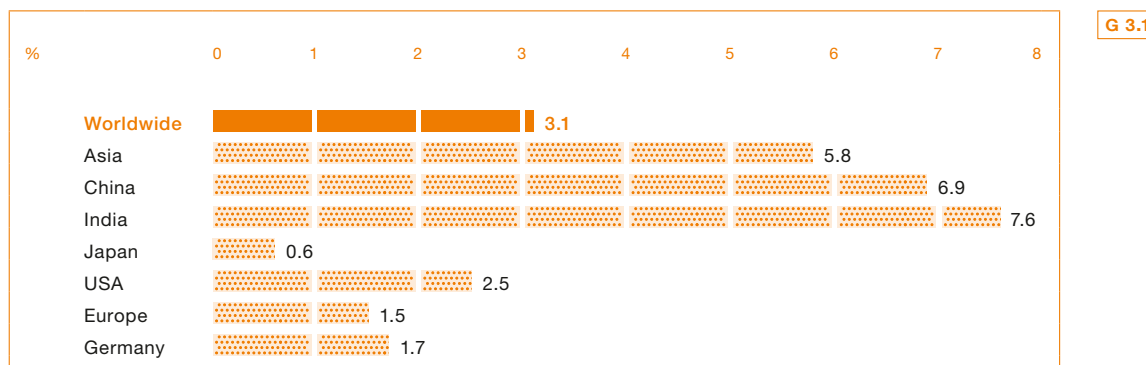


Business Report

Economic Trends

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

GDP Trends in 2015



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

Asian Growth Slows Further

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

us Economy in Good Shape

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

Eurozone Grows Moderately

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

Stable Growth in Germany

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

Sector-Specific Conditions

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

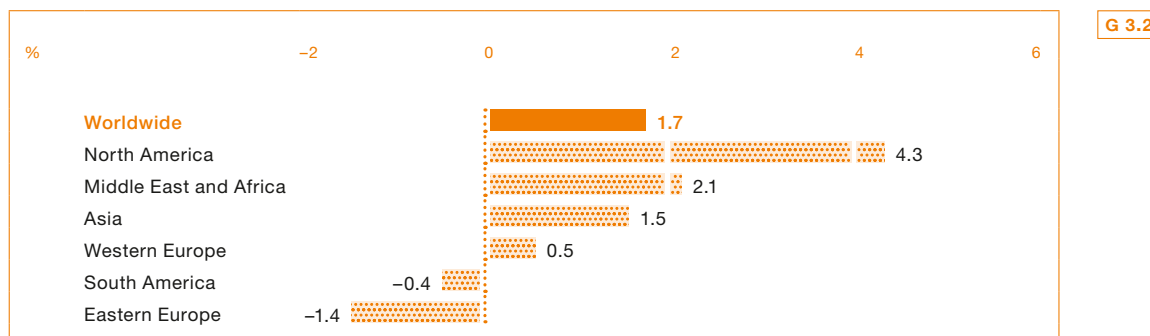
WACKER's Chemical Divisions Report Good Sales Trend

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

Construction Industry Grows in 2015

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

Growth Rate of Construction by Region in 2015



Source: B+L Marktdaten GmbH

In construction applications, WACKER POLYMERS increased its sales further. Growth in dispersible polymer powders is driven by the market for dry-mix mortar in countries such as the USA and India and in regions like Southeast Asia and the Middle East. In these areas, we achieved double-digit sales growth. We also recorded further sales growth in Western Europe. Overall, we sold around 20,000 additional metric tons to the construction industry. As for dispersions, WACKER POLYMERS performed very strongly in Asia, especially in Southeast Asia and in China. Alongside adhesives and sealants, water-based, environmentally friendly coatings represent a key market for our VAE dispersions. At WACKER SILICONES, construction-application sales were up by 12 percent, with all three product segments – building protection, sealants and adhesives, and silane-modified polymers – posting gains. WACKER SILICONES grew 12 percent in sealants and adhesives, its largest segment. In 2015, sales rose in Germany and the rest of Europe, as well as in the USA and, particularly, in the Middle East. Sales were also higher in Asia, rising 12 percent. Our performance in India was particularly strong at over 38 percent. Sales in China grew by around 10 percent.

Electrical and Electronics Industries Grow in Emerging Markets

With global sales of approximately €3.9 trillion, the electrical and electronics industries continued their upward trend in 2015 (2014: €3.7 trillion). The German Electrical and Electronic Manufacturers' Association (ZVEI) estimates worldwide growth at 5 percent for 2015. China and the other emerging markets are the main driving force here, expanding by around 7 percent. In Germany, the fifth-largest market worldwide, sales were up by about 3.4 percent and, according to ZVEI data, amounted to about €178 billion (2014: €172 billion).

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

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

Photovoltaics Become a Mainstay of Global Energy Supply

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

Installation of New PV Capacity in 2014 and 2015

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

T 3.3

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

Planning certainty in the PV industry was negatively influenced by the anti-dumping proceedings and anti-dumping tariffs imposed by the European Union on Chinese solar companies and by the Chinese Ministry of Commerce on polysilicon manufacturers in the US, South Korea and Europe. In 2014, WACKER and the Chinese Ministry of Commerce (MOFCOM) had reached an agreement on the issue of polysilicon exports to China, in which WACKER undertook not to sell polysilicon produced at its European sites below a specific minimum price in China. MOFCOM, in turn, has refrained from imposing anti-dumping and anti-subsidy tariffs on this material. The agreement took effect on May 1, 2014, and is valid until the end of April 2016.

Growing Demand for Silicon Wafers

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

Spot-Price Trends for WACKER's Key Raw Materials



G 3.4

Ø Annual average in each case

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

Overall Statement by the Executive Board on Underlying Conditions

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

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

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

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

Key Events Affecting Business Performance

Divestitures

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

Changes in Our Joint Ventures and Associates

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

Investments

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

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

Comparing Actual with Forecast Performance

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

Sales Projections Raised after First Quarter

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

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

Comparing Actual with Forecast Performance

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

T 3.5

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

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

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

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

Deviations from Projected Expenses

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

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

Expenses by Cost Type

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

T 3.6

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

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

Earnings

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

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

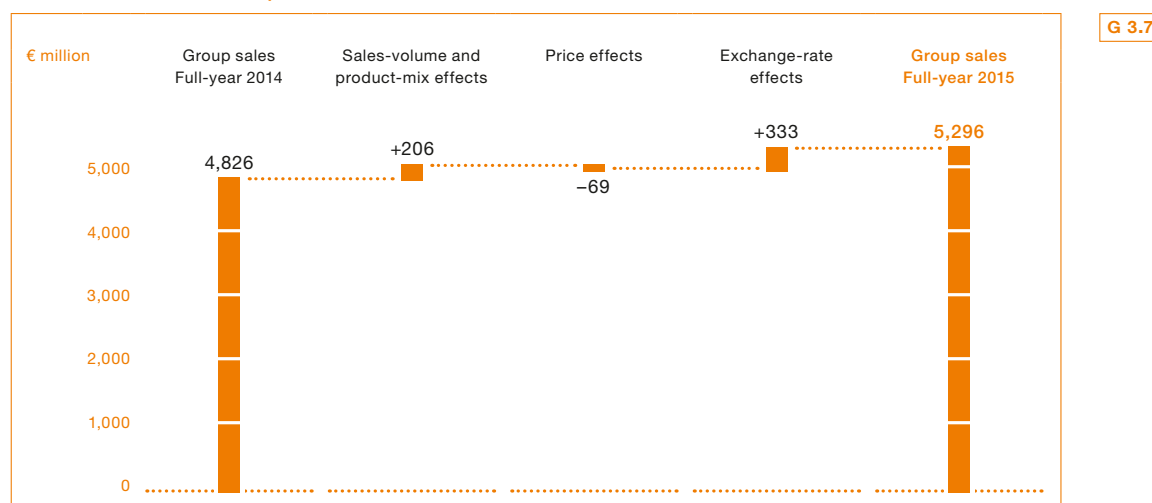
In 2015, WACKER's sales reached €5.30 billion (2014: €4.83 billion), up almost 10 percent year over year. The main reasons for this increase were the higher volumes sold by all divisions and the declining value of the euro against the us dollar and other currencies. While some prices were unchanged compared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

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

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

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

Year-over-Year Sales Comparison



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

Average Exchange Rate

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

T 3.8

WACKER generated the majority of its sales outside Germany. During 2015, international sales reached €4.61 billion (2014: €4.16 billion) or 87 percent of total sales. Asia is by far WACKER's biggest market. WACKER delivers a large proportion of its polysilicon to Asia, and there is also strong demand from Asian customers for the Group's silicone and polymer products.

Domestic and International Sales (by Customer Location)

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

T 3.9

Non-Recurring Factors Enhance Group EBITDA

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

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

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

Cost of Goods Sold Slightly Higher over Prior Year

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

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

Functional Costs Higher

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

Other Operating Income and Expenses

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

Operating Result

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

Financial and Net Interest Result

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

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

Income Taxes

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

Consolidated Net Income

As a result of the effects mentioned, consolidated net income rose substantially, reaching €241.8 million (2014: €195.4 million).

ROCE

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

In the reporting year, ROCE came in at 8.1 percent (2014: 8.4 percent). This modest decrease was mainly due to the higher amount of capital employed, in combination with only slightly higher EBIT. Higher capital expenditure on new production facilities increased the level of capital employed, which rose from €5,260.7 million to €5,875.4 million in the year under review.

Combined Statement of Income

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

T 3.10

Segments

WACKER SILICONES

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

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

Investments Somewhat Lower Year over Year

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

Key Data: WACKER SILICONES

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

T 3.11

WACKER POLYMERS

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

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

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

New Production Facilities Come on Stream

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

Key Data: WACKER POLYMERS

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

T 3.12

WACKER BIOSOLUTIONS

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

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

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

Key Data: WACKER BIOSOLUTIONS

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

T 3.13

WACKER POLYSILICON

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

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

Increase in Investments

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

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

Key Data: WACKER POLYSILICON

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

T 3.14

SILTRONIC

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

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

Higher Investments Year over Year

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

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

Key Data: SILTRONIC

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

T 3.15

Other

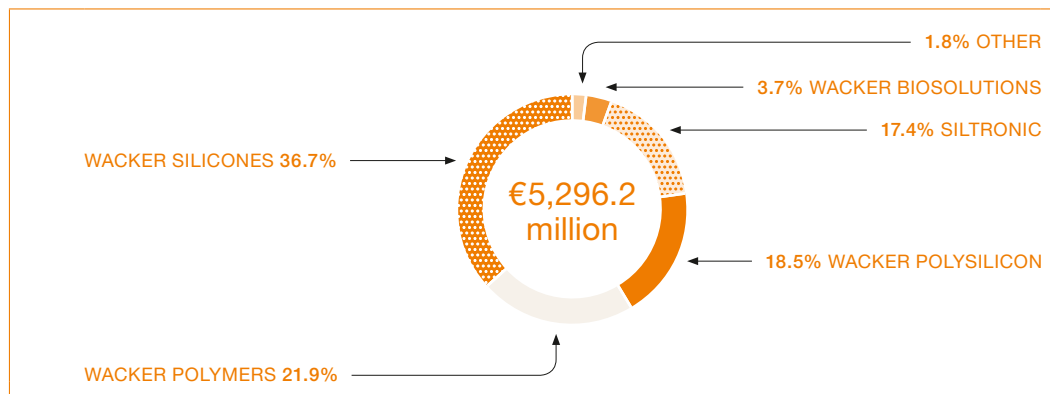
Sales reported under “Other” totaled €197.5 million in 2015 (2014: €165.9 million), up 19.0 per cent year over year.

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

“Other” EBIT amounted to €-94.5 million (2014: €-75.4 million).

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

Divisional Shares in External Sales



G 3.16

Regions

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

Further Sales Growth in Asia

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

Europe Generates Higher Sales

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

External Sales by Customer Location

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

T 3.17

Rising Sales in the Americas

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

Continuing Growth in "Other" Regions

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

External Sales by Group Company Location

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

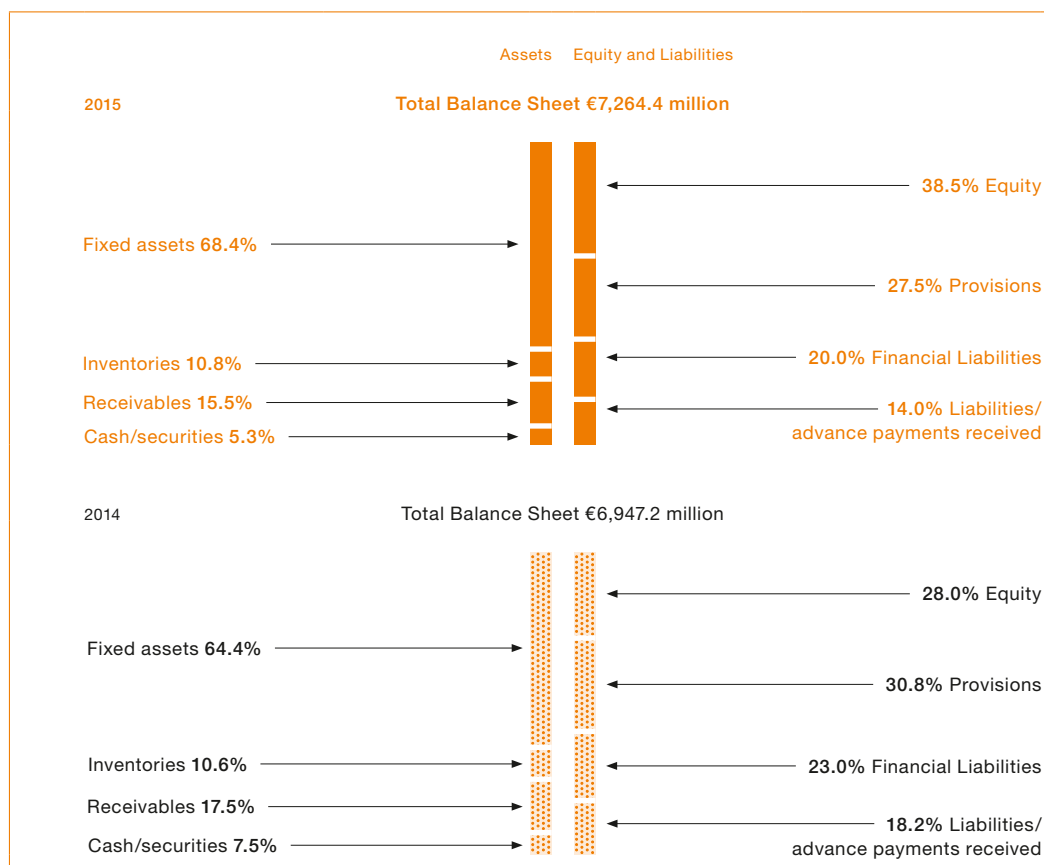
T 3.18

Net Assets

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

Asset and Capital Structure

G 3.19



Trends: Assets

Current and Noncurrent Assets

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

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

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

Noncurrent Financial Assets and Securities

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

Current Assets

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

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

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

Trends: Equity and Liabilities

Equity Up by 44 Percent

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

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

Liabilities

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

Noncurrent Liabilities

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

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

Current Liabilities

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

WACKER Posts Net Financial Debt of €1.07 Billion

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

Unrecognized Assets and Off-Balance-Sheet Financing Instruments

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

Combined Statement of Financial Position

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

T 3.20

Financial Position

Financial-Management Principles and Goals

Our key financial-management goal is to maintain WACKER's financial strength. The central task is to sufficiently cover the financial needs of our operations and investment projects. Financial management at WACKER comprises capital structure management, cash and liquidity management, and the management of market-price risk (currencies, interest rates). Financial management at the Group is centrally organized. A groupwide financial regulation sets out the corresponding tasks and responsibilities.

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

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

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

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

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

Financial Analysis

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

Net Cash Flow

In 2015, WACKER complied with its long-term policy of financing its investments essentially from its own cash flow. Net cash flow totaled €22.5 million in 2015 (2014: €215.7 million), demonstrating that long-term investments are predominantly covered by the cash flow from operating activities.

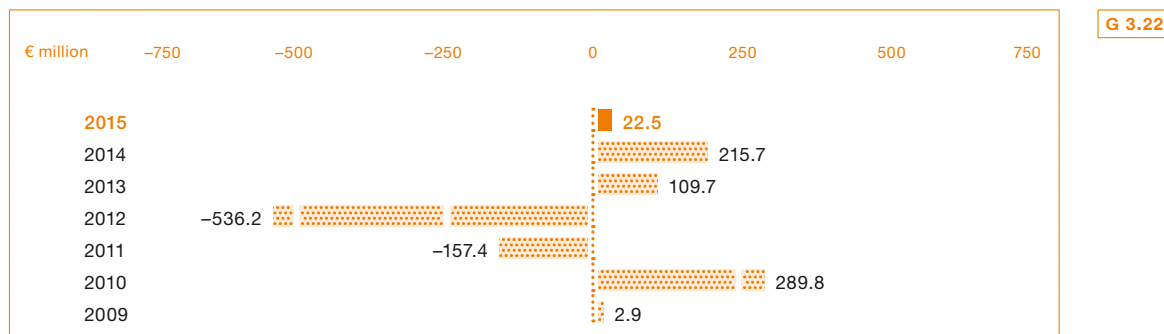
Net Cash Flow

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

T 3.21

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

Net Cash Flow



G 3.22

Net Financial Debt

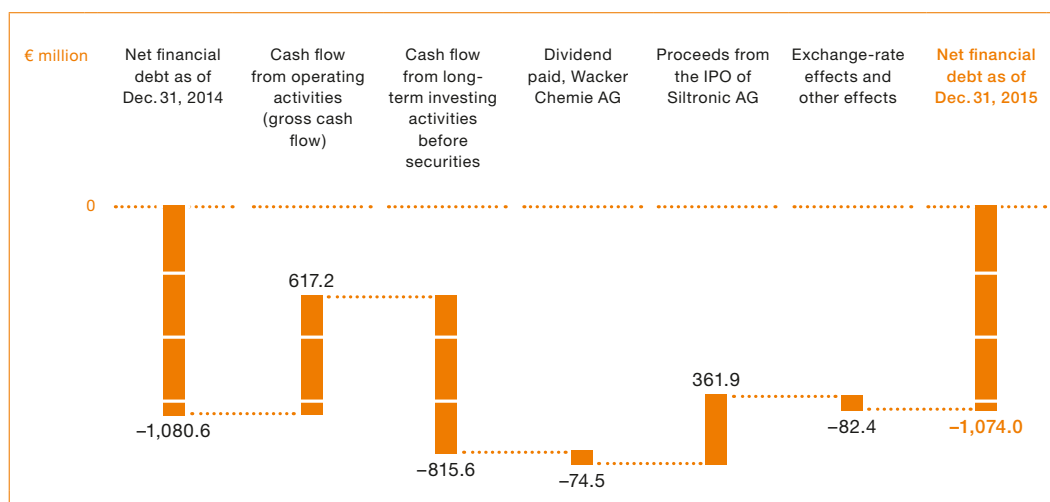
Financing liabilities amounted to €1.46 billion as of December 31, 2015 (Dec. 31, 2014: €1.60 billion), down €146.1 million year over year. In Q1 2015, the company repaid a €150.0 million tranche of a promissory note (German Schuldschein). In addition, loans taken out to finance projects in China were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

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

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

Aside from the financing liabilities disclosed in the report on net assets, WACKER has at its disposal adequate unused syndicated loans for around €600 million, with maturities of over one year. Our existing lines of credit provide us with enough financial scope to secure the Group's continued growth. The Group does not use any off-balance-sheet financing instruments.

Net Financial Debt



G 3.23

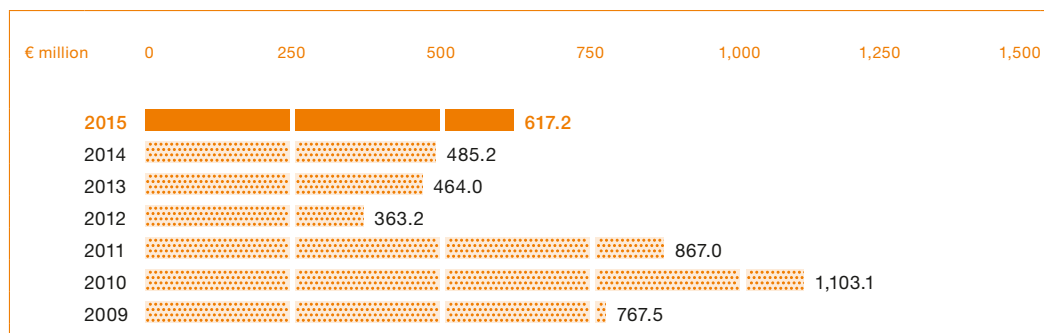
Trend in Cash and Cash Equivalents

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

Gross Cash Flow

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

Cash Flow from Operating Activities (Gross Cash Flow)

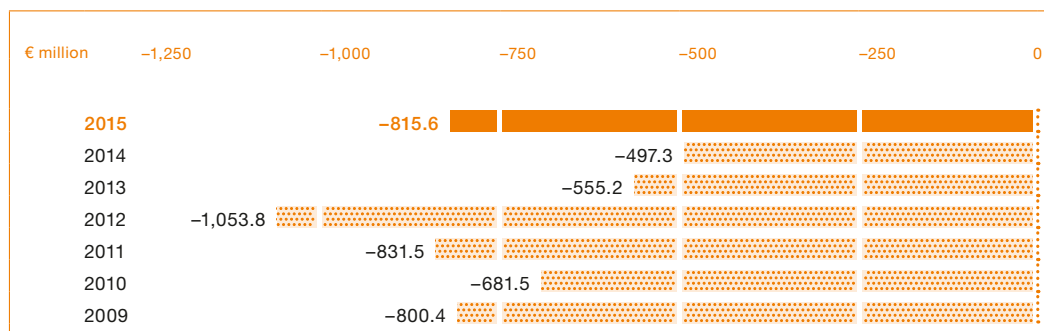


G 3.24

Cash Flow from Investing Activities

The Group's investment projects influence cash flow from long-term investing activities. In 2015, 65 percent of investment spending went toward completion of the polysilicon production plant in Charleston, Tennessee (USA). Cash flow from long-term investing activities before securities increased from €-497.3 million in 2014 to €-815.6 million due to the high level of payments for projects. Acquisitions had led to a cash inflow of €25.8 million in the previous year. This figure essentially represented the sum of cash and cash equivalents at Siltronic Silicon Wafer Pte. Ltd., which was included in the consolidated financial statements for the first time.

Cash Flow from Long-Term Investing Activities before Securities



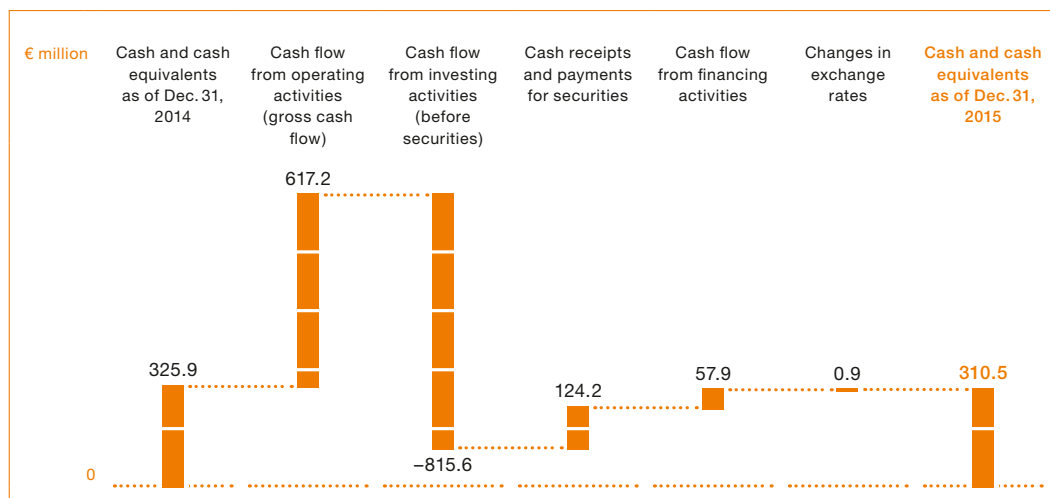
G 3.25

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

Cash Flow from Financing Activities

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

Changes in Cash and Cash Equivalents



G 3.26

Proposal on Appropriation of Profits

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

Rating

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

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

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

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

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

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

Supplementary Report

No major events subject to reporting requirements occurred between the closing date (December 31, 2015) and the date of preparing the consolidated financial statements (February 29, 2016). There were no fundamental changes in our overall economic and business environment.

The Group's organizational and legal structures remained unchanged in the first few weeks of 2016.

Non-Financial Performance Indicators and Other Information

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

Research & Development

WACKER's research and development pursues three goals.

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

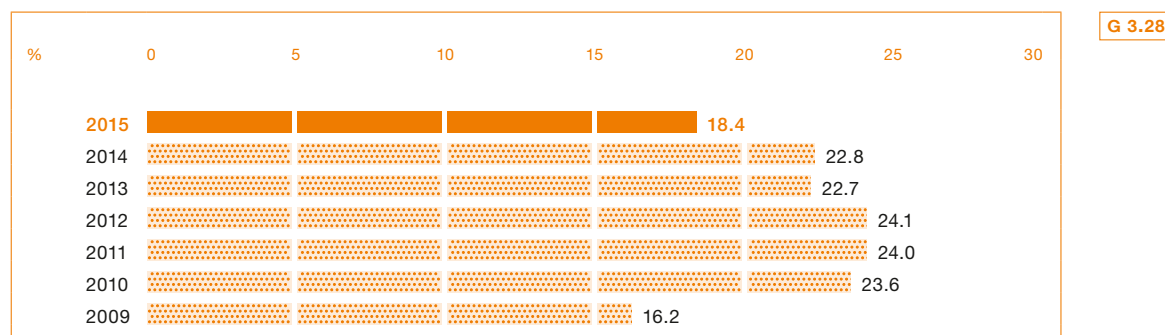
R&D Expenses

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

T 3.27

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

New-Product Rate (NPR)¹

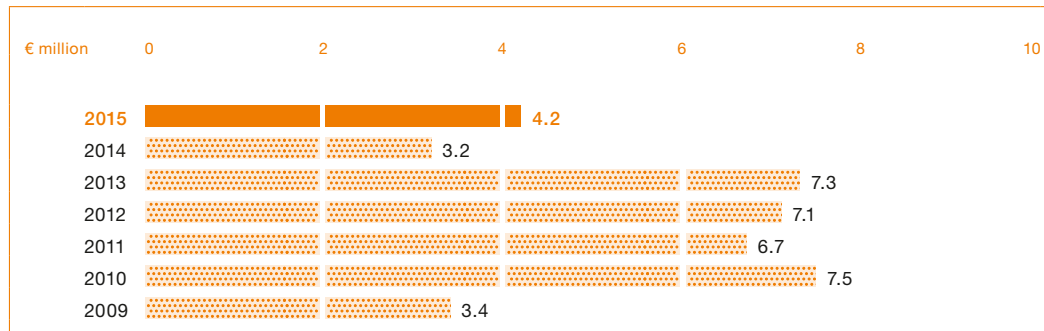


G 3.28

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

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

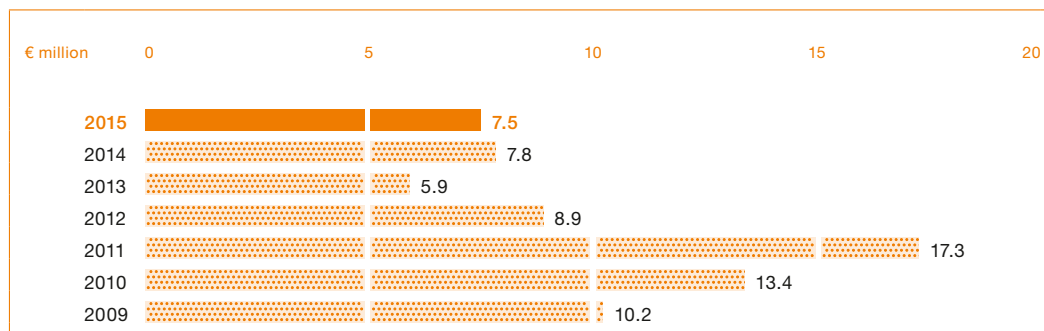
Licensing Income



G 3.29

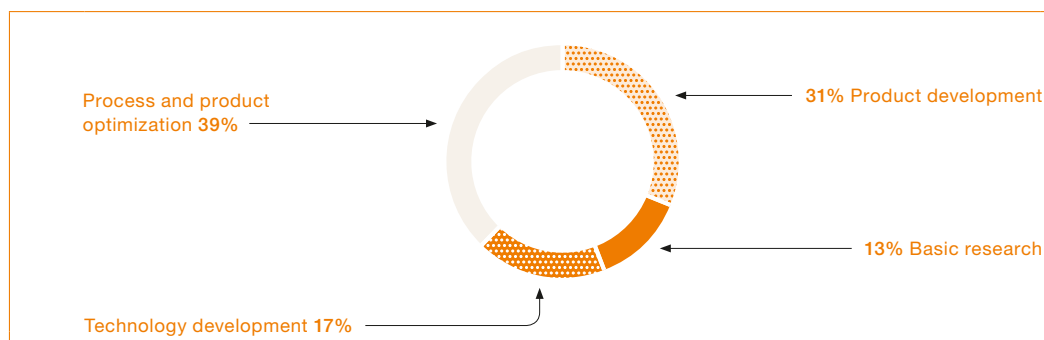
In 2015, WACKER invested €7.5 million in R&D facilities (2014: €7.8 million). Among our investments were new pilot reactors, where positive project results are scaled up and then converted to full production. Examples include polymerization reactors at WACKER POLYMERS and deposition reactors at WACKER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

Investment in R&D Facilities



G 3.30

Breakdown of R&D Expenditures



G 3.31

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

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

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

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

- The Federal Ministry of Education and Research (BMBF) subsidizes research related to the energy transition. This includes the iC4 project (Integrated Carbon Capture, Conversion and Cycling), which received €6.3 million in funding between 2012 and 2015. The goal is to use surplus green electricity for water electrolysis. The resulting hydrogen is converted to methane gas with the aid of carbon dioxide and then stored in the gas grid. WACKER, Clariant, E.ON, Linde, MAN and Siemens were involved in the project, as are eight institutes at the Technical University of Munich and the Fraunhofer Institute for Interfacial Engineering and Biotechnology. WACKER headed two of the four subprojects.
- The goal of the SafeBatt project was to develop battery components that would increase the safety and reliability of lithium-ion batteries (LIBs) for electric vehicles. Between 2012 and 2015, 14 project partners from industry and the scientific community developed materials, models, test methods, sensors and evaluation electronics. The Federal Ministry of Education and Research (BMBF) provided funding for SafeBatt in the amount of €19 million. WACKER's work in this group focused on silicon-containing additives for making lithium-ion batteries safer.
- The Alpha-Laion consortium project was started in 2012 to develop high-energy traction batteries for electric vehicles. Bosch headed the project, and the other partners were WACKER, BASF, SGL, BMW and Daimler. In this project, WACKER developed silicon-containing anode materials. Alpha-Laion was funded with €13 million by the then Federal Ministry of Economics and Technology (BMWi).

During 2015, our business divisions and Central R&D submitted applications for six more projects (in the areas of energy generation and storage, electronics and new materials) to government sponsors, with approvals pending. Our externally-funded research projects are coordinated by our Public Funding office, which evaluates prospective programs, submits our project proposals and manages contacts with funders.

Research and Development at Two Levels

WACKER conducts R&D at two levels: centrally at our Corporate Research&Development department and locally at our business divisions. Corporate R&D coordinates activities on a company-wide basis and involves other departments, such as Corporate Engineering (during process development). We also use a management process to keep our R&D projects transparent throughout the Group. In 2015, we introduced Project System Innovation (PSI), our project management system, to additional subsidiaries.

Strategic Collaboration with Customers and Research Institutes

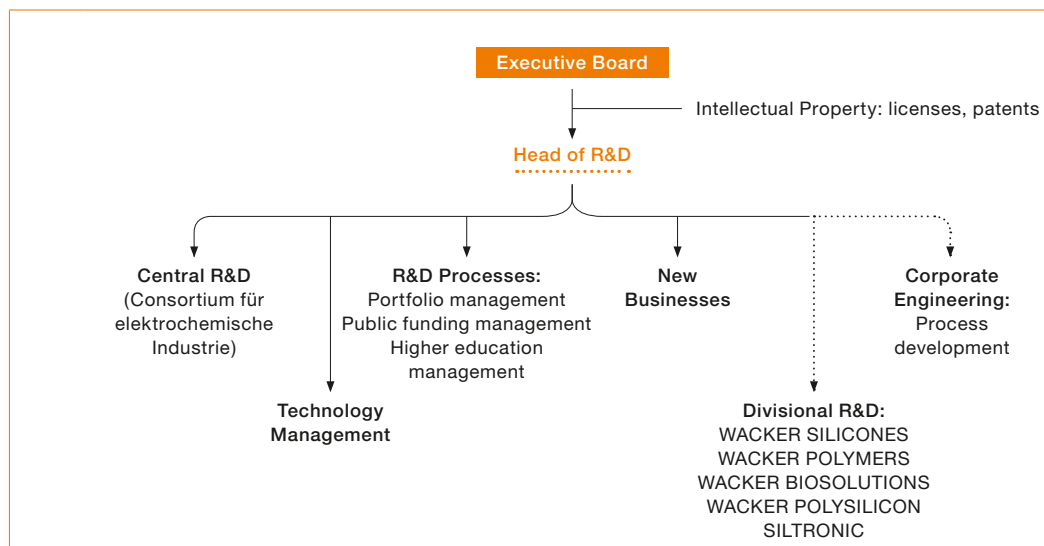
Our business divisions conduct application-driven R&D. They focus on product and process innovations in semiconductor technology, silicone and polymer chemistry, and biotechnology, as well as on new processes for producing polycrystalline silicon. To achieve successful research results more quickly and efficiently, we collaborate with customers, scientific institutions and universities. In 2015, WACKER worked together with more than 40 international research institutes from three continents on some 50 research projects. Our collaborative efforts cover topics that include electricity storage, biotechnology, process simulation and process development. We have participated in electricity storage projects with universities in Braunschweig, Munich and Münster.

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

Research Work at WACKER

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

R&D Organization



G 3.32

WACKER had 1,043 research and development staff in 2015, which represents 6.1 percent of the Group's employees. Our scientists and engineers conduct basic research, develop new products and processes, and improve existing processes. The lab and technical staff at our R&D, applications-technology and production-support facilities work in our laboratories and in our production and pilot plants, or on-site at our customers' plants. Examples of what our other R&D personnel do include building research equipment in our workshops and performing administrative functions in such fields as market research and trend analysis.

Employees in R&D as of December 31, 2015

Number	2015	2014	2013	2012	2011	2010	2009
Group R&D employees	1,043	1,061	987	1,008	1,100	1,057	1,072
R&D ratio ¹ , groupwide	6.1	6.4	6.2	6.2	6.4	6.5	6.9
R&D employees, Germany	821	833	817	849	868	855	860
R&D employees, international	222	228	170	159	232	202	212
R&D employees, Germany, by qualification	821	833	817	849	868	855	860
Scientists and engineers	307	322	318	339	346	337	332
Lab staff and technicians	406	341	329	332	350	344	349
Other personnel	108	170	170	178	172	174	179
R&D employees, international, by qualification²	121	114	102	92	93	95	90
Scientists and engineers	51	45	38	32	35	31	30
Lab staff and technicians	35	37	34	32	30	32	29
Other personnel	35	32	30	28	28	32	31
R&D employees, international, Siltronic AG only (without differentiation by qualification)	101	114	68	67	139	101	122

T 3.33

¹ Ratio of R&D employees to total number of Group employees

² Excluding R&D employees at Siltronic AG

Alexander Wacker Innovation Award

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

Siltronic Inventor Award

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

Selected Corporate R&D Research Topics

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

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

Selected Divisional Research Projects

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

WACKER POLYMERS focuses its research on polymers that allow the formulation of low-emission end products, thereby fulfilling the requirements of the most stringent ecolabels. In the spirit of sustainability, we have developed and improved products that are free of alkylphenol ethoxylate (APEO) surfactants and formaldehyde, or low in volatile organic compounds (VOCs). Examples of our development efforts are reactive self-crosslinking dispersible polymer powders for cementitious flooring systems and polymer dispersions for finishing mineral-based surfaces. We have intensified our work on silica-polymer composite materials for emulsion paints and wood coatings.

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

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

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

Transferring Knowledge Locally

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

WACKER attaches considerable importance to fostering young scientific talent and maintaining close contacts with universities. In 2015, we sponsored some 210 final-degree theses and internships with students at over 50 universities internationally. In addition, Wacker Chemie AG and the Technische Universität München (TUM) extended their existing partnership in silicon research for another six years by signing a corresponding agreement in 2014. WACKER and TUM founded the Institute of Silicon Chemistry in 2006.

Key Product Launches in 2015

T 3.34

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

Employees

Increase in Staff

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

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

Number of Employees at December 31, 2015

	2015	2014	2013	2012	2011	2010	2009	T 3.35
Germany	12,251	12,366	12,322	12,635	12,813	12,235	11,925	
International	4,721	4,337	3,687	3,657	4,355	4,079	3,693	
Group	16,972	16,703	16,009	16,292	17,168	16,314	15,618	

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

Number of Temporary Workers at December 31, 2015

	2015	2014	2013	2012	2011	2010	2009	T 3.36
Germany	358	393	286	14	48	374	247	
International	54	134	58	77	65	114	53	
Group	412	527	344	91	113	488	300	

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

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

Personnel Expenses

€ million	2015	2014	2013	2012	2011	2010	2009	T 3.37
Personnel expenses	1,350.1	1,246.9	1,133.0	1,196.8	1,282.5	1,135.7	1,090.3	

In addition to their fixed base salary (which includes vacation and Christmas bonuses), WACKER employees usually also receive some variable compensation – a voluntary payment to employees on both the standard and above-standard pay scales. This payment comprises a profit-sharing amount and a personal-performance component. In 2015, WACKER's chemical-sector employees in Germany received a profit share for 2014. Variable compensation payments totaled €61.7 million groupwide in 2015.

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

A WACKER company pension is an important compensation component and is available at most of our German and non-German sites, except for regions where the statutory pension appears sufficient or legal provisions are inadequate. Wacker Chemie AG's pension fund – Pensionskasse der Wacker Chemie VVaG – provides a company pension to WACKER employees in Germany. The fund has around 17,000 members and provides pension payments to some 8,000 retirees. The average pension paid was around €640 per month. WACKER pays in up to four times its employees' annual pension contributions, with the exact amount being determined by the type of agreement. Employees can supplement their company pensions by making their own additional contributions. WACKER matches supplementary contributions as provided for by the collective wage agreements. For the base amount, employees receive a 28-percent match called "Chemieförderung I"; additional contributions receive the 13-percent "Chemieförderung II" match. Employees in Germany also receive an additional supplementary pension for that portion of their salary which exceeds the pension insurance contribution assessment ceiling.

School Recruiting Efforts Intensified

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

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

WACKER will remain innovative and competitive as long as it has highly-skilled employees, which is why we offer all of our employees opportunities for additional training. At least once a year, employees and supervisors discuss development measures during performance reviews. This approach applies to all levels of the corporate hierarchy. In 2015, our employees completed about 66,000 e-learning sessions (2014: about 74,000), and more than 16,500 participants (2014: more than 16,400) attended seminars, advanced training programs and conventions, or received tutoring.

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

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

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

WACKER Signs Diversity Charter and Implements Quota for Women

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

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

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

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

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

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

Employee Surveys at German Sites

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

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

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

Idea Management: Fewer Suggestions

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

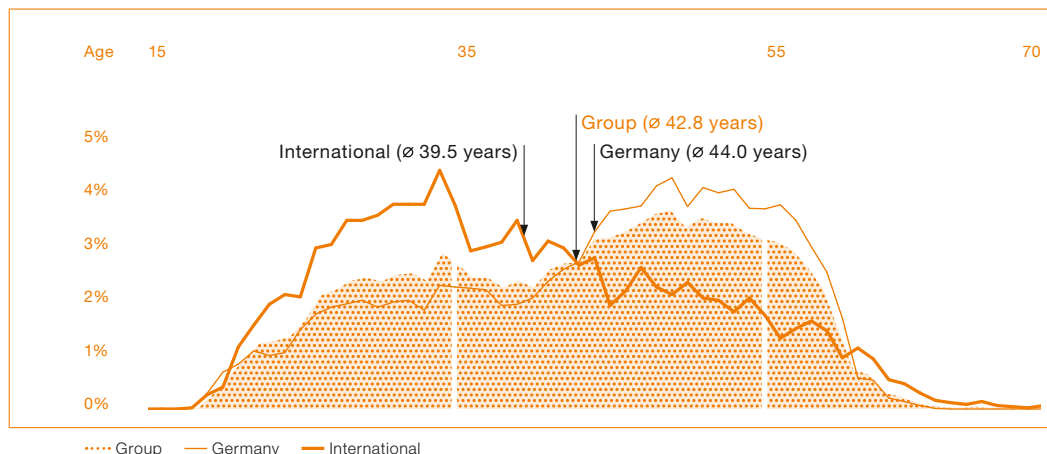
Idea Management

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

T 3.38

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

Demographic Analysis of German and International Sites in 2015



G 3.39

Health Management Continues to Focus on Back Health

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

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

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

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

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

Employee Turnover Rate

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

T 3.40

¹ Higher employee turnover rate due to closure of Siltronic's production site at Hikari (Japan) and the job cuts at the Portland (USA) site.

² Figures changed to reflect data from the Sustainability Report for 2009/2010.

A Popular Employer Among Managers

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

Sustainability

Managing Sustainability

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

Two voluntary global initiatives form the basis for sustainable corporate management at WACKER: the chemical industry's Responsible Care® initiative and the UN's Global Compact. These voluntary measures to protect the environment, employees and society go beyond what is legally required. We also expect our suppliers to observe the principles of the UN's Global Compact and the Responsible Care® initiative, and have anchored this in our general terms of procurement.

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

► Regional Emphasis

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

► Group Certificate

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

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

► **Greenhouse Gas Emissions**

The Group's corporate CO₂ footprint report is an important tool for improving climate protection. We have been calculating our indirect greenhouse-gas emissions in accordance with the Greenhouse Gas Protocol Scope 3 Accounting and Reporting Standard since 2012. These emissions include all those generated along the supply chain, e.g. by suppliers or through waste disposal and the transportation of products. In 2015, we also started calculating downstream transportation routes in accordance with Scope 3. In addition, calculations of our carbon footprint now include the effects of procured products and handling of our sales products right to the end of the product lifecycle.

► **Sustainability Platform**

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

Sustainability Report Published

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

Compliance Management Reports Increase in Cybercrime Activities

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

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

Workplace and Plant Safety – 1,600 Machines Inspected

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

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

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

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

Our goal for occupational safety in 2015 was to reduce our groupwide accident rate (the number of workplace accidents per million hours worked) to below 2.0. We did not reach this target, having 2.6 workplace accidents with missed workdays per 1 million hours worked groupwide in the reporting year. In terms of reportable accidents (accidents with more than three days of absence), WACKER's numbers are far better than the German chemical industry average. The reportable accident rate in 2015 was 1.0 per 1 million hours worked (2014: 1.2), whereas in 2014, Germany's BG RCI (the statutory employer liability insurance carrier of the basic materials and chemical industries) registered 9.3 reportable accidents per 1 million hours worked in chemical companies. Very few of the accidents at WACKER are chemical in nature. The most common causes are tripping, slipping, falling, and inattentiveness during manual activities. Not satisfied with our accident rate, we are stepping up our occupational-safety efforts. We are systematically implementing our new WACKER Safety Plus (WSP) program, which incorporates elements of successful safety strategies at sites with particularly low accident rates. Such elements include safety patrols, discussions with the workforce and emergency drills. The goal of WACKER Safety Plus is to recognize and avoid unsafe behavior – on the way to and from work, in the office, at the plant, when operating machinery, or when handling chemicals.

At its German sites, WACKER placed particular emphasis in 2015 on reviewing and updating hazard assessments. As a consequence, we have improved protection strategies and safety measures in many areas. The program will be continued at all German sites in 2016.

Workplace Accidents Involving Permanent Staff and Temporary Workers

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

T 3.41

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

Safe Transport of Hazardous Materials

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

We also review aspects of transport safety with our logistics providers. If deficiencies are found, we agree on improvements and then follow up on their implementation. When selecting logistics service providers and evaluating their performance, WACKER uses in-house criteria and internationally recognized systems, such as the Safety and Quality Assessment System (SQAS) operated by the European Chemical Industry Council (Cefic). Through the use of standards and specifications, WACKER ensures that even the subcontractors working for our logistics providers meet our stringent safety requirements.

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

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

Transport Accidents

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

T 3.42

Experiment Kit Wins Award and Commitment to Refugees

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

WACKER continued work on its CHEM₂DO experiment kit during the reporting year. After two years of seeing how the kit was used in practice, we adapted the 2012 edition to better reflect both the situation in the schools and the students' prior knowledge. The new edition has been available since autumn of 2015. Germany's federal SCHULEWIRTSCHAFT association presented Wacker Chemie AG with first place for the 2015 SCHULEWIRTSCHAFT "That has potential!" award in the Beginners – Large Companies category for its CHEM₂DO Experiment Kit. This network awards its prize to active companies committed to improving job prospects for students. WACKER once again sponsored the Dresden/East Saxony regional heat of Young Scientists in 2015.

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

WACKER's own Burghausen Vocational Training Center (BBIW) accommodated four unaccompanied adolescent refugees from Afghanistan in its youth guest house in 2015. Along with the eight African refugees taken in by WACKER in 2014, the company is now helping to integrate twelve displaced young people. The refugees are taking intensive German lessons to help them in their new life in Germany. They are also taking an integration class at the Mühldorf vocational school with the goal of obtaining the necessary educational qualification for vocational training.

New WACKER HILFSFONDS Project

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

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

Environmental Protection

WACKER attaches particular importance to integrated environmental protection, which commences with product development and plant planning. Our environmental protection measures often surpass statutory requirements – in the spirit of the central idea behind the Responsible Care® initiative. WACKER constantly works on improving its production processes, with the aim of conserving resources. One of our main tasks is to close material loops and recycle byproducts from other areas back into production, enabling us to reduce or prevent emissions and waste.

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

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

Water Consumption Tested Using the Global Water Tool®

In many parts of the world, clean water is particularly scarce, and obtaining and purifying water is very expensive. As a global player, we take such conditions into account in our production processes and during transport. We use the Global Water Tool® (GWT) developed by the World Business Council for Sustainable Development (WBCSD) to analyze the annual relative water stress index of the countries in which our main global production sites are located. This assessment has been conducted since 2012, based on analyses using the water stress index developed by the Water Systems Analysis Group of the University of New Hampshire, USA. This index provides information on the relationship between water consumption and the availability of renewable fresh water. The outcome of the analysis is that our most important production sites are located in regions with a low relative water stress index. These regions account for more than 97 percent of our annual water use and over 90 percent of our production volume. Production sites in countries for which no GWT-based water stress index information is available account for less than 0.5 percent of our water consumption.

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

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

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

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

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

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

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

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

Environmental Indicators from 2009 to 2015

T 3.43

	2015	2014	2013	2012	2011	2010	2009
Air							
CO ₂ emissions ¹							
Direct (kt)	1,234	1,251	1,253	1,311	1,341	986	969
Indirect (kt)	1,544	1,420	1,241	1,133	1,075	–	–
NO _x nitrogen oxides (t) ²	1,910	1,990	2,010	2,225	2,221	926	963
Non-methane volatile organic compounds (NMVOCs) (t) ³	910	870	830	750	700	610	530
Water							
Water consumption (thousand m ³)	237,060	241,973	220,908	242,072	268,657	252,151	264,532
Chemical oxygen demand (COD) (t)	1,150	1,230	1,320	1,460	1,680	1,820	2,730
Halogenated organic hydrocarbons (AOX) (t)	2	2	2	3	5	6	6
Waste⁴							
Disposed of (t)	46,490	51,570	39,210	41,340	46,640	48,620	84,310
Recycled (t)	121,420	121,540	124,040	114,330	110,920	91,970	73,550
Hazardous (t)	75,520	78,330	78,910	70,910	73,950	71,340	102,200
Non-hazardous (t)	92,390	94,780	84,340	84,760	83,610	69,250	55,660
Energy⁵							
Electricity consumption (GWh)	5,147	4,926	4,521	4,519	4,277	3,623	2,568
Primary energy consumption							
Of which							
Natural gas (GWh)	5,029	4,975	5,051	5,927	5,771	5,463	5,378
Solid fuels (coal, charcoal, wood) (GWh)	768	839	872	862	886	432	–
Heat supplied by third parties (steam and district heating) (GWh)	245	242	236	223	218	228	209
Heating oil (GWh)	20	20	17	18	16	13	8

¹ CO₂ emissions are measured as per the Greenhouse Gas Protocol (GHG Protocol: "A Corporate Accounting and Reporting Standard"), published by the World Resources Institute and World Business Council for Sustainable Development. Scope 1: direct CO₂ emissions. Scope 2: indirect emissions from the consumption of purchased energy (converted into CO₂ equivalents for purchased electricity). In accordance with the recommendations of the GHG Protocol, Wacker Chemie AG's direct and indirect emissions were recalculated retroactively due to amendments to the system boundaries, starting from the reference year (2012) for the CO₂ target. In addition to the Group's direct CO₂ emissions, sites' intra-plant traffic emissions were also taken into account for sustainability reporting.

² Corrected NO_x emissions for 2014 for the Burghausen site following groupwide harmonization of data reported.

³ The method for calculating the total volume of non-methane volatile organic compounds (NMVOCs) emitted by our production facilities was amended in 2014. Further groupwide harmonization of data reported in 2015 resulted in another adjustment to the emission volumes reported as of 2009. The rise between 2014 and 2015 was due to production increases.

⁴ Since the 2015 financial year, all waste has been recorded at the Burghausen site, even waste that is not generated during production. The latter mainly includes rubble, scrap steel, paper, etc. The corresponding amounts of waste generated were adjusted for the period 2009 through 2014.

⁵ Further groupwide harmonization of data reported in 2015 resulted in another adjustment to the energy figures reported as of 2009.

Our indirect CO₂ emissions from procured energy (as per Greenhouse Gas Protocol Scope 2) rose to 1,544 kt in 2015 (2014: 1,420 kt). The rise is due to the inclusion of emissions from electricity consumption for 300 mm wafer production in Singapore, increased production volumes at Burghausen and Nünchritz, and the higher emissions factor for electricity generation in Germany (data in accordance with "CO₂ Emissions from Fuel Combustion, 2015 Edition" published by the International Energy Agency). We used energy-efficiency measures to reduce weighted specific energy consumption and related specific CO₂ emissions – while maintaining a comparable product portfolio.

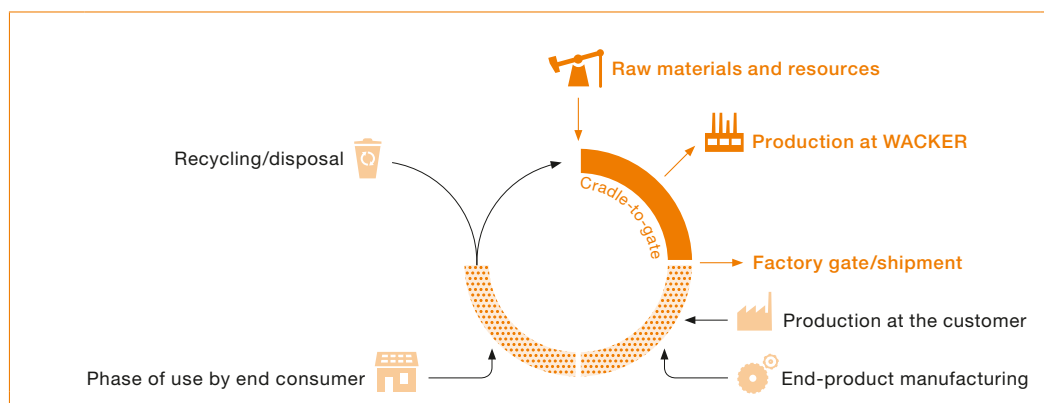
The Group's corporate CO₂ footprint report is an important tool for improving climate protection. Accordingly, in addition to starting in 2011 to track our indirect greenhouse gas emissions from procured energy (in accordance with Greenhouse Gas Protocol Scope 2), we have also been measuring our Scope 3 emissions since 2012. These include all emissions generated along the supply chain, e.g. by suppliers or through waste disposal and the transport of products. In 2015, we once again provided this emissions data to the Carbon Disclosure Project (CDP), which WACKER joined in 2007. Founded in London in 2000, CDP is a not-for-profit organization working to achieve greater transparency in greenhouse gas emissions.

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

Product Stewardship

WACKER takes environmental, health and safety aspects into consideration at every stage of the product lifecycle. In research and development projects, we examine the sustainability aspects of our new products and processes, starting with the raw materials used. We try to minimize raw-material consumption while selecting materials that offer maximum ecological benefit. Our products are generally supplied to business customers for further processing – not directly to end customers. Our lifecycle assessments (LCAs) look at the environmental impact caused by a specific product family throughout its lifecycle – a “cradle-to-gate” assessment extending from manufacturing to the factory gate. They allow us to gauge the sustainability of our products and production processes, and to improve them accordingly. Our evaluations factor in the material, water and energy consumption of a product, as well as its ecotoxicity, over the entire lifecycle. With the help of the WACKER EcoWheel®, we identify key sustainability topics and, together with our customers, set priorities for research projects.

Product Lifecycles



G 3.44

Energy Management

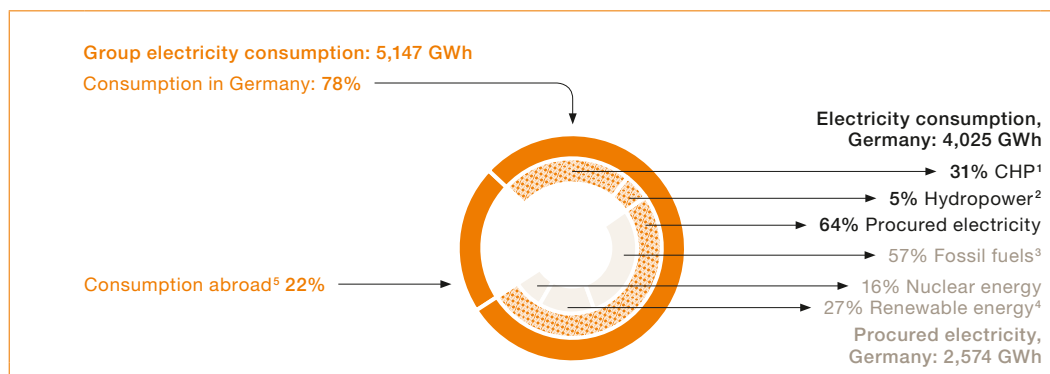
The chemical industry is one of the most energy-intensive sectors. In Germany alone, it uses around 20 percent of all the electricity consumed by industry. That is why WACKER, too, is continually improving the energy efficiency of its processes. This enables us to remain globally competitive while at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

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

Generating Energy Efficiently

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

Electricity Supply



G 3.45

¹Burghausen

²Burghausen

³Coal, lignite, oil, gas; modified calculation method: since 2014, data has been in line with Germany's energy mix; source:

BDEW (German Association of Energy and Water Industries); status as of Nov. 2015, for the year 2014

⁴Hydro, wind, solar power; modified calculation method: since 2014, data in line with Germany's energy mix; source:

BDEW (German Association of Energy and Water Industries)

⁵Outside Germany, we purchase electricity from third parties based on the local standard energy mix

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

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

WACKER's German production sites accounted for 78 percent (2014: 79 percent) of its total electricity needs. In Germany, WACKER purchased 64 percent (2014: 64 percent) of the electricity it required. In line with the German energy mix, 57 percent of this electricity was generated from fossil fuels (2014: 56 percent), with 16 percent coming from nuclear energy (2014: 15 percent) and 27 percent from renewable energy sources (2014: 26 percent). Heat consumption, which includes the use of solid carbon-based and biogenic fuels (coal, charcoal, wood) for silicon-metal production at Holla (Norway), fell marginally across the Group to 3,520 GWh (2014: 3,571 GWh).

Energy Consumption¹

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

T 3.46

¹ Further groupwide harmonization of data reported in 2015 resulted in another adjustment to the energy figures reported as of 2009.

² Since 2010, heat consumption figures have reflected the use of solid fossil and biogenic fuels (coal, charcoal and wood) at the silicon-metal plant in Holla, Norway.

³ Used as a reducing agent at the silicon-metal plant in Holla, Norway

Procurement and Logistics

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

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

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

Procurement Volumes (incl. Procurement for Capital Expenditures)

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

T 3.47

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

Technical Procurement & Logistics

The Technical Procurement & Logistics department's invoice volume was some 25 percent above the prior-year level due to higher investment expenditures. We were able to avoid price increases for technical materials, whereas there were moderate price increases for services. Delivery times were at the prior-year level. WACKER – including Siltronic – placed a total of around 420,000 orders worldwide. At Technical Procurement & Logistics, 10 percent of our suppliers cover 90 percent of our procurement volume.

In 2015, we signed major multi-year master agreements in particular segments such as logistics and technical services. Launched in 2013, an initiative for reducing dependence on individual suppliers continues to show measurable results and is being expanded. Last year, our Project Procurement unit handled 15 projects at various stages of planning. The largest of these were the polysilicon expansion project in Tennessee (USA) and the new dispersions reactor in Kentucky (USA).

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

Systematic review of supplier risks is an important tool used by WACKER for properly evaluating our supplier relationships. Reviews are conducted using analyses from rating agencies, our own supplier assessments and, increasingly, direct contact with our partners. With the assistance of Technical Procurement & Logistics, we reviewed 366 suppliers in 2015.

Percentage of Electronic Procurement Transactions Continues to Rise

Electronic procurement is of crucial importance at WACKER. This includes the entire procurement process – from initial inquiries at suppliers up to payment of invoices. An important indicator is the number of orders placed automatically. A global total of over 650,000 items were ordered by Technical Procurement & Logistics and Raw Materials & Energy (2014: over 600,000 items), of which around 490,000 items are attributable to Technical Procurement's activities at our major sites. In 2015, we created roughly 70 percent of these order items through automated processes at the German sites. We obtain a particularly high degree of automation through the use of e-catalogs for procurement. Electronic ordering processes make up a consistently large share of procurement activities at our larger sites. Accordingly, we are now seeking to achieve similarly high levels at our smaller sites within and outside Germany. We currently work together with approximately 160 suppliers on the basis of e-catalogs.

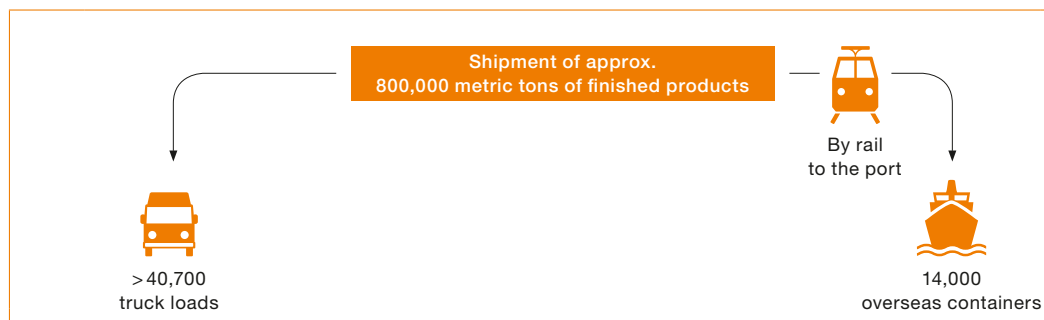
Direct Contact with Our Suppliers

At WACKER, we have always valued direct contact with our suppliers. About 420 companies attended our Supplier Day held in Burghausen on June 11, 2015. Prizes were awarded to two companies, Elektro Kreuzpointner and Maasch Metallbau, for their reliability and long-term partnership with WACKER, while Kirsch Apparatebau was named Best Partner in the Equipment/Hardware category. The prize for Best Joint Innovation went to Kunert Wellpappe, and the Best Service Partner award was conferred on Sächsische Binnenhäfen Oberelbe GmbH. oocl Logistics Ltd. was honored for its good global collaboration with WACKER. WACKER is interested in building long-term relationships with its suppliers, while at the same time reducing its dependence on individual suppliers. In Germany, which remains our largest procurement market, we cooperate with some 6,500 suppliers. The average length of business relationships between Technical Procurement & Logistics and its suppliers is ten years.

Shipping Volumes Up

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

Transport Volumes for the Burghausen Logistics Hub



G 3.48

More Rail Shipments

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

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

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

Production

Year-over-Year Increase in Production Output

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

Plant Utilization in 2015

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

T 3.49

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

Key Start-Ups

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

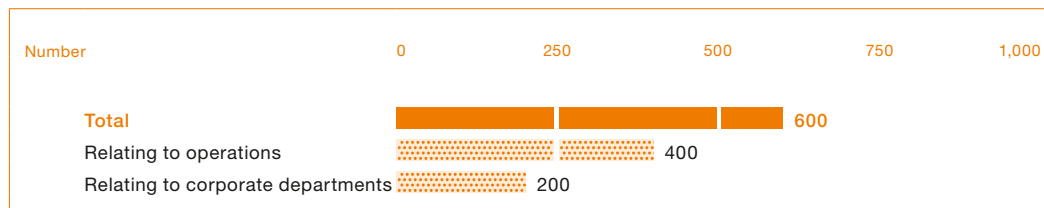
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Corporate Engineering is responsible for implementing all investment projects at WACKER.

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

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

Productivity Projects According to Focus



G 3.51

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

Sales and Marketing

Sales of WACKER Products Rise

Overall sales of our products were higher in 2015, due to higher volumes and positive exchange-rate effects. We increased revenues year over year at all of the business divisions.

Our business is characterized by high repeat-purchase rates. 95 percent of Siltronic's 2015 product sales were transacted with customers we had supplied in 2014. At WACKER POLYMERS, the repeat-purchase rate was 97 percent (by sales), and the rate at WACKER SILICONES was somewhat over 90 percent. The repeat-purchase rate at WACKER POLYSILICON is not meaningful, since there are customers who have completely withdrawn from the solar business.

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

WACKER customers can be categorized in three groups: global key accounts, customers, and distributors. Global key accounts are customers of special strategic significance for WACKER and those generating high sales levels. WACKER currently has 39 global key accounts, with which we generated around 25 percent of our 2015 revenue in the chemical divisions (WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS). Over 55 percent of our chemical-related revenue was from our approximately 8,000 other active customer relationships and around 20 percent from distributors.

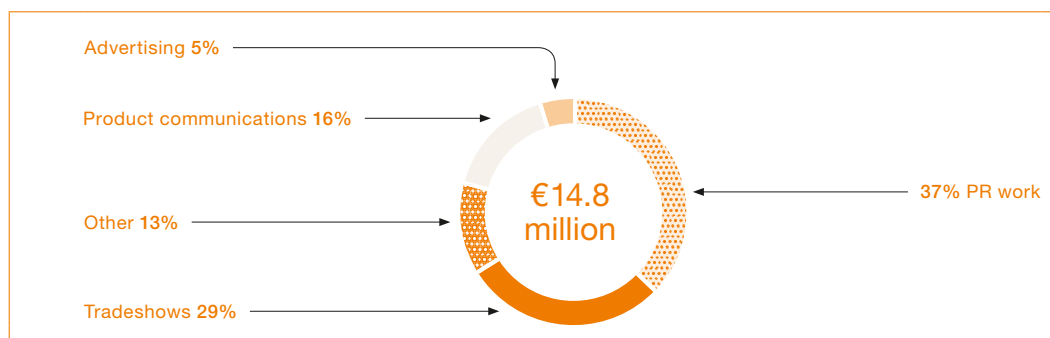
The share of sales transacted through electronic sales platforms continued to rise in 2015. Such platforms are in place in 73 countries. Worldwide, around 47 percent of our sales at the chemical divisions are processed using electronic sales channels. Asia is still at the fore, with over 50 percent.

Sales and Distribution Network Expanded

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

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

Percentage of Marketing Costs

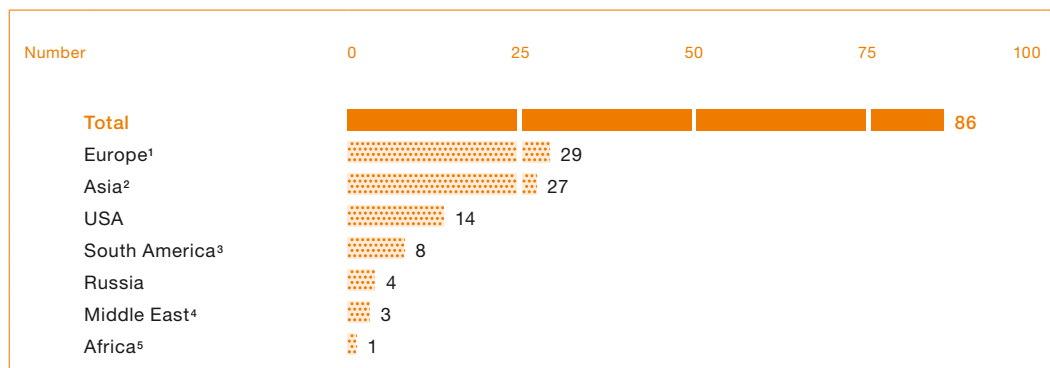


G 3.52

Attendance at 86 Tradeshows Worldwide

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

Tradeshows in 2015



G 3.53

¹ Austria, Belgium, Croatia, France, Germany, Italy, the Netherlands, Serbia, Spain, Sweden, Turkey, UK

² China, India, Indonesia, Japan, Myanmar, South Korea, Thailand, Turkmenistan

³ Brazil

⁴ Dubai, Jordan

⁵ South Africa

Management Report of Wacker Chemie AG

(Additional Information as per the German Commercial Code)

The management report of Wacker Chemie AG and the Group management report for fiscal 2015 are combined in accordance with the German Commercial Code (HGB) Section 315, Subsection 3 in connection with Section 298, Subsection 3. The annual financial statements of Wacker Chemie AG in accordance with the German Commercial Code (HGB) and the combined management report are published simultaneously in the “Elektronischer Bundesanzeiger” (the electronic version of Germany’s Federal Gazette).

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

Wacker Chemie AG is the parent company of the WACKER Group and is headquartered in Munich, Germany. The parent company operates through four business divisions – WACKER SILICONES, WACKER POLYMERS, WACKER BIOSOLUTIONS and WACKER POLYSILICON – which generate a substantial part of the Group’s sales. As of the reporting date, Wacker Chemie AG held a direct and indirect stake of 57.8 percent in Siltronic AG. It placed 25.5 percent of its shares on the Frankfurt Stock Exchange in an IPO on June 11, 2015, and reduced its direct and indirect stake by another 16.7 percent through a simultaneous capital increase at Siltronic AG. Siltronic AG’s profit-and-loss transfer agreement with Wacker-Chemie Dritte Venture GmbH, a Wacker Chemie AG subsidiary, was terminated by mutual agreement, effective January 1, 2015. Accordingly, Siltronic AG no longer belongs to the Wacker Chemie AG tax consolidation group. Wacker Chemie AG’s directly and indirectly held subsidiaries and investments located in Germany and abroad have a strong influence on its business. Wacker Chemie AG has a total of 56 subsidiaries, joint ventures and associated companies, and also provides corporate functions to the Group. Wacker Chemie AG’s Executive Board exercises key leadership functions for the Group as a whole, which include determining the Group’s strategy, allocating resources (such as funds for investment), and bearing responsibility for managing executive personnel and corporate finances. It also oversees communication with important target groups, especially capital markets and shareholders.

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

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

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

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

Statement of Income

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

T 3.54

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

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

The operating result amounted to €551.1 million (2014: €552.0 million). The chemical divisions, in particular, substantially enhanced their contribution to earnings. At WACKER POLYSILICON, income from advanced payments retained and damages received in connection with terminated contracts was lower at €137.6 million than in 2014 (€206.3 million). The profit-and-loss transfer agreement with Wacker-Chemie Dritte Venture GmbH had a positive impact on the result from investments in joint ventures and associates, which amounted to €71.5 million (2014: €56.8 million). This figure includes the proceeds from the IPO of Siltronic AG shares. Net interest income was impacted in particular by interest expenses from provisions for pensions. Tax expense was lower, mainly due to slightly lower pre-tax income.

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

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

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

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

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

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

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

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

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

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

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

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

Statement of Financial Position

€ million	2015	2014
Assets		
Intangible assets	9.5	8.9
Property, plant and equipment	1,288.7	1,464.9
Financial assets	1,995.4	1,974.6
Fixed assets	3,293.6	3,448.4
Inventories	428.3	426.5
Trade receivables	357.7	377.3
Other receivables and other assets	920.6	736.0
Receivables and other assets	1,278.3	1,113.3
Securities and fixed-term deposits	20.0	89.2
Cash on hand and demand deposits	118.1	28.8
Current assets	1,844.7	1,657.8
Accruals and deferrals	3.8	3.4
Total assets	5,142.1	5,109.6
Equity and Liabilities		
Subscribed capital	260.8	260.8
Less nominal value of treasury shares	-12.4	-12.4
Issued capital	248.4	248.4
Capital reserves	157.4	157.4
Other retained earnings	1,000.0	1,000.0
Retained profit	1,221.8	960.5
Equity	2,627.6	2,366.3
Provisions for pensions and similar obligations	693.6	609.1
Other provisions	328.8	342.6
Provisions	1,022.4	951.7
Financial liabilities	855.3	949.9
Trade payables	148.0	153.1
Other liabilities	450.0	649.6
Liabilities	1,453.3	1,752.6
Accruals and deferrals	38.8	39.0
Total equity and liabilities	5,142.1	5,109.6

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

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

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

Other receivables and other assets grew by 25 percent to reach €920.6 million as of the closing date (Dec. 31, 2014: €736.0 million). They included significantly higher receivables from affiliated companies in the amount of €868.1 million (Dec. 31, 2014: €636.0 million). As in the preceding year, this was due to ongoing financing provided by the production company Wacker Polysilicon North America, LLC, for construction work taking place at the new production site in Charleston, Tennessee (USA). This company is funded by its us parent, Wacker Chemical Corporation.

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

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

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

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

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

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

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

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

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

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

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

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

Risks and Opportunities

Wacker Chemie AG's business performance is subject to the same risks and opportunities as the WACKER Group. Wacker Chemie AG's exposure to the risks associated with its subsidiaries and investments depends on the size of its stakes in the respective entities. The measurement of joint ventures and associates is affected in particular by the risks specified in the Risk Management Report. Through our subsidiaries and holdings, we could face impairments arising from legal or contractual contingencies (especially financing). These contingencies are explained in the Notes to the financial statements of Wacker Chemie AG. As the parent company of the WACKER Group, Wacker Chemie AG is integrated in the groupwide risk management system. For further details, see pages 250 to 253 of this Annual Report. The description of the internal control system for Wacker Chemie AG, as mandated by Section 289, Subsection 5 of the German Commercial Code (HGB), can be found in the section on the Internal Control System (ICS) and the Internal Control System for Accounting starting on page 140.

Outlook

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

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

Publication

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

Risk Management Report

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

Risk Management Is an Integral Part of Corporate Management

Risk management is an integral part of corporate management at WACKER. As a global company, WACKER is exposed to numerous risks directly attributable to our operational activities. Starting from an acceptable level of overall risk, the Executive Board decides which risks we should take to utilize opportunities available to the company. The goal of risk management at WACKER is to identify risks as early as possible, evaluate them adequately, and take appropriate steps to reduce them. We define risks as internal and external events that have a negative effect on the attainment of our targets and forecasts. Compared with the previous year, we made no fundamental changes to the existing risk management system in 2015. The scope of consolidation for risk reporting purposes comprises all WACKER majority shareholdings.

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

Risk Management

WACKER focuses on identifying, evaluating, managing and monitoring risks as part of a transparent risk management and control system for all company processes. The system is based on a defined risk strategy and an efficient reporting procedure. It involves the Executive Board regularly reviewing and enhancing our risk strategy, particularly with regard to our groupwide processes for strategic planning and reporting. The Supervisory Board's Audit Committee receives regular briefings on existing risks from the Executive Board. Opportunities, however, are neither systematically identified as part of risk management, nor are they communicated in the context of internal Group management reporting.

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

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

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

Risk Management Structures and Tools

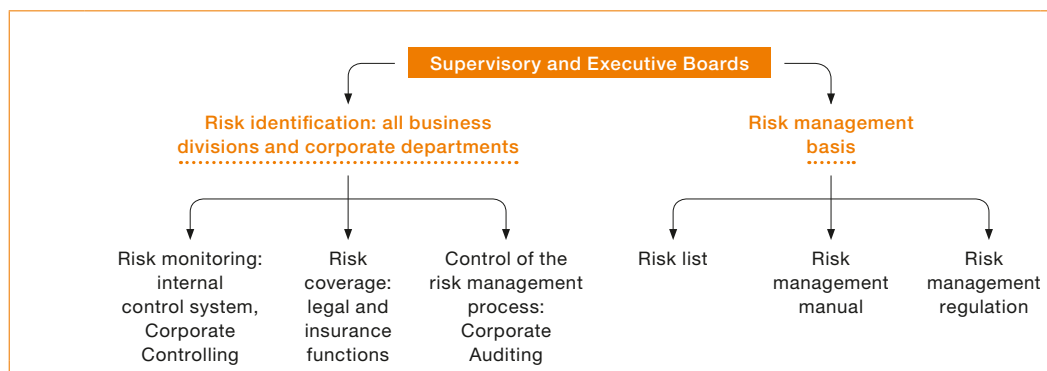
This groupwide system draws on existing organizational and reporting structures, supplemented by additional elements:

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

Risk Identification

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

Risk Management System



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Assessment, Quantification and Management of Risks

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

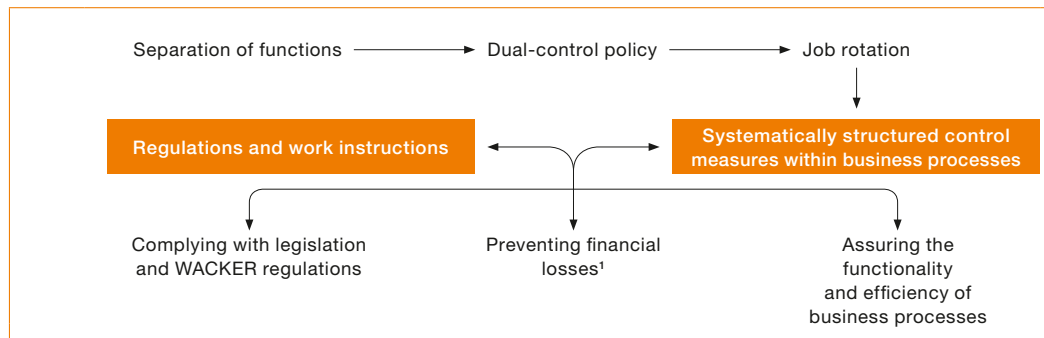
Corporate Controlling ensures that our risk management standards are implemented and that our risk management process is refined. Groupwide, it not only records all the substantial risks, but also evaluates them systematically according to uniform criteria. Major risks and those endangering the continued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

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

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

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

Basis of Our Internal Control System (ICS)



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

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

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

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

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

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

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

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

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

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

Internal Controls

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

External Controls

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

Central Risk Areas

Defining the Probability and Impact of Risk Occurrence

We have defined categories for describing the probability that risks we identify will occur. They provide a framework for understanding our assessment of individual areas of risk. The categories define the range of probability as follows:

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

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

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

The following table shows our estimation of the probability of risks and of how risk occurrence might impact the Group's earnings, net assets and financial position. The statements refer to the forecast period, thus to fiscal 2016.

Probability and Possible Impact of Our Risks in 2016

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Risk/Category	Probability	Possible Impact
Overall economic risks		
Chemical business	Unlikely	Medium
Polysilicon	Unlikely	Medium
Siltronic	Possible	Medium
Sales-market risks		
Chemical-segment overcapacity	Unlikely	Medium
Polysilicon overcapacities and price risks	Possible	High
Cyclical fluctuations and intense competition on the semiconductor market	Possible	Medium
Procurement-market risks	Unlikely	Low
Market-trend risks	Unlikely	Low
Investment risks	Possible	Medium
Production risks	Unlikely	Medium
Financial risks		
Credit risks	Unlikely	Low
Risks from fluctuations in exchange rates and interest rates	Possible	Medium
Liquidity risks	Unlikely	Low
Pensions	Unlikely	Low
Legal risks	Possible	Low
Environmental risks	Possible	Low
Tax-related risks	Possible	Low
Other risks	Possible	Low
Regulatory risks		
Energy transition	Possible	Low
Polysilicon anti-dumping proceedings and trade restrictions	Possible	High
New regulations for upstream, intermediate and downstream products and for production processes	Likely	Low
IT risks	Unlikely	Medium
Personnel-related risks	Unlikely	Low
External risks	Unlikely	Low

Overall Economic Risks

Scenario: Economic slowdown.

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

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

Evaluation: Analysts expect global economic growth to continue in 2016. They are forecasting economic expansion both in advanced economies and in the emerging markets of Asia, South America and Eastern Europe. At the same time, political and structural challenges remain high. The conflicts between Russia and the EU and USA, the unstable situation in several Middle East regions and the impact of the financial and debt crisis in

Europe continue to pose risks for the global economy. Likewise, China's financial-market turbulence and economic slowdown pose risks to the global economy.

Risk Assessment: We presently see no specific signs that economic trends will diverge substantially from the experts' forecasts. Given the risks mentioned, however, we cannot completely rule out that the global economy in 2016 could perform below current projections. China's economic slowdown would directly or indirectly influence all of our business fields.

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

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

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

Sales-Market Risks

Scenario 1: Chemical-segment overcapacity.

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

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

Evaluation: We expect overcapacity-related risks for our products to remain the same in 2016. At WACKER POLYMERS, we see overcapacity for dispersions and dispersible polymer powders in Asia. Nevertheless, we expect plant utilization to be strong despite this overcapacity. WACKER SILICONES faces overcapacity for siloxane production in China and for certain segments (such as liquid silicone rubber) – which could reduce plant utilization. Price pressure on some of our chemical divisions' products will persist in 2016.

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

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

Scenario 2: Polysilicon overcapacities and price risks, difficult market conditions due to a rollback of government incentive programs, the tight financial situation of many customers and the expiration of long-term supply contracts.

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

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

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

Risk Assessment: In all probability, the consolidation process in the solar industry will continue in 2016. As long as this trend persists and global production capacities exceed market demand, polysilicon prices are likely to remain at their current low levels. Our planning and forecasts anticipate the continuation of this situation. Should solar-silicon demand clearly exceed supply, this would presumably benefit earnings at WACKER POLYSILICON. Conversely, a slump in demand for WACKER's solar silicon would probably have a high impact on earnings in this business. We consider there to be a possible risk of falling prices.

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

Impact on WACKER: Volumes and prices decline.

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

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

Risk Assessment: In our semiconductor business, we anticipate that volumes in 2016 will be higher than last year. This scenario forms the basis for our planning and forecasts. We consider it possible that volumes and prices will diverge substantially from our expectations. If volumes came in considerably below our current estimates, this would have a medium impact on Siltronic's earnings.

Procurement-Market Risks

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

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

Measures: On an annual basis – and if necessary, ad hoc – we prepare systematic procurement plans for strategic raw materials and energy, along with an evaluation of the procurement risk. Whenever possible, we counter any procurement risks deemed significant with corresponding measures. Examples of such measures include long-term supply contracts with partners, structured procurement from multiple suppliers under contracts with various maturities, expansion of our supplier base, and higher safety stocks. In select cases, we have also achieved partial backward integration and produce strategic raw materials ourselves. Our silicon-metal production site in Holla (Norway), for example, substantially reduces our dependency on external suppliers.

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

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

Under current legal provisions in Germany, energy-intensive companies or corporate entities are only required to pay part of the EEG (Renewable Energy Act) levy. Some entities at WACKER also profit from this exemption. Any restriction on the rules for exemption would considerably reduce the competitiveness of these individual corporate entities. The scope of these exemption rules, particularly for captive power generation, is currently the topic of political discussion. The next revision of EEG legislation is expected in 2018, and could lead to renewed risks for WACKER. In general, the electricity price trend (wholesale prices, grid fees, capacity market) will continue to depend strongly on how German and European policy shapes the future development of the energy transition.

Risk assessment: In the area of raw-material procurement and raw-material and energy prices, we currently consider the risks facing WACKER to be low. Accordingly, we estimate that they would have a low impact on Group earnings.

Market-Trend Risks

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

Impact on WACKER: Misjudgment of future market trends could impact our market strength and earnings position. New product developments that fail to meet market needs could negatively impact our sales and earnings.

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

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

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

Investment Risks

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

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

Measures: WACKER has numerous measures in place for countering investment risks. We check the completeness and plausibility of plans for new projects with an investment volume exceeding €3.0 million. The Group's corporate departments are involved in this check. Economic feasibility is assessed using comparative studies that look at other plant projects, including those of competitors. Investments are approved in stages only. Intensive project-budget management helps prevent or minimize delays.

Evaluation: Over the past few years, WACKER has demonstrated that it can complete complex technical investment projects on schedule, or even earlier than planned. At our new site in Charleston, Tennessee (USA), we started commissioning production facilities on schedule at the end of 2015. We cannot rule out that there may be delays in the continuation of the start-up process at these facilities. The total investment for the new site will amount to approximately US\$2.5 billion.

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

Production Risks

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

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

Measures: WACKER coordinates its operational processes through its integrated management system (IMS). The system regulates workflows and responsibilities, attaching equal importance to productivity, quality, the environment, and health and safety. Our IMS is based on legal regulations, and on national and international standards, such as Responsible Care® and the Global Compact, which go far beyond legally prescribed standards. We monitor maintenance extensively and regularly perform inspections to ensure the highest possible level of operational safety at our production sites. We conduct thorough safety and risk analyses, from the design stage through to commissioning, to ensure our plants' safety. We regularly hold seminars on plant and workplace safety and explosion protection. Every WACKER site has its emergency response plan to regulate cooperation between internal and external emergency response teams, and with the authorities. When we work with logistics providers, we ensure that hazardous-goods transport vehicles are always checked prior to loading and that faults are systematically recorded and tracked.

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

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

Financial Risks

WACKER is exposed to financial risks from ongoing operations and financing. Such risks include credit, market-price, financing and liquidity risks. They are managed by the individual WACKER departments responsible for them. We employ primary and derivative financial instruments to cover and control the financial needs and risks necessitated by our operations. Such financial instruments are not permitted, however, if they are not based on actual or planned operational activities. The Notes to the consolidated financial statements provide extensive information about risk hedging using derivative financial instruments. For further details, see pages 250 to 253 of the Notes section.

Controlling Financial Risks

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

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Credit Risks

Scenario: Customers or business partners fail to meet their payment obligations.

Impact on WACKER: Losses on trade receivables, and failure of banks to fulfill their obligations to WACKER (loan disbursements, repayment of deposits and compensatory payments arising from derivatives transactions).

Measures: We use a variety of instruments to reduce the risk of any loss on receivables. Depending on the nature of the product or service provided, we may demand collateral, including retention of title. Other preventive measures range from references and credit checks to the evaluation of historical data from our business relationship to date (particularly payment behavior). We limit default risks by means of credit insurance, advance payments and bank guarantees. We prevent counterparty risk vis-à-vis banks and contractual partners by carefully selecting these partners. We conduct cash investments and derivative dealings with banks that usually have a minimum rating of A- from Standard & Poor's or a comparable rating agency. Investment activities are additionally subject to maximum investment and term limits. In exceptional cases, investments or derivative dealings may be conducted with banks of lower creditworthiness within specified limits and terms.

Evaluation: The credit risks stemming from customer business are manageable. Credit risks arising from contractual obligations to financial institutions are related to financial assets and derivative financial instruments. Globally, our Corporate Finance and Insurance department conducts all transactions in currency and interest-rate derivatives and manages liquidity centrally.

Risk Assessment: We consider it unlikely that credit risks stemming from customer business will occur. We assume that our risk concentration with regard to bank failures is low, thanks to our approach to counterparty risk. If, however, credit risks stemming from customer business or from a bank failure unexpectedly occurred, their impact on WACKER's earnings would probably be low.

Market-Price Risks and Risks of Fluctuating Payment Flows

Scenario: Fluctuations in exchange rates and interest rates.

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

Measures: Currency risks primarily arise from exchange-rate fluctuations for receivables, liabilities, and cash and cash equivalents, and financial liabilities not held in euros. The currency risk is of particular importance with respect to the us dollar, Japanese yen, Singapore dollar and Chinese renminbi. WACKER hedges the net exposure exceeding a certain level using derivative financial instruments. The use of such instruments is governed by WACKER's foreign exchange management directive. We work with forward-exchange contracts, foreign-exchange swaps and currency-option contracts. Foreign exchange hedging is carried out mainly for the us dollar, Japanese yen and Singapore dollar. We also counter exchange-rate risks through our non-eurozone production sites.

Interest-rate risks arise due to changes in market rates that impact future interest payments for variable-rate loans and investments. Thus, the changes have a direct influence on the Group's liquidity and financial assets. When exposure is identified, interest-rate hedging is performed. The use of derivative financial instruments is governed by internal regulations that separate trading and settlement functions, and is subject to strict controls within the entire processing procedure. We continually monitor the effectiveness of any measures taken.

Evaluation: We hedge part of our us dollar, yen and Singapore dollar business. The possible impact on income from exchange-rate fluctuations is partially cushioned by hedging measures. A weaker renminbi exchange rate might cause our business in China to come under general price pressure. Altogether, we assume that there will not be any major effects from exchange-rate shifts on net income in 2016.

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

Liquidity Risks

Scenario: Lack of funds for payments, and tougher access to credit markets.

Impact on WACKER: Higher financing costs, and modifications to further investment projects.

Measures: Liquidity risk is managed centrally at WACKER. Our Corporate Finance and Insurance department employs efficient systems for both cash management and rolling liquidity planning. In order to counter financing risks, WACKER holds adequate long-term, contractually agreed lines of credit, and has set aside sufficient liquidity. By means of cash pooling, liquid funds are passed on internally within the Group as required.

Evaluation: WACKER's liquidity decreased in 2015 compared with the previous year due to loan repayments amid continued high investment spending. Proceeds from the IPO of Siltronic AG had a positive effect, boosting liquidity by €361.9 million at the reporting date. At that time, financial liabilities exceeded liquidity (consisting of current and noncurrent securities, and cash and cash equivalents) by €1,074.0 million. The loans taken out contain a net debt-to-EBITDA ratio as the only financial covenant. At the same time, there were unused lines of credit with terms of over one year totaling some €603 million. We invest liquid funds only in issuers or banks that have a credit rating within the sound investment-grade range. The investment of liquid funds is, moreover, subject to limits that we have defined.

Risk Assessment: We consider the occurrence of financing and liquidity risks to be unlikely. At the moment, we see no risks relating to financial-covenant infringements. Nevertheless, if financial or liquidity bottlenecks were to occur, their impact on Group earnings would be low. Net financial debt would rise by tapping unused credit lines.

Pensions

Scenario: The greater life expectancy of pension-fund beneficiaries, additional obligations due to pay and pension adjustments, and falling discount factors increase the volume of pension obligations. Significant changes in the composition of the invested fund assets and capital-market interest rates produce a rise or fall in fund assets. Altered criteria used in the measurement of pension plans influence the net pension cost for the period.

As of 2013, IAS 19 requires enterprises to report actuarial gains and losses, as well as other changes in value, immediately and in full in other comprehensive income. This leads to greater volatility in equity. Other future changes to the principles applied in accounting for pensions may adversely affect the Group's earnings, net assets and financial position.

Impact on WACKER: A large portion of WACKER's pension guarantees are covered by the Wacker Chemie VVaG pension fund, by pension-related funds and special-purpose assets, and by insurance plans. The largest contribution comes from the pension fund. A rise in pension obligations, a decline in plan assets, and a possible injection of financial resources into the pension fund or into the plan assets will affect the financial position and earnings of the Group. Over and above the basic pension plan, there are defined-benefit pension plans in the form of direct commitments. Additionally, employees have the option of converting part of their remuneration into direct benefit commitments. The greater life expectancy of pension-fund beneficiaries, adjustments to pay and pensions, and the discount factor (used in calculating the net present value of a final capital amount) also impact WACKER's equity and earnings to a substantial degree.

Measures: A large portion of WACKER's pension guarantees are covered by the Wacker Chemie VVaG pension fund, by pension-related funds and special-purpose assets, and by insurance plans. The pension fund manages the pension insurance of our German-based employees in accordance with its Articles of Association and General Terms and Conditions of Insurance. To ensure a sufficient rate of return and to limit investment risks, the fund diversifies its investment portfolio among various asset classes and regions. In managing its assets and liabilities, the pension fund controls and optimizes all asset items to attain the required return within specified risk limits. As one of the fund's sponsoring entities, WACKER makes payments to it (when necessary), thereby ensuring sufficient coverage for pension obligations. We periodically adjust the calculation parameters of the other defined-benefit pension commitments (e.g. the minimum interest rate).

Evaluation: Pension-fund beneficiaries are living longer, and capital-market interest rates have steadily declined in recent years. The rate of return will probably be insufficient to fulfill pension obligations in the long term. The contribution for Wacker Chemie AG's defined-benefit pension commitments thus rose from 350 percent of the employee contribution in 2013 to 400 percent in 2014 to protect the pension fund. In 2015, this contribution rate remained unchanged.

Risk Assessment: We consider it unlikely in 2016 that WACKER will have to make higher payments to the pension fund or increased pension payments to cover its other commitments. Furthermore, we estimate the impact on WACKER Group earnings as low. Subsequently, however, there is a greater likelihood that we will have to make higher payments to the pension fund and that pension expenses will rise. See further details starting on page 234 of the Notes section.

Legal Risks

Scenario: Diverse legal risks related to tax, trademarks, patents, competition, antitrust proceedings, the environment, labor and contracts could arise from our international business.

Impact on WACKER: Drawn-out legal disputes, which could impact our company's operations, image and reputation, and which could be costly.

Measures: We limit legal risks with centralized contract management and legal review by our legal department. If necessary, we also seek highly qualified and specialized external legal advice.

Our Intellectual Property department protects and monitors patents, trademarks and licenses. Before initiating R&D projects we conduct searches to determine whether existing third-party patents and intellectual property rights could prevent us from marketing any newly developed products, technologies or processes.

We limit risks arising from possible legal infringements by means of compliance programs. WACKER's Code of Conduct defines and stipulates binding rules of behavior for all employees. Through training programs, WACKER enhances awareness of these issues and attempts to prevent reputation-related risks.

Evaluation: We currently do not foresee any legal disputes, patent infringements or other legal risks that could significantly influence our business.

Risk Assessment: Due to the varied nature of our business activities in all major regions of the globe, the occurrence of legal risks, for example in the form of legal disputes, is always conceivable in principle. Although we do not see any specific indication of any such events that would have a significant impact on our business, we currently categorize their occurrence as possible. Should they occur, there would be a low impact on Group earnings.

Regulatory Risks

Energy Transition in Germany

Scenario: The transition in Germany to 80 percent renewable energy in the electricity sector by 2050 (known as the "Energiewende" or energy transition) creates a regulatory environment that will probably be marked by constant legislative amendments in Berlin and Brussels, involving the German "EEG" (Renewable Energy Act) reform, special compensation rules for energy-intensive companies, the grid charge, self-generated electricity, EU investigation into EEG state aid procedures, state aid rules, the German Federal Government's white paper, legislation on combined heat and power, and capacity mechanisms.

Impact on WACKER: Additional costs due to rising government levies on the cost of electricity procurement.

Measures: We continually monitor regulatory activity in Germany and in the EU. Whenever we anticipate changes in the current legal situation, we try to introduce our viewpoint into legislative procedures through discussions with policymakers and by participating in trade associations. In addition, we search for, and take advantage of, market opportunities arising, for example, from renewable energy (e.g. industrial demand-response management).

Evaluation: We expect the regulatory environment surrounding the energy transition to remain in flux for the next few years. WACKER is following the implementation of the energy transition at the regional, federal and EU level.

Risk Assessment: The regulatory risks from amendments to the EEG and from the special compensation rules for energy-intensive companies remained unchanged during 2015. Now that the legislative procedure in Germany is complete and agreement has been reached with the European Commission, we do not expect these risks to cause any substantial strain on our business in 2016. Any decision, however, to completely abolish not only the rules relieving energy-intensive companies with regard to EEG feed-in tariffs, but also the grid charge and the privilege for self-generated electricity – due to regulatory amendments particularly in Germany – would have a high impact on WACKER's earnings in the medium term. We consider this to be a possible risk.

Polysilicon Anti-Dumping Proceedings/Trade Restrictions

Scenario: Anti-dumping proceedings have been completed by the Chinese Ministry of Commerce against polysilicon imports from the USA. The anti-dumping proceedings of the EU against Chinese solar companies have been reviewed and extended. WACKER sells polysilicon in China in accordance with the terms of an amicable agreement reached with MOFCOM. Expiration of the agreements between WACKER and the Chinese government and increased restrictions imposed by China.

Impact on WACKER: Negative impact on the company's earnings, net assets and financial position; influence on sales volumes, impact on long-term customer relations.

Measures: By holding numerous discussions with policymakers in the USA and China, we are striving to avoid the imposition of punitive tariffs (US tariffs on Chinese solar modules and cells, as well as Chinese tariffs on polysilicon from the USA) and hence their impact on WACKER's US-made polysilicon. According to Chinese anti-dumping laws, we can also apply to have the tariffs individually reviewed and have their level set, since WACKER has not, in fact, imported any polysilicon yet from the USA to China during the investigation period of the anti-dumping proceedings. We will apply for such a "New Shipper Review" and work together with the Chinese government to avoid a tightening of trade restrictions on polysilicon imports from Europe.

Evaluation: The tariffs on polysilicon imports from the USA to China are in effect until January 2019. In our view, it is not predictable as to whether the US Department of Commerce and the Chinese Ministry of Commerce will reach a new agreement on this issue.

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

New Regulations for Upstream, Intermediate and Downstream Products That WACKER Produces Itself or Uses and Their Effects on Our Production Processes

Scenario: The production and use of chemical substances will be more strictly regulated due to new legal regulations. New legal provisions necessitate changes in WACKER's production processes.

Impact on WACKER: Additional investments in production facilities and revenue losses in individual application fields.

Measures: WACKER continually monitors the regulatory environment surrounding its products and production processes so that it can react promptly to impending changes. This is why we have begun to technologically enhance individual silicone production plants in preparation for possible regulatory changes.

Evaluation: In principle, it is always possible that new legal regulations will make it necessary to modify our product portfolio or production processes.

Risk Assessment: We consider it likely that new legal provisions will require additional investment in our production facilities or changes to our product portfolio. Should such changes occur, the impact on WACKER's earnings would be low, at most.

IT Risks

Scenario: Attacks, system errors and unauthorized access to IT systems and networks, threatening data security.

Impact on WACKER: Negative impact on the company's earnings, net assets and financial position, on production processes and on workflows; loss of know-how.

Measures: We continually monitor our use of information technology and do everything we can to ensure that IT-supported business processes function reliably. Our IT-security and risk-management specialists are responsible for handling hazards in a cost-efficient way. Their work is based on ISO 27001. Using risk analyses, we define the requirements for WACKER's central systems – in terms of availability and data integrity/confidentiality. We anchor these requirements in SLAs (service level agreements) at our business divisions and corporate departments, and continually monitor compliance with those agreements. For our central ERP systems (Enterprise Resource Planning), we set – and exceeded – an availability goal of 99.5 percent for 2015. To achieve such a level, we design our systems for maximum availability, with an associated backup and recovery procedure. We have taken appropriate precautions to cover emergency situations (business continuity management).

We minimize project-related IT risks with the help of a uniform project and quality-management method. It ensures that changes are integrated into our system landscape in a controlled manner. Before new IT solutions are rolled out, we ensure that development and security requirements have been observed. Systematic enterprise-architecture management reduces complexity and risks.

As part of the risk management process, we log and evaluate any operations-related risks that arise and initiate countermeasures. We also optimize IT service management processes on an ongoing basis. We use state-of-the-art hardware and software solutions to counter network downtime, data loss or manipulation, and unauthorized access to our network. We use efficient software security programs to protect ourselves against malware. We have set up an international security team, which addresses problems involving data and system confidentiality, integrity and availability by means of organizational and technical measures and awareness programs. Information events and training on IT security ensure that our employees have the necessary skills to heighten information security at the company. In addition, we regularly conduct comprehensive penetration tests and audits at domestic and international sites to prevent the risk of cyberattacks.

Evaluation: We can never completely rule out system errors and attacks on our IT systems and networks. A long-term failure of IT systems or a major loss of data can considerably impair WACKER's operations.

Risk Assessment: Thanks to our precautionary measures, we consider the occurrence of such events to be unlikely. However, if one of our IT systems experienced downtime, a service disruption or a hacker attack affecting a significant number of users or lasting a longer period of time, there would be a medium impact on Group earnings.

Personnel-Related Risks

Scenario: Demographic change, lack of qualified technical and managerial employees, and problems in filling executive positions.

Impact on WACKER: The lack of technical and managerial employees could dampen our continued growth and lead to the loss of our technological edge.

Measures: We counter these risks through personnel-policy measures. These particularly include our Talent Management Process and the development plans derived from it. In addition, we offer a wide variety of training programs, good social benefits and performance-oriented compensation. We also offer our employees in Germany a wide range of working-time models and arrangements to better balance career demands with the different phases of life.

WACKER has a detailed, groupwide successor-planning process in place for all key positions in the company, including all positions held by executive personnel. For every upper management position, we observe up to three candidates to assess their potential and performance. In successor planning, WACKER distinguishes between short-term needs (up to two years) and medium-term needs (two to four years). In addition, WACKER has appointed deputies for executive personnel in the event of a lengthy absence or illness.

Evaluation: Demographic change will increase the risk of not being able to find sufficiently qualified personnel for technical and managerial positions in the medium to long term.

Risk Assessment: For 2016, we consider the risks to our personnel needs as being low. Should these risks occur, we believe that the impact on Group earnings would be low.

External Risks

Scenario: Pandemic, natural disaster, war or civil war.

Impact on WACKER: Impairment of our entrepreneurial capacity to act, production downtimes, loss of trade receivables, impact on sales and earnings.

Measures: WACKER is a global operation with production facilities and technical centers in Europe, the Americas and Asia, and some 50 sales offices worldwide. Possible pandemics, natural disasters and acts of war in individual countries or regions where we are active represent a potential risk to our business and production operations, product sales and fixed assets and, therefore, to our earnings, net assets and financial position. Our managerial entities and our sites have worked out and publicized plans and measures to minimize the effects of a pandemic on the health of our employees and on our business processes. A standardized and coordinated approach is ensured by a pandemic preparedness plan. The financial impact of damage to our production plants due to natural

disasters is partly covered by insurance. Since WACKER has production sites on various continents, we can ensure manufacturing and delivery capability to some degree even if individual plants should fail.

Evaluation: Risks from pandemics, natural disasters, and acts of war or civil war can never be ruled out entirely.

Risk Assessment: In our view, it is unlikely that WACKER could be affected by risks from pandemics, natural disasters, and acts of war or civil war. Our preparedness plan and our internationally distributed production sites and sales offices help to limit the impact of local or regional damage on our business processes. As a result, we estimate that, even if such events occurred, the impact on WACKER's earnings would be low.

Development of Risks in 2016

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

● Unchanged ▼ Decreased ▲ Increased

Opportunities Report

Opportunity Management System

WACKER's opportunity management system remained unchanged from the previous year. It is a divisional and Group-level instrument. We identify operational opportunities and exploit them in our business divisions, which possess the detailed product and market expertise required. We continuously use market observation and analysis tools to obtain a well-structured analysis of market, industry and competitor data, for instance. In addition, we hold customer interviews to evaluate future opportunities. The monitoring process – how WACKER seizes opportunities – is based on key indicators (such as rolling forecasts and current-status reporting).

Opportunity Management System



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Strategic opportunities of vital importance – such as strategy adjustments, potential acquisitions, collaborations and partnerships – are handled at the Executive Board level. Such opportunities are incorporated into WACKER's annual strategy-development and planning process, with current issues being discussed at regularly scheduled Executive Board meetings. For these issues, we normally use various scenarios to develop risk-opportunity profiles before making decisions.

WACKER has identified a whole range of opportunities for advancing the Group's success over the next few years.

Overview of Business Opportunities

Overall economic opportunities	Growth in Asia and other emerging markets
Sector-specific opportunities	Good product portfolio for megatrends, such as energy, rising affluence, urbanization and digitalization
Strategic opportunities	Expansion of our production capacities
	New high-quality products via innovations
Performance-related opportunities	Higher plant productivity
	Extension of our sales organization and establishment of technical competence centers
	Region-specific product development via complete supply chain for dispersions and dispersible polymer powders

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Overall Economic Opportunities

Although the economic environment is becoming tougher, WACKER sees good opportunities for growth in new markets and sales regions. Our focus here is on Brazil, China, India and the Middle East. As previously, we expect the highest growth rates to be in China, India and Southeast Asia. To seize such opportunities, we are steadily expanding our presence in these markets. Our technical competence centers and the WACKER ACADEMY are pivotal in achieving WACKER's high standard of service and customer proximity.

Sector-Specific Opportunities

Our extensive product portfolio in particular offers sector-specific opportunities by placing us in an excellent position to satisfy global megatrends. These trends remain as important as ever to our business.

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

We see good growth prospects for WACKER SILICONES in the electrical and electronics markets, especially in the fields of lighting and automotive electronics. According to Semicast Research, the global market for electronic components in vehicles will grow by around 8 percent annually until 2020. Digital integration, a prerequisite for autonomous driving systems, is also set to accelerate in the next few years. Management consultants at McKinsey estimate that up to 50 million cars will be digitally integrated by 2025. The electronics required can only be protected reliably with silicone gels and silicone encapsulants. What is more, our products play a key role in the development of innovative safety systems. In partnership with leading automotive suppliers, we are working on developing new driver-assistance and lighting systems based on energy-saving LEDs.

WACKER POLYMERS, too, has potential for growth due to the rising affluence in emerging economies. The move away from conventional building materials and construction methods to higher quality systems will continue. A key aspect here is the use of dispersible polymer powders for modifying cement and gypsum mortars. Through the addition of these polymer powders, mortar mixtures are easier to process, can be applied more thinly and their properties can be substantially improved, too. But, so far, some 80 percent of dry-mix mortars used in the building sector are not modified. In many regions, construction experts have only just started to appreciate the benefits of polymer-modified dry-mix mortars. In particular, we are working on specialty polymer binders for gypsum-based materials for the rapidly growing drywall market. WACKER POLYMERS continues to see potential in its material-substitution business, too.

WACKER BIOSOLUTIONS primarily expects growth opportunities in contract manufacturing of pharmaceutical proteins. With fermenter capacities ranging from 300 to 1,500 liters, we believe that we are well-equipped to cover our customers' entire supply-chain needs, from clinical testing through to supplying the market.

Energy remains a key megatrend, with the photovoltaic industry playing a major part here. The competitiveness of the solar industry compared to other energy sources continues to spur demand for solar installations. All around the globe, the use of renewable energy is increasing. We see growth potential mainly in China, India and the USA. As a producer of hyperpure polysilicon and cost and quality leader, WACKER POLYSILICON will benefit from this megatrend.

Sales Volumes: Opportunities and Risks

Risks	Opportunities
Weaker economic growth in China and the emerging markets	Sales growth driven by products for cosmetics and personal care, electronics and construction
Increased uncertainty due to trouble spots in the Middle East and Ukraine	Strong solar-market growth

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Strategic Opportunities

Thanks to the production-capacity expansion of recent years, WACKER has opportunities for further growth at its business divisions. The investment focus is now shifting, though, toward facilities for the manufacture of downstream products. In the first quarter of 2016 we will continue the start-up process for the new polysilicon site in Tennessee (USA), which will bring fresh production capacities on stream and enable us to tap into further growth on the photovoltaic market. We likewise intend to profit from rising demand for high-grade polymer binders in the construction, paint and surface-coating industries with our new VAE dispersion reactor in Calvert City (Kentucky).

Performance-Related Opportunities

WACKER has a number of options for improving its cost structures, processes and productivity. We have identified scope for cutting costs at WACKER POLYSILICON and Siltronic and are already acting to realize these savings. The various levers for cost reductions include the specific costs for auxiliaries, productivity advances on the manufacturing side, and a broader choice of suppliers for securing more attractive purchasing terms.

At WACKER SILICONES, we are working on optimizing our integrated production network, while increasing the proportion of higher-quality products per metric ton of siloxane. For a number of years now, the Wacker Operating System (wos) program has been helping us to realize further potential savings by optimizing our processes and increasing productivity. Specific energy consumption alone – i.e. amount of energy per unit of net production output – is to be reduced by 11 percent in Germany by 2022.

Executive Board Evaluation of Overall Risk

The Executive Board bases its estimate of the overall risk situation on the risk management system in place. The system compiles all risks identified by our divisions, corporate departments and regional entities, and is regularly reviewed by the Executive Board. The risk related to the Chinese government's anti-dumping proceedings grew as the year progressed. The overall risk has therefore increased compared with a year earlier.

As of this report's publication date, the Executive Board does not see any individual or aggregate risk that could endanger WACKER's future in any material way. Market risks still exist in the photovoltaic industry, which is dominated by overcapacity, low prices and intra-sector consolidation. Despite these risks, we continue to see good opportunities for WACKER to be successful in this market in the medium to long term. We remain confident that WACKER is strategically and financially so well positioned that we can take advantage of any opportunities that arise.