲
New regulations for upstream, intermediate and downstream products and for production processes	●
IT risks	●
Personnel-related risks	●
External risks	●

● Unchanged ▼ Decreased ▲ Increased

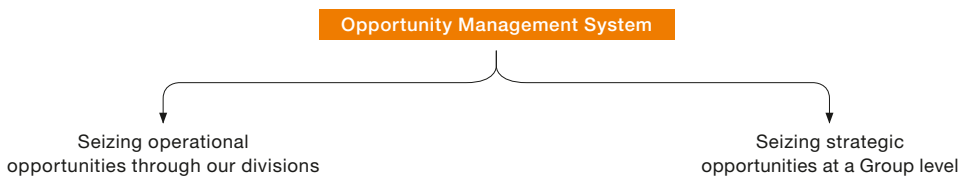
Opportunities Report

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 3.61



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 3.62

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 digitalization
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 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 emerging countries, particularly in Asia, coupled with growing market and customer requirements are fueling demand for products incorporating high-quality silicones. WACKER wants to benefit from this development and further increase its proportion of highly profitable specialty silicones compared with standard products. Our main points of focus are automotive applications, cosmetics, personal care, health, medicine, electronics and clothing. We intend to support growth in these areas by launching innovative products in the personal-care, textile-impregnation/-finishing, and electronics sectors.

We see good growth prospects for WACKER SILICONES in the electrical and electronics markets, especially in the fields of lighting and automotive electronics. According to Semicast Research, the global market for electronic components in vehicles will grow by around 8 percent annually until 2020. Digital integration, a prerequisite for autonomous driving systems, is also set to accelerate in the next few years. Management consultants at McKinsey estimate that up to 50 million cars will be digitally integrated by 2025. 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.

WACKER POLYMERS, too, has potential for growth due to the 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 and gypsum mortars. Through the addition of these polymer powders, mortar mixtures are easier to process, can be applied more thinly and their properties can be substantially improved, too. 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. In particular, we are working on specialty polymer binders for gypsum-based materials for the rapidly growing drywall market. WACKER POLYMERS continues to see potential in its material-substitution business, too.

WACKER BIOSOLUTIONS primarily expects growth opportunities in contract manufacturing of pharmaceutical proteins. With fermenter capacities ranging from 300 to 1,500 liters, we believe that we are well-equipped to cover our customers' entire supply-chain needs, from clinical testing through to supplying 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, India and the USA. As a producer of hyperpure polysilicon and cost and quality leader, WACKER POLYSILICON will benefit from this megatrend.

Sales Volumes: Opportunities and Risks

T 3.63

Risks	Opportunities
Weaker economic growth in China and the 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	Strong solar-market growth

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. In the first quarter of 2016 we will continue the start-up process for the new polysilicon site in Tennessee (USA), which will bring fresh production capacities on stream and enable us to tap into further growth on the photovoltaic market. We likewise intend to profit from rising demand for high-grade polymer binders in the construction, paint and surface-coating industries with our new VAE dispersion reactor in Calvert City (Kentucky).

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 network, 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. The risk related to the Chinese government's anti-dumping proceedings grew as the year progressed. The overall risk has therefore increased compared with a year earlier.

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.

OUTLOOK

Chapter

Construction

Ceramic tiles are decorative, easily cleaned and hygienic, which is why they are such a familiar sight in bathrooms and living areas. Modern tile adhesives, enhanced with dispersible polymer powder from WACKER, are part of this success story. They make it possible to install large tiles easily and securely.

Combined Management Report

OUTLOOK

Outlook

Despite the many crises and conflicts, economists expect the global economy to continue expanding in the next two years. Much will depend on economic developments in China and how marked the slowdown there is. The steep decline in oil prices, which should have stimulated the world economy, seems to be dampening global growth. Oil- and gas-exporting countries are curbing their investments and expenses. The latest analyses suggest that prices for energy, crude oil and raw materials will remain relatively low. Other factors include the geopolitical crises in Eastern Europe and the Middle East. Overall, the economic and political risks intensified at the start of 2016. The US economy should see further robust growth relative to last year. In Asia, the IMF projection is for growth to slow somewhat in the year ahead. Europe's recovery, according to the experts, will continue at a subdued pace. In our scenario, we anticipate that the global economy will advance moderately in 2016, and we expect similar growth for 2017.

Underlying Economic Conditions

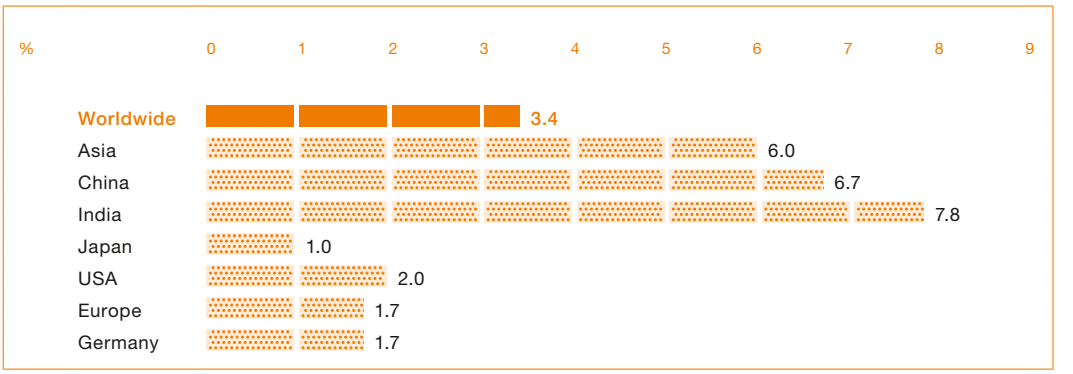
According to the IMF, global economic growth will be slightly stronger in 2016 than in the previous year. The IMF expects world GDP to expand by 3.4 percent this year (2015: 3.1 percent) and by 3.6 percent in 2017. According to the Fund, emerging markets will make the biggest contribution to growth in 2016 with a gain of 4.3 percent. Advanced economies, for their part, will increase their output by 2.1 percent.

US Economy with Robust Growth

The OECD expects the USA to continue growing robustly over the next two years. Factors sustaining momentum there are the reindustrialization of the US economy, gains in employment and higher consumer spending. The OECD forecasts growth of 2.0 percent in the year ahead and 2.2 percent in 2017.

GDP Trends in 2016

G 4.1



Sources – worldwide: IMF; Asia: ADB; China: ADB; India: ADB; Japan: OECD; USA: OECD; Europe: OECD; Germany: IMF

Growth Prospects in Asia Remain Good

In 2016, Asia will increase its economic output at a rate similar to the year before. According to the Asian Development Bank (ADB), Asian economies will expand by 6.0 percent compared with 2015. Though the days of double-digit growth are over in China, the economy is still expanding at a high single-digit percentage rate, and the ADB expects to see growth of 6.7 percent. The OECD anticipates growth of 6.2 percent in 2017. In India, strong domestic demand is providing new impetus to the country's economy. The ADB estimates that GDP in India will climb by 7.8 percent in 2016. Forecasters also expect the Japanese economy to pick up pace again slightly in 2016, after its weak advance last year. The OECD predicts 1.0 percent year-over-year growth, with 0.5 percent in 2017.

European Recovery to Continue in 2016

Europe will continue to recover in 2016, according to the IMF. However, growth will remain burdened by the debt crisis, by fiscal consolidation in certain countries and by too little capital spending. The IMF projects a GDP gain of 1.7 percent for eurozone countries in 2016, with growth possibly also at 1.7 percent in 2017. The IMF expects Germany to grow by 1.7 percent in both 2016 and 2017. Ongoing low inflation and rising real wages have been bolstering household consumption and are having a positive impact on growth.

Sector-Specific Conditions

We expect economic trends in the sectors relevant to our business to be positive in 2016.

Chemical Industry Expected to Grow Slightly in 2016

For 2016, the German Chemical Industry Association (VCI) predicts that the economic recovery will continue in the eurozone, where output and sales of chemical products will grow slightly. The industry association anticipates that German chemical production and total sales will climb by 1.5 percent, with exports remaining the growth driver in Germany's chemical sector. According to the VCI, upward momentum will be curbed by the difficult economic environment, especially the situation in China.

WACKER's chemical divisions envisage growth opportunities primarily in the BRIC countries, in other emerging economies and in the USA. Due to the growing affluence of emerging economies, our sales will continue climbing 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. 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.

WACKER's Key Customer Sectors

T 4.2

Sectors	Trends in 2015	Trends in 2016
Chemicals	Slight growth	Slight growth
Construction	Weak growth	Slight growth
Energy and electrical	Growth	Growth
Photovoltaics	Growth, continuing market overcapacity and ongoing consolidation	Growth, continuing market overcapacity and ongoing consolidation
Semiconductors	Slight growth	Slight growth

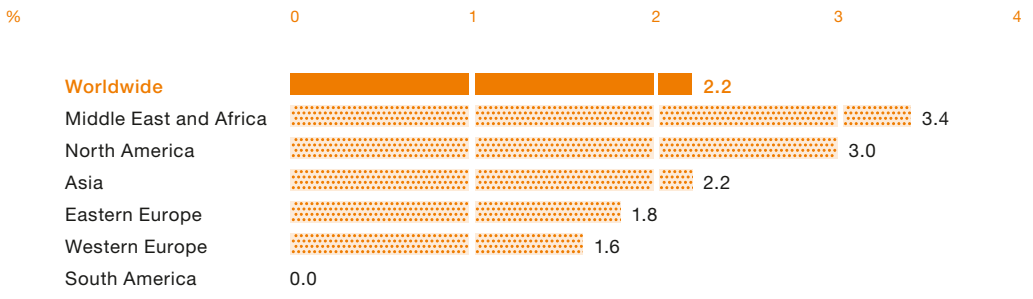
Global Construction Industry to Remain on Growth Trajectory

According to market research institute B+L Marktdaten GmbH, the construction industry will continue expanding over the next few years. On average, construction volume should climb by 2.2 percent annually until 2018. The main growth driver will be North America. B+L expects the USA, in particular, to deliver substantial growth, especially in 2016 and above all in the private-housing sector. Construction volume should increase in Asia, too. Western Europe is expected to post a slight increase in 2016. In South America, on the other hand, the construction market is stagnating. Overall, renovation projects and energy efficiency will continue to provide WACKER with very good opportunities for growth in the years ahead.

At WACKER POLYMERS, we expect construction-sector sales to climb in every region during 2016, with continued growth in such areas as interior paints and dry-mix mortars. WACKER SILICONES plans to further increase the percentage of high-value construction products in its portfolio. Good growth potential is offered by its new silicone resins made of silane-modified organic polymer components (used for wood and insulation impregnation), 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, 2015 to 2018

G 4.3



Source: B+L Marktdaten GmbH

Electrical and Electronics Industries Anticipate Moderate Growth in 2016

The electrical and electronics industries expect global market volumes to expand by 5 percent in 2016. According to estimates by the ZVEI (German Electrical and Electronic Manufacturers' Association), this growth will be fueled mainly by Asia and the USA. For Germany's electrical and electronics sectors, the ZVEI anticipates a slight rise of 3 percent during 2016. WACKER sees good growth prospects for specialty silanes in semiconductors and for silicone products in automotive electronics. Other growth drivers include not only potting compounds and heat-dissipating adhesives and sealants for electronic components, but also encapsulation materials for LED-based vehicle lighting systems. We also expect to generate growth with products for optical applications (LEDs) and screens (displays), areas in which we have launched various innovation projects.

The Photovoltaic Market Will Continue to Grow in 2016 Despite Challenging Conditions

Conditions in the photovoltaic sector will remain challenging in 2016. In particular, market uncertainty will be fueled by the low profitability levels of many solar companies, by production overcapacity and by low prices.

Photovoltaic-Market Trend in 2016

T 4.4

	Installation of New PV Capacity (MW)		Growth in 2016
	2016	2015	%
Germany	1,500	1,500	–
France	1,000	1,000	–
Italy	400	300	33
Rest of Europe	6,000	6,500	–8
USA	13,000	7,500	73
Japan	9,000	10,000	–10
China	15,000	13,000	15
India	5,000	2,200	127
Other regions	13,100	12,000	9
Total	64,000	54,000	19

Sources: PV market in 2015: Germany's Federal Network Agency, Commissariat Général au Développement Durable, IHS, RTS Corporation, WACKER's own market research
PV market in 2016: Germany's Federal Network Agency, Department of Energy and Climate Change (DECC), IHS, WACKER's own market research

Substantially lower solar module costs have made photovoltaics even more competitive compared with other energy sources in all regions of the world. In December 2015, 190 countries attending the Paris Climate Conference agreed to measures aimed at keeping global warming well below 2°C, ideally at only 1.5°C. These two factors – lower costs and this accord – will open up additional new markets for photovoltaics and lead to further growth in the global PV market. In 2016, China will remain the largest and most important market worldwide. According to researchers at IHS, the USA, Japan and India will be among the countries adding large amounts of capacity. Regions with high growth potential include Central and South America, Southeast Asia, the Middle East and Africa.

WACKER's own market research indicates that the photovoltaic market will see further growth in 2016, with newly installed photovoltaic (PV) capacity likely to reach between 60 and 70 gigawatts (GW).

Semiconductor-Wafer Demand Likely to Rise in 2016

Market researchers at IHS Technology expect silicon-wafer demand in 2016 to once again increase by 3.3 percent. Compared with the prior year, global sales by surface area sold should increase to over 65 billion cm^2.

In recent months, however, growth projections have weakened for the silicon-based semiconductor market. The decisive factor in this context is to what degree price pressure in the segment will continue. That is why IHS Technology is forecasting a decline of 0.8 percent in global semiconductor sales for 2016.

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 competitors' products with WACKER products. Our 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 growth prospects for our products in India. There is also potential for expanding our sales in the USA, an established market. In addition, we see growth potential for chemical business in Europe, another established market.

The completion of the new production site for polysilicon in Tennessee concluded 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's international expansion will progress over the next two years. We will transfer even more operational responsibility to the regions. Our aim is to tailor our products even better to local requirements. To this end, we will broaden the international scope of our R&D activities. We are also systematically expanding our network of technical competence centers and WACKER ACADEMY sites.

We will continue 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 2016. The strongest impetus will come from Asia and the USA, with growth in Europe subdued.

Our capital expenditures in 2016 will focus on 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 be markedly below depreciation in 2016 due to the completion of our polysilicon production site in Tennessee (USA). They will remain below the level of depreciation again in 2017.

At WACKER SILICONES, we are expanding production facilities for specialty applications in the USA and Brazil, and at Burghausen (Germany). WACKER BIOSOLUTIONS is increasing its cyclodextrin-production capacity at Eddyville, Kentucky (USA). WACKER POLYMERS is building a pilot reactor for VAE dispersions in Nanjing (China) to develop local products. At Siltronic, we are investing in new pulling facilities for manufacturing monocrystals.

Future Products and Services

WACKER POLYMERS is further intensifying its activities in polymeric binders for modifying dry-mix mortars. The experts at Research and Markets expect the drywall market to grow by over 5 percent on average to just under US$ 80 billion by 2020. We have developed specialty dispersible polymer powders and drywall applications that improve the adhesion of gypsum-based grout mortars and offer particularly easy processability. According to Global Gypsum, the market for gypsum products will grow by an average of about 10 percent per year until 2018.

Demand for paints and coatings, especially for environmentally friendly water-based products, is increasing worldwide. Researchers at MarketsandMarkets estimate that the global coatings industry will expand by an average of 5 percent a year to reach around US$180 billion by 2020. Asia will be the main growth driver, but sales are also anticipated to increase in South America, Africa and the Middle East. With our specialty PRIMIS® dispersions for external applications, we intend to enhance our market position in this area. These novel binders combine organic and inorganic components to produce brilliant, dirt-repellent exterior paints.

WACKER SILICONES has developed a professional 3D printing process for silicones. It opens up new industrial applications in automotive and medical technology, household appliances and optics. WACKER will offer a system solution for the additive manufacturing of silicone prototypes and small series. 3D printing using silicone is a dynamic growth market, with experts predicting annual growth rates of 30 percent. Another highly promising business is precision silicone films, which enable the development of artificial muscles, for example, and innovative sensors. Integrated in clothing, such sensors can monitor breathing or map the wearer's movements on a computer screen. According to IDTechEx, global sales for wearable technologies will rise to some €70 billion by 2025. WACKER has launched new silicone gels for practically painless wound treatment. The global market for wound dressings is estimated to grow by 4.5 percent a year until 2020.

In cosmetics and personal care, we are developing new silicone additives. The emphasis in Asia is on silicone elastomer gels for formulating skin care products 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 will expand by 3 percent, according to Euromonitor, with Asia and the Middle East as the main growth drivers. Asia has already become the world's largest market, with the value of goods sold exceeding €86 billion.

In construction, WACKER SILICONES is focusing on silane-modified hybrid polymers, used in formulating highly durable industrial adhesives, coatings and sealing membranes. For the paper and pulp industry, we have developed highly efficient foam-control agents. We also expect our silicone additives – used as production aids, and in processing and modifying plastics – to spur growth. According to BCC Research, the global market for these additives will grow by around 5 percent annually until 2020.

Analysts at Persistence Market Research project that the global market for food supplements will grow by an average of 7 percent annually to reach just under US$ 180 billion by 2020. WACKER BIOSOLUTIONS intends to benefit from this growth, for example with its nature-identical hydroxytyrosol for cardiovascular health. Thanks to a new WACKER synthesis method, this highly effective antioxidant is now available without unwanted byproducts, in much greater purity, and with a defined amount of active ingredient. Biotech company MedImmune became the first customer to acquire a license for WACKER's improved secretion technology, ESETEC® 2.0. MedImmune uses this WACKER proprietary system for the efficient, cost-effective production of antibody fragments for tomorrow's pharmaceuticals. While soluble proteins and antibody fragments are already produced

with ESETEC®, there are some protein classes that form inclusion bodies (within a cell), where the target molecules are incorrectly or incompletely folded. For these cases, Wacker Biotech has developed FOLDTEC®, its proprietary refolding technology, which is used to make and refold such pharmaceutical proteins easily and cost-effectively. Studies by Global Industry Analysts indicate that the biologics market will be worth about US$300 billion by 2020.

Research&Development

The Group's research and development work will remain focused on key strategic projects. In 2016, WACKER intends to spend 15 percent (2015: 14 percent) of its R&D budget on these projects. The total R&D budget for 2016 amounts to around €185 million. Our R&D priorities include the highly promising fields of energy, consumer care, biotechnology, construction applications and semiconductors, with particular emphasis being placed on energy storage and renewable energy generation. In 2016, for the sixteenth time, WACKER will confer its Silicone Award, which honors outstanding achievements in this field of research.

Production

WACKER will bring additional production capacity on stream over the next two years. The Group's Wacker Operating System (WOS) program is focused on further improving the productivity of production facilities and of every production-related service department. 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 2016

T 4.6

Location	Projects	Start-Up
Charleston	Polysilicon production plant	2016
Eddyville	Increase in cyclodextrin capacity	2016
Burghausen	HTV silicone compounds	2016
Freiberg	Silicon rods in crystal-pulling facilities	2016
Cologne	New supplies of ethylene	2016

In 2016, maintenance costs will amount to about €460 million.

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 that the average prices of our most important raw materials will be lower than last year. We project declining prices for our four key raw materials – silicon metal, vinyl acetate monomer, ethylene and methanol.

We assume that electricity and natural-gas prices will be lower than in the prior year. Energy costs for 2016 will remain slightly below the prior-year level.

Supplies of raw materials and energy in 2016 are essentially secured. The markets where we source our raw materials are sufficiently liquid, making bottlenecks unlikely. In the next two years, we will continue to broaden the international base of 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.

At Technical Procurement, we are continuing to systematically optimize our supplier portfolio. Our aim is to measurably increase the business value contribution in the coming years. There are two priorities here. First, we are reinforcing our global procurement network for specific goods categories. Our intention is to buy goods as cost-effectively as possible on the world's procurement markets independently of demand at individual sites. Our second priority is to enhance our global supplier-management system through structured analysis. The aim here is to focus on the key partners in our supplier portfolio, so that we can work together with them to increase their performance capabilities for WACKER.

As WACKER wants to intensify its commitment to sustainable management in the supply chain, we joined Together for Sustainability (TfS), a chemical-industry initiative launched in 2011 to promote the responsible procurement of goods and services.

With regard to logistics, we intend to enhance and actively shape our supply chains (supplier-to-customer). In 2016, we will set up a Transport Management System (TMS) to increase the transparency of our global supply chains. This system will help us identify supply-chain problems faster and more precisely, and adopt supply-security measures in good time.

Sales and Marketing

For silicone customers, WACKER will expand its technical centers in both Singapore and Dubai to develop new applications on-site for silicone rubber and silicone elastomers, and will enhance its focus on locally tailored construction-industry solutions. In Malaysia, we will expand sales activities through our local sales office in Kuala Lumpur. In Brazil, we plan to spur marketing efforts in the areas of foodstuffs, agriculture and textiles with the help of distributors. Key tradeshows in 2016 will include the "K" plastics tradeshow and Compamed, both in Düsseldorf, as well as in-cosmetics in Paris and BIO in the USA.

Employees

We expect employee numbers to edge up slightly in 2016. The increase will primarily be due to the commissioning of the polysilicon production plant in Tennessee (USA) and to an anticipated increase in international business at WACKER SILICONES.

In 2016, WACKER Heath Services will start its fourth health-promotion campaign, entitled "Just Move It." The campaign targets a key risk factor for chronic illness – lack of exercise – and is scheduled to run until the end of 2017.

Sustainability

In 2016, the regional focus of WACKER's sustainability management activities will be on Europe, where we are examining the environmental, health and safety aspects of individual sites. In 2017, we will concentrate on Asia.

WACKER will continue its efforts to improve its energy efficiency. The start-up of polysilicon production in Tennessee will increase our electricity needs.

We intend to decrease the impact of our production activities on the environment by setting quantifiable environmental goals.

WACKER's Environmental Targets through 2022

T 4.7

Region	Key Environmental Indicator	Base Year	Targets for 2022 (%)
WACKER Germany	Weighted specific energy consumption (amount of energy per unit of net production output)	2007	–50
WACKER Germany	Specific carbon dioxide emissions (per metric ton of net production)	2012	–15
Group	Specific dust emissions (per metric ton of product)	2012	–50
Group	Specific emissions of relevant VOCs (volatile organic compounds; per metric ton of product)	2012	–25

With regard to occupational safety, we have defined a new goal – to reduce our groupwide accident rate (the number of workplace accidents per million hours worked) to 1.7 or lower by 2020.

We are preparing another 137 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).

Outlook for 2016

WACKER's main planning assumptions relate to raw-material and energy costs, personnel expenses and exchange rates. For 2016, we are planning on an exchange rate of US$1.10 and ¥135 to €1.

Performance Indicators and Value-Based Management

WACKER's key financial performance indicators are unchanged compared with the previous year.

Volume Growth to Support Group Sales in 2016

WACKER anticipates volume growth at every division in 2016. Our planning assumes that prices for silicon wafers will decline slightly. On average, prices for polysilicon will be below the prior-year level. With the start of production in Tennessee, additional quantities will not be sold exclusively through long-term contracts. Group sales are expected to climb by a low single-digit percentage amid low prices for polysilicon.

Economic uncertainties could cause the actual performance of the WACKER Group and its divisions to diverge from our assumptions, either positively or negatively.

From today's perspective, each division will increase its sales, except for Siltronic. We expect Asia to deliver the biggest sales gains for our products. In 2017, sales should advance further compared with 2016 – provided that the world economy remains on its growth path, as economic research institutes predict, and that there are no unforeseeable slumps in WACKER's key regions and industries.

Outlook for 2016

T 4.8

	Reported for 2015	Outlook for 2016
Key Financial Performance Indicators		
EBITDA margin (%)	19.8	Somewhat lower
EBITDA (€ million)	1,048.8	Slight increase when adjusted for special income[1]
ROCE (%)	8.1	Substantially lower
Net cash flow (€ million)	22.5	Markedly more positive
Supplementary Financial Performance Indicators		
Sales (€ million)	5,296.2	Slight increase
Capital expenditures (€ million)	834.0	Around €425 million
Net financial debt (€ million)	1,074.0	On a par with the prior-year level
Depreciation (€ million)	575.7	Around €720 million

[1] EBITDA exclusive of special income amounted to €911.2 million in 2015

Outlook for the Key Performance Indicators at the Group Level

From today's perspective, the key performance indicators at the Group level will develop as follows.

EBITDA margin and EBITDA: the EBITDA margin will come in somewhat below the prior-year figure. This is because we do not anticipate a comparably high level of solar-sector special income from damages received and from terminated contractual and delivery relationships with customers. Another factor weighing on our EBITDA margin will be the generally lower price level in our business. Relative to last year, EBITDA – adjusted to exclude solar-sector special income from damages received and from terminated contractual and delivery relationships with customers – should rise slightly. With depreciation higher year over year, and assuming an effective tax rate of 40 percent, Group net income will come in significantly below the 2015 figure.

ROCE: compared with the prior year, ROCE will be substantially lower (2015: 8.1 percent) due to higher depreciation and an increase in capital employed.

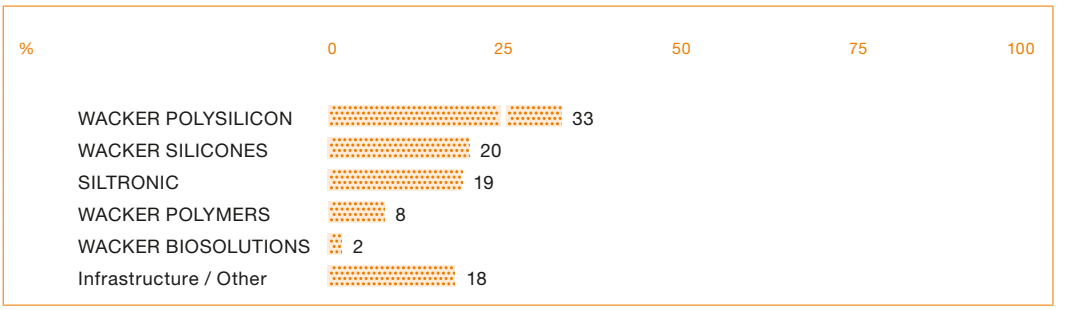
Net cash flow: with capital expenditures substantially lower, we expect net cash flow in 2016 to be markedly more positive than in the prior year.

Outlook for Supplementary Performance Indicators at the Group Level

Capital expenditures: amounting to about €425 million, investments will decline significantly in 2016 and be well below the level of depreciation. Depreciation will reach around €720 million in 2016, significantly higher than the year before. Capital-expenditure projects will include capacity expansions for intermediate and downstream products at our chemical divisions and new pulling facilities for manufacturing monocrystals at Siltronic. The anticipated cash flow from operating activities is likely to fully cover investment spending.

Investments by Division in 2016

G 4.9



Net financial debt: net financial debt will be on a par with the prior-year level (2015: €1,074.0 million).

Divisional Sales and EBITDA Trends

At WACKER SILICONES, we expect to achieve a mid-single-digit increase in sales in 2016 relative to the previous year. Sales growth will be fueled by every WACKER SILICONES business sector. The strongest momentum will continue to come from Asia, where rising affluence is prompting higher consumption of silicone products. We continue to anticipate robust growth in India. We also expect sales to increase in the Americas and Europe. Particular growth areas are products and applications for personal care, plastics, medical technology, the electrical and electronics sectors, and silane-modified polymers. Further, we want to increase the share of specialty products in overall sales and keep capacity utilization high. EBITDA should climb substantially year over year.

At WACKER POLYMERS, our forecast is for a mid-single-digit increase in sales compared with the previous year. Both dispersions and dispersible polymer powders will contribute to this growth. In dispersions, we anticipate gains in coatings applications and nonwovens for personal hygiene articles. In dispersible polymer powders, the main impetus comes from increasing polymer modification. We want to lift sales in all three regions – Europe, the Americas and Asia – in 2016. We continue to see strong growth potential in India, where we intend to achieve a further significant increase in sales. As for EBITDA, we anticipate a slight year-over-year increase.

At WACKER BIOSOLUTIONS, our projection is for a mid-single-digit increase in sales in 2016. In particular, we see further growth prospects for pharmaceutical proteins. In the nutrition sector, WACKER BIOSOLUTIONS will launch a new technology for the chewing-gum and confectionery industries. In regional terms, we expect to see the greatest growth opportunities in Europe. EBITDA should come in at the prior-year level.

As regards our polysilicon operations, we expect to post further volume growth in 2016 thanks to our new production site in Charleston, Tennessee (USA). The photovoltaic market will continue expanding. In spite of volume growth, we expect WACKER POLYSILICON's sales to grow only slightly as we anticipate prices to be lower on average than in the previous year. Our EBITDA forecast is for a marked year-over-year decline, since we expect less special income in 2016 in the form of advance payments retained and damages received from our customers. Despite being lower than in the prior year, the costs of further ramp-up of polysilicon production at the new Charleston site will diminish EBITDA.

At Siltronic, we anticipate a slight 2016 sales decrease due to lower market prices. We expect to see further volume growth in our 300 mm business. Cost-optimization measures and lower currency-hedging expenses will have a positive influence on EBITDA, which we expect to increase substantially compared with the prior year.

Future Dividends

WACKER's policy on dividends is generally oriented toward distributing at least 25 percent of Group 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. 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, 2015, 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.

Executive Board Statement on Overall Business Expectations

The economic and political risks for 2016 have increased in recent months. In particular, the slowdown of China's economy and the steep decline in oil prices have clouded the outlook for global growth. WACKER expects the world economy to expand further despite these difficult underlying conditions. From today's perspective, growth will continue in 2017. We anticipate a slight rise in Group sales in 2016, with each division lifting its sales, except for Siltronic. We forecast a slight rise in EBITDA, when adjusted to exclude special income. The EBITDA margin, on the other hand, will be somewhat lower, since we do not expect any major special-income items. Additionally, there are the commissioning costs for our new production site in Charleston, Tennessee (USA). Total energy and raw-material costs will decrease compared with the previous year.

At about €425 million, capital expenditures will be substantially lower year over year, while depreciation will be significantly higher at around €720 million. Projections for net cash flow are markedly positive. Net financial debt will be on a par with the prior-year level. Group net income is likely to be substantially lower than the year before.

Our four biggest divisions hold at least a No. 3 position in their respective markets, and we supply outstanding products. Our technological and innovative strength and our presence in key markets offer us a firm basis for reinforcing and expanding our market positions.

We see good opportunities in 2016 for further sales gains and for moderate growth in EBITDA, adjusted to exclude special income. Given our current strategy, we are well positioned to continue growing profitably beyond 2016.

As of the date on which these financial statements were prepared, no changes had been made to our forecast.

CONSOLIDATED FINANCIAL STATEMENTS

Chapter

Textiles

Industrial textiles have to withstand a lot: heat, friction, UV radiation and much more. That is why they are coated with silicone rubber from WACKER. Silicones are flexible, heat resistant and hard wearing, and provide fabrics with reliable and lasting protection against stress.

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	2015	2014
Sales	01	**5,296.2**	4,826.4
Cost of goods sold		**–4,167.1**	–3,982.2
Gross profit from sales		**1,129.1**	844.2
Selling expenses		**–314.2**	–280.6
Research and development expenses		**–175.3**	–183.1
General administrative expenses		**–134.0**	–123.7
Other operating income	01	**377.4**	365.1
Other operating expenses	01	**–412.7**	–181.6
Operating result		**470.3**	440.3
Result from investments in joint ventures and associates	02	**3.3**	2.9
Other investment income	02	**–0.2**	0.1
EBIT (earnings before interest and taxes)		**473.4**	443.3
Interest income	02	**7.3**	8.4
Interest expenses	02	**–31.8**	–46.2
Other financial result	02	**–42.2**	–40.3
Financial result		**–66.7**	–78.1
Income before income taxes		**406.7**	365.2
Income taxes	03	**–164.9**	–169.8
Net income for the year		**241.8**	195.4
Of which			
Attributable to Wacker Chemie AG shareholders		**246.7**	203.8
Attributable to non-controlling interests	12	**–4.9**	–8.4
Earnings per common share (€) (basic/diluted)	19	**4.97**	4.10

Statement of Comprehensive Income of the WACKER Group

For the Period January 1 to December 31

Statement of Comprehensive Income

T 5.2

€ million	2015			2014		
	Before taxes	Deferred taxes		Before taxes	Deferred taxes	
Net income for the year			**241.8**			195.4
Items not reclassified to the statement of income						
Remeasurement of defined benefit plans	214.1	–47.7	166.4	–639.9	119.7	–520.2
Sum of items not reclassified to the statement of income	214.1	–47.7	166.4	–639.9	119.7	–520.2
Items reclassified to the statement of income						
Changes in foreign currency translation adjustments	141.6	–	141.6	124.0	–	124.0
Of which recognized in profit and loss	–	–	–	–17.5	–	–17.5
Changes in fair values of the securities available for sale	–0.8	0.1	–0.7	–0.3	–	–0.3
Of which recognized in profit and loss	0.3	–	0.3	–0.9	–	–0.9
Changes in fair values of derivative financial instruments (cash flow hedge)	15.8	–2.3	13.5	–45.9	7.0	–38.9
Of which recognized in profit and loss	69.4	–6.1	63.3	–10.5	–	–10.5
Effects of net investments in foreign operations	–	–	–	2.6	–	2.6
Of which recognized in profit and loss	–	–	–	2.6	–	2.6
Sum of items reclassified to the statement of income	156.6	–2.2	154.4	80.4	7.0	87.4
Income and expenses recognized in equity	370.7	–49.9	320.8	–559.5	126.7	–432.8
Of which						
Attributable to Wacker Chemie AG shareholders	326.4	–49.9	276.5	–562.1	126.7	–435.4
Attributable to non-controlling interests	44.3	–	44.3	2.6	–	2.6
Total income and expenses reported in the fiscal year			562.6			–237.4
Of which						
Attributable to Wacker Chemie AG shareholders			523.2			–231.6
Attributable to non-controlling interests			39.4			–5.8

Statement of Financial Position of the WACKER Group

As of December 31

Assets

T 5.3

€ million	Notes	Dec. 31, 2015	Dec. 31, 2014
Intangible assets	04, 05	**32.1**	32.9
Property, plant and equipment	04, 06	**4,799.1**	4,311.3
Investment property	04, 07	**1.5**	1.5
Investments in joint ventures and associates accounted for using the equity method	04, 08	**21.2**	20.5
Securities	11	**3.7**	37.6
Other financial assets	10	**111.4**	106.0
Other receivables and other assets	10	**4.3**	4.9
Income tax receivables	10	**0.1**	5.1
Deferred tax assets	03	**321.4**	334.3
Noncurrent assets		**5,294.8**	4,854.1
Inventories	09	**785.2**	734.3
Trade receivables	10	**679.4**	684.0
Other financial assets	10	**49.9**	111.4
Other receivables and other assets	10	**58.4**	64.9
Income tax receivables	10	**19.0**	15.2
Securities and fixed-term deposits held to maturity	11	**67.2**	157.4
Cash and cash equivalents	11	**310.5**	325.9
Current assets		**1,969.6**	2,093.1
Total assets		**7,264.4**	6,947.2

Equity and Liabilities

T 5.4

€ million	Notes	Dec. 31, 2015	Dec. 31, 2014
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		**2,408.9**	2,152.9
Other equity items		**–213.8**	–603.6
Equity attributable to Wacker Chemie AG shareholders		**2,568.2**	1,922.4
Non-controlling interests		**226.9**	24.1
Equity	12	**2,795.1**	1,946.5
Provisions for pensions	13	**1,611.7**	1,758.2
Other provisions	14	**217.0**	181.8
Income tax provisions	14	**52.8**	43.7
Financial liabilities	15	**1,136.7**	1,318.2
Other financial liabilities	16	**2.6**	5.1
Other liabilities	16	**287.5**	525.2
Deferred tax liabilities	03	**3.4**	3.6
Noncurrent liabilities		**3,311.7**	3,835.8
Other provisions	14	**88.2**	99.8
Income tax provisions	14	**27.0**	54.2
Financial liabilities	15	**318.7**	283.3
Trade payables	16	**378.3**	374.5
Other financial liabilities	16	**47.5**	69.4
Income tax liabilities	16	**0.3**	0.1
Other liabilities	16	**297.6**	283.6
Current liabilities		**1,157.6**	1,164.9
Liabilities		**4,469.3**	5,000.7
Total equity and liabilities		**7,264.4**	6,947.2

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	2015	2014
Net income for the year		**241.8**	195.4
Depreciation and impairments/write-ups of fixed assets		**575.4**	599.0
Result from disposal of fixed assets		**–0.2**	9.5
Other non-cash expenses and income		**–39.1**	–55.4
Result from equity accounting and joint venture dividends		**–3.3**	–2.9
Net interest result		**24.5**	37.8
Interest paid		**–30.4**	–45.5
Interest received		**15.1**	22.1
Income tax expense		**164.9**	169.8
Taxes paid		**–218.7**	–188.9
Dividends received		**4.3**	4.0
Changes in inventories		**–40.3**	–64.3
Changes in trade receivables		**16.9**	–42.1
Changes in non-financial assets		**8.1**	6.2
Changes in financial assets		**49.7**	7.5
Changes in provisions		**84.7**	70.8
Changes in non-financial liabilities		**10.3**	17.9
Changes in financial liabilities		**–8.2**	–27.9
Changes in advance payments received		**–238.3**	–227.8
Cash flow from operating activities (gross cash flow)	21	**617.2**	485.2
Investment in intangible assets, property, plant and equipment, and investment property		**–820.7**	–525.1
Proceeds from the disposal of intangible assets, and property, plant and equipment		**5.1**	1.9
Proceeds from the disposal of investments		**–**	0.1
Cash receipts and payments for acquisitions		**–**	25.8
Cash flow from long-term investing activities before securities		**–815.6**	–497.3
Cash receipts from the disposal of securities and fixed-term deposits		**342.3**	120.3
Payments for the acquisition of securities and fixed-term deposits		**–218.1**	–128.6
Cash flow from investing activities	21	**–691.4**	–505.6
Dividends paid		**–74.5**	–24.8
Dividends paid to non-controlling interests		**–1.4**	–0.9
Cash receipts from the change in ownership interests in Siltronic AG		**361.9**	–
Bank loans raised		**99.8**	198.3
Bank loans repaid		**–319.5**	–250.7
Other financial liabilities repaid		**–8.4**	–10.5
Cash flow from financing activities	21	**57.9**	–88.6
Changes due to exchange-rate fluctuations		**0.9**	3.1
Changes in cash and cash equivalents	11	**–15.4**	–105.9
At the beginning of the year		**325.9**	431.8
At the end of the year		**310.5**	325.9

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, 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**
Jan. 1, 2015	260.8	157.4	–45.1	2,152.9	–603.6	1,922.4	24.1	**1,946.5**
Net income for the year	–	–	–	246.7	–	246.7	–4.9	**241.8**
Dividends paid	–	–	–	–74.5	–	–74.5	–1.4	**–75.9**
Change in ownership interests in Siltronic AG	–	–	–	83.8	113.3	197.1	164.8	**361.9**
Income and expenses recognized in equity	–	–	–	–	276.5	276.5	44.3	**320.8**
Dec. 31, 2015	260.8	157.4	–45.1	2,408.9	–213.8	2,568.2	226.9	**2,795.1**

Reconciliation of Other Equity Items

For the Period January 1 to December 31

Reconciliation of Other Equity Items (Attributable to Wacker Chemie AG Shareholders)

T 5.7

€ million	Changes in fair values of securities available for sale	Difference from foreign currency translation adjustments	Changes in fair 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, 2014	0.8	–50.9	10.4	–125.9	–2.6	**–168.2**
Changes recognized in equity	0.6	–	–28.4	–520.2	–	**–548.0**
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**
Jan. 1, 2015	0.5	70.5	–28.5	–646.1	–	**–603.6**
Changes recognized in equity	–0.7	–	–48.6	131.9	–	**82.6**
Reclassification to the statement of income	–	–	52.0	–	–	**52.0**
Change in ownership interests in Siltronic AG	0.3	9.3	15.6	88.1	–	**113.3**
Changes in exchange rates	–	141.9	–	–	–	**141.9**
Dec. 31, 2015	0.1	221.7	–9.5	–426.1	–	**–213.8**

Reconciliation of Other Equity Items (Attributable to Minority Shareholders)

T 5.8

€ million	Changes in fair values of securities available for sale	Difference from foreign currency translation adjustments	Changes in fair values of derivative financial instruments (cash flow hedge)	Remeasurement of defined benefit plans	Effects of net investments in foreign operations	Total (non-controlling interests)
Jan. 1, 2014	–	–3.8	–	–	–	**–3.8**
Changes recognized in equity	–	–	–	–	–	**–**
Reclassification in the statement of income	–	–	–	–	–	**–**
Change in ownership interests in Siltronic AG	–	–	–	–	–	**–**
Changes in exchange rates	–	2.6	–	–	–	**2.6**
Dec. 31, 2014	–	–1.2	–	–	–	**–1.2**
Jan. 1, 2015	–	–1.2	–	–	–	**–1.2**
Changes recognized in equity	0.3	–	–1.2	34.5	–	**33.6**
Reclassification in the statement of income	–0.3	–	11.3	–	–	**11.0**
Change in ownership interests in Siltronic AG	–0.3	–9.3	–15.6	–88.1	–	**–113.3**
Changes in exchange rates	–	–0.3	–	–	–	**–0.3**
Dec. 31, 2015	–0.3	–10.8	–5.5	–53.6	–	**–70.2**

Segment Information by Division

For the Period January 1 to December 31

2015

T 5.9

€ million	Silicones	Polymers	Bio-solutions	Poly-silicon	Siltronic	Other	Consoli-dation	Group
External sales	1,942.8	1,162.5	197.1	978.9	923.8	91.1	–	**5,296.2**
Internal sales	0.5	23.0	–	84.7	7.5	106.4	–222.1	**–**
Total sales	1,943.3	1,185.5	197.1	1,063.6	931.3	197.5	–222.1	**5,296.2**
EBIT	194.5	184.4	21.0	162.6	4.5	–94.5	0.9	**473.4**
Depreciation and impairment losses/ reversals	81.7	37.8	11.2	239.8	119.5	85.6	–0.2	**575.4**
EBITDA	276.2	222.2	32.2	402.4	124.0	–8.9	0.7	**1,048.8**
EBIT includes: Result from investments in joint ventures and associates	3.3	–	–	–	–	–	–	**3.3**
Asset additions[1]	82.0	47.4	6.2	581.8	75.1	41.5	–	**834.0**
Asset additions	82.0	47.4	6.2	581.8	75.1	41.5	–	**834.0**
Assets (Dec. 31)	1,309.3	589.9	149.3	3,132.0	1,016.1	1,096.3	–28.5	**7,264.4**
Liabilities (Dec. 31)	749.0	281.1	67.0	1,392.0	543.5	1,451.5	–14.8	**4,469.3**
Net assets (Dec. 31)	560.3	308.8	82.3	1,740.0	472.6	–355.2	–13.7	**2,795.1**
Investments in joint ventures and associates included in net assets (Dec. 31)	21.2	–	–	–	–	–	–	**21.2**
Research and development expenses	35.8	14.8	6.1	15.3	64.3	42.8	–3.8	**175.3**
Employees (Dec. 31)	4,353	1,461	491	2,373	3,894	4,400	–	**16,972**
Employees (average)	4,348	1,442	491	2,278	4,004	4,374	–	**16,937**

[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.

2014

T 5.10

€ 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 impairment losses/ reversals	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: Income from investments in joint ventures and associates	2.9	–	–	–	–	–	–	**2.9**
Impairment losses	–	–	–	–	–9.5	–	–	**–9.5**
Asset additions[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.

Segment Information by Region

For the Period January 1 to December 31

2015

T 5.11

€ million	Germany	Rest of Europe	The Americas	Asia	Other regions	Consolidation	Group
External sales by customer location	684.9	1,202.7	945.1	2,253.1	210.4	–	**5,296.2**
External sales by Group company location	4,332.6	134.0	892.8	1,164.5	9.2	–1,236.9	**5,296.2**
Asset additions[1]	193.5	11.1	587.8	41.5	0.1	–	**834.0**
Asset additions	193.5	11.1	587.8	41.5	0.1	–	**834.0**
Assets (Dec. 31)	6,119.2	1,650.5	2,826.1	1,108.2	5.9	–4,445.5	**7,264.4**
Liabilities (Dec. 31)	3,550.2	182.5	1,436.2	825.6	2.0	–1,527.2	**4,469.3**
Net assets (Dec. 31)	2,569.0	1,468.0	1,389.9	282.6	3.9	–2,918.3	**2,795.1**
Noncurrent assets[2]	1,712.5	43.6	2,483.3	610.4	3.1	5.4	**4,858.3**
Research and development expenses	150.9	–	12.4	14.2	–	–2.2	**175.3**
Employees (Dec. 31)	12,251	390	1,830	2,448	53	–	**16,972**

2014

T 5.12

€ 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**
Asset additions[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	5.1	**4,376.2**
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**

[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 February 29, 2016. They will be submitted to and approved by the Supervisory Board at its meeting on March 8, 2016.

Change in Presentation

As part of a balance-sheet revision, WACKER improved its presentation of financial and non-financial assets and liabilities as of December 31, 2015. The previous combined posting of assets and liabilities was split up into financial and other receivables and assets, and financial and other liabilities, respectively. In the statement of cash flows, cash flows from interest, taxes and dividends previously posted under "Additional information" have been itemized separately under cash flow from operating activities. The prior-year figures have been adjusted in both cases. The supplementary disclosures have also been revised due to these changes.

New Accounting Standards

Accounting Standards Applied for the First Time in 2015

Standard/ Interpretation		Mandatory from	Endorsed by EU	Anticipated Impact on WACKER
IFRIC 21	Levies	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 the earnings, net assets or financial position presented in WACKER's consolidated financial statements.
Improvements to IFRS (2011–2013)		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.

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. Only those standards that are relevant to WACKER are mentioned. 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	Mandatory from	Endorsed by EU	Anticipated Impact on WACKER
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	Nov. 24, 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 1	Disclosure Initiative	Dec. 18, 2014	Jan. 1, 2016	Dec. 18, 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 minimum information. Additionally included are explanations of aggregation and disaggregation of items in the balance sheet and statement of comprehensive income. The amendments also 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.
Improvements to IFRS (2010–2012)		Dec. 12, 2013	Feb. 1, 2015	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 (2012–2014)		Sept. 25, 2014	Jan. 1, 2016	Dec. 15, 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.

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 first half of 2016	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; not only will it be necessary to recognize credit losses actually incurred, but also those 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.
IFRS 16	Leases	Jan. 13, 2016	Jan. 1, 2019	tbc	In accordance with this standard, almost all lease contracts and the associated contractual rights and liabilities are recognized in the statement of financial position. A lease liability is to be recognized for the payment obligations associated with every lease. At the same time, a right of use for the leased asset is capitalized in an amount corresponding to the present value of the future lease payments. This right is amortized while the lease liability is reduced over the lease term by repayments and accrued interest. Accounting relief is granted for short-term leases and assets of low value. WACKER has not yet evaluated the impact of the new standard, but we assume that lease liabilities will rise considerably. That will lead to an increase in financial liabilities and the amount of intangible assets recognized.
Amendments to IAS 12	Income Taxes	Jan. 19, 2016	Jan. 1, 2017	tbc	The amendment contains details on deductible temporary differences and their assessment. This amendment also clarifies how to estimate future taxable profits for the measurement of deferred tax assets. It has no impact on WACKER's earnings, net assets or financial position. The clarifications will, however, be relevant when the asset value of deferred tax assets is being assessed in WACKER's consolidated financial statements.

Standard / Interpretation		Publication by IASB	Effective Date	Endorsed by EU	Anticipated Impact on WACKER
Amendments to IAS 7	Statement of Cash Flows	Jan. 29, 2016	Jan. 1, 2017	tbc	The amendments are intended to improve the presentation of the company's changes in net debt. These amendments propose a reconciliation between the opening and closing balances for liabilities arising from financing activities. WACKER expects a more detailed disclosure of information in the statement of cash flows. There will be no major changes in the Group's earnings, net assets or financial position.
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2018	Expected in Q2 2016	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 will evaluate the new standard to determine its impact on the recognition of revenue in 2016. The effects cannot be assessed at present. The new standard will result in broader disclosure details in WACKER's financial statements.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	Sept. 11, 2014	Postponed	Postponed – awaiting IASB exposure draft	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.

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 or one of its subsidiaries 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 the WACKER Group 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 the WACKER Group'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, 2015	15	13	5	17	2	52
Additions	–	–	1	–	1	2
Disposals and mergers	–1	–	–	–	–	–1
Dec. 31, 2015	14	13	6	17	3	53
Companies consolidated using the equity method						
Jan. 1, 2015	–	–	–	3	–	3
Dec. 31, 2015	–	–	–	3	–	3
Non-consolidated affiliated companies						
Jan. 1, 2015	1	–	–	–	–	1
Dec. 31, 2015	1	–	–	–	–	1
Total						
Jan. 1, 2015	16	13	5	20	2	56
Additions	–	–	1	–	1	2
Disposals and mergers	–1	–	–	–	–	–1
Dec. 31, 2015	15	13	6	20	3	57
Structured entities						
Jan. 1, 2015	1	–	–	–	–	1
Dec. 31, 2015	1	–	–	–	–	1

Compared with December 31, 2014, the scope of consolidation changed as follows:

Change in the Scope of Consolidation

%	
Disposals/mergers of fully consolidated subsidiaries	
Scil Proteins Production GmbH, based in Halle, Germany (merged with Wacker Biotech GmbH, Jena, as of January 1, 2015)	100
Establishment of fully consolidated subsidiaries	
Wacker Kimya Ticaret Limited Sirketi, Istanbul, Turkey (established on May 28, 2015)	100
Wacker Colombia S.A.S., Bogotá, Colombia (established on September 11, 2015)	100
Partial disposal of fully consolidated subsidiaries through IPO of Siltronic AG[1]	
Siltronic AG, Munich	42.2
Siltronic Holding International B.V., Krommenie/Amsterdam, Netherlands	42.2
Siltronic Corp., Portland, Oregon, USA	42.2
Siltronic Singapore Pte. Ltd., Singapore	42.2
Siltronic Asia Pte. Ltd., Singapore	42.2
Siltronic Japan Corp., Hikari, Japan	42.2
Siltronic Silicon Wafer Pte. Ltd., Singapore	42.2

[1] IPO of wholly owned subsidiary Siltronic AG on June 11, 2015; placement of 42.2 percent through the issue of new shares and the sale of shares held by Dritte Venture GmbH

On January 2, 2014, Wacker Biotech GmbH acquired Scil Proteins Production GmbH, based in Halle, Germany. The merger of these two companies took place on January 1, 2015.

WACKER placed 25.5 percent of its shares in its previously wholly owned subsidiary Siltronic AG on the Frankfurt Stock Exchange in an IPO on June 11, 2015. At the same time, new shares were issued to increase the capital of Siltronic AG, reducing WACKER's stake by 16.7 percent. Following the IPO, the non-controlling interest in Siltronic AG was 42.2 percent. WACKER remains the majority shareholder with its 57.8-percent stake and fully consolidates the company in its financial statements. The total proceeds from the transaction amounted to €379.5 million. Transaction costs of €17.6 million were offset against the proceeds in equity. Because WACKER is still the majority shareholder, this transaction is accounted for as a transaction with owners that has no impact on the statement of income. Please refer to the statement of changes in equity for equity-related changes. The changes are posted in a separate line there.

A total of 14 domestic and 42 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 2014, both its sales and its total assets were below €0.5 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 trust to which Wacker Chemie AG has contributed funds. This trust fund was established exclusively for WACKER, and all shares in the fund are held by WACKER. Contractual provisions of this fund qualify it as 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. At the reporting date, there were no significant restrictions due to protective rights to the benefit of non-controlling interests. For more information, please refer to Note 12 (Equity/Non-Controlling Interests/Capital Structure Management).

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. Capital may be exported from such countries only with prior approval from government authorities and by means of capital measures (dividends, capital reductions). There are no other significant limitations on assets utility 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. The balance sheet date for all of these companies is 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 Consolidation

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 into consideration the structure and legal form of the entity, the contractual agreements and other circumstances.

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 2015

No acquisitions or majority takeovers were carried out in 2015.

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 that, 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 from an autonomous financial, economic and organizational point of view, 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 under 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, 2015	Dec. 31, 2014	2015	2014
US dollar	USD	**1.09**	1.22	**1.11**	1.33
Japanese yen	JPY	**131.41**	145.35	**134.27**	140.50
Singapore dollar	SGD	**1.54**	1.61	**1.52**	1.68
Chinese renminbi	CNY	**7.09**	7.54	**6.97**	8.18

Estimates and Assumptions Used in Preparing 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 €4.83 billion (2014: €4.35 billion). An amount of €21.2 million (2014: €20.5 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. When determining the recoverable amount during the impairment test, it is necessary to make estimates based on share prices, on prices of comparable transactions, or on the net present value method or other valuation methods or combinations thereof. That, in turn, calls for estimates and assessments by management. 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 significant deviations from the figures posted, which may lead to additional impairments or reversals of impairment losses. 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 rules concerning the elimination and prevention of environmental damage. Changes in the discount rate also lead to changes when determining noncurrent provisions. The current environment of low interest rates leads to increases in the carrying amount of noncurrent provisions. The carrying amount of provisions for environmental protection was €79.9 million (2014: €69.0 million) and for sales/purchasing €60.7 million (2014: €43.5 million), while the carrying amount of sundry other provisions was €58.9 million (2014: €71.7 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. In particular, the current environment of low interest rates had an impact on the carrying amount of pension provisions, which came to €1.61 billion (2014: €1.76 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. In Germany, the basis is a bond portfolio determined as of the closing date using Bloomberg and with 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, 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 tax assets. 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 realization exist. The carrying amount of deferred tax assets recognized in the statement of financial position amounted to €321.4 million (2014: €334.3 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 the reporting year. 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 substantially 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.

Financial instruments are recognized at fair value, while other assets and liabilities are 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 extensive estimates. The level of estimates 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 instruments 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 consideration or receivable for the goods and services that were sold within the scope of ordinary activities. These are reported net of 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 principle of individual evaluation. 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 includes indirect costs 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 title 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. Currently, goodwill is not capitalized.

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. No revaluation on the basis of the provisions in IAS 16 is performed for property, plant and equipment. 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 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 on the balance sheet date if the company has fulfilled the material requirements for permission to be issued with 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 and similar rights	10 to 30
Technical equipment and machinery	6 to 12
Motor vehicles	4 to 10
Factory and office equipment	3 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 inflows can be identified separately (cash-generating units). If the reasons for recognizing impairments no longer exist, impairment losses are reversed as required. 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 IAS 36 regulations. Impairment losses are reported in the result 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, term deposits 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, 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, also 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. Inventories also include spare parts for the day-to-day maintenance of production facilities. They, too, are measured according to their periods of storage and potential usability.

Emissions certificates allotted free of charge are measured at a nominal value of zero. Emissions allowances acquired against payment are carried at cost. If the fair value is lower as of the reporting date, the carrying amount is reduced accordingly. Proceeds from the sale of emissions certificates are recognized in profit or loss. Utilization is determined via the running average value of certificates, whether they were allotted free of charge or acquired against payment, and recognized pro rata as expenses under cost of goods sold on the basis of the quarterly emissions.

Trade receivables and other financial and non-financial assets, including income taxes paid (but excluding financial derivatives), are recognized at amortized cost. Risks are taken into account through appropriate valuation allowances. Valuation allowances for uninsured receivables – or for the deductible in the case of insured receivables – are made whenever collection of such receivables is assessed to be no longer probable according to information available. If payment of a receivable is no longer expected under the factual and legal circumstances, the gross receivable is derecognized and any valuation allowances made are reversed. Expenses from valuation allowances and derecognition are reported under other operating expenses. Changes in income tax receivables are posted under income taxes in the statement of income. 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 net interest income 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 secured with 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.

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 external 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 financial and non-financial liabilities (including income 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. Business segments are not combined. Please refer to pages 55 and 85 of the Group management report for a detailed description of the business segments, and products and services offered.

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

There were no changes in accounting and valuation methods in 2015.

Summary of Significant Accounting and Valuation Methods

The main accounting and valuation methods are summarized in the following overview:

Statement of Income Items	Accounting and Valuation Method
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

Statement of Financial Position Items ASSETS	Accounting and Valuation Method
Noncurrent assets	
Intangible assets, and property, plant and equipment	Amortized cost; depreciation/amortization on a straight-line basis
Investment property	Amortized cost
Investments in joint ventures and associates accounted for using the equity method	Amortized pro-rata value of the investment's equity or the recoverable amount if lower
Other financial assets	
Other primary financial assets	
Held-to-maturity financial assets	Amortized cost
Available-for-sale financial assets	Fair value or cost
Loans granted and receivables	Amortized cost
Derivative financial assets	Fair value
Other receivables and assets	Amortized cost; risks are accounted for through valuation allowances
Income tax receivables	Amount expected to be reimbursed by the tax authorities
Deferred tax assets	Undiscounted measurement using expected applicable tax rates for the period in which an asset is realized or a liability paid

Statement of Financial Position Items ASSETS	Accounting and Valuation Method
Current assets	
Inventories	The lower of the net realizable value and cost using the average cost method
Trade receivables	Amortized cost; risks are accounted for through valuation allowances
Other financial assets	
Other primary financial assets	
Held-to-maturity financial assets	Amortized cost
Available-for-sale financial assets	Fair value or cost
Loans granted and receivables	Amortized cost
Derivative financial assets	Fair value
Other receivables and assets	Amortized cost; risks are accounted for through valuation allowances
Income tax receivables	Amount expected to be reimbursed by the tax authorities
Securities and fixed-term deposits held to maturity	Fair value or cost
Cash and cash equivalents	Amortized cost

Statement of Financial Position Items EQUITY AND LIABILITIES	Accounting and Valuation Method
Noncurrent liabilities	
Provisions for pensions and similar obligations	Determined using the projected unit credit method
Other provisions	Present value of the future settlement value
Income tax provisions	Present value of the future settlement value
Financial liabilities	Initially recognized at fair value; amortized cost
Other financial liabilities	
Primary interest-bearing and non-interest-bearing financial liabilities	Amortized cost
Derivative financial liabilities	Fair value
Other liabilities	Amortized cost
Deferred tax liabilities	Undiscounted measurement using expected applicable tax rates for the period in which an asset is realized or a liability paid
Current liabilities	
Other provisions	Future settlement value
Income tax provisions	Future settlement value
Financial liabilities	Initially recognized at fair value; amortized cost
Trade payables	Amortized cost
Other financial liabilities	
Primary interest-bearing and non-interest-bearing financial liabilities	Amortized cost
Derivative financial liabilities	Fair value
Income tax liabilities	Amount expected to be paid to the tax authorities
Other liabilities	Amortized cost

01 Sales/Cost of Goods Sold/Other Operating Income/Other Operating Expenses

€ million	2015	2014
Sales		
Proceeds from deliveries of products and merchandise	**5,239.1**	4,752.4
Proceeds from other services	**57.1**	74.0
Total	5,296.2	4,826.4
Cost of goods sold	**–4,167.1**	–3,982.2
Cost of goods sold includes the following reversals (+)/recognitions (–) of impairments of inventories	**1.6**	–5.6
Other operating income		
Income from currency transactions	**196.2**	113.3
Income from reversal of provisions	**3.5**	3.4
Insurance compensation	**2.7**	4.9
Income from reversal of valuation allowances for receivables	**1.7**	1.0
Income from disposal of property, plant and equipment and financial assets	**3.3**	1.1
Income from the appreciation of noncurrent assets	**0.5**	–
Income from incentives/grants	**2.6**	4.2
Income from the termination of long-term supply contracts and damages received	**137.6**	206.3
Other operating income	**29.3**	30.9
Total	377.4	365.1
Other operating expenses		
Losses from currency transactions	**–265.3**	–96.2
Losses from valuation allowances for receivables	**–0.5**	–2.3
Losses from disposal of assets	**–3.1**	–10.6
Losses from impairment of fixed assets	**–0.1**	–9.5
Other operating expenses	**–143.7**	–63.0
Total	–412.7	–181.6

In the previous year, impairments on noncurrent assets no longer in use were carried out at Siltronic.

Income from the termination of long-term supply contracts and from the retention of advance payments relates in both 2015 and 2014 to advance payments retained and damages received from terminated or restructured contracts with polysilicon customers.

Other operating expenses mainly comprise costs that cannot be capitalized relating to the construction of polysilicon facilities in Charleston, Tennessee (USA).

02 Income from Investments in Joint Ventures and Associates/Other Investment Income/ Net Interest Income/Other Financial Results

€ million	2015	2014
Result from investments in joint ventures and associates	**3.3**	2.9
Of which share of income from joint ventures	**4.2**	3.7
Of which share of income from associated companies	**–0.9**	–0.8
Other investment result		
Other investment expenses/investment income	**–0.2**	0.1
Total	**–0.2**	0.1
Net interest income		
Interest income	**7.3**	8.4
Of which from available-for-sale financial instruments	**0.4**	1.2
Of which from financial instruments, loans and receivables	**6.7**	6.8
Interest expenses	**–31.8**	–46.2
Of which from financial liabilities (excluding finance leases)	**–29.8**	–37.0
Total	**–24.5**	–37.8
Other financial result		
Interest effect of interest-bearing provisions/liabilities	**–47.9**	–49.6
Other financial expenses/income	**5.7**	9.3
Total	**–42.2**	–40.3

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.

Borrowing costs of €18.6 million (2014: €5.1 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 the fiscal year was 3.0 percent (2014: 3.0 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 €41.5 million (2014: €40.2 million) and interest expenses and interest income from the accumulation and discounting of provisions of €6.5 million (2014: €7.9 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

%	2015	2014
Weighted average trade income tax rate	12.2	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 28.0 percent (2014: 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 the prior year, 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 €323.5 million (2014: €254.1 million) is available for distribution.

€ million	2015	2014
Current taxes, domestic	–181.2	–192.0
Current taxes, foreign	–21.0	–18.5
Current taxes	–202.2	–210.5
Deferred taxes, domestic	29.9	44.8
Deferred taxes, foreign	7.4	–4.1
Deferred taxes	37.3	40.7
Income taxes	–164.9	–169.8
Derivation of the effective tax rate		
Income before taxes	406.7	365.2
Income tax rate for Wacker Chemie AG (%)	28.0	28.2
Expected tax expenses	–113.9	–102.8
Tax rate divergences	10.6	–8.6
Tax effect of non-tax-deductible expenses	–18.1	–28.3
Tax effect of tax-free income	5.2	12.5
Taxes relating to other periods (current earnings)	–0.3	4.3
Effects of loss carryforwards and temporary differences	–46.5	–46.5
Group equity result	0.8	0.1
Other divergences	–2.7	–0.5
Total income tax	–164.9	–169.8
Effective tax rate (%)	40.5	46.5

The tax expenses of €164.9 million reported for the fiscal year were €51.0 million higher than the expected tax expenses of €113.9 million that would have resulted from application of the total tax rate for Germany of 28.0 percent.

Income taxes include current tax expenses for prior years of €0.3 million (2014: tax expenses of €16.3 million) and deferred tax income from other periods of €0.0 million (2014: tax income of €20.6 million).

Allocation of Deferred Taxes

€ million	2015		2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	12.6	–	13.8	1.1
Property, plant and equipment	38.2	36.8	5.4	31.0
Financial assets	–	3.5	–	1.9
Assets	14.7	0.5	16.3	2.2
Provisions for pensions	243.4	–	284.2	–
Other provisions	33.0	–	32.0	0.4
Liabilities	12.3	–	15.8	0.2
Loss carryforwards	4.6	–	–	–
Setting off for companies with group taxation	–5.5	–5.5	–0.6	–0.6
Total	353.3	35.3	366.9	36.2
Setoffs	–31.9	–31.9	–32.6	–32.6
Amount recorded in Statement of Financial Position	321.4	3.4	334.3	3.6

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 in deferred tax assets and liabilities of €37.3 million were recognized in profit or loss (2014: €40.7 million), while € –49.9 million was recognized directly in equity (2014: €126.7 million). The existing tax loss carryforwards can be used as follows:

€ million	2015	2014
Within 1 year	78.0	18.0
Within 2 years	90.6	80.9
Within 3 years	50.8	85.0
Within 4 years	17.3	47.9
Within 5 years or later	142.2	84.5
Total	378.9	316.3
Of which loss carryforwards not expected to be realizable	–360.4	–316.3
Of which loss carryforwards expected to be realizable	18.5	–

Loss carryforwards generated totaled €378.9 million (2014: €316.3 million). Of this amount, €360.4 million (2014: €316.3 million) was non-realizable, which is why no deferred tax assets were recognized. If they had been recognized, however, they would have amounted to €100.9 million (2014: €89.0 million). Of the loss carryforwards that are not realizable for tax purposes, the amount of €139.3 million (2014: €67.9 million) is unlimited as to time and amount. As of December 31, 2015, no deferred tax assets were recognized for tax-deductible temporary differences of €712.1 million (2014: €628.6 million). The change mainly concerns parts of the actuarial losses from the measurement of pension obligations recognized in other equity items in equity as well as of start-up costs for the plant in Charleston, Tennessee (USA) that are not immediately deductible.

04 Development of Intangible Assets/Property, Plant, and Equipment/ Investment Property and Investments in Associates Accounted for Using the Equity Method

2015

€ million	Intangible assets	Property, plant and equipment	Investment property	Investments in joint ventures and associates accounted for using the equity method	Total
Acquisition or production cost					
Balance as of Jan. 1, 2015	166.4	11,832.5	11.7	20.5	**12,031.1**
Additions	3.4	830.6	–	–	**834.0**
Disposals	–0.4	–80.8	–	–	**–81.2**
Transfers	7.9	–5.0	–	–	**2.9**
Other changes[1]	–	–	–	–1.0	**–1.0**
Exchange-rate differences	2.6	368.3	–	1.7	**372.6**
Balance as of Dec. 31, 2015	179.9	12,945.6	11.7	21.2	**13,158.4**
Depreciation					
Balance as of Jan. 1, 2015	133.5	7,521.2	10.2	–	**7,664.9**
Additions	13.2	562.4	–	–	**575.6**
Impairment	–	0.1	–	–	**0.1**
Disposals	–0.4	–75.9	–	–	**–76.3**
Reversals of impairment losses	–	–0.5	–	–	**–0.5**
Exchange-rate differences	1.5	139.2	–	–	**140.7**
Balance as of Dec. 31, 2015	147.8	8,146.5	10.2	–	**8,304.5**
Carrying amounts as of Dec. 31, 2015	32.1	4,799.1	1.5	21.2	**4,853.9**
Reduction in cost due to investment grant					**481.4**

[1] This item includes the changes resulting from application of the equity method.

2014

€ million	Intangible assets	Property, plant and equipment	Investment property	Investments in joint ventures and associates accounted for using the equity method	Total
Acquisition or production cost					
Balance as of Jan. 1, 2014	141.9	10,658.9	11.7	18.9	**10,831.4**
Additions	4.4	567.8	–	–	**572.2**
Disposals	–3.3	–83.3	–	–	**–86.6**
Transfers	2.8	–2.8	–	–	–
Changes in scope of consolidation	16.8	321.1	–	–	**337.9**
Other changes[1]	–	–	–	–1.1	**–1.1**
Exchange-rate differences	3.8	370.8	–	2.7	**377.3**
Balance as of Dec. 31, 2014	166.4	11,832.5	11.7	20.5	**12,031.1**
Depreciation/amortization					
Balance as of Jan. 1, 2014	121.5	6,874.8	10.2	–	**7,006.5**
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	–	**7,664.9**
Carrying amounts as of Dec. 31, 2014	32.9	4,311.3	1.5	20.5	**4,366.2**
Reduction in cost due to investment grant					**470.8**

[1] This item includes the changes resulting from application of the equity method.

05 Intangible Assets

Intangible assets include industrial property rights, similar rights and other assets acquired against payment. In 2014, 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

2015

€ 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, 2015	1,691.3	7,828.5	642.7	1,670.0	**11,832.5**
Additions	6.6	106.7	20.7	696.6	**830.6**
Disposals	–6.9	–57.4	–15.6	–0.9	**–80.8**
Transfers	310.3	878.4	25.6	–1,219.3	**–5.0**
Exchange-rate differences	57.7	130.4	4.0	176.2	**368.3**
Balance as of Dec. 31, 2015	2,059.0	8,886.6	677.4	1,322.6	**12,945.6**
Depreciation					
Balance as of Jan. 1, 2015	974.5	6,014.5	531.9	0.3	**7,521.2**
Additions	63.6	459.2	39.6	–	**562.4**
Impairment	0.1	–	–	–	**0.1**
Disposals	–5.8	–55.1	–14.7	–0.3	**–75.9**
Reversals of impairment losses	–0.5	–	–	–	**–0.5**
Exchange-rate differences	34.3	101.6	3.2	0.1	**139.2**
Balance as of Dec. 31, 2015	1,066.2	6,520.2	560.0	0.1	**8,146.5**
Carrying amounts as of Dec. 31, 2015	992.8	2,366.4	117.4	1,322.5	**4,799.1**
Of which assets from finance leases					
Gross values	–	98.1	–	–	98.1
Depreciation	–	–60.0	–	–	–60.0
Carrying amounts	–	38.1	–	–	**38.1**

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**

In the reporting year, borrowing costs amounting to €18.6 million (2014: €5.1 million) were capitalized as part of the cost of acquisition of qualifying assets. The average financing cost rate was 3.0 percent (2014: 3.0 percent). Property, plant and equipment also includes €38.1 million (2014: €23.7 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	2015	2014
Fair value	14.0	14.0
Income from rent/operating leases	0.8	0.8
Costs	–0.2	–0.2

The fair value is based on an 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 Accounted for Using the Equity Method

The Group applies the equity method to account for joint ventures and associates. Their impact on the Group's earnings, net assets and financial position is not significant. 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	2015	2014
Carrying amount of the investments in accordance with the equity method		
At the beginning of the year	16.6	15.9
Share of profit/loss for the period	4.2	3.7
Share of change in other equity	1.4	1.0
Overall result of the companies	5.6	4.7
Dividends	–4.2	–4.0
At the end of the year	18.0	16.6

Associated Companies Accounted for Using the Equity Method

€ million	2015	2014
Carrying amount of the investments in accordance with the equity method		
At the beginning of the year	**3.9**	3.0
Share of profit/loss for the period	**–0.9**	–0.8
Share of change in other equity	**0.2**	1.7
Overall result of the companies	**–0.7**	0.9
At the end of the year	**3.2**	3.9

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 consolidation measures.

Key Figures for Joint Ventures

€ million	2015		2014	
	Total	Attributable to Wacker	Total	Attributable to Wacker
Profit or loss from continuing operations	**8.4**	**4.2**	7.4	3.7
Other comprehensive income	**2.8**	**1.4**	2.0	1.0
Overall result	**11.2**	**5.6**	9.4	4.7

Key Figures for Associated Companies

€ million	2015		2014	
	Total	Attributable to Wacker	Total	Attributable to Wacker
Profit or loss from continuing operations	**–3.7**	**–0.9**	–3.3	–0.8
Other comprehensive income	**1.1**	**0.2**	6.8	1.7
Overall result	**–2.6**	**–0.7**	3.5	0.9

09 Inventories

€ million	2015	2014
Raw materials and supplies	231.2	215.1
Products	483.2	452.8
Merchandise	68.7	62.5
Services not charged	2.1	1.5
Advance payments	–	2.4
Total	785.2	734.3
Of which recorded at net realizable value	111.8	133.8

10 Financial and Non-Financial Assets/Receivables

€ million	2015			2014		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Trade receivables	679.4	–	679.4	684.0	–	684.0
Investments	11.1	11.1	–	11.2	11.2	–
Loans	99.9	99.9	–	93.5	93.5	–
Receivables from associated companies	1.0	–	1.0	1.4	–	1.4
Loan and interest receivables	0.2	–	0.2	4.2	–	4.2
Derivative financial instruments	12.6	0.2	12.4	4.2	0.3	3.9
Claims arising from investment grants	–	–	–	3.2	–	3.2
Claims against suppliers	6.6	–	6.6	3.4	0.1	3.3
Deposits	1.4	0.1	1.3	10.9	0.1	10.8
Restricted cash and cash equivalents	3.8	–	3.8	8.3	–	8.3
Sundry financial assets	24.7	0.1	24.6	77.1	0.8	76.3
Other financial assets	161.3	111.4	49.9	217.4	106.0	111.4
Accruals and deferrals	10.1	1.0	9.1	10.1	1.3	8.8
Plan assets	0.4	–	0.4	3.7	0.3	3.4
Other tax receivables	44.2	2.7	41.5	52.9	3.3	49.6
Sundry assets	8.0	0.6	7.4	3.1	–	3.1
Other non-financial assets	62.7	4.3	58.4	69.8	4.9	64.9
Income tax receivables	19.1	0.1	19.0	20.3	5.1	15.2

In 2014, other financial assets mainly comprised 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:

2015

€ 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	679.4	551.3	121.9	2.2	3.5	0.5
Other current financial assets	49.9	49.8	–	–	0.1	–
Other noncurrent financial assets	111.4	111.4	–	–	–	–
Total	840.7	712.5	121.9	2.2	3.6	0.5

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 current financial assets	111.4	109.4	0.6	–	1.2	0.2
Other noncurrent financial assets	106.0	106.0	–	–	–	–
Total	901.4	770.2	105.3	2.4	23.0	0.5

Development of Valuation Allowances/Overdue Debts

€ million	2015			2014		
	Trade receivables	**Other financial assets**	**Total**	Trade receivables	Other financial assets	Total
Valuation allowances						
As of Jan. 1	**5.1**	**–**	**5.1**	13.0	0.7	13.7
Utilization	**–2.7**	**–**	**–2.7**	–3.5	–	–3.5
Additions/reversals	**2.8**	**–**	**2.8**	–4.9	–0.9	–5.8
Exchange-rate differences	**0.4**	**–**	**0.4**	0.5	0.2	0.7
As of Dec. 31	**5.6**	**–**	**5.6**	5.1	–	5.1

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	2015	2014
Securities and fixed-term deposits held to maturity[1]	**70.9**	195.0
Of which current	**67.2**	157.4
Of which noncurrent	**3.7**	37.6
Cash and cash equivalents		
Cash equivalents	**94.2**	75.0
Demand deposits, cash on hand	**216.3**	250.9
Total	310.5	325.9

[1] The securities mainly consist of bonds from various issuers which are predominantly classified as “held to maturity.”

Demand deposits and cash on hand are shown at their nominal amounts. Cash equivalents comprise fixed-term deposits and commercial paper (from issuers with first-class credit standing) classified as “held to maturity.” None of WACKER’s cash funds are subject to currency export restrictions.

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	2015	2014
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. The proceeds of the Siltronic IPO added €83.8 million to retained earnings in 2015.

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	2015	2014
Profits	**7.2**	3.7
Losses	**–12.1**	–12.1
Net result attributable to non-controlling interests	**–4.9**	–8.4

Non-controlling interests in equity primarily comprised the following companies:

Non-Controlling Interests

€ million	2015	2014
Wacker Metroark Chemicals Pvt. Ltd., Parganas, India	**21.4**	17.2
Wacker Chemicals Fumed Silica (ZJG) Holding Co. Private Ltd., Singapore [1]	**9.0**	6.0
Siltronic AG, Munich, Germany [1]	**196.5**	0.9
Total	**226.9**	24.1

[1] Including subsidiaries

The voting rights of non-controlling interests correspond to their equity share.

When Siltronic AG went public on June 11, 2015, 12.65 million shares were placed with investors, consisting of 5 million new shares issued through a capital increase at Siltronic and 7.65 million shares originally held by WACKER. After deduction of transaction costs, WACKER increased its equity by €361.9 million as a result of the IPO. At the same time, WACKER's stake in Siltronic AG was reduced from 100 percent to 57.8 percent. The minority interest in Siltronic AG and its subsidiaries now accounts for 42.2 percent. Because the Group still retains a majority of shares in the companies, the equity of Wacker Chemie AG shareholders rose by €197.1 million as a result of the transaction. At the same time, the share of non-controlling interests in Group equity rose by €164.8 million. Transaction costs of €17.6 million were offset against the proceeds in equity.

Within the WACKER Group, Siltronic AG is an important subsidiary with non-controlling interests:

Significant Non-Controlling Interests

	2015	2014
Company's name and registered office: Siltronic AG, Munich, Germany, and its subsidiaries		
Proportion of non-controlling interests (%)	**42.17**	–
Proportion of the voting rights (%)	**42.17**	–
Total non-controlling interests (shares)	**12,650,000**	–
Dividends paid to non-controlling interests (€)	**–**	–

The following table lists condensed financial information on the Siltronic sub-group:

Condensed Financial Information on Siltronic AG and its Subsidiaries[1]:

€ million	2015	2014
Current assets	**461.7**	462.0
Noncurrent assets	**554.3**	582.2
Current liabilities	**147.5**	317.5
Noncurrent liabilities	**395.9**	441.2
Sales	**931.3**	853.4
Profit or loss from continuing operations	**–18.2**	–51.9
Other comprehensive income	**62.4**	–171.5
Total	44.2	–223.4
Cash flow from operating activities	**96.1**	124.7
Cash flow from investing activities	**–98.7**	–11.2
Of which investments in intangible assets, property, plant and equipment	**–58.9**	–37.7
Cash flow from financing activities	**–32.2**	58.6

[1] Consolidated sub-group financial statements of the Siltronic Group in accordance with IFRS

For further information on individual companies, please refer to the ownership list on pages 257–259.

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 stipulations 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 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	2015	2014
Equity attributable to Wacker Chemie AG shareholders	**2,568.2**	1,922.4
Share of total capital (%)	**63.8**	54.6
Noncurrent financial liabilities	**1,136.7**	1,318.2
Current financial liabilities	**318.7**	283.3
Total	**1,455.4**	1,601.5
Share of total capital (%)	**36.2**	45.4
Total capital	4,023.6	3,523.9

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:

Retirement Benefits Supplied by the Company Pension Fund

Employees at Wacker Chemie AG and other German Group companies are granted a basic pension model 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 surviving dependents' 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 regulations 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 fund before the end of 2004 receive guaranteed payments based on a defined benefit amount, which is to be taken into consideration in determining pension obligations. The pension payment 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 new models 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.

In the 2015 reporting year, the accounting treatment of the voluntary supplementary insurance fund was amended for people who joined the company in the years 1972 through 2004. Up until the 2014 financial year, WACKER treated this fund as a defined-contribution plan. Due to persistently low interest rates, it cannot be assumed with any certainty that the pension fund will be able in all cases to generate the guaranteed interest rate of 4 percent. As a result, WACKER has treated this fund as a defined-benefit plan since 2015. As a consequence of this change, the present value of the defined-benefit obligation rose by €106.8 million in 2015 and was recognized in other comprehensive income. At the same time, additions to plan assets in the amount of €79.5 million were recognized in other comprehensive income. These effects are shown under the line items "Gains/losses from changes in experience-based assumptions" and "Gains/losses from plan assets without amounts already recognized in interest income" in the table "Changes in the Net Liability of Defined Benefit Obligations."

The guaranteed interest rate for the voluntary supplementary insurance fund is lower for employees who joined the company after 2004, namely 2.5 percent (2005–2012) and 1.75 percent (as from 2013). Due to their insurance-related characteristics, these plans do not affect the determination of 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 paid out 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 Report on Compensation on page 271.

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. Since 2015, management employees have been able to contribute a portion of their salary to an employee-financed pension plan with a variable interest rate. The variable interest rate is linked to the five-year running yield on German bearer bonds and amounts to at least 2.5 percent and at most 5 percent. Disbursement is as a lump sum only. 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 or at the equivalent of the accumulated capital.

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 material 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 rules 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 in the USA 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, 2015			Dec. 31, 2014		
	Germany	Foreign	Total	Germany	Foreign	Total
Present value of the at least partially fund-financed defined benefit obligations	2,230.2	222.8	2,453.0	2,267.1	210.4	2,477.5
Fair value of plan assets	–1,660.5	–160.4	–1,820.9	–1,593.3	–148.8	–1,742.1
Funded status	569.7	62.4	632.1	673.8	61.6	735.4
Present value of unfunded defined benefit obligations	963.4	16.2	979.6	1,008.9	13.9	1,022.8
Net liability of defined benefit obligations	1,533.1	78.6	1,611.7	1,682.7	75.5	1,758.2
Provisions for pensions and similar obligations	1,533.1	78.6	1,611.7	1,682.7	75.5	1,758.2

Changes in the Net Liability of Defined Benefit Obligations

€ million	Present value of pension plan obligations	Market value of plan assets	Total
As of January 1, 2014	2,663.4	–1,584.1	1,079.3
Current service cost	63.0	–	63.0
Interest expense/income	102.2	–62.0	40.2
Past service cost/effects of settlements and curtailments	0.1	–	0.1
Remeasurements			
Gains (–)/losses (+) from plan assets without amounts already recognized in interest income	–	–76.3	–76.3
Gains (–)/losses (+) from changes in demographic assumptions	9.7	–	9.7
Gains (–)/losses (+) from changes in financial assumptions	705.8	–	705.8
Gains (–)/losses (+) from changes in experience-based assumptions	0.7	–	0.7
Effects of exchange-rate differences	23.5	–15.9	7.6
Contributions by			
Employer	–	–48.2	–48.2
Pension plan beneficiaries	9.5	–9.5	–
Pension payments	–77.6	53.4	–24.2
Transfers/settlements/other	–	0.5	0.5
As of December 31, 2014	3,500.3	–1,742.1	1,758.2
Current service cost	87.5	–	87.5
Interest expense/income	85.1	–43.6	41.5
Administrative expenses paid from plan assets	–	0.7	0.7
Past service cost/effects of settlements and curtailments	1.4	–	1.4
Remeasurements			
Gains (–)/losses (+) from plan assets without amounts already recognized in interest income	–	–23.3	–23.3
Gains (–)/losses (+) from changes in demographic assumptions	–3.5	–	–3.5
Gains (–)/losses (+) from changes in financial assumptions	–283.3	–	–283.3
Gains (–)/losses (+) from changes in experience-based assumptions	95.7	–	95.7
Effects of exchange-rate differences	24.5	–16.3	8.2
Contributions by			
Employer	–	–44.2	–44.2
Pension plan beneficiaries	10.3	–10.3	–
Pension payments	–85.4	58.2	–27.2
As of December 31, 2015	3,432.6	–1,820.9	1,611.7

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

%	2015		2014	
	Germany	USA	Germany	USA
Discount rate	**2.75**	**4.2**	2.3	3.8
Salary growth rate	**2.5**	**2.0/3.0**	2.5	2.0/3.0
Pension growth rate	**1.8/1.0/2.5**	**–**	1.8/1.0/2.5	–

Life expectancy calculations in Germany are based on Prof. Klaus Heubeck's modified 1998 guideline tables. The pension fund portfolio (basic pension model) 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"). In the USA, the gender-specific RP-2014 mortality tables (Scale SOA MP-2014) are used for both pensioners and non-pensioners. 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, 2015 Effect on defined benefit obligation		Dec. 31, 2014 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	3,432.6		3,500.3	
Present value of pension obligations if				
the discount rate increases by 0.5 percentage points	3,154.7	–8.1	3,192.2	–8.8
the discount rate decreases by 0.5 percentage points	3,750.3	9.3	3,855.5	10.1
salaries increase by 0.5 percentage points	3,465.8	1.0	3,539.2	1.1
salaries decrease by 0.5 percentage points	3,399.6	–1.0	3,462.6	–1.1
future pension increases are 0.25 percentage points higher	3,526.0	2.7	3,603.8	3.0
future pension increases are 0.25 percentage points lower	3,343.3	–2.6	3,401.8	–2.8
life expectancy goes up by one year	3,553.3	3.5	3,630.7	3.7

Composition of Plan Assets

Pensionskasse der Wacker Chemie VVaG invests plan assets in accordance with statutory requirements and the terms of its by-laws. The 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 invested mainly in stocks and funds in accordance with the applicable investment rules. The composition of plan assets for the Group is shown in the following table:

Composition of Plan Assets

€ million	Dec. 31, 2015			Dec. 31, 2014		
	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	–	274.5	274.5	–	262.2	262.2
Loans/fixed-interest securities	664.4	438.6	1,103.0	573.4	480.2	1,053.6
Shares/funds	246.0	138.9	384.9	245.0	95.6	340.6
Cash and cash equivalents	–	58.5	58.5	–	85.7	85.7
Total	910.4	910.5	1,820.9	818.4	923.7	1,742.1

The WACKER Group was utilizing €80.2 million of plan assets for its own purposes as of December 31, 2015 (2014: €80.2 million). 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 company contributions in cash.

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 2015, benefits in the amount of €75.1 million (2014: €70.5 million) were paid under pension plans in Germany and €10.3 million (2014: €7.1 million) under pension plans outside of Germany. WACKER anticipates that pension payments will reach approximately €95 million in the coming fiscal year. Employer contributions to plan assets will amount to around €45 million in 2016. The weighted duration of pension obligations as of December 31, 2015 was 18.4 years in Germany (2014: 20.1 years) and 14.2 years in the US (2014: 14.5 years).

Expected Pension Payments Due

€ million	Expected pension payments	
	Dec. 31, 2015	Dec. 31, 2014
Less than a year	–92.0	–85.3
One to two years	–95.3	–93.1
Two to three years	–98.4	–94.7
Three to four years	–105.0	–98.1
Four to five years	–110.3	–104.3

Composition of Pension Expenses

€ million	2015	2014
Pension expenses		
Defined benefit plan expenses	–131.1	–103.3
Defined contribution plan expenses	–9.7	–7.4
Other pension expenses	–3.2	–3.0
Contributions to state pensions	–64.0	–62.4
Total retirement benefits	–208.0	–176.1

14 Other Provisions/Tax Provisions

€ million	2015			2014		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Personnel	105.1	98.2	6.9	95.6	89.0	6.6
Sales/purchasing	60.7	22.9	37.8	43.5	5.4	38.1
Environmental protection	79.9	79.3	0.6	69.0	67.1	1.9
Restructuring	0.6	0.1	0.5	1.8	0.2	1.6
Sundry	58.9	16.5	42.4	71.7	20.1	51.6
Other provisions	305.2	217.0	88.2	281.6	181.8	99.8
Tax provisions	79.8	52.8	27.0	97.9	43.7	54.2

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 reduction 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 the provisions will probably be used for payouts over the next two years.

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).

Depending on the situation in the individual countries, interest rates of up to 9 percent (2014: between 0.5 and 10 percent) were used to determine the provisions. These provisions were primarily ones associated with purchasing, environmental provisions, provisions for phased-early-retirement plans and anniversary-payment provisions.

Other Provisions

€ million	Jan. 1, 2015	Utilization	Reversal	Addition	Interest effect	Exchange-rate differences	Dec. 31, 2015
Personnel	95.6	–21.0	–	28.1	2.3	0.1	**105.1**
Sales/purchasing	43.5	–13.5	–1.0	25.5	3.2	3.0	**60.7**
Environmental protection	69.0	–3.1	–3.2	15.9	1.3	–	**79.9**
Restructuring	1.8	–0.7	–0.6	0.1	–	–	**0.6**
Sundry	71.7	–1.5	–21.9	11.7	0.3	–1.4	**58.9**
Total	281.6	–39.8	–26.7	81.3	7.1	1.7	**305.2**

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, 2015	Utilization	Reversal	Additions/ interest effect	Exchange-rate differences	Dec. 31, 2015
Taxes	97.9	–48.1	–1.0	30.9	0.1	**79.8**

15 Financial Liabilities

€ million	2015			2014		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Liabilities to banks	**1,000.2**	**700.1**	**300.1**	1,195.3	932.4	262.9
Lease obligations	**39.1**	**33.2**	**5.9**	28.8	21.6	7.2
Other financial liabilities	**416.1**	**403.4**	**12.7**	377.4	364.2	13.2
Financial liabilities	**1,455.4**	**1,136.7**	**318.7**	1,601.5	1,318.2	283.3

In 2015, the company made a scheduled repayment of €150 million on a promissory note (German Schuldschein). In addition, around €50 million was repaid on renminbi-denominated loans.

In 2014, the company took out an investment loan in the amount of €80 million. Furthermore, long-term financing in the amount of 800 million renminbi (€106 million) for the Group's Chinese subsidiaries was restructured in 2014, 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 Singapore-dollar-denominated minority shareholder's loan for an amount equivalent to €35.8 million led to an increase in financial liabilities.

No collateral exists for the financial liabilities, nor are they 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	2015			2014		
	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**	EUR	80.0	2020
Investment loan	**CNY**	**–**	**2016**	CNY	18.7	2016
Investment loan	**CNY**	**35.6**	**2018**	CNY	67.6	2018
Promissory notes (German Schuldscheine)	**EUR**	**–**	**2015**	EUR	150.0	2015
Promissory notes (German Schuldscheine)	**EUR**	**150.0**	**2017**	EUR	150.0	2017
Bank loan	**JPY**	**76.1**	**2017**	JPY	68.8	2017
Bank loan	**EUR**	**50.0**	**2018**	EUR	50.0	2018
Bank loan	**CNY**	**112.8**	**2017**	CNY	106.1	2017
Operating loan	**CNY**	**89.9**	**–**	CNY	95.3	–
Operating loan	**BRL**	**5.8**	**–**	BRL	7.7	–
Operating loan	**–**	**–**	**–**	–	1.1	–
Total		**1,000.2**			1,195.3	
Fair value		**1,012.5**			1,218.7	

Other financial liabilities comprise the following:

€ million	2015			2014		
	Currency	Carrying amount € million	Maturity	Currency	Carrying amount € million	Maturity
Private placement (1st installment)	USD	63.9	2018	USD	57.6	2018
Private placement (2nd installment)	USD	118.5	2020	USD	107.0	2020
Private placement (3rd installment)	USD	182.4	2023	USD	164.5	2023
Minority-shareholder loans	SGD	38.6	2022	SGD	35.8	2022
Sundry other financial liabilities	–	12.7	–	–	12.5	–
Total		416.1			377.4	
Fair value		409.2			371.3	

As in the prior year, the euro-denominated investment loans included variable-interest-rate loan amounts. The variable portion amounts to €280.0 million (2014: €280.0 million), of which €200 million falls due before the end of 2016 and €80 million by mid-2020. In 2015, loan facilities from banks included variable-interest-rate loan amounts of €38.0 million (2014: €34.4 million) with a residual term until the end of 2017. The promissory notes (German Schuldscheine) include variable loan amounts of €39.0 million (2014: €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 redemption and interest payments for the bank liabilities and other financial liabilities.

€ million	2016	2017	2018	2019	2020 to 2023
Redemption	300.1	579.0	151.8	16.0	356.7
Interest	34.1	26.5	15.0	13.5	31.3

There are also unused long-term lines of credit amounting to €602.8 million (2014: €603.5 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	2015			2014		
	Nominal value	Interest	Present value	Nominal value	Interest	Present value
Minimum lease payment within a year	**9.1**	**3.2**	**5.9**	8.3	1.1	7.2
Minimum lease payment between one and five years	**25.7**	**10.3**	**15.4**	18.7	2.3	16.4
Minimum lease payment over five years	**35.3**	**17.5**	**17.8**	5.3	0.1	5.2
Total	**70.1**	**31.0**	**39.1**	32.3	3.5	28.8

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.

In 2015, a facility for producing hydrogen and steam was taken into operation. WACKER capitalized this facility as a finance lease as it is used solely by WACKER.

WACKER also has leasing agreements for several technical facilities that qualify as finance leases and were capitalized accordingly. Here, too, the Group 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 Financial and Non-Financial Liabilities

€ million	2015			2014		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Trade payables	**378.3**	**–**	**378.3**	374.5	–	374.5
Liabilities due to associated companies	**0.3**	**–**	**0.3**	0.1	–	0.1
Derivative financial instruments	**28.3**	**2.6**	**25.7**	49.7	4.8	44.9
Other liabilities	**21.5**	**–**	**21.5**	24.7	0.3	24.4
Other financial liabilities	**50.1**	**2.6**	**47.5**	74.5	5.1	69.4
Payables relating to social security	**3.0**	**–**	**3.0**	3.3	–	3.3
Payroll liabilities	**5.6**	**–**	**5.6**	5.4	–	5.4
Variable compensation	**75.5**	**–**	**75.5**	63.5	0.8	62.7
Other personnel liabilities	**28.1**	**–**	**28.1**	30.5	1.3	29.2
Other tax liabilities	**16.9**	**–**	**16.9**	16.0	0.1	15.9
Accruals and deferrals	**1.1**	**–**	**1.1**	0.8	–	0.8
Advance payments received (third parties)	**453.3**	**287.5**	**165.8**	689.1	523.0	166.1
Other liabilities	**1.6**	**–**	**1.6**	0.2	–	0.2
Other non-financial liabilities	**585.1**	**287.5**	**297.6**	808.8	525.2	283.6
Income tax liabilities	**0.3**	**–**	**0.3**	0.1	–	0.1

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 Contingencies, 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 contingent liabilities shown below are nominal values.

€ million	2015	2014
Guarantees	0.6	0.5

It is unlikely that the remaining guarantees will be utilized.

Other Financial Obligations and Other Risks

€ million	2015	2014
Obligations from rent and operating leases		
Due within one year	38.2	30.3
Due between one and five years	64.6	64.9
Due after five years or more	35.7	43.7
Total	138.5	138.9
Lease payments occasioned by operating leases	44.1	31.7
Total expected minimum lease payments from subtenancies	2.9	1.1

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	2015	2014
Obligations from orders for planned investment projects (commitments)	205.0	421.6

Obligations from orders for planned investment projects (commitments) amount to €205.0 million (2014: €421.6 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 €100.0 million annually (2014: €100 million). The contractually agreed transfer prices led to creation of a provision for onerous contracts, included in other provisions.

Within the framework of its raw-material supplies, WACKER has entered into long-term agreements to purchase strategic raw materials, electricity and gas. Correspondingly, in net terms the company has other financial obligations arising from major minimum purchasing obligations in the amount of €1.58 billion (2014: €2.06 billion). The agreements have terms of between one and eight years. The Group has obligations in the amount of €13.6 million to take back stock from consignment warehouses (2014: €10.2 million).

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.

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	2015	2014
Cost of materials	–2,276.6	–2,159.1
Personnel expenses		
Wages and salaries	–1,070.2	–1,008.1
Social benefits and financial aid funds	–177.4	–165.3
State pension contributions	64.0	62.4
Social security contributions	–113.4	–102.9
Pension expenses	–102.5	–73.5
Contributions to state pensions	–64.0	–62.4
Pension expenses	–166.5	–135.9
Total	–1,350.1	–1,246.9

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 contributions to state pensions 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	2015	2014
Expenses for auditors' fees		
Audit	1.3	1.1
Other attestation services	0.4	0.3
Total	1.7	1.4

Auditors' fees in the amount of €1.7 million (2014: €1.4 million) were paid to KPMG AG Wirtschaftsprüfungsgesellschaft, of which €1.3 million (2014: €1.1 million) was for financial statement auditing services and €0.4 million (2014: €0.3 million) for other attestation services. For the most part, these attestation services involved the IPO of Siltronic AG.

19 Earnings per Share/Dividend

	2015	2014
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 (€)	2.00	1.50
Net result for the year after non-controlling interests (€ million)	246.7	203.8
Earnings due to common shares (€ million)	246.7	203.8
Earnings per common share (average, €)	4.97	4.10
Earnings per common share (as of reporting date, €)	4.97	4.10

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 2014 amounted to €74.5 million, or €1.5 per dividend-bearing share. No allocations to retained earnings were made at Wacker Chemie AG for fiscal 2014.

For 2015, the Executive Board of Wacker Chemie AG has proposed a dividend of €2.00, 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 €99,355,966.00 will be distributed on 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, 2015

€ million	Balance sheet carrying amount Dec. 31, 2015	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, 2015
Trade receivables	**679.4**	679.4	–	–	–	679.4
Loans and receivables	**–**	679.4	–	–	–	679.4
Other financial assets	**161.3**	148.7	12.1	0.5	–	150.2
Loans and receivables	**–**	137.6	–	–	–	137.6
Available-for-sale financial assets[1]	**–**	11.1	–	–	–	–
Derivatives that do not qualify for hedge accounting	**–**	–	11.2	–	–	11.2
Derivatives that qualify for hedge accounting	**–**	–	0.9	0.5	–	1.4
Securities and fixed-term deposits	**70.9**	64.6	–	6.3	–	70.9
Securities held to maturity and fixed-term deposits	**–**	64.6	–	–	–	64.6
Available-for-sale securities	**–**	–	–	6.3	–	6.3
Cash and cash equivalents	**310.5**	310.5	–	–	–	310.5
Securities held to maturity and fixed-term deposits	**–**	94.2	–	–	–	94.2
Loans and receivables	**–**	216.3	–	–	–	216.3
Total financial assets	1,222.1	–	–	–	–	1,211.0
Of which pursuant to IAS 39 measurement categories:						
Loans and receivables	**1,033.3**	1,033.3	–	–	–	1,033.3
Held-to-maturity securities	**158.8**	158.8	–	–	–	158.8
Available-for-sale financial assets	**17.4**	11.1	–	6.3	–	6.3
Derivatives for which hedge accounting is not used	**11.2**	–	11.2	–	–	11.2
Derivatives that qualify for hedge accounting	**1.4**	–	0.9	0.5	–	1.4
Financial liabilities (excluding finance leases)	**1,416.3**	1,416.3	–	–	–	1,421.7
Measured at amortized cost	**–**	1,416.3	–	–	–	1,421.7
Liabilities from finance leases	**39.1**	–	–	–	39.1	39.1
Trade payables	**378.3**	378.3	–	–	–	378.3
Measured at amortized cost	**–**	378.3	–	–	–	378.3
Other financial liabilities	**50.1**	21.8	16.0	12.3	–	50.1
Measured at amortized cost	**–**	21.8	–	–	–	21.8
Derivatives for which hedge accounting is not used	**–**	–	15.9	–	–	15.9
Derivatives that qualify for hedge accounting	**–**	–	0.1	12.3	–	12.4
Total financial liabilities	1,883.8	–	–	–	–	1,889.2
Of which pursuant to IAS 39 measurement categories:						
Measured at amortized cost	**1,816.4**	1,816.4	–	–	–	1,821.8
Derivatives that do not qualify for hedge accounting	**15.9**	–	15.9	–	–	15.9
Derivatives that qualify for hedge accounting	**12.4**	–	0.1	12.3	–	12.4

[1] 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.

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	**217.4**	213.2	1.4	2.8	–	206.2
Loans and receivables	**–**	202.0	–	–	–	202.0
Available-for-sale financial assets[1]	**–**	11.2	–	–	–	–
Derivatives that do not qualify for hedge accounting	**–**	–	1.4	–	–	1.4
Derivatives that qualify for hedge accounting	**–**	–	–	2.8	–	2.8
Securities and fixed-term deposits	**195.0**	10.0	–	185.0	–	195.0
Securities and fixed-term deposits held to maturity	**–**	10.0	–	–	–	10.0
Available-for-sale securities	**–**	–	–	185.0	–	185.0
Cash and cash equivalents	**325.9**	325.9	–	–	–	325.9
Securities and fixed-term deposits held to maturity	**–**	75.0	–	–	–	75.0
Loans and receivables	**–**	250.9	–	–	–	250.9
Total financial assets	**1,422.3**	–	–	–	–	1,411.1
Of which pursuant to IAS 39 measurement categories:						
Loans and receivables	**1,136.9**	1,136.9	–	–	–	1,136.9
Held-to-maturity securities	**85.0**	85.0	–	–	–	85.0
Available-for-sale financial assets	**196.2**	11.2	–	185.0	–	185.0
Derivatives that do not qualify for hedge accounting	**1.4**	–	1.4	–	–	1.4
Derivatives that qualify for hedge accounting	**2.8**	–	–	2.8	–	2.8
Financial liabilities (excluding finance leases)	**1,572.7**	1,572.7	–	–	–	1,590.0
Measured 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
Measured at amortized cost	**–**	374.5	–	–	–	374.5
Other financial liabilities	**74.5**	24.8	15.4	34.3	–	74.5
Measured at amortized cost	**–**	24.8	–	–	–	24.8
Derivatives that do not qualify for hedge accounting	**–**	–	13.7	–	–	13.7
Derivatives that qualify for hedge accounting	**–**	–	1.7	34.3	–	36.0
Total financial liabilities	**2,050.5**	–	–	–	–	2,067.8
Of which pursuant to IAS 39 measurement categories:						
Measured at amortized cost	**1,972.0**	1,972.0	–	–	–	1,989.3
Derivatives that do not qualify for hedge accounting	**13.7**	–	13.7	–	–	13.7
Derivatives that qualify for hedge accounting	**36.0**	–	1.7	34.3	–	36.0

[1] 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.

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 and investments in joint ventures and associates. 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 financial 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 financial 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	2015	2014
Net result by measurement category		
Loans and receivables	**29.5**	55.0
Available-for-sale financial assets	**0.7**	1.3
Assets/liabilities classified as at fair value through profit or loss	**7.5**	–18.4
Financial liabilities measured at amortized cost	**–66.0**	–60.4
Total	–28.3	–22.5

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 €6.9 million (2014: €7.2 million). This interest income mainly stems from demand deposits and loans as well as from held-to-maturity securities.

The interest expense from financial assets that are not recognized at fair value through profit or loss amounts to €31.8 million (2014: €46.2 million). These interest expenses are mainly due to financial liabilities.

The category “Held-to-maturity financial assets” mainly comprises interest income from noncurrent and current corporate bonds that are posted under securities.

The net losses in the category “Financial liabilities measured 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 liabilities.

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, 2015

€ 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	–	11.2	–	**11.2**
Fair value through other comprehensive income/ through profit or loss				
Derivatives that qualify for hedge accounting	–	1.4	–	**1.4**
Available-for-sale securities	6.3	–	–	**6.3**
Total	6.3	12.6	–	18.9
Financial assets measured at amortized cost				
Loans and receivables				
Loans	–	99.9	–	**99.9**
Total	–	99.9	–	99.9
Financial liabilities measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting	–	15.9	–	**15.9**
Fair value through other comprehensive income/ through profit or loss				
Derivatives that qualify for hedge accounting	–	12.4	–	**12.4**
Total	–	28.3	–	28.3
Financial liabilities measured at amortized cost				
Financial liabilities				
Measured at amortized cost	–	1,421.7	–	**1,421.7**
Total	–	1,421.7	–	1,421.7

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	–	1.4	–	**1.4**
Fair value through other comprehensive income				
Derivatives that qualify for hedge accounting	–	2.8	–	**2.8**
Available-for-sale securities	185.0	–	–	**185.0**
Total	185.0	4.2	–	189.2
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	–	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 measured at amortized cost				
Financial liabilities				
Measured at amortized cost	–	1,590.0	–	**1,590.0**
Total	–	1,590.0	–	1,590.0

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 2015.

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.

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 interest result.

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 valuation allowances, 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 lines of credit and liquid funds based on multiyear financial planning and rolling 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). 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 renminbi (CNY) and yen (JPY) 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, 2015 and € –60 million as of December 31, 2014. The effect from cash-flow-hedge designated items would have increased equity before income taxes by €29.4 million (2014: €35.6 million). Due to the optional portion of the hedging transactions, the effect from cash-flow-hedge designated items would have reduced equity before income taxes by €23.2 million (2014: €35.6 million) in the case of a 10-percent appreciation of the US dollar against the euro. The Group's currency exposure amounted to €595 million as of December 31, 2015 (2014: €601 million).

Interest Rate Risk

The interest rate risk results mainly from financial liabilities 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. As financial liabilities and fixed-interest investments are measured at amortized cost, they are, 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 lower (December 31, 2014: lower) as of December 31, 2015, interest result would have been €1.4 million (2014: €1.6 million) lower (lower).

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" rules 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, currency options 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 particularly for the US dollar, Japanese yen, Swiss franc 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 two and three months. The time horizon for strategic hedging is between three 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, intercompany 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 financial assets or other financial 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 values of the currency options are posted to the statement of income. 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 interest result or other financial result.

For strategic hedging purposes, graduated hedging ratios of between 50 and 30 percent are used in relation to the expected net exposure in US dollars. The expected net exposure for 2016 is about 50 percent hedged, with the expected additional semiconductor-business net exposure for 2017 being around 20 percent hedged. The hedging ratio for operational hedging in US dollars is around 50 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 €15.8 million (2014: €–45.9 million). Of this amount, €69.7 million was reclassified to profit and loss during the period (2014: €–10.5 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 year end, WACKER recognized income of €7.3 million (2014: expense of €–0.3 million) from the valuation of the hedging instrument under fair value hedges. At the same time, an expense of €–7.3 million (2014: income of €0.3 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, 2015		Dec. 31, 2014	
	Nominal values	Market values	Nominal values	Market values
Foreign exchange derivatives	**1,826.5**	**–12.7**	1,219.9	–44.6
Other derivatives	**17.3**	**–3.0**	9.4	–0.9
Total	**1,843.8**	**–15.7**	1,229.3	–45.5
Market values of derivative financial instruments used for hedge accounting		**–11.3**		–32.9

The foreign exchange derivatives mainly comprise forward exchange contracts and foreign exchange swaps amounting to US$1,309.5 million, ¥28.0 billion, SG$ 469.7 million and CHF10.5 million (2014: US$923.5 million, ¥27.7 billion and SG$435.5 million). Derivatives with market values of €13.3 million are due in 2016, and €0.4 million expire in 2017.

Other derivatives involve electricity futures traded on the Norwegian market for a nominal amount of €17.3 million (2014: €9.4 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 up to 90 percent of the Holla (Norway) site's future silicon-production power needs not covered by long-term supply contracts. The futures have maturities of between one and five years. Derivatives with maturities up until 2020 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, 2015						
Derivatives with a positive market value	12.7	–0.1	12.6	–6.1	–	**6.5**
Derivatives with a negative market value	–28.4	0.1	–28.3	6.1	–	**–22.2**
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**

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 activities, 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.

Construction-related borrowing costs that have to be capitalized were deducted from the interest payments recognized in cash flow from operating activities. These construction-related borrowing costs increased capital expenditure included in cash flow from investing activities by €18.6 million (2014: €5.1 million).

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.

22 Explanatory Notes on Segment Reporting

The Group's segment reporting is in line with 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 or results 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. Foreign currency gains or losses pertaining to the Siltronic operating segment are recognized directly in that operating segment because an assignment in Siltronic's sub-group financial statements is possible. Foreign currency gains or losses pertaining to the chemical divisions and the Polysilicon operating segment are shown under "Other."

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 including 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.

Non-cash expenses and income are divided up between the individual segments as follows:

Other Non-Cash Expenses and Income

€ million	2015	2014
SILICONES	**1.5**	–2.4
POLYMERS	**0.9**	–1.9
BIOSOLUTIONS	**0.1**	–0.2
POLYSILICON	**4.3**	–3.1
SILTRONIC	**–9.7**	9.1
Other	**–36.2**	–56.9
	–39.1	–55.4

The decline in both advance payments received for polysilicon deliveries and advance payments retained due to the termination of polysilicon contracts €214.4 million (2014: €–218.6 million). In the Siltronic segment, advance payments received decreased by €23.9 million (2014: increase of €45.1 million).

Start-up costs for the new polysilicon site in Charleston, Tennessee (USA) diminished EBITDA in the polysilicon segment by around €90 million.

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, €13.5 million (2014: €–33.4 million) is attributable to the Siltronic segment and €8.9 million (2014: €–12.4 million) to "Other." The changes in value from the remeasurement of defined benefit pension plans are distributed among the segments as follows: €41.8 million (2014: €–127.1 million) for the Silicones segment; €15.3 million (2014: €–49.1 million) for the Polymers segment; €3.7 million (2014: €–11.7 million) for the Biosolutions segment; €28.2 million (2014: €–85.5 million) for the Polysilicon segment; €95.2 million (2014: €–135.5 million) for the Siltronic segment; and €77.8 million (2014: €–231.0 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, sales amounted to €829.4 million in the USA (2014: €633.7 million) and €557.5 million in China (2014: €441.5 million). Measured by the respective customer location in the USA and China, the sales generated were €754.1 million (2014: €643.0 million) and €1,013.8 million (2014: €900.0 million), respectively. WACKER has no major customer whose sales it is obliged to report.

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	2015	2014
Operating result of reporting segments	**472.5**	447.6
Consolidation	**0.9**	–4.3
Group EBIT	**473.4**	443.3
Financial result	**–66.7**	–78.1
Income before taxes	406.7	365.2
Income taxes	**–164.9**	–169.8
Net income for the year	241.8	195.4

23 Breakdown of Shareholdings

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		116	75	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	–		27	–	100.00	0
11 Wacker Biotech GmbH, Jena	Biosolutions	a), b)	290	–	100.00	0
12 Wacker-Chemie Siebte Venture GmbH, Munich	–		25	–	100.00	0
13 Wacker-Chemie Achte Venture GmbH, Munich	–	a), b)	2,753	–	100.00	0
14 Siltronic AG, Munich	Siltronic		525,760	–72,756	49.50	9
					8.33	0
Rest of Europe						
15 Wacker Chemicals Finance B.V., Krommenie/Amsterdam, Netherlands	Holding		1,369,849	164	100.00	0
16 Wacker-Chemicals Ltd., Egham, Surrey, Great Britain	Sales and distribution		947	823	100.00	0
17 Wacker-Chemie Italia S.r.L., Peschiera Borromeo/Milan, Italy	Sales and distribution		2,382	782	100.00	0
18 Wacker-Chemie Benelux B.V., Krommenie/Amsterdam, Netherlands	Sales and distribution		425	407	100.00	15
19 Wacker Chimie S.A.S., Lyon, France	Sales and distribution		561	349	100.00	0
20 Wacker-Kemi AB, Solna, Sweden	Sales and distribution		162	95	100.00	0
21 Wacker Química Ibérica, S.A., Barcelona, Spain	Sales and distribution		442	304	100.00	0
22 Siltronic Holding International B.V., Krommenie/Amsterdam, Netherlands	Holding		318,255	37,585	57.83	14

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
23 Wacker-Chemie S.r.o., Prague, Czech Republic	Sales and distribution		3,222	185	100.00	0
24 Wacker-Chemie Polska Sp. z o.o., Warsaw, Poland	Sales and distribution		451	321	100.00	0
25 Wacker-Chemie Hungária Kft., Budapest, Hungary	Sales and distribution		539	358	100.00	0
26 OOO Wacker Chemie RUS, Moscow, Russia	Sales and distribution		697	98	100.00	0
27 Wacker Chemicals Norway AS, Holla, Norway	Silicones		40,661	5,604	100.00	15
28 Wacker Kimya Tic. Ltd. Sti., Turkey	Sales and distribution		273	221	100.00	15
Americas						
29 Wacker Química do Brasil Ltda., São Paulo, Brazil	Silicones, Polymers		3,446	–2,273	100.00	0
30 Wacker Mexicana S.A. de C.V., Mexico, D.F., Mexico	Sales and distribution		1,356	752	100.00	0
31 Wacker Chemical Corp., Adrian, Michigan, USA	Silicones, Polymers, Biosolutions		1,468,616	12,700	100.00	15
32 Wacker Polysilicon North America, LLC, Cleveland, Tennessee, USA	Polysilicon		1,077,501	–114,379	100.00	31
33 Siltronic Corp., Portland, Oregon, USA	Siltronic		23,557	6,696	100.00	22
34 Wacker Colombia S.A.S., Colombia	Sales and distribution		16	6	100.00	15
Asia						
35 Wacker Chemicals (South Asia) Pte. Ltd., Singapore	Sales and distribution		1,997	512	100.00	0
36 Wacker Chemicals Hong Kong Ltd., Hong Kong, China	Sales and distribution		9,024	6,612	100.00	0
37 Wacker Metroark Chemicals Pvt. Ltd., Parganas, India	Silicones		43,660	9,396	51.00	0
38 Wacker Chemicals Korea Inc., Seoul, South Korea	Silicones, Polymers		36,058	7,534	100.00	15
39 Wacker Chemicals East Asia Ltd., Tokyo, Japan	Sales and distribution		15	–46	100.00	0
40 Wacker Chemicals Trading (Shanghai) Co. Ltd., Shanghai, China	Silicones		4,298	74	100.00	36
41 Wacker Chemicals Fumed Silica (ZJG) Holding Co. Private Ltd., Singapore	Holding		47,905	–17	51.00	0
42 Wacker Chemicals Fumed Silica (ZJG) Co. Ltd., Zhangjiagang, China	Silicones		18,297	5,329	51.00	41
43 Wacker Chemicals (Zhangjiagang) Co. Ltd., Zhangjiagang, China	Silicones		50,913	8,857	100.00	45
44 Wacker Polymer Systems (WUXI) Co. Ltd., Wuxi, China	Biosolutions		2,745	–135	100.00	45
45 Wacker Chemicals (China) Company Ltd. (Holding), Shanghai, China	Sales and distribution		125,273	11,184	100.00	0
46 Wacker Chemicals (Nanjing) Co. Ltd., Nanjing, China	Polymers, Biosolutions		54,697	1,541	100.00	45
47 Wacker Chemicals India Ltd., Mumbai, India	Sales and distribution		4,081	643	100.00	15
48 Siltronic Singapore Pte. Ltd., Singapore	Siltronic		127,417	43,707	57.83	22
49 Siltronic Asia Pte. Ltd., Singapore	Siltronic		846	805	57.83	22
50 Siltronic Japan Corp., Hikari, Japan	Siltronic		–13,569	26	57.83	22
51 Siltronic Silicon Wafer Pte. Ltd., Singapore	Siltronic		–29,252	–22,850	44.93	22

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
Other regions						
52 Wacker Chemicals Australia Pty. Ltd., Melbourne, Australia	Sales and distribution		697	363	100.00	0
53 Wacker Chemicals Middle East Ltd., Dubai, UAE	Sales and distribution		3,213	213	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]
54 Wacker Asahi Kasei Silicone Co. Ltd., Tokyo, Japan	Silicones		13,264	2,489	50.00	0
55 Dow Corning (ZJG) Holding Co. Private Ltd., Singapore	Silicones		368,758	–3,739	25.00	0
56 Wacker Dymatic (Shunde) Co. Ltd., Guangdong, China	Silicones		23,411	6,135	50.00	45

Special-Purpose Entity

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %[4]	Held by serial number[1]
57 WMM-Universal-Fonds, Germany	–		6,466	557	100.00	0

* Identifier:
a) Wacker Chemie AG has concluded profit-and-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

24 Related Party Disclosures

IAS 24 stipulates that a person or company which 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 €45.3 million (2014: €45.6 million), while the receivables from the pension fund totaled €0.5 million (2014: €40.4 million).

On June 22, 2015, The Capital Research and Management Company, Inc., Los Angeles, USA (a subsidiary of Capital Group Companies, Inc. Los Angeles, USA) reported holding 3.07 percent, thereby exceeding the 3-percent threshold of voting shares in Wacker Chemie AG.

Further detailed information has been published in the German register of companies.
www.unternehmensregister.de

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	2015				2014			
	Income	Expenses	Receivables	Liabilities	Income	Expenses	Receivables	Liabilities
Associated companies	**9.5**	**144.9**	**3.2**	**8.7**	6.3	123.5	2.1	15.9
Joint ventures	**31.5**	**1.4**	**5.4**	**0.5**	28.0	1.7	4.3	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 €99.9 million (2014: €93.6 million).

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 2015	2,629,052	3,681,166	2,174,835	**8,485,053**
Executive Board compensation 2014	2,633,579	3,057,625	934,991	**6,626,195**
Pension commitments for active members of the Executive Board 2015				**22,692,191**
Pension commitments for active members of the Executive Board 2014				**25,151,057**
Compensation for former members of the Executive Board and their surviving dependents 2015				**1,922,900**
Compensation for former members of the Executive Board and their surviving dependents 2014				**1,851,841**
Pension commitments for former members of the Executive Board and their surviving dependents 2015				**36,718,229**
Pension commitments for former members of the Executive Board and their surviving dependents 2014				**35,200,916**
Supervisory Board compensation 2015	1,716,973	–	–	**1,716,973**
Supervisory Board compensation 2014	1,729,041	–	–	**1,729,041**

[1] The compensation for retirement benefits is based on service cost. Interest expense amounted to €585,079 (2014: €706,334).

Dr. Rauhut retired on October 31, 2015 after his employment contract expired as scheduled. Before expiry of his employment contract, Dr. Rauhaut had received all compensation due him under the provisions of this contract. He will receive the agreed competitive-restriction compensation, which will total €636,548 for the 12 months following his departure. €106,091 of that total amount was paid to him in 2015 and is included under compensation for former members of the Executive Board and their surviving dependents.

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, February 29, 2016
Wacker Chemie AG

Rudolf Staudigl **Christian Hartel**

Tobias Ohler **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 (until May 31, 2015)

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

Franz-Josef Kortüm[1,2,3]

Munich
Former Chairman of the Executive Board of Webasto SE

Deputy Chairman of the Supervisory Board
Webasto SE

Chairman of the Advisory Council
Brose Fahrzeugteile GmbH & Co. KG

Member of the Board of Directors
Autoliv Inc., USA

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, Altötting District Chairman of the IG BCE labor union

Member of the Supervisory Board
Siltronic AG**

Dr. Thomas Strüngmann

Tegernsee, Co-Managing Director, ATHOS Service GmbH

Dr. Susanne Weiss

Munich, attorney, and a partner in the law firm Weiss Walter Fischer-Zernin

Chairwoman of the Supervisory Board
PIAG Immobilien AG, Austria
(until January 19, 2015)
ROFA AG

Member of the Supervisory Board
Porr AG, Austria
Schattdecor AG
UBM Development AG (since January 15, 2015)

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 (until June 30, 2015)

Member of the Supervisory Board
Bayer AG

* 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)

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. Christian Hartel

(since November 1, 2015)
WACKER POLYMERS
Human Resources (Personnel Director)
Corporate Engineering
Region: Asia

Dr. Tobias Ohler

WACKER POLYMERS (until October 31, 2015)
SILTRONIC (since November 1, 2015)
Human Resources (Personnel Director)
(until October 31, 2015)
Technical Procurement & Logistics
Raw Materials & Energy
Corporate Accounting and Tax (since November 1, 2015)
Corporate Controlling (since November 1, 2015)
Information Technology (since November 1, 2015)
Region: Asia (until October 31, 2015)
Region: The Americas (since November 1, 2015)

Member of the Supervisory Board
Siltronic AG** (until December 11, 2015)
Pensionskasse der Wacker Chemie VVaG
(since December 1, 2015)

Chairman of the Supervisory Board
Siltronic AG** (since December 12, 2015)

Dr. Joachim Rauhut

(until October 31, 2015)
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
(until October 31, 2015)
MTU Aero Engines AG
B. Braun Melsungen AG
Stabilus S.A. (since May 12, 2015)

Chairman of the Supervisory Board
Siltronic AG** (until December 11, 2015)

Member of the Advisory Council
J. Heinrich Kramer Holding GmbH

Member of the Southern Regional Advisory Committee
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** (until May 7, 2015)

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 (the Code) and Section 289a (1) of the German Commercial Code (HGB).

Declaration of Conformity and Corporate Governance Reporting

In 2015, the Executive and Supervisory Boards dealt intensively with the company's corporate governance and the recommendations of the Code published on May 5, 2015. The Executive Board and the Supervisory Board resolved in December 2015 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.

Declaration of Conformity 2015 Issued by the Executive Board and Supervisory Board of Wacker Chemie AG

1. General Declaration Pursuant to Section 161 of the German Stock Corporation Act

In December 2014, the Executive Board and the Supervisory Board of Wacker Chemie AG issued their most recent 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 (the Code) as amended on June 24, 2014, with the exceptions listed under 2. a), b), c), d), e) and g) in the following, and will continue to comply with the recommendations of the Code as amended on May 5, 2015, with the exceptions listed under 2. a), c), d), e), f) and g).

2. Exceptions

a) D&O Insurance Deductible for Supervisory Board Members

German law and a company's articles of association set clear limits in regard 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 has direct responsibility for managing the corporation. The 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 the implementation of corporate strategy or operations. The same applies to measures taken to avert damage or loss to the company. Furthermore, since our Supervisory Board members receive only a relatively small amount for reimbursement of expenses compared to our Executive Board compensation, we do not deem the agreement of a deductible reasonable for members of our Supervisory Board.

b) Appropriate Consideration of Women for Appointment to 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 shall 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 of Proposed Candidates for the Chair of the Supervisory Board to Shareholders
According to this recommendation, shareholders shall 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) Defining Concrete Objectives Regarding the Number of Independent Members of the Supervisory Board
The Supervisory Board of Wacker Chemie AG, as it is composed at present, meets the requirements of the Code regarding an adequate number of independent members. The Supervisory Board will continue to ensure that in future elections, it will recommend a number of independent candidates which it considers to be appropriate to the shareholders. Additionally defining a concrete objective in this regard would not only limit the choice of suitable candidates for the Supervisory Board, but also restrict the shareholders' right to elect those Supervisory Board members whom they consider to be the most suitable. For these reasons, we do not comply with this recommendation.

f) Term Limit for Length of Service on the Supervisory Board
According to this recommendation, the Supervisory Board shall determine a general term limit for the length of service on the board. A generally applicable term limit of this sort is not required in our opinion, as we consider an individual analysis of the respective Supervisory Board members to be more effective. This particularly applies since the Code provides for self-inspection of the Supervisory Board and its members anyway as part of the regular examination of efficiency. Furthermore, a general term limit would restrict the majority shareholder's freedom to choose representatives on the Supervisory Board at its own discretion in fulfillment of its corporate responsibility.

g) Time Limit Placed on Applications for the Judicial Appointment of a Supervisory Board Member
According to this recommendation, applications for the judicial appointment of a Supervisory Board member shall be limited in time up to the next Annual Shareholders' Meeting.

We do not comply with this recommendation. Proposals for candidates to be appointed by the court are agreed with the majority shareholder beforehand anyway. In view of the majority situation, the election of this same candidate at the next Annual Shareholders' Meeting would merely constitute a confirmation of his/her appointment, which we consider to be superfluous.

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 company dates 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. Once a year, we hold an event for analysts. Important presentations are available on the internet, as well as all 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. 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 by 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 direct 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 each individual member is directly responsible for managing its respective unit. 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 on all relevant issues of company strategy, planning, business development, risk exposure, risk management and compliance. Also in the period 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 and gives reasons for any deviations from approved business plans and objectives.

The Rules of Procedure for Wacker Chemie AG's Executive Board stipulate that certain transactions require prior consent from the Supervisory Board. 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 loan agreements.

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.

Supervisory Board Composition

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. Shareholder representatives are elected by the Annual Shareholders' Meeting and employee representatives by the employees, as stipulated by the German Co-Determination Act. The term of office is generally about five years.

WACKER has always placed importance on having highly qualified individuals sit on its Supervisory Board. In compliance with the recommendation made in Item 5.4.1 of the German Corporate Governance Code as amended on May 26, 2010, WACKER's Supervisory Board resolved in December 2010 to set itself concrete objectives in respect of its composition. These include the qualifications, international experience and gender of Supervisory Board members, and the prevention of conflicts of interest. Accordingly, the profile of requirements and targets is as follows:

- International scope: an appropriate number of Supervisory Board members – however, at least one – should have international experience.

- Prevention and handling of conflicts of interest: the Supervisory Board's Rules of Procedure already contain extensive provisions on members' conflicts of interest. In addition, the Supervisory Board actively strives to prevent such conflicts of interest and also takes this goal into consideration when making recommendations to the Annual Shareholders' Meeting.

- Diversity and gender representation: diversity includes gender diversity. The objective set in December 2010 to increase the number of female members to at least two – one shareholder and one employee representative – was achieved in 2013. Since WACKER is a publicly listed company subject to co-determination, its Supervisory Board is required by the "Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector" of April 24, 2015 to be composed of at least 30 percent female members and at least 30 percent male members. These requirements became valid for the first time as of January 1, 2016 for new elections.

The Supervisory Board's Rules of Procedure already define an age limit. The Supervisory Board does not comply with the recommendation made in Item 5.4.1 of the German Corporate Governance Code as amended on May 5, 2015 to set a general term limit for the length of service of its members. The reasons for this decision are given in the Declaration of Conformity of December 2015.

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. Since the Supervisory Board believes that it comprises an adequate number of independent members, it does not comply with the additional recommendation made in Item 5.4.2 of the German Corporate Governance Code as amended on May 5, 2015 to name a specific target number of independent members. The reasons for this decision are given in the Declaration of Conformity of December 2015.

The Supervisory Board will take into account the objectives it has set when making its nomination proposals to the Annual Shareholders' Meeting. The composition of the Supervisory Board complies with the objectives set in December 2010.

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 negotiates contracts with Executive Board members and develops a compensation system that the full Supervisory Board then uses as a basis for determining the compensation for 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 Franz-Josef Kortüm, Dr. Peter-Alexander Wacker and Anton Eisenacker. The chairman of the Audit Committee is Franz-Josef Kortüm.

The Group also has a statutory Mediation Committee, the tasks of which are stipulated by German law. This committee consists of Dr. Peter-Alexander Wacker, Anton Eisenacker, Franz-Josef Kortüm and Manfred Köppl. It 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. WACKER's compliance management system is regularly reviewed and adapted.

These tasks are the responsibility of the compliance management department. The company has appointed and trained compliance officers in Germany, Norway, the USA, China, Japan, India, South Korea, Brazil, Mexico, Singapore, Russia, the United Arab Emirates 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. In 2015, one focus of the compliance management department remained the further improvement of communication with the company's international sites within the compliance organization and the training of 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 the company's voluntary commitments under Responsible Care® and the Global Compact, and coordinates its 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 2015, no notification of sales or acquisitions of WACKER shares was given by members of the Supervisory Board or their dependents subject to reporting requirements.

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.

Provisions to Support the Participation of Women in Executive Positions as per Section 76 (4) and Section 111 (5) of the German Stock Corporation Act

On May 1, 2015, the "Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector" of April 24, 2015 came into effect. It requires Wacker Chemie AG to specify target values for the proportion of women on the Executive Board and in the two management levels below the Executive Board. The target values for the Executive Board are set by the Supervisory Board and those for the two management levels below the Executive board are set by the Executive Board.

On September 24, 2015, the Supervisory Board set the target for the proportion of women on the Executive Board for the period up to June 30, 2017 as zero.

On September 22, 2015, the Executive Board of Wacker Chemie AG set target values of 10 percent for the management level directly below the Executive Board (status on June 30, 2015: 8 percent) and 17.5 percent for the second management level below the Executive Board (status on June 30, 2015: 14.5 percent). In both cases, the deadline for implementation is June 30, 2017.

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 has a basic entitlement to the premature payment of an annual pension if he leaves the Executive Board against his will without good cause or if he, of his own accord, ceases his 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. Rudolf Staudigl and Auguste Willems be limited to a maximum of two full annual salaries and, in the case of Dr. Tobias Ohler and Dr. Christian Hartel, a maximum of one full annual salary (severance pay cap).

Total Compensation for the Members of the Executive Board for Fiscal 2015
The current level of each Executive Board member's compensation is listed in the tables below, which follow the model tables recommended by the German Corporate Governance Code (DCGK).

Dr. Rauhut retired on October 31, 2015 after his employment contract expired as scheduled. Before expiry of his employment contract, Dr. Rauhut had received all compensation due to him under the provisions of this contract. He will receive the agreed competitive-restriction compensation, which will total €636,548 for the 12 months following his departure (thus €106,091 on a pro rata basis for 2015).

Dr. Christian Hartel was appointed as a new Executive Board member effective November 1, 2015. He receives a fixed gross annual salary of €400,000.

The following table shows the value of compensation and benefits granted for fiscal 2015. It also lists minimum and maximum attainable values.

Compensation and Benefits Granted for the Year Under Review

€

	Dr. Rudolf Staudigl, President & CEO				Dr. Christian Hartel, Executive Board member (since November 1, 2015)			
	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)	2014
Fixed compensation	**800,000**	800,000	800,000	787,500	**66,668**	66,668	66,668	–
Payment unrelated to the accounting period[1]	**28,125**	28,125	28,125	28,125	**–**	–	–	–
Additional benefits[2]	**55,132**	55,132	55,132	61,539	**8,100**	8,100	8,100	–
Total	**883,257**	883,257	883,257	877,164	**74,768**	74,768	74,768	–
One-year variable compensation[3]	**–**	–	–	250,000	**–**	–	–	–
Multiyear variable compensation[4]	**1,312,000**	582,400	1,840,800	937,125	**86,000**	38,267	123,067	–
Total	**2,195,257**	1,465,657	2,724,057	2,064,289	**160,768**	113,035	197,835	–
Pension expenses[5]	**10,583**	10,583	10,583	8,490	**1,201,045**	1,201,045	1,201,045	–
Total compensation	**2,205,840**	1,476,240	2,734,640	2,072,779	**1,361,813**	1,314,080	1,398,880	–

	Dr. Tobias Ohler, Executive Board member				Dr. Joachim Rauhut, Executive Board member (until October 31, 2015)			
	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)	2014
Fixed compensation	**400,000**	400,000	400,000	400,000	**483,333**	483,333	483,333	572,500
Payment unrelated to the accounting period[1]	**15,000**	15,000	15,000	15,000	**20,625**	20,625	20,625	20,625
Additional benefits[2]	**44,391**	44,391	44,391	39,319	**53,058**	53,058	53,058	63,556
Total	**459,391**	459,391	459,391	454,319	**557,016**	557,016	557,016	656,681
One-year variable compensation[3]	**–**	–	–	–	**–**	–	–	–
Multiyear variable compensation[4]	**516,000**	229,600	738,400	368,000	**792,666**	351,866	1,112,149	681,275
Total	**975,391**	688,991	1,197,791	822,319	**1,349,682**	908,882	1,669,165	1,337,956
Pension expenses[5]	**354,563**	354,563	354,563	250,760	**10,041**	10,041	10,041	222,842
Total compensation	**1,329,954**	1,043,554	1,552,354	1,073,079	**1,359,723**	918,923	1,679,206	1,560,798

	Auguste Willems, Executive Board member			
	2015	2015 (min.)	2015 (max.)	2014
Fixed compensation	**580,000**	580,000	580,000	572,500
Payment unrelated to the accounting period[1]	**20,625**	20,625	20,625	20,625
Additional benefits[2]	**53,995**	53,995	53,995	52,290
Total	**654,620**	654,620	654,620	645,415
One-year variable compensation[3]	**–**	–	–	–
Multiyear variable compensation[4]	**951,200**	422,240	1,334,580	681,275
Total	**1,605,820**	1,076,860	1,989,200	1,326,690
Pension expenses[5]	**598,603**	598,603	598,603	452,899
Total compensation	**2,204,423**	1,675,463	2,587,803	1,779,589

[1] Pro rata compensation of withheld amount from 2013. 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. In 2014 and 2015, Executive Board members were each paid a sum of 50 percent of each 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 in 2014.
[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 2015: 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. In connection with the appointment of Dr. Hartel to the Executive Board of Wacker Chemie AG, a past service cost resulted in the amount of €1,119,185.

The following table shows the payments for fiscal 2015 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 President & CEO		Dr. Christian Hartel Executive Board member (since November 1, 2015)		Dr. Tobias Ohler Executive Board member	
	2015	2014	2015	2014	2015	2014
Fixed compensation	**800,000**	787,500	**66,668**	–	**400,000**	400,000
Payment unrelated to the accounting period[1]	**28,125**	28,125	**–**	–	**15,000**	15,000
Additional benefits[2]	**55,132**	61,539	**8,100**	–	**44,391**	39,319
Total	**883,257**	877,164	**74,768**	–	**459,391**	454,319
One-year variable compensation[3]	**–**	250,000	**–**	–	**–**	–
Multiyear variable compensation[4]	**1,320,000**	984,375	**86,667**	–	**520,000**	392,000
Total	**2,203,257**	2,111,539	**161,435**	–	**979,391**	846,319
Pension expenses[5]	**10,583**	8,490	**1,201,045**	–	**354,563**	250,760
Total compensation	**2,213,840**	2,120,029	**1,362,480**	–	**1,333,954**	1,097,079

	Dr. Joachim Rauhut Executive Board member (until October 31, 2015)		Auguste Willems Executive Board member	
	2015	2014	2015	2014
Fixed compensation	**483,333**	572,500	**580,000**	572,500
Payment unrelated to the accounting period[1]	**20,625**	20,625	**20,625**	20,625
Additional benefits[2]	**53,058**	63,556	**53,995**	52,290
Total	**557,016**	656,681	**654,620**	645,415
One-year variable compensation[3]	**–**	–	**–**	–
Multiyear variable compensation[4]	**797,500**	715,625	**957,000**	715,625
Total	**1,354,516**	1,372,306	**1,611,620**	1,361,040
Pension expenses[5]	**10,041**	222,842	**598,603**	452,899
Total compensation	**1,364,557**	1,595,148	**2,210,223**	1,813,939

[1] Pro rata compensation of withheld amount from 2013. 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. In 2014 and 2015, Executive Board members were each paid a sum of 50 percent of each 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 in 2014.
[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. In connection with the appointment of Dr. Hartel to the Executive Board of Wacker Chemie AG, a past service cost resulted in the amount of €1,119,185.

Compensation for Former Executive Board Members and Their Surviving Dependents

€	Total
2015	**1,922,900**
2014	**1,851,841**

Pension Obligations for Executive Board Members

€	Total
Pension obligations for active Executive Board members	
2015	**22,692,191**
2014	**25,151,057**
Pension obligations for former members of the Executive Board or their dependents	
2015	**36,718,229**
2014	**35,200,916**

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
2015	1,716,973	–	**1,716,973**
2014	1,729,041	–	**1,729,041**

[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 February 29, 2016. 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, February 29, 2016
Wacker Chemie AG

Rudolf Staudigl **Christian Hartel**

Tobias Ohler **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, 2015. 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 315a (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 315a (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, February 29, 2016
KPMG AG Wirtschaftsprüfungsgesellschaft

Pastor
Auditor

Maurer
Auditor

Multiyear Overview

Multiyear Overview

€ million	2015	Change in %	2014	2013	2012	2011	2010	2009
Sales	**5,296.2**	9.7	4,826.4	4,478.9	4,634.9	4,909.7	4,748.4	3,719.3
Income before taxes	**406.7**	11.4	365.2	31.0	203.9	567.4	732.3	3.3
Net income for the year	**241.8**	23.7	195.4	6.3	114.7	356.1	497.0	–74.5
EBITDA	**1,048.8**	0.6	1,042.3	678.7	795.4	1,104.2	1,194.5	606.7
EBIT	**473.4**	6.8	443.3	114.3	266.6	603.2	764.6	26.8
Fixed assets	**4,964.9**	11.0	4,471.0	4,067.7	4,260.7	3,797.7	3,273.5	3,017.5
Intangible assets	**32.1**	–2.4	32.9	20.4	25.5	30.2	33.2	22.0
Property, plant and equipment	**4,800.6**	11.3	4,312.8	3,785.6	3,924.4	3,502.0	3,027.2	2,778.5
Financial assets	**132.2**	5.5	125.3	261.7	310.8	265.5	213.1	217.0
Current assets, incl. deferred taxes + accruals and deferrals	**2,299.5**	–7.1	2,476.2	2,264.7	2,232.1	2,439.3	2,227.7	1,524.4
Liquid funds	**310.5**	–4.7	325.9	431.8	192.6	473.9	545.2	363.6
Equity	**2,795.1**	43.6	1,946.5	2,197.1	2,121.3	2,629.7	2,446.8	1,942.4
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, and other equity items	**2,195.1**	41.7	1,549.3	1,805.7	1,730.0	2,230.3	2,049.0	1,552.4
Non-controlling interests	**226.9**	>100	24.1	18.3	18.2	26.3	24.7	16.9
Borrowed capital	**4,469.3**	–10.6	5,000.7	4,135.3	4,371.5	3,607.3	3,054.4	2,599.5
Provisions	**1,996.7**	–6.6	2,137.7	1,401.9	1,575.3	904.2	893.2	867.8
Liabilities, incl. deferred taxes + accruals and deferrals	**2,472.6**	–13.6	2,863.1	2,733.4	2,796.2	2,703.1	2,161.2	1,731.7
Net financial debt (–) Net financial receivables (+)	**–1,074.0**	–0.6	–1,080.6	–792.2	–700.5	95.7	264.0	–76.1
Total assets	**7,264.4**	4.6	6,947.2	6,332.4	6,492.8	6,237.0	5,501.2	4,541.9
Employees (average for the year)	**16,937**	1.2	16,744	16,134	16,663	16,934	16,033	15,719
Employees (Dec. 31)	**16,972**	1.6	16,703	16,009	16,292	17,168	16,314	15,618
Employees (total)	**16,972**	1.6	16,703	16,009	16,292	17,168	16,314	15,618

€ million	2015	Change in %	2014	2013	2012	2011	2010	2009
Key profitability figures								
Return on sales (EBIT) = EBIT/sales (%)	**8.9**	n.a.	9.2	2.6	5.8	12.3	16.1	0.7
Return on sales (EBITDA) = EBITDA/sales (%)	**19.8**	n.a.	21.6	15.2	17.2	22.5	25.2	16.3
Return on equity = net income for the year/equity (as of Dec. 31) (%)	**8.7**	n.a.	10.0	0.3	5.4	14.0	22.6	–3.7
ROCE – return on capital employed = EBIT/capital employed (%)	**8.1**	n.a.	8.4	2.2	5.2	13.9	19.1	0.7
Key statement-of-financial-position figures								
Investment intensity of the fixed assets = fixed assets/total assets (%)	**68.3**	n.a.	64.4	64.2	65.6	60.9	59.5	66.4
Equity ratio = equity/total assets (%)	**38.5**	n.a.	28.0	34.7	32.7	42.2	44.5	42.8
Capital structure = equity/borrowed capital (%)	**62.5**	n.a.	38.9	53.1	48.5	72.9	80.1	74.7
Cash flow and investments								
Cash flow from operating activities	**617.2**	27.2	485.2	464.0	363.2	867.0	1,103.1	767.5
Cash flow from long-term investing activities	**–815.6**	64.0	–497.3	–555.2	–1,053.8	–831.5	–681.5	–800.4
Cash flow from financing activities	**57.9**	>100	–88.6	227.6	326.6	37.4	3.7	92.5
Net cash flow = CF from operating activities + CF from investing activities – additions from finance leases	**22.5**	–89.6	215.7	109.7	–536.2	6.2	421.6	–32.9
Investments	**834.0**	45.8	572.2	503.7	1,095.4	981.2	695.1	740.1
Share and valuation								
Consolidated net income	**241.8**	23.7	195.4	6.3	114.7	352.6	490.7	–70.8
Earnings per share (€) = consolidated net income/number of shares	**4.97**	21.1	4.10	0.05	2.4	7.1	9.9	–1.4
Market capitalization (total number of shares without treasury shares)	**–**	–100.0	4,523.2	3,994.1	2,466.5	3,087.5	6,487.9	6,066.7
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	**77.52**	–14.9	91.05	80.4	49.7	62.2	130.6	122.1
Dividend per share (€)	**2.00**	33.3	1.50	0.50	0.60	2.20	3.20	1.20
Dividend yield (%)	**2.2**	n.a.	1.7	0.8	1.0	3.5	2.8	1.4
Capital employed	**5,875.4**	11.7	5,260.7	5,238.2	4,979.0	4,343.8	4,004.4	3,846.3

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.

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