Notes of the WACKER Group

Accounting Principles and Methods

The WACKER Group (WACKER) is a globally active chemical group with divisions operating in the following fields: 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). All of the IFRS published by the International Accounting Standards Board (IASB) and valid for the fiscal year in question were adopted by the European Commission for application in the EU. The consolidated financial statements are, therefore, in compliance with IFRS. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are applicable for 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.

The Executive Board of Wacker Chemie AG authorized the consolidated financial statements on February 28, 2012. They will be submitted to the Supervisory Board for its meeting on March 7, 2012.

New Accounting Standards

Accounting Standards Applied for the First Time in 2011

Standard/ Interpretation		Mandatory from	Endorsed by EU	Substantial Changes and Impact on WACKER
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters	July 1, 2010	June 30, 2010	In the absence of relevant circumstances, there was no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
Amendments to IAS 32	Classification of Rights Issues	Feb. 1, 2010	Dec. 23, 2009	In the absence of relevant circumstances, there was no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	July 23, 2010	In the absence of relevant circumstances, there was no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
Amendments to IFRIC 14	Prepayments of Minimum Funding Requirements	Jan. 1, 2011	July 19, 2010	The amendments had no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
IAS 24	Related Party Disclosures	Jan. 1, 2011	July 19, 2010	The revised version clarifies the definition of the term "related party." An exemption option has also been introduced for entities that are controlled by a public body. The amendments had no substantial impact on the presentation of WACKER's financial statements. The related parties have not changed.
Miscellaneous	Amendments resulting from the annual improvements to IFRSs (2008–2010 cycle) issued by the IASB in May 2010	Jan. 1, 2011, and July 1, 2010	Feb. 18, 2011	Miscellaneous amendments. The amendments had no substantial impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.

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. In cases where there is no official German translation of new standards or interpretations, we shall use the English title of the relevant new official statement. WACKER continuously evaluates the new standards to determine their impact on the consolidated financial statements.

Standards, Interpretations, and Changes to Existing Standards Already Endorsed by the EU

Standard/ Interpretation		Application Date	Endorsed by EU	Anticipated Impact on WACKER
Amendment to IFRS 7	Disclosure requirements relating to transfers of financial assets	July 1, 2011	Nov. 22, 2011	The application of the revised standard will have no substantial impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.

Standards, Interpretations and Changes to Existing Standards Not Yet Endorsed by the EU

Standard/ Interpretation		Publication by IASB	Application Date	Endorsed by EU	Anticipated Impact on WACKER
Amendments to IFRS 1 for First-time Adopters	Severe Hyper-inflation and Removal of Fixed Dates	Dec. 20, 2010	July 1, 2011	Expected in Q2 2012	The amendment replaces the existing references to the date of January 1, 2004, by a reference to the timing of the transition to IFRS. This amendment also includes rules for those cases in which hyperinflation makes it impossible for an entity to comply with all IFRS stipulations. Its application will have no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
Amendments to IFRS 7	Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2013	Q3 2012	These amendments to IFRS 7 extend the disclosure requirements regarding the netting of financial assets and financial liabilities. The added disclosure requirements will have an impact on the presentation of the financial statements.
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Dec. 16, 2011	Jan. 1, 2015	Postponed	The amendments postpone the effective data of IFRS 9 and provide for additional disclosure requirements. Because WACKER cannot yet assess what impacts the first-time application of IFRS 9 will have, it is also not yet possible to evaluate the potential impact of these amendments of IFRS 9 and IFRS 7.
IFRS 9	Financial Instruments	Nov. 12, 2009	Jan. 1, 2015	Postponed	In the future, financial assets will be measured either at amortized cost or at fair value, depending on the business model of the company in question. At the moment, WACKER cannot conclusively assess what impacts the first-time application of this standard will have, should it be endorsed by the EU in its current form.
IFRS 10	Consolidated Financial Statements	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	IFRS 10 changes the definition of "control" so that the same criteria are applied to all companies in determining control. The standard replaces the consolidation guidelines currently provided for in IAS 27 and SIC 12. The new rules may lead to major changes in the scope of consolidation compared with the previous determination of the Group pursuant to IAS 27. WACKER is currently of the opinion that application of the revised standard will have no influence on the current determination of the scope of consolidation.
IFRS 11	Joint Arrangements	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	IFRS 11 regulates the accounting of arrangements where a company exercises joint control over a joint venture or a joint operation. The standard replaces IAS 31. In the future, joint ventures will be accounted for using exclusively the equity method. The option of proportionate consolidation has been abolished. The abolition of proportionate consolidation has no impact on WACKER's earnings, net assets and financial position because WACKER already accounts for joint ventures using the equity method. WACKER cannot yet assess what other impacts may result from the application of IFRS 11, including in respect of joint operations.
IFRS 12	Disclosure of Interests in Other Entities	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	IFRS 12 regulates the disclosures in the consolidated financial statements that enable users to assess the nature of, risks associated with and financial consequences of the entity's involvement in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Application of the revised standard will lead to a substantial broadening of the disclosures in WACKER's consolidated financial statements.

Standard / Interpretation		Publication by IASB	Application Date	Endorsed by EU	Anticipated Impact on WACKER
IFRS 13	Fair Value Measurement	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	IFRS 13 describes how fair value is to be measured and extends the disclosures on fair value. Application of the new method of determining fair value will be relevant to all areas of WACKER's consolidated financial statements in which fair values are determined. WACKER does not expect the new approach to have any substantial impact on its earnings, net assets and financial position. The disclosure obligations in the consolidated financial statements will increase.
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	June 16, 2011	July 1, 2012	Expected in Q1 2012	The application of the revised standard will have no impact on WACKER's earnings, net assets and financial position. The presentation in WACKER's financial statements of items of other comprehensive income will be enhanced.
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	Dec. 20, 2010	Jan. 1, 2012	Expected in Q2 2012	The amendment contains a partial clarification on the treatment of temporary taxable differences from IAS 40's fair value model. Investment property often makes it difficult to assess whether existing differences are recovered as part of continuing use or in the wake of a sale. The amendment therefore generally makes it necessary to presume recovery due to a sale. Its application will have no substantial impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements. WACKER measures its investment property exclusively at amortized cost.
Amendments to IAS 19	Employee Benefits	June 16, 2011	Jan. 1, 2013	Expected in Q1 2012	The amendments to IAS 19 will affect the recognition and measurement of the expense for defined benefit pension plans and termination benefits. They will also result in wider disclosure requirements regarding employee benefits The option of accounting for actuarial gains and losses using the corridor method is eliminated. In the future, these impacts will be recognized immediately in other comprehensive income. Because WACKER currently applies the corridor method, this change is expected to result in a substantial increase in pension provisions when adopted for the first time, which in turn will reduce the Group's equity. Such recognition within other comprehensive income of variations in actuarial gains and losses will lead to more volatility in equity in the future.
IAS 27	Separate Financial Statements	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	In the future, IAS 27 will deal only with separate financial statements. The existing guidelines for separate financial statements remain unchanged. The application of the revised standard will have no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
IAS 28	Investments in Associates and Joint Ventures	May 12, 2011	Jan. 1, 2013	Expected in Q3 2012	IAS 28 now also regulates the accounting of joint ventures using the equity method. The application of the revised standard will have no substantial impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Q3 2012	This amendment to IAS 32 clarifies the requirements governing the offsetting of financial instruments. The application of the revised standard will have no substantial impact on WACKER's earnings, net assets and financial position.

Standard / Interpretation		Publication by IASB	Application Date	Endorsed by EU	Anticipated Impact on WACKER
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Oct. 19, 2011	Jan. 1, 2013	Expected in Q2 2012	IFRIC 20 regulates the accounting treatment of the cost of removing waste from a surface mine. In the absence of relevant circumstances, the interpretation has no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.

Scope of Consolidation

The consolidated financial statements include the financial statements of Wacker Chemie AG and its subsidiaries. Subsidiaries are defined as companies in which Wacker Chemie AG directly or indirectly holds a voting majority or has, in any other way, the power to govern the financial and business policies of an entity in order to benefit from its activities. In assessing control, we take potential voting rights that presently are exercisable or convertible into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Special-purpose entities (SPEs) are also consolidated if the economic substance of the relationship indicates the existence of control.

Joint ventures and associated companies are defined as companies in which Wacker Chemie AG exercises significant influence. This normally means that it holds 20–50 percent of the voting rights. These companies are included in the consolidated financial statements 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 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, 2011	14	13	5	16	2	50
Dec. 31, 2011	14	13	5	16	2	50
Companies consolidated using the equity method						
Jan. 1, 2011	1	–	–	4	–	5
Dec. 31, 2011	1	–	–	4	–	5
Non-consolidated affiliated companies[1]						
Jan. 1, 2011	1	–	–	–	–	1
Dec. 31, 2011	1	–	–	–	–	1
Total						
Jan. 1, 2011	16	13	5	20	2	56
Dec. 31, 2011	16	13	5	20	2	56
Special-purpose entities						
Jan. 1, 2011	–	–	–	–	–	–
Additions	1	–	–	–	–	1
Dec. 31, 2011	1	–	–	–	–	1

[1] Not consolidated on grounds of insignificance (W.E.L.T. Reisebüro GmbH; shareholding: 51 percent; sales in 2011 below €1 million; total assets below €0.5 million)

Changes in the Scope of Consolidation

Additions to special-purpose entities	
WMM-Universal-Fonds, Germany (acquisition, August 16, 2011)	100%

In 2011, Wacker Chemie AG paid a total of €100 million in investment funds into the institutional investment fund “WMM-Universal-Fonds.” This trust was established exclusively for WACKER, and all shares of the fund are held by WACKER. Because of the special stipulations of the investment fund, the contribution is subject to SIC 12.10. Looking at the economic substance of the arrangement, WACKER’s influence amounts to control and the special-purpose entity must therefore be consolidated.

The changes in the scope of consolidation had no substantial impact on the Group’s earnings, assets or financial position.

Consolidation Methods

The consolidated financial statements are based on the separate financial statements of Wacker Chemie AG and its consolidated subsidiaries and special-purpose entities. Since 2011, all of the companies have their balance sheet date on December 31.

All of the significant financial statements included in the consolidated financial statements were audited by independent auditors.

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 contingencies, while all statement of financial position items 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 cost is increased or reduced annually by the changes in equity corresponding to the proportion of the capital held by WACKER.

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.

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 WACKER gains control.

The determination of the fair values requires certain estimates and assumptions especially concerning the acquired intangible assets, 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.

Foreign Currency Translation

In the Group companies' separate financial statements, all of the receivables and liabilities in foreign currencies are translated at the rate prevailing on the balance sheet date, regardless of whether or not they have been hedged. Forward contracts which, from an economic point of view, are used for hedging are reported at fair value. The resulting translation differences are recognized in profit or loss or, if there are cash flow hedges, under other equity items.

The financial statements of consolidated companies which 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 period's average exchange rates. As the Group's subsidiaries conduct their business along autonomous lines financially, commercially and organizationally, their functional currencies are basically identical to the respective company's local currency. Any currency differences arising from the translation of equity are recognized in the other equity items. Translation differences resulting from divergent exchange rates in the statement of income are likewise included there. If any 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, 2011	Dec. 31, 2010	**2011**	2010
US dollar	USD	**1.29**	1.33	**1.39**	1.33
Japanese yen	JPY	**100.30**	108.46	**110.99**	116.36
Singapore dollar	SGD	**1.68**	1.71	**1.75**	1.81
Chinese renminbi	CNY	**8.13**	8.79	**9.00**	8.98

Estimates and Assumptions Used in Preparing the Consolidated Financial Statements

The preparation of the consolidated financial statements in compliance with IFRS necessitates assumptions and estimates affecting the amounts and the reporting of the recognized assets and debts, income and expenses, and contingencies. 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 the assumptions 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.

The expected useful life and depreciation of intangible assets, property, plant and equipment 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 and from future technical advancements.

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 value of the fair value less costs to sell or the value in use.

To ascertain the value in use, the discounted future cash flows of the affected asset must be determined. The estimate of the discounted future cash flows contains significant assumptions such as, in particular, those regarding future selling prices and sales volumes, costs, and discount rates. Although WACKER is assuming that the estimates of the relevant expected useful lives and of discounted future cash flows, as well as the assumptions regarding the general economic conditions and the development of the economic sectors are reasonable, a change in the assumptions or circumstances might necessitate a change in the analysis. This could result in additional impairments or reversals of impairment losses in the future.

Significant risks inherent in the environmental protection provisions and in provisions stemming from claims for damages and onerous contracts are possible changes in future cost/benefit estimates, changes in the likelihood of their utilization, and enhanced statutory provisions concerning the elimination and prevention of environmental damage. See Note 14

The accounting of pensions and similar obligations is in accordance with actuarial valuations. These valuations are based on statistical and other factors in order to anticipate future events. The factors include the discount rate, the expected return on plan assets, expected salary and pension increases, the mortality rate and rate increases for preventive healthcare. These assumptions could, due to changed market and economic conditions, vary considerably from actual developments, consequently leading to essential changes to pension and similar obligations, as well as the associated future expenses. See Note 13

At the end of each reporting period, the Group assesses whether the probability of future tax benefits being realized is sufficient to recognize deferred taxes. Among other things, this requires that management evaluate the tax benefits resulting from currently available tax strategies and future taxable income, as well as taking additional positive and negative factors into account.

Accounting Principles

The financial statements of Wacker Chemie AG and its German and international subsidiaries are prepared in accordance with uniform accounting principles.

The Group's consolidated financial statements are based on the principle of the historical cost of acquisition and production, with the exception of the items reflected at fair value, such as available-for-sale financial assets and derivatives and plan assets within the scope of pension obligations.

The accounting methods correspond to those used for the last consolidated financial statements as of the end of the previous fiscal year. There may be limits to comparability in the case of significant acquisitions of fully consolidated companies. This topic is dealt with in the explanation of the scope of consolidation. Insofar as amounts from the previous year are adjusted, these are explained in the relevant Notes.

Sales encompass the fair value of the counterperformance or claim received for the goods and services that were sold within the scope of ordinary activities. These are reported without VAT and other taxes incurred in connection with sales and without discounts and price reductions. Sales revenues are recognized when the goods and services owed have been delivered and the main opportunities and risks of ownership have passed to the purchaser. Sales from services are recognized once services are rendered. Sales are not reported if there are risks attached to the receipt of the consideration. Provisions are recognized for risks from returns of finished goods and merchandise, warranties and other complaints using the specific identification method. Information on the development of sales by division and region is provided in the section on segment reporting.

WACKER does not conduct any business that requires using the percentage-of-completion method for recognizing sales of long-term production contracts.

Cost of goods sold shows the costs of the products, merchandise and services sold. In addition to directly attributable costs, such as material costs, personnel expenses and energy costs, they encompass overheads including depreciation and inventory write-downs. 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 narrower sense are recognized as expenses when they are incurred. They are not capitalized. Development costs are capitalized only when all the prescribed recognition criteria have been met cumulatively, 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, sufficient assurance exists that future cash inflows must 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 hence, in certain circumstances, to other functional areas.

Operating expenses are reported as expenses when the service is utilized, i.e. when the expense is incurred. Interest income is valued pro rata temporis, taking account of the outstanding loan amount and the effective interest rate to be applied. Dividend income from financial investments is reported when the legal claim to payment arises.

Intangible assets acquired against payment are measured at cost and, if their useful lives can be determined, are amortized on a straight-line basis. The useful life is taken to be between four 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 them. Intangible assets with indefinite useful lives undergo an annual impairment test. At present, no intangible assets with indefinite useful lives have been capitalized.

Internally generated intangible assets are capitalized if it is probable that a future economic benefit can be associated with the use of the asset and the costs of the asset can be determined reliably. They are recognized at cost and amortized on a straight-line basis. Their stated useful lives correspond to those of the intangible assets acquired against payment. If development costs are capitalized, they consist of the costs directly attributable to the development process. Capitalized development costs are amortized over the useful life of the corresponding production facilities as from the start of production.

Goodwill is not amortized. Existing goodwill undergoes an annual impairment test. If the impairment test indicates a recoverable amount that is lower than the carrying amount, the goodwill is reduced to its recoverable amount and an impairment loss is recognized. Furthermore, the intrinsic value is examined when events or circumstances indicate possible impairment. Impairments of goodwill are presented under other operating expenses.

Property, plant and equipment is capitalized at cost and depreciated on a straight-line basis over its expected economic life. The useful life is reviewed annually and, if necessary, revised to correspond to new expectations. In addition to the purchase price, acquisition costs include incidental acquisition costs as well as any costs incurred in the demolition, dismantling, and/or removal of the asset in question from its site and in the restoration of that site. Any reductions in the price of acquisition reduce the acquisition costs. Property, plant and equipment is not revalued on the basis of the provisions in IAS 16. Day-to-day maintenance and repair costs are expensed as incurred. Costs for replacing parts or for major overhauls are capitalized if items of property, plant and equipment embody future economic benefits that are likely to flow to the Group and if the costs can be measured reliably.

Grants from third parties reduce acquisition and production costs. Unless otherwise indicated, these grants (investment subsidies) are provided by government bodies. Income grants that are not offset by future expenses are recognized as income. Until the funds have been received, grants are recognized as separate assets. For grants involving a legal claim, the claim to the grant is capitalized as an asset if the company has, on the balance sheet date, fulfilled the material requirements for provision of such a grant and has, by the closing date, submitted the necessary application form or is highly likely to do so by this date.

Financing costs that were incurred in connection with particular, qualified 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 all other respects, financing costs are not reported as part of acquisition or production costs. WACKER accounts for financing costs as per 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 appropriate portions of the production-related overheads.

If **property, plant and equipment is shut down, sold or given up**, the acquisition or production costs, together with their corresponding accumulated depreciation, are derecognized. 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 shorter contractual term. 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.

The **depreciation** of property, plant and equipment is generally based on the following useful lives:

	Useful life in years
Production buildings	20 to 40
Other buildings	10 to 30
Plant and machinery	6 to 12
Motor vehicles	4 to 16
Factory and office equipment	6 to 10

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 amount of the fair value less costs to sell, and 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 assessing this value, risk-adjusted pre-tax interest rates are used in a segment-specific manner. In order to determine the cash flow, assets are, if required, combined at the lowest level for which cash flows can be identified separately (cash-generating units). If the reasons for recognizing impairments no longer exist, impairment losses are reversed. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized. Impairments are reported under other operating expenses and reversals of impairment losses under other operating income.

Investment property is measured like property, plant and equipment in accordance with the acquisition cost model. Investment property consists of land and buildings that are held to earn rental income or for capital appreciation, rather than for use in captive production, 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 that period in which they are due. A finance lease is a leasing arrangement where essentially all of the risks and rewards incident to 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, then 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 by 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.

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. In the process, 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 associated company or the Group has entered into additional obligations or made payments for the associated company. The carrying amount is not increased until the loss carryforward has been set off and the equity is positive again.

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.

In the case of purchase or sale 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 is relevant to the initial recognition or derecognition. This is the date on which the asset is delivered to or by WACKER. In general, financial assets and financial liabilities are not offset. A net amount is presented in the statement of financial position when, and only when, the entity currently has a right to set off 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. In the process, 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 said reporting date – interest rates, exchange rates, commodity prices – using average rates. In doing so, fair values are calculated using option pricing models for currency and interest rate options or the discounted cash flow method for interest rate swaps. 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 be regularly settled in cash or another financial asset. This includes, in particular, the Group's own bonds and other securitized liabilities, trade payables, liabilities to banks, finance lease payables, promissory notes (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 and receivables granted by the company.

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 involve hedge accounting.

If it is both intended and economically to be expected with sufficient certainty that a **financial instrument will be held to maturity**, the instrument in question is measured at amortized cost using the effective interest method. Held-to-maturity financial investments include current and noncurrent securities, and components of items reported under other financial assets.

Loans and receivables are non-derivative financial assets that are not quoted in an active market. They are measured at amortized cost using the effective interest method. This category comprises trade receivables, the financial receivables and loans included in other financial assets, the additional financial receivables and loans reported under other assets, and cash and cash equivalents.

All other primary financial assets, if they are not loans and receivables, must be classified **as available for sale** and are reported at fair value if it can be determined reliably. Basically, these assets comprise equity instruments, and also debt instruments not being held to maturity. Unrealized gains and losses are recorded taking account of deferred taxes and are recognized in other equity items with no effect on income. If equity instruments have no price quoted on an active market and if their fair value cannot be determined reliably, they are measured at cost.

If the fair values of available-for-sale financial assets fall 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.

Derivative financial instruments are recognized as of the trade date. Derivative financial instruments are always measured at fair value, irrespective of the purpose or intention for which they were concluded. Positive market values are recognized as a receivable and negative market values as a liability. Changes in the market values of financial instruments used to limit the risk of lower future cash inflows or higher cash outflows (cash flow hedges) are recognized under other equity items while taking account of any related tax effects when their efficiency is adequate and documented as such. 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 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 these changes 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 fair values of commodity futures and commodity options are recognized in 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 set off.

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 write-downs 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. Write-downs 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.

Emission certificates allotted free of charge are measured at a nominal value of zero. Emissions certificates acquired against payment are carried at cost. Thereafter, they are carried at market prices, at a maximum, however, at cost. In the case of a lower fair value as per the reporting date, a devaluation is carried out to match this value. Proceeds from the sale if emission certificates are recognized in profit or loss.

Trade receivables and other assets (including tax receivables), with the exception of financial derivatives, are generally recognized at amortized cost. Risks are taken into account through appropriate write-downs posted as valuation allowances. Allowances for uninsured receivables – or for the deductible in the case of insured receivables – are made whenever legal action is taken. If payment of a receivable is no longer expected even though legal action has been taken, the gross receivable is derecognized and any valuation allowances made are reversed. Noncurrent receivables which 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. In the process, the gross value of the outstanding lease payments, less the still unrealized interest earnings, is capitalized as a receivable. The lease installments received are apportioned into the respective interest amount and the repayment of the outstanding receivable in such a way that the interest amount reflects a constant rate of interest on the receivable still outstanding. The interest amount is reported in the statement of income under other financial result.

Cash and cash equivalents encompass cash in hand, demand deposits, and financial assets that can be converted into cash at any time and are only subject to a slight fluctuation 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.

Pension provisions 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. The calculation is based on actuarial valuations, taking account of biometric calculation principles. Entities can generally choose how they recognize actuarial gains and losses. To avoid volatility in equity on the reporting dates, WACKER has elected to apply the corridor method. Except for the effects from adjusted probable mortality rates, actuarial gains and losses are recognized as income or expenses only once they move outside a "corridor" of 10 percent of the present value of the defined benefit obligation and the fair value of plan assets, whichever is higher. If that happens, the amounts are distributed over the average future remaining working lives of the employees. Actuarial gains and losses arising from the changed or adjusted mortality tables are posted immediately to the statement of income as a reduction or increase in the provision for pensions. The expense incurred in funding the pension provisions (service cost) is allocated to the costs of the functional areas concerned. The interest cost is reported under other financial result. If assets to finance pension obligations are invested externally (plan assets), the fair values of these assets are set off against the present value of the obligations. The expected return on plan assets is likewise reported under other financial result.

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 which are also capitalized under inventories are included in the measurement of all other provisions. Future price increases are also taken into account in the measurement. Noncurrent provisions are measured at the discounted present value as of the reporting date. The discount rate applied is the current market interest rate for risk-free investments with terms corresponding to the residual term of the obligation to be settled. Expected refunds, provided that they are sufficiently secure or legally enforceable, are not offset against provisions. Instead, they are capitalized as separate assets if their realization is virtually certain.

Provisions for restructuring costs are recognized if a detailed formal plan for restructuring has been drawn up and conveyed to the affected parties. Provisions for contingent losses arising from onerous contracts are recognized if the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the contractual obligations. Provisions for environmental protection are recognized if the future cash outflows for complying with environmental legislation or for cleanup measures are likely, the costs can be estimated with sufficient accuracy and no future acquired benefit can be expected from the measures. Provisions are recognized if the available portfolio of emission certificates does not cover the anticipated obligations.

If a reduction of the scope of the obligation results from a changed estimate, the provision is reversed proportionately and the resulting income allocated to the functional areas originally charged with the expense when the provision was recognized.

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 reported as financial liabilities and measured at the present value of the future lease installments.

Trade payables and other liabilities (including tax liabilities) are, as a general rule, measured at amortized cost using the effective interest method.

Contingencies are potential obligations arising from past events of which the existence 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. Contingencies 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 are derived from the IFRS-compliant consolidated financial statements.

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. On initial classification as held for sale, noncurrent assets are recognized at the lower of the carrying amount and fair value less costs to sell, and depreciation and amortization ceases.

Changes to the Valuation Methods

No changes were made to the previous year's valuation methods or classifications of items in the financial statements.

Summary of Significant Accounting and Valuation Methods

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

Accounting and Valuation Method

Accounting and Valuation Method	Description
Recognition of sales and income	Sales are recognized on delivery of goods or services and on the transfer of risk to the purchaser.
Expense recognition	Expenses are recognized as incurred and when the service is utilized.
Taxes	Deferred taxes are recognized for temporary differences, for consolidation measures recognized in income and for tax loss carryforwards whenever their realization is sufficiently probable.
Intangible assets and property, plant, and equipment	These are measured at amortized cost. They are generally amortized/depreciated on a straight-line basis.
Government grants	Subsidies provided by government bodies either reduce acquisition or production costs, or are recognized in the statement of income.
Inventories	These are measured at amortized cost, using the average cost method.
Receivables and other assets	These are measured at amortized cost. Risks are accounted for through valuation allowances.
Provisions for pensions and similar obligations	These are determined using the projected unit credit method. Actuarial gains and losses are recognized as income or expenses once they exceed the specified corridor. Actuarial gains and losses arising from the changed or adjusted mortality tables are posted immediately to the statement of income as a reduction or increase in the provision for pensions.
Financial instruments	On initial recognition, financial instruments (other financial assets and financial liabilities) are measured at fair value.

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

€ million	2011	2010
Sales		
Proceeds from deliveries of products and merchandise	4,814.0	4,662.2
Proceeds from other services	95.7	86.2
	4,909.7	4,748.4
Cost of goods sold	–3,747.2	–3,402.1
Cost of goods sold includes the following reversals/recognitions of impairments of inventories:	15.2	–9.9
Other operating income		
Income from currency transactions	167.1	143.2
Income from reversal of provisions	13.2	7.6
Insurance compensation	4.5	0.9
Income from reversal of valuation allowances for receivables	3.3	10.9
Income from disposal of assets	0.9	3.4
Income from subsidies/grants	4.9	5.6
Income from disposal of equity-method investments	–	18.5
Income related to the termination of long-term supply contracts and receipt of advance payments	66.2	8.6
Other operating income	26.5	15.4
	286.6	214.1
Other operating expenses		
Losses from currency transactions	–127.3	–149.4
Losses from valuation allowances for receivables	–1.6	–0.9
Losses from disposal of assets	–1.3	–8.3
Losses from impairment of property, plant and equipment	–41.4	–12.7
Losses from restructuring measures	–49.6	–0.1
Losses from canceled/provisional contracts	–	–9.0
Other operating expenses	–39.3	–29.4
	–260.5	–209.8

The cost of goods sold includes expenses of €18.9 million (2010: €51.8 million) for expected losses from the Group's silicone business in China. These losses stem from long-term purchase commitments involving high transfer prices under long-term agreements in place between WACKER's Chinese subsidiaries and the siloxane-production associate Dow Corning (ZJG) Co. Ltd., China.

The amount of €49.6 million, reported for restructuring expenses, relates to the closure of Siltronic Japan Corporation's silicon wafer plant at Hikari, Japan, resolved in December 2011. The closure, planned for mid-2012, will affect 500 employees.

The losses from impairment of fixed assets include the following:

An impairment of €23.6 million was recognized for the partial shutdown of a granular polysilicon production plant which was written down to fair value.

Due to the decision to close the silicon wafer facility at Hikari, Japan, all of its property, plant and equipment had to be written down to fair value. This led to an impairment loss of €14.8 million.

The remaining impairment losses of €3.0 million related to the planned shutdowns of smaller plants in Germany.

The second reactor at the HDK® facility in China came on stream in 2011, and the first reactor already in operation underwent some technical improvements. These measures required a reassessment of the cash-generating unit (CGU), as the cash flows could not be kept separate any longer. Accordingly, both reactors were combined into one CGU and tested for impairment. Comparison of the present value of the estimated future cash flows of the new CGU with its carrying values did not necessitate a impairment charge. In the test, the cash flows were discounted at an interest rate of 11 percent before tax.

Impairments of noncurrent assets in the previous year related to the following areas:

Due to altered procurement and selling prices for the production and sale of pyrogenic silica (HDK®) in China, an impairment test was updated for the assets tied up in Chinese HDK® production. Comparison of the present value of the estimated future cash flows from HDK® production with the carrying values of the cash-generating unit, production and sales of HDK® necessitated an impairment charge of €7.5 million in 2010. An interest rate of 12 percent before tax was used for discounting purposes.

In addition, impairments totaling €1.7 million were recognized on property, plant and equipment in the USA and China due to reductions in their fair values. Impairments of €3.5 million were taken into account for planned shutdowns of plants in Germany.

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

€ million	2011	2010
Income from investments in joint ventures and associates	–7.7	–38.0
Of which pro rata result attributable to joint ventures	–20.7	–17.2
Net interest income		
Interest income	16.9	7.1
Of which from available-for-sale financial instruments	0.2	1.0
Interest expenses	–13.5	–9.1
	3.4	–2.0
Other financial results		
Other financial income	23.4	49.2
Interest effect of interest-bearing provisions/liabilities/financial leases	–38.8	–28.3
Other financial expenses	–23.8	–51.2
	–39.2	–30.3
Financial result	–35.8	–32.3

The income from investments in joint ventures and associates relates mainly to companies in China and Singapore. This income includes not only the pro rata shares of net results for the year, but also effects from pro rata eliminations of intercompany profits.

Borrowing costs of €11.3 million (2010: €13.5 million) were capitalized during the reporting period, bringing about a corresponding improvement in interest expenses. To the extent that a loan is attributable to a particular investment, the actual borrowing costs are capitalized. If no direct allocation is possible, the Group's average borrowing interest rate during the current period is applied. This rate was 4.1 percent in 2011 (2010: 4.5 percent).

The interest effect of interest-bearing provisions includes expenses from accrued interest on pension provisions of €26.6 million (2010: €22.7 million) and expenses from accrued interest on other provisions of €10.1 million (2010: €3.3 million).

Other financial income and expenses primarily result from currency translation.

03 Income Taxes

The calculation is based on the current legal position in the individual countries regarding applicable or anticipated tax rates as of the realization date. These are generally based on the legal stipulations valid or adopted as of the balance sheet date.

In Germany, a solidarity surcharge is added to corporation tax. Trade income tax, which varies depending on the municipality in which a company is located, must also be paid.

Tax Rates in Germany

%	2011	2010
Weighted average trade income tax rate	11.6	12.2
Corporation tax rate	15.0	15.0
Solidarity surcharge on corporation tax	5.5	5.5

Deferred taxes of German companies are therefore measured based on a total tax rate, including a solidarity surcharge of 27.5 percent (2010: 28.5 percent).

The income from foreign Group companies is subject to taxation at the tax rates valid in the country where the respective company is located. The respective local income tax rates applicable in each country for foreign companies remain unchanged from the previous year at between 12.5 percent and 42.0 percent.

No deferred taxes on undistributed profits of subsidiaries were recognized. It was decided not to determine the possible resulting tax effects as the time and expense involved was unreasonably high. €523.4 million (2010: €570.2 million) is available for distribution.

€ million	2011	2010
Current taxes, domestic	–179.8	–180.5
Current taxes, foreign	–23.4	–39.8
Current taxes	**–203.2**	–220.3
Deferred taxes, domestic	–2.8	–21.4
Deferred taxes, foreign	–5.3	6.4
Deferred taxes	**–8.1**	–15.0
Income taxes	**–211.3**	–235.3
Derivation of the effective tax rate		
Income before taxes	567.4	732.3
Income tax rate for Wacker Chemie AG (%)	27.5	28.5
Expected tax expenses	**–156.0**	–208.7
Tax rate divergences	6.7	–11.8
Tax effect of non-deductible expenses	–13.1	–8.9
Tax effect of tax-free income	7.8	7.2
Taxes relating to other periods (current earnings)	1.9	–13.7
Changes in the valuation allowances for deferred tax assets[1]	–58.1	–9.5
Group equity result	–2.7	–11.0
Income tax change recognized directly in equity; tax accounts	–	13.7
Other divergences	2.2	7.4
Total income tax	**–211.3**	–235.3
Effective tax rate (%)	**37.2**	32.1

[1] The changes in the valuation allowances for deferred tax assets include valuation allowances for impairments on noncurrent assets totaling €4.2 million (2010: €4.2 million).

The tax expenses of €211.3 million reported for fiscal 2011 were €55.3 million higher than the expected tax expenses of €156.0 million that would have resulted from the application of the total tax rate for Germany of 27.5 percent.

Income taxes include current tax expenses for prior years of €9.9 million (2010: €13.2 million). These expenses are offset by deferred tax income from other periods of €3.5 million (2010: €11.6 million).

Allocation of Deferred Taxes

€ million	2011		2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	12.8	–	14.5	–
Property, plant and equipment	1.3	115.3	3.9	105.2
Financial assets	0.5	–	–	0.2
Current assets	7.7	5.4	10.2	11.2
Provisions for pensions	26.9	1.0	17.9	1.3
Other provisions	39.4	9.5	41.1	6.2
Liabilities	17.4	0.5	12.8	0.1
Loss carryforwards	3.5	–	1.3	–
Setting off for companies with profit and loss transfer agreement	–3.5	–3.5	–4.3	–4.3
Total	106.0	128.2	97.4	119.9
Setoffs	–94.4	–94.4	–83.9	–83.9
Statement of financial position item	11.6	33.8	13.5	36.0

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. Furthermore, 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 recognized in profit or loss amounted to €–8.1 million (2010: €–15.0 million), whereas €8.3 million (2010: €–4.3 million) was recognized directly in equity. The existing tax loss carryforwards can be used as follows:

€ million	2011	2010
Within 1 year	5.8	1.9
Within 2 years	12.3	5.8
Within 3 years	21.6	15.2
Within 4 years	28.3	17.7
Within 5 years or later	194.8	58.7
Total	262.8	99.3
Of which loss carryforwards not expected to be realizable	–250.4	–94.2
Of which loss carryforwards expected to be realizable	12.4	5.1

Tax loss carryforwards generated outside Germany amount to a total of €262.8 million (2010: €99.3 million). A total of €12.4 million (2010: €5.1 million) relates to realizable loss carryforwards. Associated deferred tax income for 2011 amounted to €3.5 million (2010: €1.3 million). Deferred taxes were not recognized on losses that were not realized. In theory, however, an amount of €70.5 million (2010: €24.0 million) would have resulted from such recognition. Of the loss carryforwards that are not realizable for tax purposes, €13.9 million (2010: €5.1 million) are unlimited as to time and amount.

04 Development of Fixed Assets

2010

€ million	Intangible assets	Property, plant and equipment	Investment property	Investment in associates accounted for using the equity method	Financial assets	Total
Acquisition or production cost						
Balance as of Jan. 1, 2010	124.0	8,281.0	14.1	140.2	77.0	8,636.3
Additions	3.7	597.1	–	0.8	12.3	613.9
Disposals	–2.2	–89.3	–2.4	–6.9	–0.5	–101.3
Transfers	1.7	–1.7	–	–	–	–
Changes in scope of consolidation	14.4	38.2	–	–	–	52.6
Other changes[1]	–	–	–	–43.0	2.8	–40.2
Exchange-rate differences	5.2	233.8	–	20.6	11.9	271.5
Balance as of Dec. 31, 2010	146.8	9,059.1	11.7	111.7	103.5	9,432.8
Depreciation						
Balance as of Jan. 1, 2010	102.0	5,502.5	12.4	–	1.9	5,618.8
Additions	10.1	407.0	0.1	–	–	417.2
Impairment	–	12.7	–	–	–	12.7
Disposals	–2.2	–79.8	–2.3	–	–0.2	–84.5
Exchange-rate differences	3.7	191.0	–	–	0.4	195.1
Balance as of Dec. 31, 2010	113.6	6,033.4	10.2	–	2.1	6,159.3
Carrying amounts as of Dec. 31, 2010	33.2	3,025.7	1.5	111.7	101.4	3,273.5
Reduction in cost due to investment grant	–	–	–	–	–	365.2

2011

€ million	Intangible assets	Property, plant and equipment	Investment property	Investment in associates accounted for using the equity method	Financial assets	Total
Acquisition or production cost						
Balance as of Jan. 1, 2011	146.8	9,059.1	11.7	111.7	103.5	9,432.8
Additions	5.2	922.7	–	18.4	34.9	981.2
Disposals	–1.7	–145.5	–	–	–1.6	–148.8
Transfers	2.9	–2.9	–	–	–	–
Other changes[1]	–	–	–	–10.2	3.7	–6.5
Exchange-rate differences	2.6	120.2	–	4.6	2.7	130.1
Balance as of Dec. 31, 2011	155.8	9,953.6	11.7	124.5	143.2	10,388.8
Depreciation						
Balance as of Jan. 1, 2011	113.6	6,033.4	10.2	–	2.1	6,159.3
Additions	11.1	448.5	–	–	–	459.6
Impairment	0.5	40.9	–	–	–	41.4
Disposals	–1.6	–143.9	–	–	–	–145.5
Exchange-rate differences	2.0	74.2	–	–	0.1	76.3
Balance as of Dec. 31, 2011	125.6	6,453.1	10.2	–	2.2	6,591.1
Carrying amounts as of Dec. 31, 2011	30.2	3,500.5	1.5	124.5	141.0	3,797.7
Reduction in cost due to investment grant	–	–	–	–	–	447.2

[1] This item includes the changes resulting from the application of the equity method, as well as noncurrent interest receivables from loans.

05 Intangible Assets

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

06 Property, Plant and Equipment

2010

€ 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, 2010	1,296.7	6,028.1	551.1	405.1	8,281.0
Additions	26.3	178.1	27.9	364.8	597.1
Disposals	–7.1	–61.2	–20.7	–0.3	–89.3
Transfers	45.9	250.6	10.9	–309.1	–1.7
Changes in scope of consolidation	7.6	28.6	0.1	1.9	38.2
Exchange-rate differences	59.0	162.2	5.5	7.1	233.8
Balance as of Dec. 31, 2010	1,428.4	6,586.4	574.8	469.5	9,059.1
Depreciation					
Balance as of Jan. 1, 2010	772.6	4,288.2	441.6	0.1	5,502.5
Additions	39.5	333.9	33.6	–	407.0
Impairment	–	11.3	0.1	1.3	12.7
Disposals	–5.1	–58.3	–16.4	–	–79.8
Transfers	1.1	0.8	–1.9	–	–
Exchange-rate differences	39.9	146.9	4.2	–	191.0
Balance as of Dec. 31, 2010	848.0	4,722.8	461.2	1.4	6,033.4
Carrying amounts as of Dec. 31, 2010	580.4	1,863.6	113.6	468.1	3,025.7
Of which assets from finance leases					
Gross values	89.7	52.6	0.1	–	142.4
Depreciation	–86.0	–29.1	–	–	–115.1
Carrying amounts	3.7	23.5	0.1	–	27.3

2011

€ 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, 2011	1,428.4	6,586.4	574.8	469.5	9,059.1
Additions	35.9	287.0	43.6	556.2	922.7
Disposals	–94.5	–37.6	–13.4	–	–145.5
Transfers	29.5	463.2	2.9	–498.5	–2.9
Exchange-rate differences	24.8	72.2	1.1	22.1	120.2
Balance as of Dec. 31, 2011	1,424.1	7,371.2	609.0	549.3	9,953.6
Depreciation					
Balance as of Jan. 1, 2011	848.0	4,722.8	461.2	1.4	6,033.4
Additions	39.1	374.4	35.0	–	448.5
Impairment	19.0	21.0	0.9	–	40.9
Disposals	–94.2	–36.4	–13.3	–	–143.9
Transfers	0.2	–0.2	–	–	–
Exchange-rate differences	18.1	55.1	1.1	–0.1	74.2
Balance as of Dec. 31, 2011	830.2	5,136.7	484.9	1.3	6,453.1
Carrying amounts as of Dec. 31, 2011	593.9	2,234.5	124.1	548.0	3,500.5
Of which assets from finance leases					
Gross values	0.2	81.9	0.1	–	82.2
Depreciation	–0.2	–33.9	–	–	–34.1
Carrying amounts	–	48.0	0.1	–	48.1

In the reporting year, borrowing costs amounting to €11.3 million (2010: €13.5 million) were capitalized as part of the cost of qualified assets. The average financing cost rate is 4.1 percent (2010: 4.5 percent).

Property, plant and equipment also includes €48.1 million (2010: €23.6 million) in technical machinery and other equipment on the basis of an embedded finance lease. Due to the way the underlying contracts are structured, economic ownership is attributable to WACKER.

07 Investment Property

Wacker Chemie AG owns real estate at its production site in Cologne, Germany. This is comprised of land and infrastructural facilities (such as for energy and waste water). The land is rented out or leased on the basis of long-term agreements. There are no finance leases. These properties and the 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	2011	2010
Fair value	13.8	13.8
Income from rent/operating leases	0.8	0.8
Costs	−0.2	-0.2

The fair value is based on an external expert opinion and is updated regularly. It was last updated in 2010.

08 Investments in Joint Ventures and Associates/Financial Assets

€ million	Investment in associates accounted for using the equity method	Investments	Other financial assets	Financial assets
Acquisition cost				
Balance as of Jan. 1, 2010	140.2	12.4	64.6	77.0
Additions	0.8	0.6	11.7	12.3
Disposals	−6.9	−0.2	−0.3	−0.5
Other changes	–	–	2.8	2.8
Changes resulting from application of equity method	−43.0	–	–	–
Exchange-rate differences	20.6	0.4	11.5	11.9
Balance as of Dec. 31, 2010	111.7	13.2	90.3	103.5
Depreciation				
Balance as of Jan. 1, 2010	–	1.9	–	1.9
Disposals	–	−0.2	–	−0.2
Exchange-rate differences	–	0.4	–	0.4
Balance as of Dec. 31, 2010	–	2.1	–	2.1
Carrying amounts as of Dec. 31, 2010	111.7	11.1	90.3	101.4
Acquisition cost				
Balance as of Jan. 1, 2011	111.7	13.2	90.3	103.5
Additions	18.4	–	34.9	34.9
Disposals	–	−0.2	−1.4	−1.6
Other changes	–	–	3.7	3.7
Changes resulting from application of equity method	−10.2	–	–	–
Exchange-rate differences	4.6	0.1	2.6	2.7
Balance as of Dec. 31, 2011	124.5	13.1	130.1	143.2
Depreciation				
Balance as of Jan. 1, 2011	–	2.1	–	2.1
Exchange-rate differences	–	0.1	–	0.1
Balance as of Dec. 31, 2011	–	2.2	–	2.2
Carrying amounts as of Dec. 31, 2011	124.5	10.9	130.1	141.0

In 2011, further shareholder loans of €34.9 million (2010: €11.7 million) were issued to Siltronic Samsung Wafer Pte. Ltd., Singapore. These were granted on normal market terms. The addition was shown under other financial assets. Over and above the interest and repayment agreements, the loan agreements grant WACKER the right – as it already the case with existing agreements – to convert the loan into equity (call option). The call options have differing exercise periods of until, at the longest, March 31, 2016.

Investments in joint ventures and associates accounted for using the equity method increased in 2011 following the contribution of capital into the associated company Dow Corning (ZJG) Holding Co. Private Ltd., Singapore, in the amount of €18.4 million.

Further financial information on associated companies and joint ventures is contained in Note 23. See page 238

09 Inventories

€ million	2011	2010
Raw materials and supplies	182.3	166.9
Products	473.1	319.0
Merchandise	54.7	40.5
Services not charged	–	0.5
Advance payments	3.6	3.8
	713.7	530.7
Of which recorded at fair value less selling expenses	101.3	84.5

10 Accounts Receivable/Other Assets/Tax Receivables

€ million	2011			2010		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Trade receivables	566.1	–	566.1	596.0	–	596.0
Other receivables from associated companies	0.6	–	0.6	1.2	–	1.2
Advance payments to associated companies	16.4	–	16.4	–	–	–
Loan and interest receivables	2.0	–	2.0	6.8	–	6.8
Derivative financial instruments	17.9	1.0	16.9	39.5	16.9	22.6
Prepaid expenses and deferred charges	7.2	–	7.2	5.9	–	5.9
Investment fund shares[1]	4.4	4.4	–	10.2	10.2	–
Claims arising from investment grants	38.1	–	38.1	68.9	–	68.9
Claims against suppliers	4.3	0.1	4.2	9.6	0.1	9.5
Assets from excess pension-plan coverage	7.6	7.6	–	10.3	9.7	0.6
Sundry assets	47.6	0.2	47.4	37.9	0.2	37.7
Other assets	146.1	13.3	132.8	190.3	37.1	153.2
Of which noncurrent, falling due > 5 years	–	7.7	–	–	9.7	–
Tax receivables	128.2	10.9	117.3	99.8	12.7	87.1
Of which noncurrent, falling due > 5 years	–	2.3	–	–	4.7	–

[1] The investment fund shares serve to secure obligations for the phased-early-retirement program and are classified as available for sale. These fund shares are traded on active markets and pledged individually to employees participating in the phased-early-retirement program. Their market value amounts to € 4.4 million (2009: € 10.2 million).

Receivables are shown at amortized cost, which corresponds to their market values. If not covered by insurance, default risks are taken into account with adequate valuation allowances.

Other receivables from associated companies contain the following receivables from finance leases:

€ million	2011			2010		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Other receivables from associated companies contain receivables from finance leases	0.6	–	0.6	0.5	–	0.5
Associated gross investment	1.1	1.0	0.1	1.0	0.9	0.1
Present value of outstanding minimum payments due	0.4	0.4	–	0.4	0.4	–
As yet unrealized financial income	0.6	0.6	–	0.6	0.6	–

Valuation allowances and overdue debts have developed as follows:

Development of Valuation Allowances / Overdue Debts

€ million	2011			2010		
	Trade receivables	Other assets	Total	Trade receivables	Other assets	Total
Valuation allowances						
As of Jan. 1	12.3	0.9	13.2	20.6	0.9	21.5
Utilization	–2.0	–	–2.0	–1.4	–	–1.4
Additions / reversals	–4.5	–	–4.5	–8.1	–	–8.1
Exchange-rate differences	–0.2	–	–0.2	1.2	–	1.2
As of Dec. 31	5.6	0.9	6.5	12.3	0.9	13.2
Overdue debts						
< = 30 days	107.9	0.4	108.3	80.1	11.0	91.1
> 31 < = 45 days	14.3	–	14.3	3.7	–	3.7
> 45 days	11.5	0.3	11.8	11.7	5.1	16.8
Total	133.7	0.7	134.4	95.5	16.1	111.6

Valuation allowances are set up for identifiable credit risks and exchange-rate fluctuations. 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 Chemical Corporation.

11 Cash and Cash Equivalents / Securities

€ million	2011	2010
Securities[1]	399.7	252.2
Of which current	237.2	41.4
Of which noncurrent	162.5	210.8
Cash and cash equivalents (liquid assets)		
Cash equivalents	65.8	60.4
Demand deposits, cash on hand (cash)	408.1	484.8
	473.9	545.2

[1] The securities consist of bonds from various issuers which are classified as “held to maturity” or “available for sale”

Demand deposits and cash on hand are shown at their nominal amounts. Cash and cash equivalents mainly consist of commercial paper (from issuers with first-class credit standing) classified as “held to maturity.” Such paper falls due after a maximum of three months.

12 Equity/Non-Controlling Interests

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 an accounting par value of €5 per share. There are no different classes of shares. All of the shares are common shares.

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	2011	2010
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 share issues over and above their nominal values in previous years, as well as other contributions to equity made by shareholders.

Retained earnings include the amounts formed in previous fiscal years at Wacker Chemie AG, 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 other equity items show both the differences arising from the translation of foreign subsidiaries' financial statements having reporting currencies other than the euro, and the effects of the valuation of financial instruments with no effect on income.

The net result attributable to non-controlling interests is made up of the following profits and losses:

€ million	2011	2010
Profits	3.5	6.3
Losses	–	–
Net result attributable to non-controlling interests	3.5	6.3

As part of its capital management, Wacker Chemie AG complies with the legal stipulations on capital maintenance. The company is not subject to any capital requirements set down by its Articles of Association. No special capital terminology is used. Moreover, covenants exist that require a minimum equity level.

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 committees responsible agree.

13 Provisions for Pensions

WACKER Group employees can avail themselves of 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 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. Group companies have both defined contribution and defined benefit plans. They are financed, on the one hand, by funds and Pensionskasse der Wacker Chemie VVaG, and, on the other, by provisions in the form of direct commitments. 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.

Employees at Wacker Chemie AG and other German Group companies are granted a basic pension plan via Pensionskasse der Wacker Chemie VVaG, a legally independent German pension fund. The pension fund is financed by member and company contributions. Employees who joined the pension fund by the end of 2004 are on a defined benefit model. The pension amount is the same regardless of the employee's age at which he/she starts paying contributions and of the interest generated from assets. Employees who joined the pension fund after January 1, 2005 are on a new basic-pension model. The guaranteed payments there are based on a fixed interest rate and the amount depends on the employee's age when he/she starts paying contributions. In this model, annual profit distributions can increase the future payment.

Additionally, employees in Germany have the option of converting part of their remuneration into direct benefit commitments. Benefit plans taken out by December 31, 2000 are measured (in accordance with the projected unit credit method) at the value of years' service to date/years served to retirement (pro rata temporis), whereas any benefit plans taken out on or after January 1, 2001 are measured at the present value of the defined benefit obligation.

2011 marked the implementation at WACKER of the "Working Life and Demography" collective-bargaining agreement. This will be in the form of additional contributions into a "PK+" supplementary voluntary insurance fund within Pensionskasse der Wacker Chemie VVaG. With this additional pension component, employees can enhance their company pension plan benefits.

In view of their pension-like character, obligations relating to the medical care of retired employees (USA) and severance payments are likewise included under pension provisions.

The obligations from direct benefit plans are calculated using the projected unit credit method, taking account of anticipated future payout and pension adjustments. The current service cost of pension benefit claimants results from the planned development of provisions for anticipated future pension payments. Any differences between those pension obligations calculated as planned and the defined benefit obligation at the end of the year are treated as actuarial gains or losses and, with the exception of effects of changed assumptions regarding probable mortality rates, are spread in subsequent periods over the average remaining service years of the plan participants, insofar as these differences exceed 10 percent of the present value of the defined benefit obligation and the fair value of the plan assets, whichever is higher. WACKER takes the view that, as far as probable mortality rates are concerned, it will be necessary to assume continuous increases in life expectancy. For this reason, it does not make sense to smooth out the expenses for the period on the basis of changed or adjusted mortality tables. Deviations in the other valuation parameters will be included as actuarial losses or gains using the corridor method.

In compliance with their respective national legislation, some relatively small foreign subsidiaries take on pension-related obligations arising from severance payments after the scheduled termination of employment. These obligations are likewise reported as pension provisions.

The obligations are only partially funded by means of provisions. The Group's pension obligations are funded to a considerable degree by externally invested plan assets. In the case of both Wacker Chemie AG and the German Group companies, these assets are handled by Pensionskasse der Wacker Chemie VVaG.

The funding of Pensionskasse der Wacker Chemie VVaG by the German Group companies is included in expenses for pensions. The pension obligations resulting from the application of the projected unit credit method are reduced by the fair value of the plan assets and by still unrecognized actuarial losses, or increased by still unrecognized actuarial gains, provided that these do not concern effects from changes in probable mortality rates. Actuarial gains or losses from changed or adjusted mortality tables reduce or increase, respectively, the pension obligation reported.

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 ("asset ceiling" pursuant to IAS 19.58 et seq.).

As Pensionskasse der Wacker Chemie VVaG sets its contributions in the manner stipulated by supervisory bodies, there is no access to the surplus fund assets in Germany. Surplus amounts are, therefore, not capitalized. Unless the fund assets cover the obligation, the net obligation is shown as a liability under pension provisions.

The pension obligations are calculated by taking account of company-specific biometric calculation principles and country-specific calculation principles and parameters. The calculations are based on actuarial valuations that take account of the following parameters:

Parameters

%	Germany		USA	
	2011	2010	**2011**	2010
Actuarial interest rate	**4.50**	4.50	**4.50**	5.50
Payment trend	**3.00**	3.00	**3.0/3.5**	3.0/3.5
Expected return on assets	**4.20**	4.75	**7.50**	7.50

The discount rates and salary increase rates underlying the calculation of the pension obligations were determined in line with the general economic situation and applying uniform standards. The actuarial interest rate is derived from the returns of top-rated fixed-interest government bonds of the respective country, with maturities corresponding to those of the post-employment obligations to be settled.

Assumptions regarding the expected return on plan assets are made based on detailed analyses performed by financial experts and actuaries. Both historic actual returns and future expected long-term returns were taken into account. Interest income may vary in the funds' individual asset classes. The percentage chosen corresponds to the average rate across all types of investment.

To arrive at the amount recognized as a defined benefit liability, the plan assets transferred into funds are balanced against the defined benefit obligation at the end of the year (financial status). Provisions for pensions and assets from excess pension-plan coverage are obtained after the actuarial profits and losses not yet recognized are deducted or added as appropriate.

€ million	Germany 2011	Foreign 2011	**Total 2011**	Total 2010
Change in defined benefit obligation (DBO)				
DBO as of Jan. 1	1,962.1	165.4	**2,127.5**	1,863.6
Current service cost	47.6	5.3	**52.9**	43.0
Past service cost	–	−0.5	**−0.5**	1.1
Interest cost	86.9	8.4	**95.3**	93.0
Contributions by beneficiaries	9.3	0.2	**9.5**	9.7
Actuarial profits (–) and losses (+)	21.1	26.2	**47.3**	167.7
Pension payments	−62.3	−4.9	**−67.2**	−64.7
Change in scope of consolidation	–	–	**–**	1.8
Exchange-rate differences	–	6.3	**6.3**	12.3
Other changes	–	−22.2	**−22.2**	–
DBO as of Dec. 31	2,064.7	184.2	**2,248.9**	2,127.5
Change in fund assets				
Fund assets at present value as of Jan. 1	1,257.6	119.7	**1,377.3**	1,292.1
Return on fund assets	54.0	−0.4	**53.6**	82.6
Employer contributions	23.2	2.1	**25.3**	31.2
Contributions by beneficiaries	9.3	0.2	**9.5**	9.7
Pension payments	−43.8	−4.8	**−48.6**	−47.2
Change in scope of consolidation	–	–	**–**	1.4
Exchange-rate differences	–	3.8	**3.8**	7.5
Other changes	–	1.3	**1.3**	–
Fund assets at present value as of Dec. 31	1,300.3	121.9	**1,422.2**	1,377.3
Financial status	764.4	62.3	**826.7**	750.2
Actuarial profits/losses not yet included	−255.0	−56.8	**−311.8**	−289.8
Other	2.6	2.0	**4.6**	4.7
Provisions for pensions	512.0	7.5	**519.5**	465.1
Of which assets from pension plans with surplus coverage	–	7.6	**7.6**	10.3
Of which pension provisions	512.0	15.1	**527.1**	475.4
Extent to which provisions financed the DBO	764.4	62.3	**826.7**	750.2
Of which German-based companies in 2010				704.5
Of which foreign subsidiaries in 2010				45.7

Reported under other changes is the elimination of the pension provision in connection with the closure of the Hikari facility at Siltronic Japan Corporation, in the amount of €24.0 million. In light of its expected payout in 2012, the obligation in question was reclassified from pension provisions to liabilities.

In fiscal 2011, pension payments were made under plans in Germany totaling €62.3 million (2010: €60.1 million) and under plans in the remaining countries totaling €4.9 million (2010: €4.6 million). WACKER anticipates that payments under pension plans will reach approximately €70.0 million in the coming fiscal year. Employer contributions to fund assets are expected to amount to about €35.0 million in 2012.

The pension expenses incurred as a result of defined benefit plans and the sum total of all pension expenses consist of the following:

€ million	2011	2010
Service cost	–52.9	–43.0
Interest cost	–95.3	–93.0
Expected return on fund assets	68.6	70.2
Amortization of actuarial profits and losses	–36.8	–4.7
Repayment amount for retroactive pension-plan changes	–3.0	–1.1
Other	0.7	0.1
Pension expenses from defined benefit plans	**–118.7**	**–71.5**
Pension expenses from defined contribution plans	–2.6	–2.1
Other pension expenses	–5.8	–4.6
Pension expenses	**–127.1**	**–78.2**
Contributions to state pensions	–64.0	–58.8
Expenses for post-employment benefits	**–191.1**	**–137.0**
Of which included in payroll expenses (functional costs)	–164.5	–114.3
Of which included in other financial result	–26.6	–22.7

An adjustment of mortality assumptions in 2011 resulted in actuarial losses of €29.9 million. They are included in the expense from amortization of actuarial gains and losses.

Deviations between obligations and plan assets due to differences between assumptions and actual developments:

€ million	2011	2010	2009	2008	2007
Defined benefit obligation	2,248.9	2,127.5	1,863.6	1,568.9	1,488.2
Of which experience-based adjustments	9.9	6.2	–1.9	–206.7	12.6
Fund assets	1,422.2	1,377.3	1,292.1	1,201.5	1,292.1
Of which experience-based adjustments	–10.8	–1.8	–22.4	186.8	34.3
Financial status	826.7	750.2	571.5	367.4	196.1

The following table shows the composition of pension-fund assets:

Composition of Fund Assets

%	2011			2010		
	Total	Of which third parties	Of which Group[1]	Total	Of which third parties	Of which Group[2]
Real estate	16.1	10.7	5.4	14.2	9.7	4.5
Loans/fixed-interest securities	59.1	59.1	–	55.5	55.5	–
Shares/funds[2]	21.9	21.9	–	26.8	26.8	–
Cash and cash equivalents	2.9	2.9	–	3.5	3.5	–
Total	100.0	94.6	5.4	100.0	95.5	4.5

[1] Those items used by Group companies are posted here.
[2] Pensionskasse der Wacker Chemie VVaG has agreed with an investment company on an arrangement approved by the German Federal Financial Supervisory Authority (BaFin) which hedges any share price fluctuations affecting Pensionskasse's share portfolio.

14 Other Provisions/Tax Provisions

€ million		2011			2010	
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Personnel	99.3	96.8	2.5	138.5	116.0	22.5
Sales/purchasing	106.7	38.3	68.4	68.0	53.1	14.9
Environmental protection	52.4	49.4	3.0	52.6	49.3	3.3
Restructuring	2.8	–	2.8	6.0	0.2	5.8
Sundry	47.4	9.4	38.0	47.7	9.0	38.7
Other provisions	308.6	193.9	114.7	312.8	227.6	85.2
Tax provisions	68.5	61.3	7.2	105.0	42.8	62.2

Provisions for Personnel

These provisions contain obligations for anniversary payments, working-life accounts, other deferrals, and provisions relating to early retirement and phased-early-retirement plans. There is a continuous outflow of noncurrent provisions for anniversary payments. The provision for phased-early-retirement plans will be exhausted by 2016 at the latest. The outflow will be continuous until that date.

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 noncurrent provisions for contingent losses from contractual agreements essentially lead to cash outflows within a period of three years.

Provisions for Environmental Protection

Provisions for environmental protection are formed 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. Most noncurrent provisions for environmental protection will be utilized over a period of 10 to 20 years.

Restructuring Provisions

The provisions for restructuring are comprised of 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, legal risks).

Tax Provisions

Tax provisions contain amounts for current income tax obligations, risks from tax audits, and legal action. The existing noncurrent tax provisions will largely be used over the next three to five years.

Other Provisions

€ million	Jan. 1, 2011	Utilization	Reversal	Addition/ interest effect	Exchange-rate differences	Scope of consolida-tion/Other[1]	Dec. 31, 2011
Personnel	138.5	−26.9	–	6.9	−0.1	−19.1	99.3
Sales/purchasing	68.0	–	−2.0	33.5	7.2	–	106.7
Environmental protection	52.6	−1.9	−1.7	3.4	–	–	52.4
Restructuring	6.0	−1.6	−1.6	–	–	–	2.8
Sundry	47.7	−2.8	−7.7	10.1	0.1	–	47.4
	312.8	−33.2	−13.0	53.9	7.2	−19.1	308.6
Of which interest effect	–	–	–	10.1	–	–	–

[1] In 2011, provisions for phased early retirement were offset against the corresponding capitalized hedging amounts.

Interest rates during the fiscal year ranged between 3.0 percent and 6.2 percent (2010: between 3.0 percent and 6.9 percent). They primarily related to provisions associated with purchasing and to environmental provisions. The interest effects from sales/purchasing provisions amount to €8.1 million.

Tax Provisions

€ million	Jan. 1, 2011	Utilization	Reversal	Addition/ interest effect	Exchange-rate differences	Scope of consolida-tion/Other	Dec. 31, 2011
Taxes	105.0	−43.6	−12.8	20.6	−0.7	–	68.5
Of which interest effect	–	–	–	–	–	–	–

15 Financial Liabilities

€ million	2011			2010		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Liabilities to banks	720.7	617.3	103.4	494.8	385.6	109.2
Of which > 5 years	–	281.0	–	–	304.7	–
Liabilities from lease obligations[1]	51.5	44.8	6.7	34.4	21.5	12.9
Of which > 5 years	–	17.2	–	–	5.1	–
Other financial liabilities	5.7	–	5.7	4.2	–	4.2
Financial liabilities	777.9	662.1	115.8	533.4	407.1	126.3
Of which > 5 years	–	298.2	–	–	309.8	–

[1] Liabilities from leasing arrangements mainly include liabilities relating to leasing the Burghausen plant's CCGT power station, as well as for technical facilities.

The second installment (€200 million) of an investment loan from the European Investment Bank was drawn in the fourth quarter of 2011.

No collateral exists for financial liabilities. Financial liabilities are not secured through liens or similar rights. Some of the liabilities to banks are fixed-interest and others have variable interest rates. Moreover, some of the liabilities to banks were granted on condition that particular covenants be complied with.

The following are the most significant liabilities to banks:

€ million	2011			2010		
	Currency	Carrying amount in € million	Residual term in years	Currency	Carrying amount in € million	Residual term in years
Development loan	EUR	200.0	Up to 6	EUR	–	–
Development loan	EUR	200.0	Up to 5	EUR	200.0	Up to 6
Loans	EUR	50.0	Up to 2	EUR	50.0	Up to 3
Club Deals	CNY	81.0	Up to 8	CNY	59.1	Up to 9
Club Deals	CNY	66.9	Up to 1	CNY	74.6	Up to 1
Promissory notes	EUR	19.0	Up to 2	EUR	29.0	Up to 3
Other loans		103.8	Up to 2		82.1	Up to 1
Total		720.7			494.8	

As of the reporting date, the future minimum lease payments under finance lease agreements amount to:

€ million	2011		2010	
	Nominal value	Present value	Nominal value	Present value
Minimum lease payment within a year	8.9	6.7	14.4	12.9
Minimum lease payment within one and five years	33.1	27.6	19.4	16.4
Minimum lease payment over five years	18.8	17.2	5.5	5.1
	60.8	51.5	39.3	34.4
Total expected minimum lease payments from subtenancies	2.0	–	2.5	–

There are no conditional lease payments from finance leases.

The finance lease for the headquarters building in Munich expired in 2011. In November 2011, a new lease agreement was concluded with PK Wacker GSG GmbH & Co. KG, the company that purchased the building. The lease arrangement covers the land and the building. An evaluation has revealed that the new lease is not a finance lease with respect to the land or the building.

Wacker Chemie AG has capitalized a finance lease for the leased CCGT (combined-cycle gas turbine) power station at its Burghausen site. The lease for the power station is due to expire in 2019 at the latest. WACKER has the right to acquire the power station at a price oriented to book values in accordance with German commercial law. If WACKER acquires this power station, it may not be sold to a third party for five years.

WACKER also has leasing agreements for several technical facilities that qualify as finance leases and were capitalized accordingly.

The lease agreements serve to simplify the procurement and financing of operating materials and fixed assets. The long-term commitment that they involve, however, leads to a constant future outflow of cash from which the company cannot extract itself.

16 Liabilities

€ million		2011			2010	
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Tax liabilities	22.7	–	22.7	16.6	–	16.6
Trade payables	402.6	–	402.6	335.2	–	335.2
Payables relating to social security	2.7	–	2.7	3.8	–	3.8
Payroll liabilities	3.0	–	3.0	3.2	–	3.2
Profit-sharing and other bonuses	111.3	–	111.3	119.3	–	119.3
Other personnel liabilities	90.2	–	90.2	27.5	–	27.5
Derivative financial instruments	23.5	6.2	17.3	16.1	1.8	14.3
Deferred income	4.8	0.6	4.2	3.7	1.2	2.5
Advance payments received (third parties)	1,202.6	1,000.9	201.7	1,032.2	869.9	162.3
Sundry liabilities	28.0	0.1	27.9	34.2	0.1	34.1
Other liabilities	1,466.1	1,007.8	458.3	1,240.0	873.0	367.0
Of which > 5 years	–	123.4	–	–	218.7	–

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.

In 2011, other personnel liabilities contained severance payments in the amount of €47.5 million, and payment claims for employee pensions in the amount of €19.1 million in connection with the closure of the silicon wafer facility in Japan.

The advance payments received relate primarily to future polysilicon deliveries.

17 Contingencies, Other Financial Obligations and Other Risks

Contingencies

Contingencies are potential obligations based on past events, the existence of which 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 contingencies if the likelihood of an outflow of resources is not strong enough to justify the formation of a provision and/or the amount of the obligations cannot be estimated with sufficient reliability. The values assigned to contingencies correspond to the degree of liability that exists on the statement of financial position date.

The contingencies and other obligations shown below are nominal values.

€ million	2011	2010
Guarantees	114.0	119.6

The guarantees essentially concern the external financing of associated companies. In addition, there are guarantees for customers' advance payments to former subsidiaries or joint ventures from which WACKER was released by the purchaser but for which no transfer to the purchaser has occurred.

In view of the present financial situation of the companies for which WACKER has taken on guarantees, utilization of these guarantees is unlikely.

Other Financial Obligations and Other Risks

€ million	2011	2010
Obligations from rent and operating leases		
Due within one year	18.6	16.3
Due between one and five years	48.8	30.6
Due after five years or more	38.4	18.6
Total	105.8	65.5
Lease payments occasioned by operating leases	19.4	15.2

Under rental agreements and operating leases, the Group leases property, plant and equipment, motor vehicles and IT equipment. 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.

€ million	**2011**	2010
Obligations from orders for planned investment projects (commitments)	**580.2**	301.4

Obligations from orders for planned investments (commitments) amount to €580.2 million (2010: €301.4 million) and mainly concern investments in the polysilicon segment. WACKER has earmarked $1,800 million in investment spending to build new production facilities in the Americas.

In addition, the Group has undertaken to provide guarantees for borrowed funds at a joint venture amounting to around $300 million. WACKER has also signed an agreement with its partners Dow Corning and Samsung to make investments in future years and to provide the necessary equity funds and/or loans. Through long-term purchasing commitments of some €150 million annually (2010: €120 million), the Group ensures that capacity at the companies.

Within the framework of its raw-material supply, WACKER has entered into long-term agreements to purchase strategic raw materials, electricity and gas. As a result, the company has, on balance, other financial obligations in connection with minimum purchasing obligations in the amount of €1.85 billion (2010: €1.14 billion). The increase over the previous year's figure is due to new long-term supply contracts to secure raw materials and energy. The agreements have terms of between one and nine years.

The Group receives government subsidies for investment activities. These subsidies 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.

18 Other Disclosures

€ million	2011	2010
Cost of materials	−2,205.0	−1,787.7
Personnel expenses		
Wages and salaries	−1,025.2	−921.5
Social benefits and financial aid funds	−156.8	−158.7
State pension contributions	64.0	58.8
Social security contributions	−92.8	−99.9
Pension expenses	−100.5	−55.5
Contributions to state pensions	−64.0	−58.8
Expenses for post-employment benefits	−164.5	−114.3
Total	−1,282.5	−1,135.7

Social benefits relate mainly to the employer's share of social insurance contributions and to employers' liability insurance association contributions. The pension expenses consist mainly of pension payments and allocations to pension provisions. Related interest is shown in the financial result. The expenses incurred in transfers to external pension funds and pension plans are likewise included in pension expenses.

Expenses for Auditors' Fees

€ million	2011	2010
Audit	0.7	0.8
Other certification services	0.3	0.3
Total	1.0	1.1

The other certification services consist primarily of the cost of interim reviews. The expenses for auditors' fees in the amount of €0.9 million concern KPMG AG Wirtschaftsprüfungsgesellschaft, of which €0.7 million is for financial statement audit services and €0.2 million for certification services.

19 Earnings per Share/Dividend

	2011	2010
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 (€)	2.20	3.20
Net result for the year after non-controlling interests (€ million)	352.6	490.7
Earnings due to common shares (€ million)	352.6	490.7
Earnings per common share (average, €)	7.10	9.88
Earnings per common share (as of reporting day, €)	7.10	9.88

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, and the effect on earnings per share of changes in accounting and valuation methods, are not reported.

The dividend payout for 2010 amounted to €159.0 million, or €3.20 per dividend-bearing share.

For 2011, the Executive Board of Wacker Chemie AG has proposed the above-mentioned dividend. The proposed dividend 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 €109,291,562.60 will be distributed for the 49,677,983 no-par-value shares that are not held by the company.

20 Financial Instruments

The following table shows a presentation of financial assets and liabilities by measurement categories and classes. Also presented are liabilities from finance leases and derivatives for which hedge accounting is used, even though they do not belong to any of the IAS 39 measurement categories.

Financial Assets and Liabilities by Measurement Category and Class 2011

€ million		Measurement pursuant to IAS 39			Measurement pursuant to IAS 17	
	Balance sheet carrying amount Dec. 31, 2011	(Amortized) cost	Fair value, recognized in profit or loss	Fair value, recognized in other comprehensive income	(Amortized) cost	Fair value Dec. 31, 2011
Trade receivables	**566.1**	566.1	–	–	–	566.1
Loans and receivables	–	566.1	–	–	–	566.1
Other financial assets[1]	**679.6**	573.9	94.2	11.5	–	658.4
Held-to-maturity securities	–	316.3	–	–	–	306.0
Available-for-sale securities	–	–	87.8	–	–	87.8
Loans and receivables	–	246.7	–	–	–	246.7
Available-for-sale financial assets[2]	–	10.9	–	–	–	–
Derivatives for which hedge accounting is not used (assets held for trading)	–	–	6.4	–	–	6.4
Derivatives for which hedge accounting is used (hedge accounting)	–	–	–	11.5	–	11.5
Cash and cash equivalents (liquid assets)	**473.9**	473.9	–	–	–	473.9
Held-to-maturity securities	–	65.8	–	–	–	65.8
Loans and receivables	–	408.1	–	–	–	408.1
Total financial assets	**1,719.6**	–	–	–	–	1,698.4
Of which pursuant to IAS 39 measurement categories:						
Loans and receivables	**1,220.9**	1,220.9	–	–	–	1,220.9
Held-to-maturity securities	**382.1**	382.1	–	–	–	371,8
Available-for-sale financial assets	**98.7**	10.9	87.8	–	–	87.8
Derivatives for which hedge accounting is not used (assets held for trading)	**6.4**	–	6.4	–	–	6.4
Derivatives for which hedge accounting is used (hedge accounting)	**11.5**	–	–	11.5	–	11.5
Financial liabilities	**726.4**	726.4	–	–	–	726.4
Financial liabilities recognized at amortized cost	–	726.4	–	–	–	726.4
Liabilities from finance leases	**51.5**	–	–	–	51.5	51.5
Trade payables	**402.6**	402.6	–	–	–	402.6
Financial liabilities recognized at amortized cost	–	402.6	–	–	–	402.6
Other financial liabilities[3]	**258.8**	235.2	8.4	15.2	–	258.8
Financial liabilities recognized at amortized cost	–	235.2	–	–	–	235.2
Derivatives for which hedge accounting is not used (financial liabilities held for trading)	–	–	8.4	–	–	8.4
Derivatives for which hedge accounting is used (hedge accounting)	–	–	–	15.2	–	15.2
Total financial liabilities	**1,439.3**	–	–	–	–	1,439.3
Of which pursuant to IAS 39 measurement categories:						
Financial liabilities recognized at amortized cost	**1,364.2**	1,364.2	–	–	–	1,364.2
Derivatives for which hedge accounting is not used (financial liabilities held for trading)	**8.4**	–	8.4	–	–	8.4
Derivatives for which hedge accounting is used (hedge accounting)	**15.2**	–	–	15.2	–	15.2

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

Financial Assets and Liabilities by Measurement Category and Class 2010

€ million	Balance sheet carrying amount Dec. 31, 2010	Measurement pursuant to IAS 39: (Amortized) cost	Measurement pursuant to IAS 39: Fair value, recognized in profit or loss	Measurement pursuant to IAS 39: Fair value, recognized in other comprehensive income	Measurement pursuant to IAS 17: (Amortized) cost	Fair value Dec. 31, 2010
Trade receivables	**596.0**	596.0	–	–	–	596.0
Loans and receivables	–	596.0	–	–	–	596.0
Other financial assets [1]	**538.0**	488.3	14.8	34.9	–	524.3
Held-to-maturity securities	–	252.2	–	–	–	249.6
Available-for-sale securities	–	–	10.2	–	–	10.2
Loans and receivables	–	225.0	–	–	–	225.0
Available-for-sale financial assets [2]	–	11.1	–	–	–	–
Derivatives for which hedge accounting is not used (assets held for trading)	–	–	4.6	–	–	4.6
Derivatives for which hedge accounting is used (hedge accounting)	–	–	–	34.9	–	34.9
Cash and cash equivalents (liquid assets)	**545.2**	545.2	–	–	–	545.2
Held-to-maturity securities	–	59.0	–	–	–	59.0
Loans and receivables	–	486.2	–	–	–	486.2
Total financial assets	**1,679.2**	–	–	–	–	1,665.5
Of which pursuant to IAS 39 measurement categories:						
Loans and receivables	**1,307.2**	1,307.2	–	–	–	1,307.2
Held-to-maturity securities	**311.2**	311.2	–	–	–	308.6
Available-for-sale financial assets	**21.3**	11.1	10.2	–	–	10.2
Derivatives for which hedge accounting is not used (assets held for trading)	**4.6**	–	4.6	–	–	4.6
Derivatives for which hedge accounting is used (hedge accounting)	**34.9**	–	–	34.9	–	34.9
Financial liabilities	**499.0**	499.0	–	–	–	499.0
Financial liabilities recognized at amortized cost	–	499.0	–	–	–	499.0
Liabilities from finance leases	**34.4**	–	–	–	34.4	34.4
Trade payables	**335.2**	335.2	–	–	–	335.2
Financial liabilities recognized at amortized cost	–	335.2	–	–	–	335.2
Other financial liabilities [3]	**204.1**	188.0	7.4	8.7	–	204.1
Financial liabilities recognized at amortized cost	–	188.0	–	–	–	188.0
Derivatives for which hedge accounting is not used (financial liabilities held for trading)	–	–	7.4	–	–	7.4
Derivatives for which hedge accounting is used (hedge accounting)	–	–	–	8.7	–	8.7
Total financial liabilities	**1,072.7**	–	–	–	–	1,072.7
Of which pursuant to IAS 39 measurement categories:						
Financial liabilities recognized at amortized cost	**1,022.2**	1,022.2	–	–	–	1,022.2
Derivatives for which hedge accounting is not used (financial liabilities held for trading)	**7.4**	–	7.4	–	–	7.4
Derivatives for which hedge accounting is used (hedge accounting)	**8.7**	–	–	8.7	–	8.7

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

The held-to-maturity securities category includes current and noncurrent fixed-interest securities which are measured at amortized cost in accordance with the effective interest method.

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 and represents the present value of expected future cash flows. Discounting is carried out on the basis of the interest rates valid on the reporting date. Available-for-sale financial assets include securities, fund shares aimed at securing phased-early-retirement commitments, and investments in joint ventures and associates. The fair values of the fund shares correspond to their stock market prices on the reporting date. Investments in joint ventures and associates are measured at cost, as no observable prices on active markets are available. The carrying amounts of the financial liabilities, trade payables, and other liabilities correspond to their fair values. The fair values of financial liabilities constitute the cash value of the cash flows expected in the future. Discounting is carried out on the basis of the interest rates valid on the reporting date. All other liabilities are valued at cost as no observable prices for them are available.

Loans and receivables resulted in net profits of €21.3 million (2010: €114.7 million). These net profits were primarily due to exchange-rate effects, interest income from demand deposits and valuation allowances. Net profits from financial instruments that are held to maturity amounted to €6.9 million (2010: €1.1 million). This mainly involved interest income from noncurrent and current corporate bonds that are posted under securities. The category of held-to-maturity financial assets includes investment losses of €–0.2 million, countered by profits from fixed-interest securities of the same amount. In 2010, equity investments generated €0.6 million. The category of assets held for trading resulted in a net loss of €–4.2 million (2010: €–12.0 million). These concern changes in the fair value of foreign-currency exchange rates, interest rates and commodity derivatives that did not fulfill the requirements of IAS 39 for hedge accounting and are posted as derivatives for which hedge accounting is not used.

Net losses of €–24.3 million (2010: €–14.5 million) were incurred in the category of financial liabilities measured at amortized cost, which principally consist of interest expenses from bank 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.

Financial assets and liabilities that are measured at fair value must be allocated to one of the three levels of the fair value hierarchy. The hierarchical levels distinguish between the input data being used to determine fair value, and the extent to which they are observable in a market. The following are the levels of the hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: directly or indirectly observable input data that are not quoted prices according to Level 1
Level 3: unobservable market data

The financial assets and liabilities are allocated to the three levels of the measurement hierarchy as follows:

Fair Value Hierarchy as of Dec. 31, 2011

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Fair value through profit or loss				
Available-for-sale financial assets	87.8	–	–	87.8
Derivatives for which hedge accounting is not used (assets held for trading)	–	6.4	–	6.4
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used (hedge accounting)	–	11.5	–	11.5
Total	87.8	17.9	–	105.7
Financial liabilities measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used (liabilities held for trading)	–	8.4	–	8.4
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used (hedge accounting)	–	15.2	–	15.2
Total	–	23.6	–	23.6

Fair Value Hierarchy as of Dec. 31, 2010

	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Fair value through profit or loss				
Available-for-sale financial assets	10.2	–	–	10.2
Derivatives for which hedge accounting is not used (assets held for trading)	–	4.6	–	4.6
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used (hedge accounting)	–	34.9	–	34.9
Total	10.2	39.5	–	49.7
Financial liabilities measured at fair value				
Fair value through profit or loss				
Derivatives for which hedge accounting is not used (liabilities held for trading)	–	7.4	–	7.4
Fair value through other comprehensive income				
Derivatives for which hedge accounting is used (hedge accounting)	–	8.7	–	8.7
Total	–	16.1	–	16.1

Financial Risks

In the normal course of its business, WACKER is exposed to credit, liquidity, and market risks from financial instruments. The aim of financial risk management is to limit risks from operating business 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 its implemented risk management system, which is monitored by the Supervisory Board. The principles follow the aim of identifying, analyzing, coordinating, monitoring and communicating risks in a timely manner. The Executive Board receives regular analyses on the extent of those risks. The analyses focus on market risks, in particular on the potential impact of raw-material-price risks, foreign-currency exchange risks, and interest-rate risks on EBITDA and net interest income.

Credit Risk (Default Risk)

In terms of financial instruments, the Group is exposed to a default risk should a contractual party fail to fulfill its commitments. This risk is, therefore, at a maximum in 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 undergo monitoring procedures that take account of the separation of duties. As for operations, outstanding receivables and default risks are continually monitored and hedged against via trade credit insurance. Receivables from major customers are not so high as to pose an extraordinary concentration of risks. Default risks are covered by impairments.

Liquidity Risk

A liquidity risk means that a company may not be able to meet its existing or future financial obligations due to inadequate funds. To ensure uninterrupted solvency and financial flexibility, the Group holds long-term credit lines and liquid funds based on multiyear financial planning and continuous monthly liquidity planning.

To limit this risk, WACKER keeps liquid reserves in the form of current investments and credit lines. Furthermore, WACKER has concluded agreements with a number of banks for long-term syndicated loans and bilateral loans. The aggregate volume of these loans is significantly higher than the planned financial liabilities.

Market Risk

Market risks refer to the risk that fair values or future cash flows of a primary or derivative financial instrument fluctuate due to changing risk factors.

Foreign Exchange Risk

The potential currency exposure to be hedged with derivative financial instruments is determined based on the major foreign-currency income and expenditure. The greatest risk is posed by the US-dollar, whose income is taken to mean all sales invoiced in US-dollars, while all US-dollar purchasing as well as site costs incurred in US-dollars are reported under US-dollar expenditure. The evaluation of potential risks includes not only the direct US-dollar income and expenditure, but also the indirect US-dollar impact of WACKER's main raw materials (methanol and natural gas). At the same time, indirect euro-denominated sales are deducted from currency exposure. The US-dollar is the exclusive 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. Increases in the euro exchange rate against the Singapore dollar, Chinese renminbi and Japanese yen, in contrast, have a minor impact. In determining sensitivity, we simulate a 10-percent US-dollar devaluation against the euro, which would have had an EBITDA effect of €–50 million as per December 31, 2011, and €–62 million as per December 31, 2010. The effect from cash-flow-hedge designated items would have increased equity before income taxes by €62.3 million (2010: €81.2 million). The Group's currency exposure amounted to €549.7 million as per December 31, 2011 (2010: €677 million).

Interest Rate Risk

The interest rate risk results mainly from financial debt and interest-bearing investments. Each year, the Executive Board determines the mixture of fixed and variable-interest net financial liabilities. Depending on the structure involved, interest rate derivatives are concluded as required. Depending on whether the instrument in question (financial liabilities, investments or interest rate derivatives) has a fixed or variable interest rate, the interest rate risks are measured on the basis of either market-value sensitivity or cash-flow sensitivity. Financial liabilities and fixed-interest investments are measured at amortized cost and are therefore, in accordance with IFRS 7, not subject to any interest-rate risk. 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, therefore, included in the calculation of earnings-related sensitivity. Changes in the market interest rates of interest rate derivatives affect the financial result, and are, therefore, included in any earnings-related sensitivity analysis. If current interest rates had been 100 base points higher (lower) on average, net interest income would have been €1.1 million (2010: €0.9 million) higher (lower).

Raw-Material-Price Risk

Potential combinations of factors in the natural gas or ethylene segments make it impossible to exclude the risk that the company's supply of raw materials might be insufficient. Ethylene-related risks, however, will be reduced in the future by the EPS pipeline currently under construction in Germany. In general, potential increases in raw-material prices pose a risk to results. An increase of 1 percent would have a negative effect of €10.4 million (2010: €8.4 million) on EBITDA.

Derivative Financial Instruments

Financial risks are also hedged using derivative financial instruments. The raw-material price risks that WACKER hedges against result principally from the precious metals (platinum, gold, silver and palladium) that are used as catalysts or for other purposes in the production process, as well as ongoing energy procurement. In 2011, precious-metal-related risks were partially hedged using derivative financial instruments. Electricity-supply price hedging takes place via contractual stipulations, for which IAS 39's "own-use exemption" can essentially be used. These contracts, which are concluded for purposes 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 these currency risks, it uses derivative financial instruments, in particular currency option and forward exchange contracts, and foreign exchange swaps. Derivatives are used only if they are backed by positions, cash deposits and funding, or scheduled transactions arising from operations (underlying transactions). The scheduled transactions also include anticipated, but not yet invoiced sales in foreign currencies.

Foreign exchange hedging is carried out mainly for the US-dollar, Japanese yen and Singapore dollar. In the case of foreign exchange hedging in the financing area, the maturities of the receivables and liabilities are taken into account. Interest rate hedging is carried out primarily for the euro, with the maturities of the underlying transactions being the most important factor.

Operational hedging in the foreign exchange area relates to the receivables and liabilities already recognized, and generally encompasses time horizons of between three and four months. The time horizon of strategic hedging is between four and a maximum of 31 months. The hedged cash flows influence the statement of income at the time when sales are realized. The cash inflows are usually recorded shortly afterward, depending on the payment deadline. As well as receivables from, and liabilities to, third parties, inter-company financial receivables and liabilities are hedged.

The market values refer to the maturity repurchase values (redemption values) of the financial derivatives as of the balance sheet date and are calculated using recognized actuarial methods.

The derivatives are recognized at their market values, irrespective of their stated purpose. They are reported in the statement of financial position under other assets or other liabilities. Where permissible, cash flow hedge accounting is applied for the strategic hedging of currency exchange risks from future foreign exchange positions. In such cases, the changes in the market values of foreign exchange contracts and the 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.

For strategic hedging purposes, graduated hedging ratios are used of between 25 and 60 percent in relation to the expected net exposure in US$ and JPY. In doing so, the expected net exposure for 2012 is some 60 percent hedged and the expected net exposure for 2013 around 50 percent hedged. Expected semiconductor-business net exposure for the first half of 2014 is about 25 percent hedged.

In the fiscal year, the accumulated income and expenses recorded directly under equity included an unrealized result amounting to €–30.4 million (before tax) (2010: €11.5 million). In the result for the period, no gains or losses from hedge accounting ineffectivities were recorded, as the hedging relationships were almost entirely effective.

In a small number of cases, there are embedded derivatives. These are generally measured at market values, or at amortized cost if market values cannot be derived. They, too, are reported under other assets or other liabilities, respectively.

Depending on the nature of the underlying transaction, they are posted in the statement of income either under the operating result or, if financial liabilities are being hedged, under net interest income.

€ million	Dec. 31, 2011		Dec. 31, 2010	
	Nominal values	Market values	Nominal values	Market values
Foreign exchange derivatives	1,422.4	–3.7	1,502.4	21.2
Other derivatives	43.7	–1.8	115.6	2.2
Market values for derivative financial instruments within the framework of hedge accounting	–	–5.0	–	25.2

The foreign exchange derivatives contain forward exchange contracts amounting to US$1,447.3 million, ¥8.2 billion and SG$305.2 million.

Other derivatives principally involve interest-rate swaps with a notional sum of €25.0 million (2010: €100.0 million) and electricity futures traded on the Norwegian market with a notional amount of €17.4 million (2010: €15.6 million). The electricity futures are used to limit the risk of rising spot-market prices for energy via structured price setting on the electricity market. The hedged amount represents 90 percent of the Holla, Norway, site’s future silicon-production power needs. The futures fall due after a maximum of one year.

21 Notes to the Statement of Cash Flows

Cash flow from operating activities is calculated using the indirect method. The indirect calculation adjusts the relevant changes in statement of financial position items to remove 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.

Cash flow from investing activities shows the actual outflow of funds, so these figures also cannot be reconciled with the additions to investments in the consolidated statement of financial position. If subsidiaries or business activities are acquired or sold, the influences ensuing from these transactions are shown as separate items in the statement of cash flows. Financial investment in securities falling due in more than three months is reported separately under cash flow from investing activities, as these transactions must instead be attributed to liquidity in economic terms.

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 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, a reconciliation of all the inflows and outflows resulting in changes to the financial liabilities in the statement of financial position is not possible.

For more details on the composition of funds made up of cash and cash equivalents, see Note 11

Other Non-Cash Expenses and Income

€ million	2011	2010
Silicones	–13.3	–7.3
Polymers	–0.3	–1.2
Biosolutions	–0.3	–1.1
Polysilicon	0.9	–2.1
Siltronic	3.3	–18.4
Other	–35.9	–28.6
	–45.6	–58.7

22 Explanatory Notes on Segment Reporting

The Group's segment reporting is geared toward the internal organizational and reporting structure. WACKER reports on five operating segments (Siltronic, Silicones, Polymers, Polysilicon and Biosolutions), which are organized and managed autonomously on the basis of the type of products they offer and their different risk and income structures. Any activities not assigned to an operating segment are shown under "Other." Currency translation results which cannot be assigned to a segment are likewise shown in this item. Although the Biosolutions segment does not exceed the threshold values stipulated by IFRS 8, WACKER decided to report it as a segment subject to reporting requirements due to its specific product and customer structure.

Statement of financial position and statement of income items 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 headquarters and the respective Group company's site.

WACKER measures the segments' success by the segment profitability variables EBIT and EBITDA. EBIT consists of the gross result from sales, selling and general administrative expenses, research and development expenses, and other operating income and expenses less investments in joint ventures and associates and other income from investments. EBITDA is produced by adding depreciation and amortization, impairments, and write-ups to EBIT.

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 direct costs. Segment information is, as a rule, based on the same presentation and accounting methods as 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, shown under "Other." The Group's financial liabilities are allocated to individual segments in proportion to the segment assets. The Siltronic segment prepares its own sub-group consolidated financial statements.

Of the valuation changes recognized with no effect on income, €11.9 million (2010: €–4.3 million) are attributable to the Siltronic segment and €9.8 million (2010: €6.0 million) to “Other.” The valuation changes essentially relate to the changes in the market values of derivative financial instruments from cash flow hedging.

In addition to Germany, the USA and China are the only countries in which WACKER generates significant sales from a Group viewpoint. Measured in relation to the headquarters of the selling unit in the USA, sales amounted to €739.6 million (2010: €735.6 million). Measured by the respective customer headquarters in the USA and China, the sales generated were €707.0 million (2010: €682.7 million) and €706.2 million (2010: €616.0 million) respectively. There are no customers with whom significant sales are generated.

The reconciliation of the segments’ aggregate results with the net result for the year is derived from the following list:

Reconciliation of Segment Results

€ million	2011	2010
Operating result of reporting segments (EBIT)	602.8	766.5
Consolidation	0.4	–1.9
Group EBIT	603.2	764.6
Financial result	–35.8	–32.3
Income before tax	567.4	732.3
Income taxes	–211.3	–235.3
Net income for the year	356.1	497.0

23 Breakdown of Shareholdings/Key Indicators of Joint Ventures and Associated Companies

Unless otherwise stated, the following figures for international subsidiaries are IFRS results.

Affiliated Companies

Serial number		Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
	Germany					
1	Alzwerke GmbH, Munich	a), b)	7,160	–	100.00	0
2	DRAWIN Vertriebs-GmbH, Hohenbrunn	a), b)	5,014	–	100.00	0
3	W.E.L.T. Reisebüro GmbH, Munich[2]		88	18	51.00	0
4	Wacker-Chemie Versicherungsvermittlung GmbH, Munich	a), b)	26	–	100.00	0
5	Wacker-Chemie Beteiligungsfinanzierungs GmbH, Munich		30	–	100.00	22
6	Wacker Polysilicon Geschäftsführungs GmbH, Nünchritz		27	–	100.00	0
7	Wacker-Chemie Erste Venture GmbH, Munich		80	–	100.00	22
8	Wacker-Chemie Zweite Venture GmbH, Munich		36	–	100.00	0
9	Wacker-Chemie Dritte Venture GmbH, Munich	a), b)	387,727	–	100.00	0
10	Wacker-Chemie Sechste Venture GmbH, Munich		28	–	100.00	0
11	Wacker Biotech GmbH, Jena	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)	264,405	–	100.00	30
14	Siltronic AG, Munich	a)	718,048	–	90.00	9
					10.00	0
	Rest of Europe					
15	Wacker Chemicals Finance B.V., Krommenie/Amsterdam, Netherlands		439,982	733	100.00	0
16	Wacker-Chemicals Ltd., Egham, Surrey, Great Britain		678	539	100.00	0
17	Wacker-Chemie Italia S.r.L., Peschiera Borromeo/Milan, Italy		2,464	855	100.00	0
18	Wacker-Chemie Benelux B.V., Krommenie/Amsterdam, Netherlands		325	306	100.00	15
19	Wacker Chimie S.A.S., Lyon, France		370	183	100.00	0
20	Wacker-Kemi AB, Solna, Sweden		507	434	100.00	0
21	Wacker Química Ibérica, S.A., Barcelona, Spain		288	150	100.00	0
22	Siltronic Holding International B.V., Krommenie/Amsterdam, Netherlands		416,074	–50,870	100.00	14
23	Wacker-Chemie S.r.o., Prague, Czech Republic		3,266	77	100.00	0
24	Wacker-Chemie Polska Sp. z o.o., Warsaw, Poland		418	307	100.00	0
25	Wacker-Chemie Hungária Kft., Budapest, Hungary		355	193	100.00	0
26	OOO Wacker Chemie RUS, Moscow, Russia		853	493	100.00	0
27	Wacker Chemicals Norway AS, Holla, Norway		36,955	–709	100.00	15
	The Americas					
28	Wacker Química do Brasil Ltda., São Paulo, Brazil		7,476	–2,067	100.00	0
29	Wacker Mexicana S.A. de C.V., Mexico, D.F., Mexico		1,244	894	100.00	0
30	Wacker Chemical Corp., Adrian, Michigan, USA		472,767	10,965	100.00	15
31	Wacker Polysilicon North America L.L.C., Cleveland, Tennessee, USA		185,783	–20,220	100.00	13
32	Siltronic Corp., Portland, Oregon, USA		56,612	16,452	100.00	22

Affiliated Companies

Serial number		Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
	Asia					
33	Wacker Chemicals (South Asia) Pte. Ltd., Singapore		1,668	288	100.00	0
34	Wacker Chemicals Hongkong Ltd., Hong Kong, China		2,744	128	100.00	0
35	Wacker Metroark Chemicals Pvt. Ltd., Parganas, India		25,513	6,843	51.00	0
36	Wacker Chemicals Korea Inc., Seoul, South Korea		17,882	1,907	100.00	15
37	Wacker Chemicals East Asia Ltd., Tokyo, Japan		660	431	100.00	0
38	Wacker Chemicals Trading (Shanghai) Co. Ltd., Shanghai, China		8,711	1,961	100.00	34
39	Wacker Chemicals Fumed Silica (ZJG) Holding Co. Private Ltd., Singapore		47,960	–15	51.00	0
40	Wacker Chemicals Fumed Silica (ZJG) Co. Ltd., Zhangjiagang, China		28,065	232	51.00	39
41	Wacker Chemicals (Zhangjiagang) Co. Ltd., Zhangjiagang, China		22,225	1,349	100.00	43
42	Wacker Polymer Systems (WUXI) Co. Ltd., Wuxi, China		3,102	1,082	100.00	43
43	Wacker Chemicals (China) Company Ltd. (Holding), Shanghai, China		1,878	–48,760	100.00	0
44	Wacker Polymer Systems (Nanjing) Co. Ltd., Nanjing, China		38,125	–1,814	100.00	43
45	Wacker Chemicals India Ltd., Mumbai, India		3,100	109	100.00	15
46	Siltronic Singapore Pte. Ltd., Singapore		103,856	25,363	100.00	22
47	Siltronic Asia Pte. Ltd., Singapore		3,831	3,688	100.00	22
48	Siltronic Japan Corp., Hikari, Japan		–38,106	–58,266	100.00	22
	Other Regions					
49	Wacker Chemicals Australia Pty. Ltd., Melbourne, Australia		39	–265	100.00	0
50	Wacker Chemicals Middle East Ltd., Dubai, UAE		2,520	635	100.00	0

Joint Ventures/Associated Companies[3]

Serial number		Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
51	Thin Materials AG, Eichenau, Germany		345	–461	32.68	0
52	Wacker Asahi Kasei Silicone Co. Ltd., Tokyo, Japan		16,078	3,008	50.00	0
53	Dow Corning (ZJG) Holding Co. Private Ltd., Singapore		184,540	51,509	25.00	0
54	Wacker Dymatic (Shunde) Co. Ltd., Guangdong, China		15,687	3,334	50.00	43
55	Siltronic Samsung Wafer Pte. Ltd., Singapore		89,784	–48,864	50.00	22

Special-Purpose Entity

Serial number		Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %[4]	Held by serial number[1]
56	WMM-Universal-Fonds, Germany		100,336	639	100.00	0

* Identifier:
a) Wacker Chemie AG has concluded, directly or indirectly, profit and loss transfer agreements with these entities.
b) The Executive Board of Wacker Chemie AG has 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

Key Figures for Joint Ventures

€ million	2011		2010	
	Total	Attributable to WACKER	Total	Attributable to WACKER
Sales	271.1	135.6	304.3	152.2
Operating result	–24.2	–12.1	–15.9	–7.9
Result after taxes	–42.6	–21.3	–32.9	–16.4
Noncurrent assets	479.1	239.7	520.1	260.1
Current assets	169.0	84.5	132.3	66.3
	648.1	324.2	652.4	326.4
Equity	121.6	60.9	166.3	83.2
Noncurrent liabilities	406.9	203.4	385.5	192.8
Current liabilities	119.6	59.9	100.6	50.4
	648.1	324.2	652.4	326.4

For the period from January 1, 2010 until its disposal on December 4, 2010, the Planar Solutions, LLC joint venture is included in the 2010 figures for sales (€48.8 million), operating result (€9.2 million) and result after taxes (€9.2 million).

Key Figures for Associated Companies

€ million	2011		2010	
	Total	Attributable to WACKER	Total	Attributable to WACKER
Sales	375.7	94.0	157.2	39.3
Operating result	95.0	23.8	–39.0	–9.8
Result after taxes	51.0	12.8	–79.7	–20.0
Noncurrent assets	965.8	241.4	938.1	234.5
Current assets	171.6	42.9	109.7	27.4
	1,137.4	284.3	1,047.8	261.9
Equity	184.8	46.2	120.5	30.1
Noncurrent liabilities	544.5	136.1	637.0	159.3
Current liabilities	408.1	102.0	290.3	72.5
	1,137.4	284.3	1,047.8	261.9

24 Related Party Disclosures

IAS 24 stipulates that parties which control, or are controlled by, Wacker Chemie AG must be disclosed unless they are already included in Wacker Chemie AG's consolidated financial statements as a consolidated company. Control in this sense is held to apply when a 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 is affected by the disclosure obligations under IAS 24 only 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.

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. These concern, to a minor degree, the renting of office space and exchange of services. The provision of services takes place at standard market terms.

Furthermore, WACKER Group companies did not conduct any significant transactions whatsoever with members of Wacker Chemie AG's Executive or Supervisory Board 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.

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 ten percent of the voting shares in Wacker Chemie AG.

On December 14, 2011, BlackRock Inc. (New York, USA) reported holding just over three percent of the voting shares in Wacker Chemie AG. Further detailed information has been published in the German register of companies. www.unternehmensregister.de

Pensionskasse der Wacker Chemie VVaG is also considered a related party pursuant to IAS 24. Provisions of services take place between the two entities in the area of company pension plan benefits. Wacker Chemie AG also rents the headquarters building, and the property on which it stands, from a subsidiary of Pensionskasse der Wacker Chemie VVaG.

Business with joint ventures and associates, the pension fund, and non-consolidated subsidiaries is, as a rule, conducted under conditions that are customary between outside third parties. For joint-venture and associated-company product shipments, contractually agreed transfer-price formulas have been defined that include start-up costs and financing elements, among others. The following table shows the volume of trade receivables with related parties:

Related Party Disclosures

€ million	2011				2010			
	Income	**Expenses**	**Trade receivables**	**Liabilities**	Income	Expenses	Trade receivables	Liabilities
Associated companies	**2.9**	**–108.1**	**16.5**	**–6.0**	2.5	–42.8	–	–
Joint ventures	**72.2**	**–43.6**	**14.9**	**–5.2**	86.7	–33.4	18.2	–2.4
Pension fund	**0.4**	**27.6**	**35.2**	**0.1**	0.1	25.5	25.1	0.5
Other	**0.1**	**–**	**–**	**0.3**	–	–0.2	0.2	–

Transactions with joint ventures and associates relate to supplies and services during the normal course of business 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 are loans to joint ventures totaling €130.0 million (2010: €88.8 million).

Furthermore, valuation allowances have been established for receivables from joint ventures in the amount of €0.2 million (2010: €0.3 million).

Information Regarding Compensation of the Supervisory and Executive Boards:

Compensation for the Executive and Supervisory Boards

€	Fixed compensation	Variable compensation	Pensions[1]	Total
Executive Board compensation 2011	2,583,852	3,722,400	1,781,282	8,087,534
Executive Board compensation 2010	2,597,871	4,176,000	1,511,168	8,285,039
Pension commitments for active members of the Executive Board 2011				19,098,475
Pension commitments for active members of the Executive Board 2010				17,433,247
Compensation for former members of the Executive Board and their surviving dependents 2011				809,481
Compensation for former members of the Executive Board and their surviving dependents 2010				791,559
Pension commitments for former members of the Executive Board and their surviving dependents 2011				19,987,205
Pension commitments for former members of the Executive Board and their surviving dependents 2010				19,179,121
Supervisory Board compensation 2011	1,755,323	–		1,755,323
Supervisory Board compensation 2010	717,000	656,250		1,373,250

[1] Pensions include the interest cost as well as the service cost.

Detailed information about Executive Board compensation is contained in the compensation report. The compensation report is 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, Germany, February 28, 2012
Wacker Chemie AG

Rudolf Staudigl **Wilhelm Sittenthaler**

Joachim Rauhut **Auguste Willems**

Supervisory Board

Dr. Peter-Alexander Wacker[1, 4, 5]
Chairman
Starnberg
Business studies graduate (Diplom-Kaufmann)

Chairman of the Supervisory Board and Advisory Council
Giesecke & Devrient GmbH

Managing Director
Dr. Alexander Wacker Familiengesellschaft mbH

Chairman of the Administrative Council and Board of Trustees
ifo Institute – Leibniz Institute for Economic Research at the University of Munich
(since June 29, 2011)

Anton Eisenacker*[1, 4, 5]
Deputy Chairman
Perach
Certified Chemical Technologist

Peter Áldozó*
Burghausen
HR Specialist

Dr. Konrad Bachhuber* (until December 31, 2011)
Cleveland, Tennessee, USA
Chemistry Graduate (Diplom-Chemiker)
Site manager Charleston, Tennessee

Chairman of the Board of Directors
(until December 31, 2011)
Wacker Chemicals Fumed Silica (Zhangjiagang) Co. Ltd.**
Wacker Polymer Systems (Wuxi) Co. Ltd.**

Member of the Board of Directors
(until December 31, 2011)
Wacker Chemicals (Zhangjiagang) Co. Ltd.**
Wacker Polymer Systems (Nanjing) Co. Ltd.**
Wacker Chemicals Fumed Silica (Zhangjiagang) Holding Co. Private Ltd.**

Matthias Biebl
Munich
Attorney and bank in-house lawyer
UniCredit Bank AG

Dr. Werner Biebl
Munich
Chief Public Prosecutor (retired)

Managing Director
Dr. Alexander Wacker Familiengesellschaft mbH

Marko Fartelj*
Kirchdorf
Machine Operator

Uwe Fritz*[2] (until May 31, 2011)
Julbach
Altötting District Chairman of the IG BCE labor union

Member of the Supervisory Board
Siltronic AG**
(until May 31, 2011)

Konrad Kammergruber* (since January 1, 2012)
Burghausen
Business studies graduate (Diplom-Kaufmann)
Director of Material & Services Procurement

Eduard-Harald Klein*
Neuötting
Operator

* Employee representative
** Affiliated company

[1] Mediation Committee: Chairman Dr. Peter-Alexander Wacker
[2] Mediation Committee until May 31, 2011
[3] Mediation Committee from June 30, 2011
[4] Executive Committee: Chairman Dr. Peter-Alexander Wacker
[5] Audit Committee: Chairman Dr. Bernd W. Voss

Manfred Köppl*[3] (since June 30, 2011)
Kirchdorf
Industrial Mechanic

Franz-Josef Kortüm[1,4]
Munich

Chairman of the Executive Board
Webasto AG

Member of the Advisory Council
Brose Fahrzeugteile GmbH & Co. KG
ERGO Versicherungsgruppe AG

Member of the Supervisory Board
Schaeffler AG

Seppel Kraus*
Olching
Regional head of the IG BCE labor union, Bavaria

Member of the Supervisory Board
Hexal AG
Novartis Deutschland GmbH

Harald Sikorski* (since June 1, 2011)
Munich
Altötting District Chairman
of the IG BCE labor union

Member of the Supervisory Board
Siltronic AG**
(since June 1, 2011)

Member of the Supervisory Board
Gerresheimer AG
Südsalz GmbH
(until October 20, 2011)

Dr. Thomas Strüngmann
Tegernsee
Business studies graduate
(Diplom-Kaufmann)
Co-Managing Director,
ATHOS Service GmbH

Dr. Bernd W. Voss[5]
Kronberg i. T.
Former member of the Board of Managing Directors
Dresdner Bank AG

Member of the Board of Directors
ABB Ltd. (until April 29, 2011)

Member of the Supervisory Board
Continental AG

Member of the Central Advisory Board
Commerzbank AG

Dr. Susanne Weiss
Munich
Attorney

Chairwoman of the Supervisory Board
ROFA AG

Member of the Supervisory Board
UniCredit Bank AG
Strenesse AG (until November 11, 2011)

Member of the Supervisory Board and Advisory Council
Giesecke & Devrient GmbH

Prof. Dr. Ernst-Ludwig Winnacker
Munich
Professor Emeritus of Biochemistry at LMU, Munich
Secretary General HFSP Human Frontier Science Program, Strasbourg

Chairman of the Supervisory Board
MediGene AG

Member of the Supervisory Board
Bayer AG

Executive Board

Dr. Rudolf Staudigl

President & CEO

SILTRONIC
Executive Personnel
Corporate Development
Corporate Communications
Investor Relations
Corporate Auditing
Legal & Insurance
Compliance

Chairman of the Supervisory Board
Siltronic AG*
Pensionskasse der Wacker Chemie VVaG

Member of the Supervisory Board
Groz-Beckert KG

Member of the Advisory Council
Deutsche Bank AG

Dr. Joachim Rauhut

WACKER POLYSILICON
Corporate Accounting
Corporate Controlling
Corporate Finance
Information Technology
Raw Materials Procurement
Technical Procurement & Logistics
Tax
Region: The Americas

Member of the Supervisory Board
Siltronic AG*
Pensionskasse der Wacker Chemie VVaG
MTU Aero Engines Holding AG
MTU Aero Engines GmbH
B. Braun Melsungen AG
(since March 24, 2011)

Member of the Advisory Council
J. Heinrich Kramer Holding GmbH

Dr. Wilhelm Sittenthaler

WACKER SILICONES
Human Resources (Personnel Director)
Corporate Research & Development
Intellectual Property
Regions: India, Asia-Pacific

Member of the Supervisory Board
Siltronic AG*
Pensionskasse der Wacker Chemie VVaG

Auguste Willems

WACKER POLYMERS
WACKER BIOSOLUTIONS
Corporate Engineering
Sales & Distribution
Corporate Security
Site Management
Environment, Health, Safety
Product Stewardship
Regions: Europe, Middle East

Member of the Bavarian State Branch Advisory Committee
TÜV Süd AG

* Subsidiary

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 management in accordance with Item 3.10 of the German Corporate Governance Code (Code) and Section 289a (1) of the German Commercial Code (HGB).

Declaration of Conformity and Corporate Governance Reporting

The Executive and Supervisory Boards dealt intensively with the company's corporate governance and the alterations to the Code in the 2011 fiscal year. The Executive Board and the Supervisory Board have resolved to issue the following annual Declaration of Conformity as per Section 161 of the German Stock Corporation Act (AktG). The Declaration of Conformity was made permanently available to the general public on the company's website.

The 2011 Declaration of Conformity Issued by Wacker Chemie AG's Executive and Supervisory Boards

General Declaration Pursuant to Section 161 of the German Stock Corporation Act

In December 2010, the Executive Board and the Supervisory Board of Wacker Chemie AG issued their last declaration of conformity pursuant to Section 161 of the German Stock Corporation Act and supplemented this with Item f) in May 2011. Since that time, Wacker Chemie AG has complied with the recommendations of the German Corporate Governance Code in the version dated May 26, 2010, with the following exceptions, and will continue to comply with the recommendations of the Code except as follows:

Exceptions

a) D&O Insurance Deductible for Supervisory Board Members

German law and a company's Articles of Association set clear limits in regards to the Supervisory Board's ability to exert influence on the business activities of a stock corporation. Pursuant to Section 76 (1) of the German Stock Corporation Act, an Executive Board is responsible for independently managing the corporation. A Supervisory Board is instrumental in defining the main features of corporate strategy. However, beyond this contribution, the Supervisory Board's abilities are limited in terms of influencing the implementation of corporate strategy or operative business. The same applies to measures taken to avert damage or loss to the company. Since the Supervisory Board members receive a relatively low representation allowance when compared to the Executive Board members' compensation, we do not deem the agreement of a deductible reasonable for members of the Supervisory Board.

b) Severance Pay Cap

We will comply with this recommendation of the Code on new appointments to the Executive Board, as well as the re-appointment of Executive Board members.

c) Appropriate Representation of Women on the Executive Board

The considerable importance that Wacker Chemie AG attaches to diversity extends to Executive Board membership. Nonetheless, expertise – including experience gained abroad – and qualifications are the key criteria here. For this reason, we do not consider it expedient to prioritize "the aim of appropriate representation of women" over expertise and qualifications.

d) Formation of a Nomination Committee within the Supervisory Board

The Supervisory Board is to establish a Nomination Committee that is exclusively composed of shareholder representatives and whose task it is to make recommendations to the Supervisory Board with regard to suitable candidates 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.

e) Announcement of Proposed Candidates for the Chair of the Supervisory Board to the 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.

f) Performance-Oriented Compensation for Supervisory Board Members

The members of the Supervisory Board do not receive performance-oriented compensation to ensure that they maintain a high level of independence. On the one hand, the Supervisory Board only has limited potential for impacting the operative business. On the other hand, both work load and the risk of liability for Supervisory Board members generally do not progress parallel to the company's business success. Particularly in difficult times, when variable compensation might be decreased, it can be essential for the Supervisory Board members to thoroughly fulfill their monitoring and advisory functions.

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 with equality of access. We regularly publicize important dates for the company in a financial calendar published in our Annual Report, in the interim reports and on our website. The 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. We organize a "Capital Markets Day" once a year. Important presentations can be viewed freely on the internet. All of the press releases and ad-hoc disclosures in both German and English, the online version of the Annual Report, all interim reports and the Sustainability Report can also be found there. 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 extensive venue for informing shareholders about the company's situation. Even before the Annual Shareholders' Meeting begins, shareholders receive important information about the last 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. All of the documents are posted on our 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 to exercise their rights either in person or by proxy. Proxies are available to exercise shareholders' voting rights as instructed and can also be contacted during the Annual Shareholders' Meeting.

Working Methods of the Executive and Supervisory Boards

Wacker Chemie AG has a dual management system as prescribed in the German Stock Corporation Act. It consists of the Executive Board, which manages the company, and the Supervisory Board, which supervises the company. These two bodies are kept strictly separate from one another with regard to both their membership and their areas of expertise. The Executive and Supervisory Boards collaborate closely to ensure WACKER's long-term and enduring success.

Executive Board

The Executive Board currently consists of four members. For further details, see page 246

The Executive Board bears complete responsibility for managing the company and represents Wacker Chemie AG in all dealings with third parties. The Executive Board's actions and decisions are driven by the company's interest and the aim to sustainably increase the Group's value. With this goal in mind, the Executive Board determines the WACKER Group's strategic alignment. It then steers and monitors this by allocating funds, resources and capacities, and by supporting and overseeing the operating units. The Executive Board also ensures compliance with legal requirements and establishes an appropriate risk management system.

The members of the Executive Board bear joint responsibility for managing the company. In addition to this, the individual members of the Executive Board are fully responsible for managing their respective units. All Executive Board decisions generally require a simple majority. In the case of a tie of votes, the president & CEO has the deciding vote. However, he does not have the right to veto Executive Board resolutions.

Close Cooperation between the Executive and Supervisory Boards

The Executive and Supervisory Boards cooperate closely with one another in the interests of the company. Their common goal is the sustainable development of the company and its value. The Executive Board reports to the Supervisory Board regularly, promptly and comprehensively about all issues of planning, business development, the risk situation and risk management that are relevant to the company. It explains to the Supervisory Board any deviations from the approved plans and objectives shown by the course of business, and specifies the reasons for them.

Certain transactions defined in Wacker Chemie AG's constitution require the Supervisory Board's approval prior to their conclusion. These include, among others, 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 sizeable long-term loans. The Executive Board also provides the Supervisory Board with regular reports on compliance.

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. For further details, see page 244

The Supervisory Board comprises 16 members. In compliance with the German Co-Determination Act (MitbestG), it has an equal number of shareholder and employee representatives. The Supervisory Board appoints the members of the Executive Board and oversees and advises it on the management of the company.

As members of the Supervisory Board cannot simultaneously sit on the Executive Board, this structure ensures a high degree of independence in monitoring the Executive Board.

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 the 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 develops the system for Executive Board compensation, on the basis of which the meeting of the full Supervisory Board determines the compensation payable to Executive Board members. The Executive Committee consists of the Chairman of the Supervisory Board, Dr. Peter-Alexander Wacker, and Supervisory Board members Anton Eisenacker and Franz-Josef Kortüm.

The Audit Committee does the groundwork for the Supervisory Board's decisions on the adoption of the annual financial statements and the approval of the consolidated financial statements. Its work also includes an audit of the consolidated interim financial statements for the first half-year, discussion of the quarterly reports, and issues involving risk management.

In connection with this, the committee is obliged to pre-audit the annual financial statements, the consolidated financial statements, the combined management report and the proposal for the appropriation of profits. In particular, the Committee monitors the accounting processes 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 establish and monitor the auditing company's independence. On this basis, it gives the Supervisory Board a recommendation as to whom it should propose as auditor to the Annual Shareholders' Meeting. The members of this committee are Dr. Bernd W. Voss, Dr. Peter-Alexander Wacker and Anton Eisenacker. The committee is chaired by Dr. Bernd W. Voss, who has special knowledge and experience in the fields of accounting and auditing.

The Group also has a statutory Mediation Committee, the tasks of which are stipulated by German law. Chaired by Dr. Peter-Alexander Wacker, this committee also consists of Anton Eisenacker, Franz-Josef Kortüm and Uwe Fritz (until May 31, 2011) and Manfred Köppl (since June 30, 2011), respectively.

Key Corporate Management Practices

Compliance as a Key Managerial Duty of the Executive Board

At WACKER, managerial and monitoring duties include ensuring that the company complies with legal requirements and that employees observe internal company regulations. The Group's compliance policy is regularly reviewed and adapted.

WACKER's compliance organization is responsible in this regard. The company has appointed and trained compliance officers in Germany, Norway, the USA, China, Japan, India, South Korea, Brazil and Singapore. These hold regular training courses to inform employees of key legal provisions and internal regulations. Moreover, they serve as contacts whenever employees have questions or need advice about compliance. One major compliance-management focus in 2011 was on international sites. More employees there were included in both online and classroom-based training.

Responsible Care® and the Global Compact – Integral Parts of Corporate Management

Two voluntary global initiatives form the basis for sustainable corporate management at WACKER: Responsible Care® (the chemical-industry initiative) and the UN's Global Compact. WACKER has been an active member of the Responsible Care® initiative since 1991. Program participants commit themselves to securing continuous improvements to health, safety and environmental performance on a voluntary basis – irrespective of legal requirements.

WACKER is equally committed to the UN's Global Compact initiative. We observe the Global Compact's ten principles, which deal with 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, we established an internal Corporate Sustainability department. It guides the implementation of WACKER's voluntary commitments under Responsible Care® and the Global Compact and coordinates our sustainability activities worldwide.

Social Commitments

Companies can only be successful if they have society's trust. Consequently, WACKER takes its social responsibilities seriously toward communities near its sites and wherever people are in distress 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, sports 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 whose functions necessitate access to insider information 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 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 further rights related to such shares if an amount of €5,000 is exceeded within one calendar year.

In 2011, members of the Executive and Supervisory Boards and their dependents subject to reporting requirements gave notification of 13 purchasing transactions involving between eight to 2,000 WACKER shares. The volumes of the individual transactions ranged from €1,274 to €159,840.

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 voting shares in Wacker Chemie AG.

Dealing Responsibly with Opportunities and Risks

Dealing responsibly with risks is an important part of good corporate governance. WACKER uses systematic opportunity and risk management to regularly identify and monitor material risks and opportunities. Its objective is to recognize risks at an early stage and minimize them with consistent risk management. The Executive Board informs the Supervisory Board regularly about existing risks and their development. The Audit Committee concerns itself regularly with 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, during the course of their audit activities, the auditors establish facts which reveal errors in the Declaration of Conformity in accordance with 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). As of July 1, 2010, this insurance has included the statutory deductible for the members of the Executive Board.

Targets for Supervisory Board Composition

WACKER has always placed importance on having highly qualified individuals sit on its Supervisory Board. Pursuant to Item 5.4.1 of the German Corporate Governance Code, WACKER's Supervisory Board aims to have its composition meet the following targets in the future. Not only are Supervisory Board members to be highly qualified, but they should also be internationally experienced. A further aim is to achieve an appropriate number of female Supervisory Board members.

At its meeting of December 9, 2010, the Supervisory Board approved the following targets:

1. An appropriate number of Supervisory Board members – at least one – should have international experience.

2. The Supervisory Board's Rules of Procedure already deal extensively with members' conflicts of interest. In general, the Supervisory Board strives to prevent such conflicts of interest and will also take this goal into account when making recommendations to the Annual Shareholders' Meeting.

3. To achieve ever-greater diversity, the Supervisory Board wishes to increase the number of female Supervisory Board members to at least two over the next two terms. In its bid to meet this goal, the Supervisory Board strives for at least one female employee representative and at least one female shareholder representative.

The Supervisory Board's Rules of Procedure already define an age limit.

In 2011, the composition of the Supervisory Board did not change with regard to the above targets. The next Supervisory Board elections are scheduled for 2013.

Report on Executive Board Compensation

The following compensation report is part of the combined management report and of the audited consolidated financial statements.

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.

The compensation system in effect since January 1, 2010 is in accordance with the legal requirements of the German Act on the Appropriateness of Management Board Compensation (VorstAG) as per August 2009.

The Executive Board's compensation was 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 with regard to the following key indicators: business value contribution, cash flow and target return. The bonus is calculated based on goal achievement in 2011, as well as on average overall target attainment for 2010 and 2009. The calculated goal bonus in the event of 100-percent target attainment during the evaluation period amounts to 180 percent of the average annual base salary in the last year of the evaluation period, whereas the maximum bonus totals 220 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 within a specified framework. 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. In 2010, shares already held were eligible for inclusion in this mandatory share investment.

(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, Dr. Joachim Rauhut and Dr. Wilhelm Sittenthaler have a basic entitlement to the premature payment of an annual pension if they leave the Executive Board against their will without good cause or if they, of their own accord, cease their activity for good cause, the company being responsible for said cause. The amount of the retirement pension, which, like the fixed annual salary, is not performance related, is determined by the amount of the last annual salary to be drawn and the duration 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.

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.

The table below lists the current level of each Executive Board member’s compensation:

Executive Board Compensation

€	Fixed compensation[1]	Variable compensation	Expenses for post-employment benefits[2]	Total
Dr. Rudolf Staudigl				
2011	801,549	1,163,250	683,208	**2,648,007**
2010	800,709	1,305,000	602,117	**2,707,826**
Dr. Joachim Rauhut				
2011	604,053	853,050	279,644	**1,736,747**
2010	603,951	957,000	249,020[3]	**1,809,971**
Dr. Wilhelm Sittenthaler				
2011	579,702	853,050	439,755	**1,872,507**
2010	594,760	957,000	318,082	**1,869,842**
Auguste Willems				
2011	598,548	853,050	378,675	**1,830,273**
2010	598,451	957,000	341,949	**1,897,400**
Total				
2011	2,583,852	3,722,400	1,781,282	**8,087,534**
2010	2,597,871	4,176,000	1,511,168	**8,285,039**

[1] The fixed compensation additionally includes the use of a company car.
[2] The pension includes the interest cost, as well as the service cost. The interest cost amounts to €784,497 (2010: €591,016)
[3] In 2010, the start of pension entitlement was synchronized with the employment contact expiration date.

Compensation for Former Executive Board Members and Their Surviving Dependents

€	Total
2011	**809,481**
2010	**791,559**

Pension Provisions for Executive Board Members

€	Total
Pension Provisions for Active Members of the Executive Board	
2011	**19,098,475**
2010	17,433,247
Pension Provisions for Former Executive Board Members and Their Surviving Dependents	
2011	**19,987,205**
2010	19,179,121

Report on Supervisory Board Compensation

The compensation of Wacker Chemie AG's Supervisory Board members is governed by the company's Articles of Association.

In accordance with the compensation system in effect until December 31, 2010, the members of the Supervisory Board received for their work fixed annual compensation in the amount of €25,000 payable upon the fiscal year's expiration. Supervisory Board members who joined, or departed from, the Supervisory Board during the ongoing fiscal year under review received the appropriate pro rata compensation.

In addition to their fixed compensation, the members of the Supervisory Board received performance-related compensation for the past fiscal year based on the percentage return on assets[1] after the annual financial statements had been adopted. The performance-related compensation could have been between zero and 125 percent of the fixed annual compensation.

The compensation system in effect until the end of fiscal 2010 was revised by a resolution of the Annual Shareholders' Meeting of May 18, 2011, effective January 1, 2011, and the Articles of Association were adjusted accordingly.

The aim was to ensure that Supervisory Board members maintain a high level of independence and take account of the work load – irrespective of business success – and the risk of liability for Supervisory Board members. For further details, refer to page 248: "Declaration of Conformity" – section f

The following changes were enacted:

i) The performance-related compensation for Supervisory Board members was rescinded.
ii) The fixed compensation for Supervisory Board members and flat fees were increased.

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. Supervisory Board members who join, or depart from, the Supervisory Board during the ongoing fiscal year receive the appropriate pro rata compensation.

[1] Definition of the return on assets for this purpose: the percentage ratio of earnings before interest and taxes to the capital employed in accordance with IFRS consolidated financial statements, with the capital employed corresponding to the total of current and noncurrent assets less liquidity.

According to both the old and new arrangement, 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 (2010: €12,000). 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
2011	1,755,323	–	**1,755,323**
2010	717,000	656,250	**1,373,250**

[1] Fixed compensation includes the aforementioned annual lump sum.

Declaration by the Executive Board on the 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 27, 2012. 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 assets, liabilities and financial position, and profit or loss of the Group, 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, Germany, February 28, 2012
Wacker Chemie AG

Rudolf Staudigl **Wilhelm Sittenthaler**

Joachim Rauhut **Auguste Willems**

Auditors' Report

We have audited the consolidated financial statements prepared by Wacker Chemie AG – 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, 2011. 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, 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, Germany, February 28, 2012
KPMG AG Wirtschaftsprüfungsgesellschaft

Kozikowski
Auditor

Dr. Grottel
Auditor

Multiyear Overview

Multiyear Overview

€ million	2011	Change in %	2010	2009	2008	2007
Sales	4,909.7	3.4	4,748.4	3,719.3	4,298.1	3,781.3
Income before tax	567.4	−22.5	732.3	3.3	641.8	632.1
Net income for the year	356.1	−28.4	497.0	−74.5	438.3	422.2
EBITDA	1,104.2	−7.6	1,194.5	606.7	1,055.2	1,001.5
EBIT	603.2	−21.1	764.6	26.8	647.9	649.6
Fixed assets	3,797.7	16.0	3,273.5	3,017.5	2,951.7	2,401.9
Intangible assets	30.2	−9.0	33.2	22.0	24.7	10.1
Property, plant and equipment	3,502.0	15.7	3,027.2	2,778.5	2,659.6	2,123.4
Financial assets	265.5	24.6	213.1	217.0	267.4	268.4
Current assets, incl. deferred taxes + prepaid expenses and deferred charges	2,439.3	9.5	2,227.7	1,524.4	1,673.4	1,516.2
Liquid funds	473.9	−13.1	545.2	363.6	204.2	366.5
Equity	2,629.7	7.5	2,446.8	1,942.4	2,082.8	1,865.6
Subscribed capital	260.8	–	260.8	260.8	260.8	260.8
Capital reserves	157.4	–	157.4	157.4	157.4	157.4
Treasury shares	−45.1	–	−45.1	−45.1	−45.1	−45.1
Retained earnings/consolidated net income/other equity items	2,230.3	8.8	2,049.0	1,552.4	1,695.3	1,477.2
Non-controlling interests	26.3	6.5	24.7	16.9	14.4	15.3
Borrowed capital	3,607.3	18.1	3,054.4	2,599.5	2,542.3	2,052.5
Provisions	904.2	1.2	893.2	867.8	719.5	651.6
Liabilities, incl. deferred taxes + prepaid expenses and deferred charges	2,703.1	25.1	2,161.2	1,731.7	1,822.8	1,400.9
Total assets	6,237.0	13.4	5,501.2	4,541.9	4,625.1	3,918.1
Employees (average for the year)	16,934	5.6	16,033	15,719	15,798	14,926
Employees (Dec. 31)	17,168	5.2	16,314	15,618	15,922	15,044
Employees (total)	17,168	5.2	16,314	15,618	15,922	15,044

€ million	2011	Change in %	2010	2009	2008	2007
Key profitability figures						
Return on sales (EBIT) =EBIT/sales (%)	12.3	−23.6	16.1	0.7	15.1	17.2
Return on sales (EBITDA) =EBITDA/sales (%)	22.5	−10.7	25.2	16.3	24.6	26.5
Return on equity =net income for the year/equity (as of Dec. 31) (%)	13.5	−33.3	20.3	−3.8	21.0	22.6
ROCE–return[1] on capital employed =EBIT/capital employed (%)	18.1	−27.0	24.8	0.9	25.7	25.3
Key statement of financial position figures						
Investment intensity of the fixed assets =fixed assets/total assets (%)	60.9	2.4	59.5	66.4	63.8	61.3
Equity ratio =equity/total assets (%)	42.2	−5.2	44.5	42.8	45.0	47.6
Capital structure =equity/borrowed capital (%)	72.9	−9.0	80.1	74.7	81.9	90.9
Cash flow and investments						
Cash flow from operating activities	867.0	−21.4	1,103.1	767.5	1,005.4	1,322.5
Cash flow from long-term investment activities	−831.5	22.0	−681.5	−800.4	−983.7	−678.8
Cash flow from financing activities	37.4	>100.0	3.7	92.5	−87.7	−318.9
Net cash flow=operating cash flow +investment cash flow+additions from finance leases	6.2	−98.5	421.6	−32.9	21.7	643.7
Investments (incl. financial assets)	981.2	41.2	695.1	740.1	916.3	699.3
Share and valuation						
Consolidated net income	352.6	−28.1	490.7	−70.8	439.4	422.0
Earnings per share (€) =consolidated net income/number of shares	7.1	−28.1	9.9	−1.4	8.8	8.5
Market capitalization (total number of shares without treasury shares)	3,087.5	−52.4	6,487.9	6,066.7	3,711.4	9,821.3
Number of shares	49,677,983	–	49,677,983	49,677,983	49,677,983	49,677,983
Price as of reporting date Dec. 31	62.2	−52.4	130.6	122.1	74.7	197.7
Dividend per share (€)	2.20	−31.3	3.20	1.20	1.80	3.00
Dividend yield (%)	2.0	−28.6	2.8	1.4	1.5	2.0
Capital employed[1]	3,328.6	8.1	3,078.9	2,878.4	2,520.6	2,566.9

[1] 2011: average value throughout the quarters. 2010 and before: half-year average