Notes of the WACKER Group

Accounting Principles and Methods

The WACKER Group (WACKER) is a global company with state-of-the-art specialty chemical products. Its business divisions operate in the fields of silicone and polymer chemistry, specialty and fine chemistry, polysilicon production and semiconductor technologies. The activities of the individual segments are explained in the management report.

The Group's parent company, Wacker Chemie AG, is a listed company with headquarters in Munich, Germany. Its address is: Wacker Chemie AG, Hanns-Seidel-Platz 4, 81737 München, Germany.

Wacker Chemie AG is registered under the number HRB 159705 at the Munich District Court. The consolidated financial statements, the combined management report and any other documents subject to disclosure requirements are submitted to the publisher of the online German Federal Bulletin. The consolidated financial statements and the combined management report for the WACKER Group and Wacker Chemie AG can also be viewed on the WACKER website. www.wacker.com/annual-report

The declaration concerning the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) has been submitted and made accessible to the shareholders on WACKER's website. www.wacker.com/corporate-governance

Wacker Chemie AG's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), and the supplementary rules in Section 315 a (1) of the German Commercial Code (HGB). The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are applicable to the current fiscal year have also been applied.

The fiscal year corresponds to the calendar year. Assets and liabilities are reported in the statement of financial position in line with their maturities. The Group classifies assets and liabilities as current if it expects to realize or settle them within 12 months of the reporting date. The statement of income is prepared using the cost-of-sales method. To improve the clarity of presentation, various items in the statement of income and the statement of financial position have been combined. These items are shown and explained separately in the Notes.

The Group's functional currency is the euro. All amounts are shown in millions of euros (€ million) unless otherwise stated. There may be slight deviations in the additions as all amounts have been rounded up to the nearest whole number after the decimal point.

Material events occurring after the balance sheet date are described in detail in the supplementary report, which forms part of the Group management report. The Executive Board of Wacker Chemie AG authorized the consolidated financial statements on February 29, 2016. They will be submitted to and approved by the Supervisory Board at its meeting on March 8, 2016.

Change in Presentation

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

New Accounting Standards

Accounting Standards Applied for the First Time in 2015

Standard/ Interpretation		Mandatory from	Endorsed by EU	Anticipated Impact on WACKER
IFRIC 21	Levies	Jan. 1, 2015	June 13, 2014	IFRIC 21 “Levies” contains rules for the recognition of obligations to pay public levies that are not defined as taxes within the meaning of IAS 12 “Income Taxes.” Application of this interpretation may result in an obligation to pay a levy being recognized in the accounts at a different point in time than previously, especially if the obligation to pay arises only if certain circumstances occur at a certain time. The amendments in connection with IFRIC 21 have no impact on the earnings, net assets or financial position presented in WACKER’s consolidated financial statements.
Improvements to IFRS (2011–2013)		July 1, 2014	Dec. 18, 2014	The amendments affect IFRS 1, IFRS 3, IFRS 13 and IAS 40. Their application has no substantial impact on WACKER’s earnings, net assets or financial position.

Accounting Standards/Interpretations Not Applied Prematurely

The International Accounting Standards Board (IASB) has published the following standards, interpretations, and changes to existing standards of which the application is not yet mandatory and which WACKER is not applying earlier than required. Only those standards that are relevant to WACKER are mentioned. WACKER continually evaluates every new standard to determine its impact on the consolidated financial statements.

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

Standard/ Interpretation		Publication by IASB	Mandatory from	Endorsed by EU	Anticipated Impact on WACKER
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	Nov. 24, 2015	This amendment clarifies that the acquisition and accumulation of interests in joint operations that represent a business (as defined by IFRS 3 “Business Combinations”) should be recognized by applying the accounting principles for business combinations in IFRS 3 and other applicable IFRSs, unless these conflict with IFRS 11. This clarification currently has no impact on WACKER’s earnings, net assets or financial position, or on the presentation of its financial statements.
Amendments to IAS 1	Disclosure Initiative	Dec. 18, 2014	Jan. 1, 2016	Dec. 18, 2015	The amendments concern various reporting issues and clarify that information which is not material need not be disclosed in the notes. This explicitly also applies if an IFRS requires a list of minimum information. Additionally included are explanations of aggregation and disaggregation of items in the balance sheet and statement of comprehensive income. The amendments also clarify how shares in other comprehensive income arising from equity-accounted investments are presented in the statement of comprehensive income. Furthermore, they propose changing the standard structure of the notes in order to enhance their understandability and comparability. The clarification has no impact on WACKER’s earnings, net assets or financial position, nor any substantial impact on the presentation of its financial statements.
Improvements to IFRS (2010–2012)		Dec. 12, 2013	Feb. 1, 2015	Dec. 17, 2014	The amendments affect IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. Their application has no substantial impact on WACKER’s earnings, net assets or financial position.
Improvements to IFRS (2012–2014)		Sept. 25, 2014	Jan. 1, 2016	Dec. 15, 2015	The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34. Their application has no substantial impact on WACKER’s earnings, net assets or financial position.

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

Standard / Interpretation		Publication by IASB	Effective Date	Endorsed by EU	Anticipated Impact on WACKER
IFRS 9	Financial Instruments	July 24, 2014	Jan. 1, 2018	Expected in first half of 2016	In addition to the recognition and measurement of financial assets, the updated version of IFRS 9 contains new stipulations for accounting impairments of financial assets and revised requirements for the classification and measurement of financial instruments as part of hedge accounting. In the future, financial assets will be measured either at amortized cost or at fair value, depending on the business model of the company in question. The classification model for financial liabilities will be retained. The recognition of impairments will change fundamentally; not only will it be necessary to recognize credit losses actually incurred, but also those expected to be incurred. The goal of the new hedge accounting model under IFRS 9 is to better reflect risk management activities in the financial statements. Cash flow hedge accounting, fair value hedge accounting and hedging of a net investment in a foreign operation remain admissible hedging relationships. In each case, the number of qualifying underlying and hedging transactions was extended. At the moment, WACKER cannot conclusively assess what impacts the first-time application of this standard will have on its earnings, net assets or financial position, or on the presentation of its financial statements.
IFRS 16	Leases	Jan. 13, 2016	Jan. 1, 2019	tbc	In accordance with this standard, almost all lease contracts and the associated contractual rights and liabilities are recognized in the statement of financial position. A lease liability is to be recognized for the payment obligations associated with every lease. At the same time, a right of use for the leased asset is capitalized in an amount corresponding to the present value of the future lease payments. This right is amortized while the lease liability is reduced over the lease term by repayments and accrued interest. Accounting relief is granted for short-term leases and assets of low value. WACKER has not yet evaluated the impact of the new standard, but we assume that lease liabilities will rise considerably. That will lead to an increase in financial liabilities and the amount of intangible assets recognized.
Amendments to IAS 12	Income Taxes	Jan. 19, 2016	Jan. 1, 2017	tbc	The amendment contains details on deductible temporary differences and their assessment. This amendment also clarifies how to estimate future taxable profits for the measurement of deferred tax assets. It has no impact on WACKER's earnings, net assets or financial position. The clarifications will, however, be relevant when the asset value of deferred tax assets is being assessed in WACKER's consolidated financial statements.

Standard/ Interpretation		Publication by IASB	Effective Date	Endorsed by EU	Anticipated Impact on WACKER
Amendments to IAS 7	Statement of Cash Flows	Jan. 29, 2016	Jan. 1, 2017	tbc	The amendments are intended to improve the presentation of the company's changes in net debt. These amendments propose a reconciliation between the opening and closing balances for liabilities arising from financing activities. WACKER expects a more detailed disclosure of information in the statement of cash flows. There will be no major changes in the Group's earnings, net assets or financial position.
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2018	Expected in Q2 2016	IFRS 15 sets out that an entity shall recognize revenue whenever the customer obtains control of, and can draw an economic benefit from, the promised goods and services. The transfer of significant risks and rewards of ownership is no longer of primary importance, as was still the case under the old IAS 18 "Revenue" rules. Revenue must be recognized in an amount that reflects the consideration to which an entity expects to be entitled. The new model provides a five-step framework for recognizing revenue, which first identifies the contract with a customer and the performance obligations it entails, and then determines and allocates the transaction price. The revenue must be recognized for each individual performance obligation when the customer obtains control of the good or service. WACKER will evaluate the new standard to determine its impact on the recognition of revenue in 2016. The effects cannot be assessed at present. The new standard will result in broader disclosure details in WACKER's financial statements.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	Sept. 11, 2014	Postponed	Postponed – awaiting IASB exposure draft	In accordance with these two revised standards, the investor's gain or loss must always be recognized in full if a transaction constitutes a business as defined in IFRS 3. If this is not the case and the transaction concerns assets that do not constitute a business, the gain or loss is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The application of these two revised standards currently has no impact on WACKER's earnings, net assets or financial position.

Scope of Consolidation

The consolidated financial statements include the financial statements of Wacker Chemie AG and its subsidiaries, as well as joint operations, joint ventures and associates.

Subsidiaries are defined as companies in which Wacker Chemie AG has existing rights that give it the current ability to direct the relevant activities. Thus, control only exists when Wacker Chemie AG or one of its subsidiaries is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Usually, the possibility of control depends on Wacker Chemie AG directly or indirectly holding a voting majority. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Structured entities are also consolidated if the economic substance of the relationship indicates the existence of control. A structured entity serves a specific business purpose. Structured entities have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the relevant activities are directed by means of contractual arrangements that cover a narrow and well-defined objective.

Joint operations and joint ventures are based on joint arrangements. A joint arrangement exists if the WACKER Group contractually agrees to share control with a third party to jointly direct activities. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to its attributable assets and liabilities from its obligations. The assets, liabilities, income and expenses from joint operations are included in the consolidated financial statements on a pro rata basis in accordance with the WACKER Group's rights and obligations. In the case of joint ventures, the parties that have joint control of the joint arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Currently, no joint operations are accounted for in the consolidated financial statements.

Associates in which Wacker Chemie AG generally exercises significant influence due to ownership of 20–50 percent are likewise accounted for using the equity method.

If joint ventures and associated companies have their own subsidiaries, these are not included in the table below.

Companies in which Wacker Chemie AG has a shareholding of less than 20 percent or does not exercise significant influence are shown as other investments under noncurrent financial assets.

Number	Germany	Rest of Europe	The Americas	Asia	Other regions	Total
Fully consolidated subsidiaries (incl. parent company)						
Jan. 1, 2015	15	13	5	17	2	52
Additions	–	–	1	–	1	2
Disposals and mergers	–1	–	–	–	–	–1
Dec. 31, 2015	14	13	6	17	3	53
Companies consolidated using the equity method						
Jan. 1, 2015	–	–	–	3	–	3
Dec. 31, 2015	–	–	–	3	–	3
Non-consolidated affiliated companies						
Jan. 1, 2015	1	–	–	–	–	1
Dec. 31, 2015	1	–	–	–	–	1
Total						
Jan. 1, 2015	16	13	5	20	2	56
Additions	–	–	1	–	1	2
Disposals and mergers	–1	–	–	–	–	–1
Dec. 31, 2015	15	13	6	20	3	57
Structured entities						
Jan. 1, 2015	1	–	–	–	–	1
Dec. 31, 2015	1	–	–	–	–	1

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

Change in the Scope of Consolidation

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

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

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

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

A total of 14 domestic and 42 foreign companies were included in the consolidated financial statements.

As it had no substantial impact on the Group's earnings, net assets or financial position, the W.E.L.T. Reisebüro GmbH subsidiary was not consolidated. In 2014, both its sales and its total assets were below €0.5 million. This subsidiary, in which WACKER holds a 51-percent stake, is valued at cost under noncurrent financial assets.

Apart from directly or indirectly controlled companies, WACKER consolidates one structured entity where its influence amounts to control as defined in IFRS 10. This is a special trust to which Wacker Chemie AG has contributed funds. This trust fund was established exclusively for WACKER, and all shares in the fund are held by WACKER. Contractual provisions of this fund qualify it as a structured entity as defined in IFRS 10.

Legal, contractual or regulatory restrictions and protective rights concerning non-controlling interests can limit the Group in its ability to retain access to assets, transfer these to or from other companies unhindered within the Group and to settle Group debts. The distribution of dividends can be limited by the prioritization of retirement of shareholder loans. At the reporting date, there were no significant restrictions due to protective rights to the benefit of non-controlling interests. For more information, please refer to Note 12 (Equity/Non-Controlling Interests/Capital Structure Management).

In certain countries, regulatory requirements or local corporate-law stipulations can limit the Group's ability to transfer assets to or from other companies within the Group. Cash and cash equivalents are subject to local foreign-exchange restrictions in some Asian and South American countries. Capital may be exported from such countries only with prior approval from government authorities and by means of capital measures (dividends, capital reductions). There are no other significant limitations on assets utility within the Group.

Consolidation Methods

The consolidated financial statements are based on the separate financial statements of Wacker Chemie AG and its consolidated subsidiaries, joint arrangements and structured entities. The balance sheet date for all of these companies is December 31.

All key reporting data of these companies was audited by independent auditors prior to inclusion in the consolidated financial statements.

First-time consolidation is carried out in accordance with the purchase method, by setting off the acquisition cost against the Group's share in the equity of the consolidated subsidiaries at the time of their acquisition or first inclusion in the consolidated financial statements. The consolidated subsidiaries' equity is calculated on the basis of all identifiable assets, liabilities and contingent liabilities, while all items in the statement of financial position are measured at fair value. Any positive difference between the subsidiary's acquisition cost and the pro rata equity ascertained in this way is capitalized as goodwill and subjected to an annual impairment test. Any negative difference is recognized directly as income. The capital consolidation is carried out by setting off the carrying amounts of the investments against the proportional equity of the subsidiaries.

Investments accounted for using the equity method are initially measured at cost when the acquisition is made. If the cost exceeds the pro rata share of equity, the difference (goodwill) is included in the carrying amount of the investment. The carrying amount has to be tested for possible impairment losses as of the balance sheet date. If the cost is lower than the share of equity at the time of acquisition, this difference is included in the carrying amount and recorded in the statement of income as income from investments in joint ventures and associates. The carrying amounts for these companies are increased or decreased annually to reflect their pro rata earnings, dividend payouts or other changes in equity. If there is any indication that the value of the investment has been permanently reduced, an impairment is recognized through profit or loss. Long-term interests that, in substance, form part of the investor's net investment in the entity are included in the statement of changes in equity.

Interim results, sales, expenses, income, receivables and liabilities between the consolidated companies, as well as pro rata profits and losses resulting from transactions with associated companies, are eliminated. For those consolidation entries which affect income, the income tax effect is taken into account and deferred taxes are included.

Estimates and Assumptions Used in Consolidation

Various judgments can be made whenever it is necessary to evaluate whether control, common control or significant influence exists for entities in which WACKER holds less than 100 percent of the voting rights. Primarily in cases where WACKER holds 50 percent of the voting rights, it must be assessed whether there are additional contractual rights or, in particular, factual circumstances that could result in WACKER having the right to make decisions regarding the potential subsidiary, or whether common control exists. If common control exists, a distinction must be made between a joint operation and a joint venture. This distinction depends on whether WACKER has direct rights to assets or whether rights to the net assets of the entity exist. In this regard, WACKER must take into consideration the structure and legal form of the entity, the contractual agreements and other circumstances.

Changes to the contractual agreements or factual circumstances are monitored and assessed in terms of their possible impact on the evaluation of whether control or common control exists.

Acquisitions

Acquired businesses are accounted for using the purchase method, which requires that the assets acquired and liabilities assumed be recorded at their respective fair values applicable on the date that WACKER gains control.

The determination of the fair values requires certain estimates and assumptions, especially concerning the acquired intangible assets and property, plant and equipment, as well as the liabilities assumed and the useful lives of the acquired intangible assets, property, plant and equipment.

Measurement is based to a large extent on anticipated cash flows. If actual cash flows vary from those used in calculating fair values, this may affect future net income.

For significant acquisitions, the purchase price allocation is carried out with assistance from independent third-party valuation specialists. The valuations are based on information available at the acquisition date.

Acquisitions and Majority Takeovers in Fiscal 2015

No acquisitions or majority takeovers were carried out in 2015.

Foreign Currency Translation

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

The financial statements of consolidated companies that are prepared in foreign currencies are translated on the basis of the functional currency principle using the modified reporting date rate method, in which balances are translated from the functional currency to the reporting currency using the average rates of exchange prevailing on the balance sheet date, while income statement amounts are translated using the average exchange rates of the period. As the Group's subsidiaries conduct their business from an autonomous financial, economic and organizational point of view, their functional currencies are basically identical to the respective local currency. Any net gains or losses arising from the translation of equity are recognized directly in equity under other equity items. Translation differences resulting from divergent exchange rates in the statement of income are likewise included there. If Group companies are removed from the scope of consolidation, any translation difference is reclassified from equity to profit or loss.

The exchange rates between the most important currencies reported in these financial statements and the euro were as follows:

	ISO code	Exchange rate as of		Average exchange rate	
		Dec. 31, 2015	Dec. 31, 2014	**2015**	2014
US dollar	USD	**1.09**	1.22	**1.11**	1.33
Japanese yen	JPY	**131.41**	145.35	**134.27**	140.50
Singapore dollar	SGD	**1.54**	1.61	**1.52**	1.68
Chinese renminbi	CNY	**7.09**	7.54	**6.97**	8.18

Estimates and Assumptions Used in Preparing Consolidated Financial Statements

The preparation of the consolidated financial statements in compliance with IFRS necessitates assumptions and estimates affecting the amounts and the reporting of the recognized assets and debts, income and expenses, and contingent liabilities. These assumptions and estimates comply with the conditions and appraisals prevailing on the balance sheet date. In this regard, they also impact the amount of income and expenses reported on for the fiscal years in question. The assumptions on which the estimates are based relate primarily to the uniform determination of useful lives throughout the Group, the ascertainment of fair values of financial instruments, the recognition and measurement of provisions, the realizability of future tax benefits, and assumptions made in connection with impairment tests and purchase price allocations.

In individual cases, the actual values may differ from the assumptions and estimates that were made. Changes in value are recognized as soon as they become apparent and affect the net results for the period when the change occurred and, if applicable, in future reporting periods.

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

The expected useful life of intangible assets and of property, plant and equipment, together with their amortization/depreciation schedules, are based on past experience, plans and estimates. This includes estimates of the period and allocation of future cash inflows derived from the investments made, as well as future technical advancements and ongoing replacement and development cycles. The carrying amount of intangible assets and property, plant and equipment was €4.83 billion (2014: €4.35 billion). An amount of €21.2 million (2014: €20.5 million) was recognized in the statement of financial position for investments in associates accounted for using the equity method.

Impairment tests are performed for assets if specific indicators point toward a possible impairment loss or reversal of an impairment loss. In the case of a possible impairment, an estimate must be made of the recoverable amount of the affected asset that corresponds to the higher of either the fair value less costs to sell or the value in use. When determining the recoverable amount during the impairment test, it is necessary to make estimates based on share prices, on prices of comparable transactions, or on the net present value method or other valuation methods or combinations thereof. That, in turn, calls for estimates and assessments by management. To ascertain the value in use, the discounted future cash flows of the affected asset must be determined. The estimate of the discounted future cash flows contains significant assumptions such as, in particular, those regarding future selling prices and sales volumes, costs, and discount rates. Although WACKER is assuming that the estimates of the relevant expected useful lives and of discounted future cash flows, as well as the assumptions regarding the general economic conditions and the development of the economic sectors are reasonable, a change in the assumptions or circumstances might necessitate a change in the analysis. This could result in significant deviations from the figures posted, which may lead to additional impairments or reversals of impairment losses. See Note 4

Provisions

Significant risks inherent in environmental protection provisions and in provisions for damages and onerous contracts are possible changes in future cost/benefit estimates, changes in the likelihood of their utilization, and enhanced statutory rules concerning the elimination and prevention of environmental damage. Changes in the discount rate also lead to changes when determining noncurrent provisions. The current environment of low interest rates leads to increases in the carrying amount of noncurrent provisions. The carrying amount of provisions for environmental protection was €79.9 million (2014: €69.0 million) and for sales/purchasing €60.7 million (2014: €43.5 million), while the carrying amount of sundry other provisions was €58.9 million (2014: €71.7 million). See Note 14

Pensions and similar obligations are accounted for in accordance with actuarial valuations, which are based on statistical and other factors in order to anticipate future events. The factors include the discount rate, expected salary and pension increases, the mortality rate and rate increases for preventive healthcare. If market and economic conditions change, these assumptions could vary considerably from actual developments, consequently leading to major changes in pension and similar obligations, as well as the associated future expenses. In particular, the current environment of low interest rates had an impact on the carrying amount of pension provisions, which came to €1.61 billion (2014: €1.76 billion). See Note 13

The pension-obligation amount is valued by discounting the WACKER-specific, expected future cash flows. The discount rate is derived from the yield curve of high-grade, fixed-interest corporate bonds with maturities matching the pension obligations, as calculated at the balance sheet date. The bonds are all denominated in the same currency as their underlying pension obligations and have a rating of at least AA from one of the three major rating agencies. In Germany, the basis is a bond portfolio determined as of the closing date using Bloomberg and with a maturity that nearly matches the maturity of the pension obligation.

Provisions for uncertain tax positions are established whenever the probability of their occurrence exceeds 50 percent. WACKER reassesses contributions to provisions for uncertain tax positions annually, based on past experience.

Deferred Taxes

At the end of each reporting period, the Group assesses whether the probability of future tax benefits being realized is sufficient to recognize deferred tax assets. Among other things, this requires that management evaluate the tax benefits resulting from currently available tax strategies and future taxable income, as well as taking additional positive and negative factors into account. In the case of companies that have posted tax losses in the past, deferred tax assets are capitalized only in exceptional cases if substantial indications of their realization exist. The carrying amount of deferred tax assets recognized in the statement of financial position amounted to €321.4 million (2014: €334.3 million).

Accounting and Valuation Methods

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

The accounting methods correspond to those used for the last consolidated financial statements as of the end of the previous fiscal year. They have been supplemented by new accounting standards to be applied for the first time in the reporting year. There may be limits to comparability in the case of significant acquisitions of fully consolidated companies. If this is the case, this topic is dealt with in the explanation of the scope of consolidation. Where prior-year figures have been substantially adjusted, explanations are provided in the relevant Notes and the figures are restated in the section entitled "Changes in Accounting and Valuation Methods."

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

Financial instruments are recognized at fair value, while other assets and liabilities are disclosed at fair value in the notes to the financial statements. The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Calculation of the fair value of financial instruments may require making extensive estimates. The level of estimates is determined by the extent to which non-observable input parameters are taken into account. When calculating fair value, WACKER strives to include as many observable input parameters as possible and to keep the use of non-observable factors to a minimum. Various factors determine whether the value of an input parameter is observable or not, including the type of financial instrument in question, the existence of a market for the instrument, specific features of the transaction, liquidity and general market conditions. If the fair value cannot be reliably determined, the carrying amount is taken as an approximate value to determine fair value.

In accordance with IFRS 13, financial instruments that are measured or recognized at fair value in the consolidated financial statements must be measured and classified according to the fair value hierarchy. This hierarchy consists of three levels, to which the input parameters are assigned in accordance with the extent to which they are observable during the corresponding measurement process.

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

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

Cost of goods sold shows the costs of the products, merchandise and services sold. In addition to directly attributable costs, such as material costs, personnel expenses and energy costs, it includes indirect costs including depreciation and inventory writedowns. This item also includes the cost of outward freight.

Selling expenses include costs incurred by the sales organization and the cost of advertising, market research, and application support on customers' premises. This item also includes commission expenses.

Research and development expenses include costs incurred in the development of products and processes. Research costs in the narrow sense are recognized as expenses when they are incurred, and are not capitalized. Development costs are capitalized only if all the prescribed recognition criteria have been met, the research phase can be separated clearly from the development phase, and the costs incurred can be allocated to the individual project phases without any overlaps. Additionally, there must be sufficient certainty that future cash inflows will take place.

General administrative expenses include the pro rata payroll and material costs of corporate control functions, human resources, accounting and information technology, unless they have been charged as an internal service to other cost centers and thus, in certain circumstances, to other functional areas.

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

Intangible assets acquired against payment are measured at cost and, if their useful lives can be determined, are amortized on a straight-line basis. The useful life is taken to be between three and 15 years unless otherwise indicated, e.g. by the life of a patent. The useful life is reviewed annually and, if necessary, revised to correspond to new expectations. Amortization of intangible assets (apart from goodwill) is allocated to the functional areas that use the assets. Intangible assets with indefinite useful lives undergo an annual impairment test. At present, no intangible assets with indefinite useful lives have been capitalized.

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

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

Property, plant and equipment is capitalized at cost and depreciated on a straight-line basis over its expected economic life. The useful life is reviewed annually and, if necessary, revised to correspond to new expectations. In addition to the purchase price, acquisition costs include incidental acquisition costs as well as any costs incurred in the demolition, dismantling, and/or removal of the asset in question from its site and in the restoration of that site. Any reductions in the price of acquisition reduce the acquisition costs. No revaluation on the basis of the provisions in IAS 16 is performed for property, plant and equipment. Day-to-day maintenance and repair costs are expensed as incurred. Costs for replacing parts or carrying out major overhauls of property, plant and equipment are capitalized if future economic benefits are likely accrue to the Group and if the costs can be measured reliably.

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

Financing costs that were incurred in connection with particular, qualifying assets and which can be attributed directly or indirectly to them are capitalized as part of acquisition or production costs until the assets are used for the first time. In addition, financing costs are not reported as part of acquisition or production costs. WACKER accounts for financing costs in accordance with IAS 23 (Borrowing Costs) if they concern major, long-term investments in production plants.

The cost of **internally generated assets** includes all costs directly attributable to the production process as well as an appropriate portion of the production-related overheads.

If **property, plant and equipment is permanently shut down, sold or given up**, the acquisition or production costs are derecognized, along with the corresponding accumulated depreciation. Any resulting gain or loss from the difference between the sale proceeds and the residual carrying amount is recognized under other operating income or expenses.

Property, plant and equipment also includes assets relating to leasing transactions. Items of property, plant and equipment financed by means of **finance leases** are recognized at fair value at their time of addition, unless the present values of the minimum lease payments are lower. The assets are depreciated on a straight-line basis over the expected useful life or the contractual term, if shorter. The obligations resulting from future lease payments are recognized under financial liabilities. The lease installments to be paid are split up into a redemption component and an interest component, in accordance with the effective interest method.

Depreciation of property, plant and equipment is generally based on the following useful lives:

in years	Useful life
Production buildings	10 to 40
Other buildings and similar rights	10 to 30
Technical equipment and machinery	6 to 12
Motor vehicles	4 to 10
Factory and office equipment	3 to 12

If, having been measured in accordance with the above principles, the carrying amounts of intangible assets or items of property, plant and equipment that were amortized or depreciated are higher than their recoverable amounts as of the reporting date, corresponding **impairment losses** are recognized as an expense.

The impairment is tested when relevant events or changes in circumstances indicate that it might no longer be possible to realize the net carrying amount. At the end of every reporting period, WACKER checks whether there are triggering events for recognizing (or reversing) impairments. An impairment loss is then recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of either the fair value less costs to sell or the value in use. The value in use results from the present value of the estimated future cash flows from the use of the asset. In order to assess this value, pre-tax interest rates are used that have been adjusted to reflect the segment-specific risk. In order to determine the cash flow, assets are combined at the lowest level for which cash inflows can be identified separately (cash-generating units). If the reasons for recognizing impairments no longer exist, impairment losses are reversed as required. The revised amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized. Impairments are reported under other operating expenses and reversals of impairment losses under other operating income.

Like property, plant and equipment, **investment property** is measured in accordance with the cost model. Investment property consists of land and buildings that are held to earn rental income or for capital appreciation, and not for use in captive production, for the supply of goods or services, for administrative purposes or for sale in the normal course of business. The fair value of this property is regularly measured through external property valuations.

Leasing transactions are classified either as finance leases or as operating leases. Assets used under an operating lease are not capitalized. Lease payments to be made are recognized in profit or loss in the period in which they fall due. A finance lease is a leasing arrangement in which essentially all of the risks and rewards inherent in the ownership of the property are transferred to the lessee. Assets used under a finance lease are recognized at the present value of the minimum lease payments. Leasing contracts can be embedded within other contracts. If there is a separation obligation for an embedded leasing arrangement in accordance with IFRS rules, the contractual components are separated, and recognized and measured according to the respective rules.

Shares in non-consolidated affiliated companies and investments are measured at cost, unless divergent market values are available. Changes in market values are posted to the statement of income upon realization through disposal or if the market value falls below the acquisition cost. Loans are measured at amortized cost, except for non-interest-bearing and low-interest loans, which are recognized at their present value.

Additionally, an impairment test is carried out in the presence of corresponding indications and, where necessary, an impairment is recognized. The recoverable amount is determined in accordance with IAS 36 regulations. Impairment losses are reported in the result from investments in joint ventures and associates.

Investments in joint ventures and associates are accounted for using the equity method, with the carrying amount generally reflecting the Group's pro rata share of equity. Pro rata net results are posted to the consolidated income statement, and the carrying amount is increased or decreased accordingly. Any changes in equity recognized directly in the investee's equity are also recognized directly in equity in the consolidated financial statements. Dividends paid by joint ventures and associates reduce their equity and, therefore, reduce the carrying amount without affecting profit. If a joint venture or associate faces losses that have exhausted its equity, the carrying amount of the investment is written off in full in the consolidated statement of financial position. Further losses are taken into account only if there are noncurrent unsecured receivables against the company or the Group has entered into additional obligations or made payments for the company. The carrying amount is not increased until the loss carryforward has been set off and the equity is positive again.

Additionally, an impairment test is carried out in the presence of corresponding indications and, where necessary, an impairment is recognized. The recoverable amount is determined in accordance with IAS 36 regulations. Impairment losses are reported in the result from investments in joint ventures and associates.

A **financial instrument** is a contract that gives rise to a financial asset at one company and a financial liability or equity instrument at another company. Financial instruments are recognized in the consolidated financial statements at the time that WACKER becomes a contracting party to the financial instrument.

However, in the case of purchases or sales on usual market terms (purchase or sale within the framework of a contract of which the terms require delivery of the asset within the time frame generally established by regulations or conventions prevailing on the market in question), the settlement date – i.e. the date on which the asset is delivered to or by WACKER – is relevant for initial recognition and derecognition. In general, financial assets and financial liabilities are not netted. A net amount is presented in the statement of financial position if, and only if, the entity currently has a right to net the recognized amounts and intends to settle on a net basis. Where financial instruments are combined, borrowed capital and equity components are separated and shown separately by the issuer.

Financial instruments are measured at **fair value** on initial recognition. The transaction costs directly attributable to the acquisition must be taken into account for all financial assets and liabilities not subsequently measured at fair value through profit or loss. The fair values recognized in the statement of financial position generally correspond to the market prices of the financial assets and liabilities. If these are not immediately available, they must be calculated using standard valuation models on the basis of current market parameters.

The fair value of financial instruments is generally equal to the amount the Group would receive or pay if it exchanged or settled the financial instruments on the balance sheet date. If available, quoted market prices are used for financial instruments. Otherwise, fair values are calculated based on the market conditions prevailing on the reporting date – interest rates, exchange rates, commodity prices – using average rates. The fair value is calculated using financial-mathematical methods, e.g. by discounting future payment flows using the market interest rate or by applying recognized option-pricing models. The fair values of some derivatives are based on external valuations by our financial partners.

Financial assets at WACKER comprise, in particular, cash and cash equivalents, trade receivables, loans granted and other receivables, held-to-maturity financial investments, and primary and derivative financial assets held for trading. WACKER makes no use of the option to measure financial assets at fair value through profit or loss on initial recognition.

Financial liabilities must generally be settled using cash or another financial asset. Financial liabilities include, in particular, the Group's own bonds and other securitized liabilities, trade payables, liabilities to banks, finance lease payables, promissory notes (German Schuldscheine) and derivative financial liabilities. WACKER makes no use of its option to measure financial liabilities at fair value through profit or loss on initial recognition.

The manner in which financial assets and liabilities are subsequently measured depends on whether a financial instrument is held for trading or until it matures, whether such a financial instrument is available for sale, or whether the financial assets concerned are loans granted by the company and receivables owed to it.

Financial instruments held for trading are measured **at fair value through profit or loss**. This category also includes all derivative financial instruments that do not qualify for hedge accounting.

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

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

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

If the fair value of available-for-sale financial assets falls below the acquisition costs or there are objective signs that an asset's value has been impaired, the cumulative loss recognized directly in equity is reversed and shown in the statement of income. The company bases its assessment of possible impairments on all available information, such as market conditions and prices, investment-specific factors, and the duration and extent of the drop in value below acquisition costs. Impairments affecting a debt instrument are reversed in subsequent periods, provided that the reasons for the impairment no longer apply. When the financial instruments are disposed of, the cumulative gains and losses recognized in equity are included in the statement of income.

Derivative financial instruments are used for hedging purposes with the sole aim of reducing the Group's exposure to foreign-currency exchange rates, interest rates, and commodity price risks arising from operating activities and the resultant financing requirements.

Where derivative financial instruments are used to hedge risks stemming from future payment flows and items in the statement of financial position, IAS 39 permits special hedge-accounting regulations to be applied under certain circumstances. In this way, volatility in the statement of income can be reduced. Depending on the type of underlying transaction designated as a hedged item, a distinction is made between a fair value hedge, a cash flow hedge and a hedge of a net investment in a foreign operation.

Derivative financial instruments are recognized as of the trade date. They are always measured at fair value, irrespective of the purpose or intention for which they were concluded. Positive market values are recognized as receivables and negative market values as liabilities.

Changes in the market value of financial instruments used to limit the risk of lower future cash inflows or higher cash outflows from assets and liabilities recognized in the statement of financial position (cash flow hedges) are recognized under other equity items, also taking account of any related tax effects, provided the efficiency of those instruments is adequate and documented. The profit contribution of the hedging instrument is not released to the statement of income until the hedged item is realized. If such a derivative is sold or the hedging relationship is discontinued, the change in its value continues to be reported under other equity items until the underlying transaction occurs. Steps taken to hedge the risk of changes in the market values of recognized assets or liabilities, or to hedge unrecognized fixed contractual obligations, lead to fair value hedges. Changes in fair values are recorded for both the hedged underlying transaction and the derivative financial instruments used for hedging, and are presented in the statement of income. At the moment, WACKER does not hedge any net investments in foreign operations.

Contracts concluded in order to receive or deliver non-financial goods for the Group's own use are not accounted for as derivatives, but treated as pending transactions.

Changes in the values of forward exchange contracts and currency options are reflected in other operating income and expenses, while changes in the value of interest rate swaps and interest rate options are recognized in net interest income. Changes in foreign exchange derivatives concluded to hedge financial liabilities assumed in foreign currencies are posted under other financial result. Changes in the fair value of commodity futures and commodity options are recognized under cost of goods sold. The hedging of planned transactions in foreign currencies is included in other operating income and expenses. The expenses and income are not netted.

Inventories are measured at cost using the average cost method. Lower net realizable values or prices as of the balance sheet date are taken into account by means of impairments to fair value less costs to sell. The cost of goods sold includes directly attributable costs, appropriate portions of indirect material and labor costs, and straight-line depreciation. Due to the relatively short-term production processes, financing costs are not included as part of acquisition or production costs. The overhead cost markups are determined on the basis of average capacity utilization. Value adjustments are recognized for inventory risks resulting from extended periods of storage and reduced usability and to reflect other reductions in the recoverable amount. In the statement of income, the cost of unused production capacity is also included in the cost of goods sold. For production-related reasons, unfinished and finished goods are combined and reported under products. Inventories also include spare parts for the day-to-day maintenance of production facilities. They, too, are measured according to their periods of storage and potential usability.

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

Trade receivables and other financial and non-financial assets, including income taxes paid (but excluding financial derivatives), are recognized at amortized cost. Risks are taken into account through appropriate valuation allowances. Valuation allowances for uninsured receivables – or for the deductible in the case of insured receivables – are made whenever collection of such receivables is assessed to be no longer probable according to information available. If payment of a receivable is no longer expected under the factual and legal circumstances, the gross receivable is derecognized and any valuation allowances made are reversed. Expenses from valuation allowances and derecognition are reported under other operating expenses. Changes in income tax receivables are posted under income taxes in the statement of income. Noncurrent receivables that are non-interest-bearing or low-interest-bearing are discounted. WACKER is not a contractor for long-term production orders.

Receivables from finance lease agreements where WACKER acts as the lessor are reported under other assets. The gross value of the outstanding lease payments, less unrealized interest earnings, is capitalized as a receivable. The lease installments received are apportioned to the interest amount and the repayment amount of the outstanding receivable in such a way that the interest amount reflects a constant rate of interest on the outstanding receivable. The interest amount is reported under net interest income in the statement of income.

Cash and cash equivalents comprise cash in hand, demand deposits, and financial assets that can be converted into cash at any time and are subject to only slight fluctuations in value. They have a residual term of up to three months when received and are measured at amortized cost, which is equivalent to their nominal values.

Deferred tax assets and liabilities are recognized for temporary differences between tax bases and carrying amounts, and for consolidation measures recognized in the statement of income. The deferred tax assets include tax relief entitlements resulting from the anticipated use of existing loss carryforwards in future years, the realization of which is assured with sufficient probability. Deferred taxes are determined on the basis of the tax rates which, under current law, are applicable or anticipated in the individual countries when they are realized. The deferred tax assets and liabilities are netted out only to the extent possible under the same tax authority. Deferred tax assets and liabilities are recognized in the statement of income. In cases where profits or losses are recognized directly in equity, the deferred tax asset or liability is likewise posted under other equity items.

Provisions for pensions are recognized in accordance with the projected unit credit method. This method takes account not only of pensions and entitlements to future pensions known as of the balance sheet date, but also of estimated increases in salaries and pensions. Moreover, the calculation is based on actuarial valuations and takes account of biometric and financial calculation principles. The plan assets at fair value are subtracted from the present value of the pension obligations, resulting in either a net pension liability or the assets of the defined benefit plans. If the fund's assets exceed the obligation from the pension commitment, an asset is generally recognized. Such recognition, however, is permitted only on the condition that the reporting entity can draw an economic benefit from these assets, e.g. in the form of refunds from the plan or reductions in future contributions to the plan. The net interest cost in the fiscal year is determined by applying the discount rate set at the beginning of the year to the net pension liability calculated at the same time. The applicable interest rate for assessing the defined benefit obligation is used as the discount factor. The net interest from the net pension liability is the difference between the calculated interest income from plan assets and the interest expense from the defined benefit obligation.

Actuarial gains and losses stemming from the difference between the estimate at the start of the period and actual developments during the period – or a newer estimate on the balance sheet date – in relation to probable mortality rates, retirement and salary trends and discount rates are recognized in other comprehensive income. Actuarial gains and losses posted under other comprehensive income cannot be recognized through profit or loss in subsequent periods. Similarly, differences between the interest income from plan assets calculated at the start of the period and the actual income from plan assets determined at the end of the period are recognized in other comprehensive income. Both effects are posted in other equity items as remeasurements of defined benefit plans.

If the present value of a defined benefit obligation changes due to a plan modification or curtailment, WACKER recognizes the resultant effect as past service cost. This is immediately recognized through profit or loss when it occurs. The profits and losses resulting from settlement are also recognized immediately in the statement of income when settlement takes place. Administrative expenses that are not related to the management of plan assets are also recognized through profit or loss when incurred.

The expense incurred in funding the pension provisions (service cost) is allocated to the costs of the functional areas concerned. The interest expense is reported under other financial result.

Provisions for phased early retirement and anniversaries are measured and set aside in accordance with actuarial appraisals. Owing to their structure, provisions for phased early retirement also constitute other noncurrent employee benefits in accordance with IAS 19 (revised 2011) since they are linked to the rendering of future service. WACKER uses only a block model when structuring phased-early-retirement agreements. The corresponding provisions are recognized pro rata over the service period of the claim during the work phase. The outstanding settlement amount, i.e. that part of their salary that employees forgo during the work phase, is secured with plan assets. The phased-early-retirement provision represents WACKER's net liability, i.e after the plan assets have been offset against the total obligation. The top-up payments are not viewed as completely earned until the required work has been rendered in full by the employees. Top-up payments that have already been paid out even though the corresponding work has yet to be completed are capitalized.

Provisions are recognized in the statement of financial position for present legal or constructive obligations toward third parties if an outflow of resources to settle these obligations is probable and its amount can be estimated reliably. The amounts recognized are based on the amounts that will be required to cover the Group's future payment obligations, identifiable risks and contingencies. As a rule, all those cost components that are also capitalized under inventories are included in the measurement of other provisions. Future price increases are also taken into account in the measurement. Noncurrent provisions are measured at the discounted present value as of the reporting date. The discount rate applied is the current market interest rate for risk-free investments with terms corresponding to the residual term of the obligation to be settled. Expected refunds, provided that they are sufficiently secure or legally enforceable, are not offset against provisions. Instead, they are capitalized as separate assets if their realization is virtually certain.

Provisions for restructuring costs are recognized if a detailed formal plan for restructuring has been drawn up and conveyed to the affected parties. Provisions for contingent losses arising from onerous contracts are recognized if the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the contractual obligations. Provisions for environmental protection are recognized if the future cash outflows for complying with environmental legislation or for cleanup measures are likely, the costs can be estimated with sufficient accuracy and no future acquired benefit can be expected from the measures.

If an amended estimate results in a reduction in the scope of the obligations, a proportion of the provision is reversed and the earnings are allocated to the functional area originally charged with the expense when the provision was set aside.

Discretion must be exercised when determining income tax provisions. WACKER determines appropriate provisions for expected risks from tax audits. If the final results of these external audits differ from our estimates, they are recognized in the period in which they become known.

Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are included in the recognized liability. Liabilities from finance lease agreements are shown as financial liabilities at the present value of the future lease installments.

Trade payables and other financial and non-financial liabilities (including income tax liabilities) are measured at amortized cost using the effective interest method.

Contingent liabilities are potential obligations that arise from past events and the existence of which depends on uncertain future events which are beyond the Group's influence, and on existing obligations that cannot be carried as liabilities because either an outflow of resources is unlikely or the amount of the obligation cannot be estimated with sufficient reliability. Contingent liabilities are shown at values corresponding to the degree of liability that exists on the balance sheet date.

In accordance with the management approach, **segment reporting** at WACKER is based on an internal organizational and reporting structure. The data used to determine key internal management ratios is derived from the consolidated financial statements drawn up in accordance with IFRS. Business segments are not combined. Please refer to pages 55 and 85 of the Group management report for a detailed description of the business segments, and products and services offered.

Disposal groups and discontinued operations are reported in accordance with criteria defined in IFRS 5. The Group reports the assets and liabilities of a disposal group separately in the statement of financial position. Unless a disposal group qualifies for discontinued operations reporting, the income and expenses of the disposal group remain within continuing operations until the date of disposal. As soon as they have been classified as held for sale, noncurrent assets are recognized at the lower of the carrying amount and fair value less costs to sell, and are no longer depreciated/amortized.

Changes in Accounting and Valuation Methods

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

Summary of Significant Accounting and Valuation Methods

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

Statement of Income Items	Accounting and Valuation Method
Recognition of sales and income	Sales are recognized on delivery of goods or services and on the transfer of risk to the purchaser
Expense recognition	Expenses are recognized when incurred or when the service is utilized
Taxes	Deferred taxes are recognized for temporary differences, for consolidation measures recognized in income and for tax loss carryforwards whenever their realization is sufficiently probable

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

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

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

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

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

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

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

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

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

€ million	2015	2014
Result from investments in joint ventures and associates	3.3	2.9
Of which share of income from joint ventures	4.2	3.7
Of which share of income from associated companies	–0.9	–0.8
Other investment result		
Other investment expenses/investment income	–0.2	0.1
Total	–0.2	0.1
Net interest income		
Interest income	7.3	8.4
Of which from available-for-sale financial instruments	0.4	1.2
Of which from financial instruments, loans and receivables	6.7	6.8
Interest expenses	–31.8	–46.2
Of which from financial liabilities (excluding finance leases)	–29.8	–37.0
Total	–24.5	–37.8
Other financial result		
Interest effect of interest-bearing provisions/liabilities	–47.9	–49.6
Other financial expenses/income	5.7	–2.2
Total	–42.2	–40.3

The income from investments in joint ventures and associates relates mainly to companies in China. This income includes not only the attributable net results for the year, but also the effects of eliminations of attributable intergroup profits and losses.

Borrowing costs of €18.6 million (2014: €5.1 million) were capitalized in the year under review, resulting in a corresponding improvement in the net interest result. The average borrowing interest rate applied by the Group in the fiscal year was 3.0 percent (2014: 3.0 percent).

The interest effect of interest-bearing provisions includes net interest expenses from accumulation of interest on pension obligations and calculated proceeds from plan assets totaling €41.5 million (2014: €40.2 million) and interest expenses and interest income from the accumulation and discounting of provisions of €6.5 million (2014: €7.9 million).

Other financial income and expenses primarily result from exchange-rate effects in connection with financial transactions.

03 Income Taxes

Income taxes are calculated on the basis of applicable or anticipated tax rates according to the prevailing legal situation in the individual countries as of the realization date. These tax rates are generally based on the legal provisions valid or adopted as of the balance sheet date. In Germany, a solidarity surcharge is added to corporate tax. Trade income tax, which varies depending on the municipality in which a company is located, must also be paid.

Tax Rates in Germany

%	2015	2014
Weighted average trade income tax rate	12.2	12.3
Corporate tax rate	15.0	15.0
Solidarity surcharge on corporate tax	5.5	5.5

Deferred taxes of German companies are therefore measured based on a total tax rate (including solidarity surcharge) of 28.0 percent (2014: 28.2 percent). The income from foreign Group companies is subject to taxation at the tax rates valid in the country in which the respective company is based. As in the prior year, the respective income tax rates for foreign companies applicable in each country ranged from 10.0 percent to 39.0 percent.

Deferred taxes on undistributed profits of subsidiaries were recognized only if distribution is planned. The amount of €323.5 million (2014: €254.1 million) is available for distribution.

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

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

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

Allocation of Deferred Taxes

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

Deferred tax assets and liabilities are offset whenever there are future tax amounts imposed on, or credited to, the same taxpayer by the same tax authority. In addition, deferred tax assets are recognized only if it is probable that these tax benefits will be realized.

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

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

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

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

2015

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

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

2014

€ million	Intangible assets	Property, plant and equipment	Investment property	Investments in joint ventures and associates accounted for using the equity method	Total
Acquisition or production cost					
Balance as of Jan. 1, 2014	141.9	10,658.9	11.7	18.9	**10,831.4**
Additions	4.4	567.8	–	–	**572.2**
Disposals	–3.3	–83.3	–	–	**–86.6**
Transfers	2.8	–2.8	–	–	–
Changes in scope of consolidation	16.8	321.1	–	–	**337.9**
Other changes[1]	–	–	–	–1.1	**–1.1**
Exchange-rate differences	3.8	370.8	–	2.7	**377.3**
Balance as of Dec. 31, 2014	166.4	11,832.5	11.7	20.5	12,031.1
Depreciation/amortization					
Balance as of Jan. 1, 2014	121.5	6,874.8	10.2	–	**7,006.5**
Additions	12.6	576.9	–	–	**589.5**
Impairment	0.6	8.9	–	–	**9.5**
Disposals	–2.9	–70.2	–	–	**–73.1**
Exchange-rate differences	1.7	130.8	–	–	**132.5**
Balance as of Dec. 31, 2014	133.5	7,521.2	10.2	–	7,664.9
Carrying amounts as of Dec. 31, 2014	32.9	4,311.3	1.5	20.5	4,366.2
Reduction in cost due to investment grant					**470.8**

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

05 Intangible Assets

Intangible assets include industrial property rights, similar rights and other assets acquired against payment. In 2014, the acquisition of Scil Proteins Production GmbH and the full consolidation of Siltronic Silicon Wafer Pte. Ltd. led to identification of intangible assets in the amount of €16.8 million during the purchase price allocation. The assets in question – the companies' order backlog and customer base – will be amortized over a period of three to five years.

06 Property, Plant and Equipment

2015

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

2014

€ million	Land, buildings and similar rights	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
Acquisition or production cost					
Balance as of Jan. 1, 2014	1,495.6	7,349.1	626.4	1,187.8	**10,658.9**
Additions	8.5	89.0	20.2	450.1	**567.8**
Disposals	–0.7	–60.9	–21.0	–0.7	**–83.3**
Transfers	14.7	111.1	8.8	–137.4	**–2.8**
Changes in scope of consolidation	116.8	197.1	3.1	4.1	**321.1**
Exchange-rate differences	56.4	143.1	5.2	166.1	**370.8**
Balance as of Dec. 31, 2014	1,691.3	7,828.5	642.7	1,670.0	**11,832.5**
Depreciation					
Balance as of Jan. 1, 2014	888.3	5,474.2	509.5	2.8	**6,874.8**
Additions	57.8	480.8	38.3	–	**576.9**
Impairment	4.6	3.8	0.5	–	**8.9**
Disposals	–0.5	–49.4	–20.3	–	**–70.2**
Transfers	0.5	1.9	–	–2.4	**–**
Exchange-rate differences	23.8	103.2	3.9	–0.1	**130.8**
Balance as of Dec. 31, 2014	974.5	6,014.5	531.9	0.3	**7,521.2**
Carrying amounts as of Dec. 31, 2014	716.8	1,814.0	110.8	1,669.7	**4,311.3**
Of which assets from finance leases					
Gross values	–	79.1	–	–	79.1
Depreciation	–	–53.1	–	–	–53.1
Carrying amounts	–	26.0	–	–	26.0

In the reporting year, borrowing costs amounting to €18.6 million (2014: €5.1 million) were capitalized as part of the cost of acquisition of qualifying assets. The average financing cost rate was 3.0 percent (2014: 3.0 percent). Property, plant and equipment also includes €38.1 million (2014: €23.7 million) in technical machinery and other equipment on the basis of an embedded finance lease. Due to the structure of the underlying contracts, economic ownership is attributable to WACKER.

07 Investment Property

Wacker Chemie AG owns real estate at its production site in Cologne, Germany. This comprises land and infrastructure facilities (for energy, waste water, etc.). The land is rented out or leased on the basis of long-term agreements. No finance leases are involved. These properties and the associated infrastructure in Cologne are operated, maintained and looked after by third parties, who charge any costs incurred directly to the tenants or leaseholders.

The rent and lease income is included in the following schedule.

€ million	2015	2014
Fair value	**14.0**	14.0
Income from rent/operating leases	**0.8**	0.8
Costs	**–0.2**	–0.2

The fair value is based on an opinion of an external expert and is updated periodically, most recently in 2014.

From an economic standpoint, the only option open to a potential buyer would be to discontinue current operations and tear down the existing buildings to make the land available for a new use. The fair value was therefore determined using the market value based on potential proceeds from liquidation of the plant. This measurement took into account the current market situation and thus current prices. The fair value of investment property is allocated to level 2 in the fair value hierarchy. The residual carrying amount relates to the land.

The valuation process has not been changed since the previous valuation date.

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

The Group applies the equity method to account for joint ventures and associates. Their impact on the Group's earnings, net assets and financial position is not significant. If loans have been made to joint ventures and associates by shareholders, extinguishment of these loans takes precedence over the distribution of dividends.

The following table shows the change in the total carrying amount of the investments in the reporting period, calculated using the equity method:

Joint Ventures Accounted for Using the Equity Method

€ million	2015	2014
Carrying amount of the investments in accordance with the equity method		
At the beginning of the year	**16.6**	15.9
Share of profit/loss for the period	**4.2**	3.7
Share of change in other equity	**1.4**	1.0
Overall result of the companies	**5.6**	4.7
Dividends	**–4.2**	–4.0
At the end of the year	**18.0**	16.6

Associated Companies Accounted for Using the Equity Method

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

The following shows the key figures for companies accounted for using the equity method. Deviations between share of net income and the result from investments in joint ventures and associates, and between share of equity and the carrying amount of investments in joint ventures and associates accounted for using the equity method are primarily the result of fair-value adjustments and consolidation measures.

Key Figures for Joint Ventures

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

Key Figures for Associated Companies

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

09 Inventories

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

10 Financial and Non-Financial Assets/Receivables

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

In 2014, other financial assets mainly comprised advance payments to the pension fund.

Receivables are shown at amortized cost, which corresponds to their market value. Adequate valuation allowances are set up to cover default risks, to the extent that these are not covered by insurance, bank guarantees or advance payments received.

Valuation allowances and overdue debts developed as follows:

2015

€ million	Carrying amount	Of which: neither impaired nor overdue as of the reporting date	Of which: not impaired, yet overdue as of the reporting date			Of which: impaired as of the reporting date
			overdue by up to 30 days	overdue by 31 to 45 days	overdue by over 45 days	
Trade receivables	679.4	551.3	121.9	2.2	3.5	0.5
Other current financial assets	49.9	49.8	–	–	0.1	–
Other noncurrent financial assets	111.4	111.4	–	–	–	–
Total	840.7	712.5	121.9	2.2	3.6	0.5

2014

€ million	Carrying amount	Of which: neither impaired nor overdue as of the reporting date	Of which: not impaired, yet overdue as of the reporting date			Of which: impaired as of the reporting date
			overdue by up to 30 days	overdue by 31 to 45 days	overdue by over 45 days	
Trade receivables	684.0	554.8	104.7	2.4	21.8	0.3
Other current financial assets	111.4	109.4	0.6	–	1.2	0.2
Other noncurrent financial assets	106.0	106.0	–	–	–	–
Total	901.4	770.2	105.3	2.4	23.0	0.5

Development of Valuation Allowances/Overdue Debts

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

Valuation allowances are set up for identifiable credit risks and exchange-rate fluctuations. We continuously monitor the creditworthiness of our debtors to assess the intrinsic value of the corresponding receivables and, where appropriate, we take out credit default insurance. In addition, customers make advance payments and provide bank guarantees. The maximum default risk is equal to the carrying amount of the uninsured receivables. No loans or receivables were renegotiated to prevent an overdue debt or possible impairment. Based on past experience and on the conditions prevailing as of the reporting date, there are no restrictions with regard to credit quality. The additions and reversals in the valuation allowances for receivables in the reporting year mainly relate to companies in the Siltronic Group and to Wacker Chemie AG.

11 Cash and Cash Equivalents/Securities

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

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

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

12 Equity/Non-Controlling Interests/Capital Structure Management

The subscribed capital (capital stock) of Wacker Chemie AG amounts to €260,763,000. It consists of 52,152,600 no-par-value shares (total). This corresponds to a notional par value of €5 per share. All of the shares are common shares – no other share classes have been issued. At the reporting date, no capital had been authorized for the issue of new shares. The Executive Board was authorized – in compliance with the legal provisions set out in Section 71 (1) no. 8 of the German Stock Corporation Act – to acquire treasury shares totaling a maximum of 10 percent of capital stock.

In the course of the IPO in April 2006, the number of shares outstanding increased due to the sale of some shares previously held as treasury shares. The following table shows the development in the year under review and in the previous year:

Units	2015	2014
Shares outstanding at the start of the fiscal year	**49,677,983**	49,677,983
Shares outstanding at the end of the fiscal year	49,677,983	49,677,983
Treasury shares in portfolio	**2,474,617**	2,474,617
Total shares	52,152,600	52,152,600

For more information on Wacker Chemie AG's shareholder structure, please refer to Note 24 – Related Party Disclosures.

Capital reserves include the amounts generated with the issue of shares above their nominal values in previous years, as well as other contributions made to equity.

Retained earnings include the amounts of accrued reserves generated at Wacker Chemie AG in previous fiscal years, transfers from the Group's earnings for the year, the earnings of the consolidated companies less amounts due to non-controlling interests, changes to consolidated items affecting income, and changes in the scope of consolidation. The proceeds of the Siltronic IPO added €83.8 million to retained earnings in 2015.

Other equity items include the differences arising from the foreign currency translation of foreign subsidiary financial statements using reporting currencies other than the euro, and the effects of the valuation of financial instruments and pensions – recognized directly in equity.

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

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

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

Non-Controlling Interests

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

[1] Including subsidiaries

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

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

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

Significant Non-Controlling Interests

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

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

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

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

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

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

Information on Capital Management

The goal of the WACKER Group's capital management policy is to ensure that the company remains a going concern in the long term and to generate appropriate returns for the company's shareholders. Dividend payments and stock buybacks are instruments of capital management to achieve this goal.

In managing its capital, Wacker Chemie AG complies with the legal stipulations on capital maintenance. The company's Articles of Association do not stipulate any capital requirements. No special capital terminology is used.

The Group's policy on dividends is generally oriented toward distributing at least 25 percent of net income to shareholders, assuming the business situation allows this and the bodies responsible agree.

Above and beyond this, WACKER actively manages its debt capital with the aim of achieving a balanced financing portfolio, a diversified maturities profile and comfortable liquidity reserves. In accordance with our policy of value-based management, net financial debt functions as a supplementary financial performance indicator. See "Management Processes" and "Net Assets" sections of the Group management report.

As of the balance sheet date, the WACKER Group's capital structure was as follows:

Capital Structure

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

13 Provisions for Pensions

For WACKER Group employees, there are various post-employment pension plans, which depend on the legal, economic and fiscal conditions prevailing in the respective countries. These pension plans generally take account of the employees' length of service and salary levels.

The company pension plan makes a distinction between defined contribution and defined benefit plans. Defined contribution plans lead to no further obligation for the company beyond paying contributions into special-purpose funds. WACKER has both defined-contribution and defined-benefit plans, which are financed in part by Pensionskasse der Wacker Chemie VVaG or by funds. Pension obligations result from defined benefit plans in the form of entitlements to future pensions and ongoing payments for eligible active and former employees of the WACKER Group and their surviving dependents. The various pension plans basically ensure employees either a life-long pension on the basis of their average salary during employment at WACKER (career average plan) or lump-sum payments.

The Group maintains the following retirement benefit plans:

Retirement Benefits Supplied by the Company Pension Fund

Employees at Wacker Chemie AG and other German Group companies are granted a basic pension model via Pensionskasse der Wacker Chemie VVaG, a legally independent German pension fund. The pension fund is financed by member and company contributions. The payments comprise old-age, disability and surviving dependents' benefits.

The pension fund is a small mutual insurance company within the meaning of Section 53 of the German Insurance Supervision Act and is regulated by Section 118 b (3) of this act. It is thus subject to the regulations that apply to German insurers and is monitored by the Federal Financial Supervisory Authority (BaFin). There are statutory minimum financing obligations.

Employees who joined the pension fund before the end of 2004 receive guaranteed payments based on a defined benefit amount, which is to be taken into consideration in determining pension obligations. The pension payment is the same regardless both of the employee's age when paying contributions and of the interest generated from assets.

A new basic-pension model applies for employees who joined the pension fund on or after January 1, 2005. Under that model, the guaranteed payments are based on a fixed interest rate and the benefit amount depends on the age at which the employee pays contributions. Annual profit distributions can increase the future payment. Due to their insurance-related characteristics, these new models do not affect the determination of pension obligations and are thus classified as defined contribution plans.

In addition, employees in Germany may make voluntary payments to the "PK+" supplementary insurance fund of Pensionskasse der Wacker Chemie VVaG. Contributions in connection with retirement benefit plans governed by the collective bargaining agreements concerning one-off payments and retirement benefits, and "Working Life and Demography" are paid into the voluntary supplementary insurance fund.

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

The guaranteed interest rate for the voluntary supplementary insurance fund is lower for employees who joined the company after 2004, namely 2.5 percent (2005–2012) and 1.75 percent (as from 2013). Due to their insurance-related characteristics, these plans do not affect the determination of pension obligations and are thus classified as defined contribution plans.

Direct Commitments of the WACKER Group

In addition to the pension fund commitments, employees in Germany receive direct commitments in the form of an additional pension. The additional pension insures that part of an employee's salary that exceeds the pension insurance contribution assessment ceiling. Employees who joined the company before the end of 2004 – and their surviving dependents – receive a pension. The amount of that pension depends on the average salary earned during the period of employment with WACKER (career average plan). For employees who joined the plan on or after January 1, 2005, a certain percentage of the salary exceeding the pension insurance contribution assessment ceiling is paid in. This capital accrues interest. The benefits may be paid out as a life-long pension or, in the case of commitments made from 2005 onward, as a lump sum. Employees and their surviving dependents are eligible to receive benefits. Employee entitlements are included when measuring pension obligations, regardless of whether the employees joined the company before the end of 2004 or after the beginning of 2005.

Executive Board members are granted individual pension commitments. For more information on Executive Board member pension plans, please refer to the Report on Compensation on page 271.

Employees in Germany with salaries above the standard pay scale may pay into an employee-financed pension plan (deferred compensation). This plan affords employees the option of converting part of their future salary claims into equivalent pension capital. Pension capital accrues interest according to the date the pension plan was entered into (commitment) at either 7 percent (1996–2001), 6 percent (2002–2010) or 5 percent (2011–2013). Plans bearing 7 percent or 6 percent interest may be drawn in the form of either a pension or a lump sum. Plans bearing 5 percent interest are paid out exclusively in lump-sum form. Since 2015, management employees have been able to contribute a portion of their salary to an employee-financed pension plan with a variable interest rate. The variable interest rate is linked to the five-year running yield on German bearer bonds and amounts to at least 2.5 percent and at most 5 percent. Disbursement is as a lump sum only. Pension commitments made before or on December 31, 2000 are measured (in accordance with the projected unit credit method) at the present value of years' service to date or years served to retirement, whereas any commitments made on or after January 1, 2001 are measured at the present value of the defined benefit obligation or at the equivalent of the accumulated capital.

Pension entitlements in Germany are protected against insolvency by the pension guarantee fund (Pensionssicherungsverein a.G.). This insolvency insurance is capped. There are no statutory minimum financing obligations.

Pension Commitments outside of Germany

Various pension plans are available for employees of foreign subsidiaries, subject to the statutory provisions applicable in the respective countries. With the exception of the US pension plans, these pension plans are not material to the Group.

In the US, defined benefit plans exist for employees of Siltronic Corporation, Portland, and Wacker Chemicals Corporation, Adrian. However, both plans were closed for new applications effective after December 31, 2003, and defined benefits are carried only for legacy policies. Retirement benefits are paid out from age 65 in the form of a monthly pension and are based on the last average salary paid. Special rules apply to early retirement as of age 55 depending on the employee's years of service. In view of their pension-like character, obligations relating to medical care for retired employees and severance payments are likewise included under pension provisions. New employees in the USA are offered only defined contribution plans.

The present value of defined benefit plans may be reconciled with the provisions recognized in the balance sheet as follows:

Net Liability of Defined Benefit Obligations

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

Changes in the Net Liability of Defined Benefit Obligations

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

Assumptions

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

Actuarial Assumptions

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

Life expectancy calculations in Germany are based on Prof. Klaus Heubeck's modified 1998 guideline tables. The pension fund portfolio (basic pension model) is based on the official mortality tables (reduction of male mortality to 75 percent of the guideline table value, and 85 percent for females). The portfolio for other pension commitments is based on a reduction of male mortality to 60 percent of the Heubeck values and 85 percent for women, which takes into account in particular the recognized connection between life expectancy and the amount of pension paid ("Influence of socio-economic status"). In the USA, the gender-specific RP-2014 mortality tables (Scale SOA MP-2014) are used for both pensioners and non-pensioners. This involved extrapolating the RP-2014 mortality table back to the year 2007 and applying a modified version of the MP-2014 table to future periods.

The discount rates and salary increase rates underlying the calculation of the pension obligation were determined in line with the general economic situation and by applying uniform standards. The discount rate is based on a yield curve that is derived from the yields of country-specific, high-grade, fixed-interest corporate bonds with maturities corresponding to the pension obligations. The discount rate takes account of the WACKER-specific, expected future cash flows for these obligations.

Sensitivity Analysis

The following sensitivity analysis involves an adjustment of only one assumption – i.e. the other assumptions remain unchanged from the original valuation, so that the sensitivity of each individual assumption can be observed in isolation. As a consequence, possible correlation effects between the individual assumptions cannot be taken into consideration.

The following table shows the possible changes in the present value of pension obligations resulting from changes in the basic actuarial assumptions.

Sensitivity Analysis

	Dec. 31, 2015 Effect on defined benefit obligation		Dec. 31, 2014 Effect on defined benefit obligation	
	Defined benefit obligation in € million	Change (%)	Defined benefit obligation in € million	Change (%)
Present value of pension obligations as of the reporting date	3,432.6		3,500.3	
Present value of pension obligations if				
the discount rate increases by 0.5 percentage points	3,154.7	–8.1	3,192.2	–8.8
the discount rate decreases by 0.5 percentage points	3,750.3	9.3	3,855.5	10.1
salaries increase by 0.5 percentage points	3,465.8	1.0	3,539.2	1.1
salaries decrease by 0.5 percentage points	3,399.6	–1.0	3,462.6	–1.1
future pension increases are 0.25 percentage points higher	3,526.0	2.7	3,603.8	3.0
future pension increases are 0.25 percentage points lower	3,343.3	–2.6	3,401.8	–2.8
life expectancy goes up by one year	3,553.3	3.5	3,630.7	3.7

Composition of Plan Assets

Pensionskasse der Wacker Chemie VVaG invests plan assets in accordance with statutory requirements and the terms of its by-laws. The pension fund invests nearly half of its assets in equity funds and fixed-income funds. The other half is invested directly in promissory notes (German Schuldscheine), real estate, real estate mortgages and private equity. The remaining part of assets is retained for liquidity purposes. The investment strategy follows the investment guideline provided by the executive board of the pension fund.

The plan assets of pension funds set up in the us are invested mainly in stocks and funds in accordance with the applicable investment rules. The composition of plan assets for the Group is shown in the following table:

Composition of Plan Assets

€ million	Dec. 31, 2015			Dec. 31, 2014		
	Market prices listed in an active market	No listing in an active market	Total	Market prices listed in an active market	No listing in an active market	Total
Real estate	–	274.5	274.5	–	262.2	262.2
Loans/fixed-interest securities	664.4	438.6	1,103.0	573.4	480.2	1,053.6
Shares/funds	246.0	138.9	384.9	245.0	95.6	340.6
Cash and cash equivalents	–	58.5	58.5	–	85.7	85.7
Total	910.4	910.5	1,820.9	818.4	923.7	1,742.1

The WACKER Group was utilizing €80.2 million of plan assets for its own purposes as of December 31, 2015 (2014: €80.2 million). The assets in question comprised the real estate used by Wacker Chemie AG for its headquarters in Munich.

Risks

In addition to the usual actuarial risks, the risk inherent in the defined benefit obligation relates in particular to financial risks in connection with plan assets. In Germany, substantial amounts of the defined benefit obligation are administered by the pension fund. As part of an annual asset-liability study, the current and future relationships between the portfolio structure and obligations are analyzed and projections made. The result is the long-term return required of the pension fund, on the basis of which the pension fund defines a strategic target portfolio. This leads to an annual review and coordination of the required return, company contributions of sponsoring entities and strategic asset allocation.

All capital investments are exposed to market price fluctuation risks. These risks may comprise shifts in interest rates, share prices or exchange rates. The pension fund aims to limit losses to a pre-defined amount using overlay management. The pension fund uses derivatives solely to reduce risk.

In addition to actuarial risks, the defined benefit plans used in the US are also subject to market-price fluctuation risks because plan assets are invested in stocks and funds.

Applicable statutes and by-laws require WACKER to reduce under-funding of pension plans by increasing the amount of company contributions in cash.

Actuarial risks arise in particular in connection with the life expectancy of the beneficiaries and the interest rate guarantee risk. Commitments granted in Germany up to 2004 in particular have a high guaranteed interest rate that cannot be achieved in the current market environment without taking risks. The interest rate guarantee risk is regularly monitored as part of the risk management process. It constitutes a major focus of the company pension fund when determining the long-term interest requirements and how to fulfill them. Interest rate guarantee risks also affect the deferred compensation plans.

Pension Plan Financing

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

Expected Pension Payments Due

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

Composition of Pension Expenses

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

14 Other Provisions/Tax Provisions

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

Provisions for Personnel

These include obligations for anniversary payments and funeral expenses as well as provisions for early-retirement and phased-early-retirement plans. There is a continuous reduction of noncurrent provisions for anniversary payments and of provisions for phased-early-retirement plans.

Sales/Purchasing Provisions

These provisions cover warranty and product-liability obligations, as well as discounts, cash bonuses and other price reductions still to be granted, commissions payable to sales agents, and contingent losses from contractual agreements. The major portion of the provisions will probably be used for payouts over the next two years.

Provisions for Environmental Protection

Provisions for environmental protection are created for anticipated obligations regarding contaminated-site remediation, water pollution control, recultivation of landfills, the clean-up of contaminated storage and production sites, and similar environmental measures. These provisions also include environmental protection charges likely to be imposed by government bodies. The additions are mainly attributable to the adjustments made to the actuarial interest rate. The noncurrent provisions for environmental protection are likely to be utilized within a period of 25 years.

Restructuring Provisions

The provisions for restructuring comprise severance payments for departing employees, anticipated site closure expenses, demolition obligations and similar charges.

Sundry Provisions

These provisions are formed for a multiplicity of identifiable individual risks and contingencies (e.g. damages, reimbursement claims).

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

Other Provisions

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

Tax Provisions

Tax provisions contain amounts for current income tax obligations as well as for risks from tax audits and legal action. The existing noncurrent tax provisions will largely be utilized over the next two to four years.

Tax Provisions

€ million	Jan. 1, 2015	Utilization	Reversal	Additions/ interest effect	Exchange-rate differences	Dec. 31, 2015
Taxes	97.9	–48.1	–1.0	30.9	0.1	**79.8**

15 Financial Liabilities

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

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

In 2014, the company took out an investment loan in the amount of €80 million. Furthermore, long-term financing in the amount of 800 million renminbi (€106 million) for the Group's Chinese subsidiaries was restructured in 2014, with the new loans being utilized to redeem existing loans. Due to first-time full consolidation of Siltronic Silicon Wafer Pte. Ltd. in 2014, a Singapore-dollar-denominated minority shareholder's loan for an amount equivalent to €35.8 million led to an increase in financial liabilities.

No collateral exists for the financial liabilities, nor are they secured through liens or similar rights. Some of the liabilities to banks have fixed interest rates and others have variable interest rates. Moreover, some of the liabilities to banks were granted on condition that particular covenants be complied with.

The liabilities to banks comprise the following:

€ million	2015			2014		
	Currency	Carrying amount € million	Maturity	Currency	Carrying amount € million	Maturity
Investment loan	EUR	200.0	2016	EUR	200.0	2016
Investment loan	EUR	200.0	2017	EUR	200.0	2017
Investment loan	EUR	80.0	2020	EUR	80.0	2020
Investment loan	CNY	–	2016	CNY	18.7	2016
Investment loan	CNY	35.6	2018	CNY	67.6	2018
Promissory notes (German Schuldscheine)	EUR	–	2015	EUR	150.0	2015
Promissory notes (German Schuldscheine)	EUR	150.0	2017	EUR	150.0	2017
Bank loan	JPY	76.1	2017	JPY	68.8	2017
Bank loan	EUR	50.0	2018	EUR	50.0	2018
Bank loan	CNY	112.8	2017	CNY	106.1	2017
Operating loan	CNY	89.9	–	CNY	95.3	–
Operating loan	BRL	5.8	–	BRL	7.7	–
Operating loan	–	–	–	–	1.1	–
Total		1,000.2			1,195.3	
Fair value		1,012.5			1,218.7	

Other financial liabilities comprise the following:

€ million	2015			2014		
	Currency	Carrying amount € million	Maturity	Currency	Carrying amount € million	Maturity
Private placement (1st installment)	**USD**	**63.9**	**2018**	USD	57.6	2018
Private placement (2nd installment)	**USD**	**118.5**	**2020**	USD	107.0	2020
Private placement (3rd installment)	**USD**	**182.4**	**2023**	USD	164.5	2023
Minority-shareholder loans	**SGD**	**38.6**	**2022**	SGD	35.8	2022
Sundry other financial liabilities	**–**	**12.7**	**–**	–	12.5	–
Total		**416.1**			377.4	
Fair value		**409.2**			371.3	

As in the prior year, the euro-denominated investment loans included variable-interest-rate loan amounts. The variable portion amounts to €280.0 million (2014: €280.0 million), of which €200 million falls due before the end of 2016 and €80 million by mid-2020. In 2015, loan facilities from banks included variable-interest-rate loan amounts of €38.0 million (2014: €34.4 million) with a residual term until the end of 2017. The promissory notes (German Schuldscheine) include variable loan amounts of €39.0 million (2014: €39.0 million) with a residual term until 2017. As in the prior year, all renminbi-denominated loans have variable interest rates. All the private placements and the minority-shareholder loan have fixed interest rates.

The carrying amounts of the current financial liabilities correspond to the repayment amounts. With the exception of the renminbi-denominated investment loans and a portion of the euro-denominated investment loans totaling €80 million, all the loans fall due on maturity.

The following table shows the future redemption and interest payments for the bank liabilities and other financial liabilities.

€ million	2016	2017	2018	2019	2020 to 2023
Redemption	300.1	579.0	151.8	16.0	356.7
Interest	34.1	26.5	15.0	13.5	31.3

There are also unused long-term lines of credit amounting to €602.8 million (2014: €603.5 million), all conditions for the utilization of which have been met.

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

€ million	2015			2014		
	Nominal value	Interest	Present value	Nominal value	Interest	Present value
Minimum lease payment within a year	9.1	3.2	5.9	8.3	1.1	7.2
Minimum lease payment between one and five years	25.7	10.3	15.4	18.7	2.3	16.4
Minimum lease payment over five years	35.3	17.5	17.8	5.3	0.1	5.2
Total	70.1	31.0	39.1	32.3	3.5	28.8

There are no conditional lease payments from finance leases.

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

In 2015, a facility for producing hydrogen and steam was taken into operation. WACKER capitalized this facility as a finance lease as it is used solely by WACKER.

WACKER also has leasing agreements for several technical facilities that qualify as finance leases and were capitalized accordingly. Here, too, the Group in some cases has rights of pre-emption and lease rollover options.

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

16 Financial and Non-Financial Liabilities

€ million	2015			2014		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Trade payables	378.3	–	378.3	374.5	–	374.5
Liabilities due to associated companies	0.3	–	0.3	0.1	–	0.1
Derivative financial instruments	28.3	2.6	25.7	49.7	4.8	44.9
Other liabilities	21.5	–	21.5	24.7	0.3	24.4
Other financial liabilities	50.1	2.6	47.5	74.5	5.1	69.4
Payables relating to social security	3.0	–	3.0	3.3	–	3.3
Payroll liabilities	5.6	–	5.6	5.4	–	5.4
Variable compensation	75.5	–	75.5	63.5	0.8	62.7
Other personnel liabilities	28.1	–	28.1	30.5	1.3	29.2
Other tax liabilities	16.9	–	16.9	16.0	0.1	15.9
Accruals and deferrals	1.1	–	1.1	0.8	–	0.8
Advance payments received (third parties)	453.3	287.5	165.8	689.1	523.0	166.1
Other liabilities	1.6	–	1.6	0.2	–	0.2
Other non-financial liabilities	585.1	287.5	297.6	808.8	525.2	283.6
Income tax liabilities	0.3	–	0.3	0.1	–	0.1

In addition to those tax amounts for which Group companies are liable, tax liabilities include taxes paid for the account of third parties.

Payables relating to social security refer in particular to social-insurance contributions that have yet to be paid.

The other payroll liabilities include, in particular, vacation and flextime credits, as well other HR-related liabilities.

The advance payments received relate primarily to future deliveries of semiconductor wafers and polysilicon.

No collateral exists for other liabilities, nor are they secured through liens or similar rights.

17 Contingencies, Other Financial Obligations and Other Risks

Contingent Liabilities

Contingent liabilities are potential obligations that are based on past events and the evidence of their existence will not be confirmed until the occurrence of one or more uncertain future events that are beyond the Group's influence. Present obligations, moreover, can likewise be contingent liabilities if the likelihood of an outflow of resources is not strong enough to justify the creation of a provision and/or the amount of the obligations cannot be estimated with sufficient reliability. The values assigned to contingent liabilities correspond to the extent of liability that exists on the reporting date.

The contingent liabilities shown below are nominal values.

€ million	2015	2014
Guarantees	0.6	0.5

It is unlikely that the remaining guarantees will be utilized.

Other Financial Obligations and Other Risks

€ million	2015	2014
Obligations from rent and operating leases		
Due within one year	38.2	30.3
Due between one and five years	64.6	64.9
Due after five years or more	35.7	43.7
Total	138.5	138.9
Lease payments occasioned by operating leases	44.1	31.7
Total expected minimum lease payments from subtenancies	2.9	1.1

The Group leases property, plant and equipment, motor vehicles and IT equipment by way of rental agreements and operating leases. These leases generally have terms of between three and five years. Tenancy agreements for office space, property, plant and equipment, etc. have considerably longer terms. Due to regulatory requirements, the Group is also leasing the land on which its production facilities in Singapore were built.

€ million	2015	2014
Obligations from orders for planned investment projects (commitments)	205.0	421.6

Obligations from orders for planned investment projects (commitments) amount to €205.0 million (2014: €421.6 million) and mainly concern investments in the WACKER POLYSILICON segment.

The Group ensures capacity utilization at its joint venture company with Dow Corning via long-term purchasing commitments of some €100.0 million annually (2014: €100 million). The contractually agreed transfer prices led to creation of a provision for onerous contracts, included in other provisions.

Within the framework of its raw-material supplies, WACKER has entered into long-term agreements to purchase strategic raw materials, electricity and gas. Correspondingly, in net terms the company has other financial obligations arising from major minimum purchasing obligations in the amount of €1.58 billion (2014: €2.06 billion). The agreements have terms of between one and eight years. The Group has obligations in the amount of €13.6 million to take back stock from consignment warehouses (2014: €10.2 million).

The Group receives government incentives and allowances for investing activities. These incentives are granted on condition that a certain number of jobs be created or maintained at certain sites. If these contractual commitments are not fulfilled, any funding received must be paid back either in full or in part. The period for which the Group has to fulfill its contractual commitments is limited.

WACKER is occasionally involved in legal or arbitration proceedings as well as official investigations and actions. Pending proceedings can have a negative impact on WACKER's earnings, net assets or financial position. At the present time, WACKER does not expect any significant negative effects from pending proceedings.

18 Other Disclosures

€ million	2015	2014
Cost of materials	**–2,276.6**	**–2,159.1**
Personnel expenses		
Wages and salaries	**–1,070.2**	–1,008.1
Social benefits and financial aid funds	**–177.4**	–165.3
State pension contributions	**64.0**	62.4
Social security contributions	**–113.4**	**–102.9**
Pension expenses	**–102.5**	–73.5
Contributions to state pensions	**–64.0**	–62.4
Pension expenses	**–166.5**	**–135.9**
Total	**–1,350.1**	**–1,246.9**

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

€ million	2015	2014
Expenses for auditors' fees		
Audit	**1.3**	1.1
Other attestation services	**0.4**	0.3
Total	**1.7**	**1.4**

Auditors' fees in the amount of €1.7 million (2014: €1.4 million) were paid to KPMG AG Wirtschaftsprüfungsgesellschaft, of which €1.3 million (2014: €1.1 million) was for financial statement auditing services and €0.4 million (2014: €0.3 million) for other attestation services. For the most part, these attestation services involved the IPO of Siltronic AG.

19 Earnings per Share/Dividend

	2015	2014
Average number of outstanding common shares (units)	49,677,983	49,677,983
Number of common shares outstanding at the end of the year (units)	49,677,983	49,677,983
Dividend per dividend-bearing common share (€)	2.00	1.50
Net result for the year after non-controlling interests (€ million)	246.7	203.8
Earnings due to common shares (€ million)	246.7	203.8
Earnings per common share (average, €)	4.97	4.10
Earnings per common share (as of reporting date, €)	4.97	4.10

The diluted earnings per share are identical to the basic earnings in both the year under review and the previous year.

In the absence of relevant circumstances, earnings per share relating to results from continuing or discontinued operations are not reported.

The dividend distribution for 2014 amounted to €74.5 million, or €1.5 per dividend-bearing share. No allocations to retained earnings were made at Wacker Chemie AG for fiscal 2014.

For 2015, the Executive Board of Wacker Chemie AG has proposed a dividend of €2.00, which relates solely to dividend-bearing shares, i.e. excluding treasury shares. The acceptance or rejection of this proposal is incumbent on the Annual Shareholders' Meeting of Wacker Chemie AG. Subject to acceptance of the proposal, an amount of €99,355,966.00 will be distributed on the 49,677,983 no-par-value shares that are not held by the company.

20 Financial Instruments

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

The fair value of financial instruments measured at amortized cost is determined by means of discounting, taking into account market-participant interest rates that are adequate to the inherent risk and correspond to the relevant maturity. For reasons of immateriality, the carrying amount of current balance-sheet items is the same as their fair value.

Financial Assets and Liabilities by Measurement Category and Class as of Dec. 31, 2015

€ million	Balance sheet carrying amount Dec. 31, 2015	Measurement pursuant to IAS 39: (Amortized) cost	Measurement pursuant to IAS 39: Fair value through profit or loss	Measurement pursuant to IAS 39: Fair value through other comprehensive income	Measurement pursuant to IAS 17: (Amortized) cost	Fair value Dec. 31, 2015
Trade receivables	**679.4**	679.4	–	–	–	679.4
Loans and receivables	–	679.4	–	–	–	679.4
Other financial assets	**161.3**	148.7	12.1	0.5	–	150.2
Loans and receivables	–	137.6	–	–	–	137.6
Available-for-sale financial assets[1]	–	11.1	–	–	–	–
Derivatives that do not qualify for hedge accounting	–	–	11.2	–	–	11.2
Derivatives that qualify for hedge accounting	–	–	0.9	0.5	–	1.4
Securities and fixed-term deposits	**70.9**	64.6	–	6.3	–	70.9
Securities held to maturity and fixed-term deposits	–	64.6	–	–	–	64.6
Available-for-sale securities	–	–	–	6.3	–	6.3
Cash and cash equivalents	**310.5**	310.5	–	–	–	310.5
Securities held to maturity and fixed-term deposits	–	94.2	–	–	–	94.2
Loans and receivables	–	216.3	–	–	–	216.3
Total financial assets	**1,222.1**	–	–	–	–	1,211.0
Of which pursuant to IAS 39 measurement categories:						
Loans and receivables	**1,033.3**	1,033.3	–	–	–	1,033.3
Held-to-maturity securities	**158.8**	158.8	–	–	–	158.8
Available-for-sale financial assets	**17.4**	11.1	–	6.3	–	6.3
Derivatives for which hedge accounting is not used	**11.2**	–	11.2	–	–	11.2
Derivatives that qualify for hedge accounting	**1.4**	–	0.9	0.5	–	1.4
Financial liabilities (excluding finance leases)	**1,416.3**	1,416.3	–	–	–	1,421.7
Measured at amortized cost	–	1,416.3	–	–	–	1,421.7
Liabilities from finance leases	**39.1**	–	–	–	39.1	39.1
Trade payables	**378.3**	378.3	–	–	–	378.3
Measured at amortized cost	–	378.3	–	–	–	378.3
Other financial liabilities	**50.1**	21.8	16.0	12.3	–	50.1
Measured at amortized cost	–	21.8	–	–	–	21.8
Derivatives for which hedge accounting is not used	–	–	15.9	–	–	15.9
Derivatives that qualify for hedge accounting	–	–	0.1	12.3	–	12.4
Total financial liabilities	**1,883.8**	–	–	–	–	1,889.2
Of which pursuant to IAS 39 measurement categories:						
Measured at amortized cost	**1,816.4**	1,816.4	–	–	–	1,821.8
Derivatives that do not qualify for hedge accounting	**15.9**	–	15.9	–	–	15.9
Derivatives that qualify for hedge accounting	**12.4**	–	0.1	12.3	–	12.4

[1] This item contains available-for-sale financial assets the market values of which cannot be calculated reliably and which have been recognized at cost. This item, along with noncurrent loans, is shown in the statement of financial position under noncurrent financial assets.

Financial Assets and Liabilities by Measurement Category and Class as of Dec. 31, 2014

€ million		Measurement pursuant to IAS 39			Measurement pursuant to IAS 17	
	Balance sheet carrying amount Dec. 31, 2014	(Amortized) cost	Fair value through profit or loss	Fair value through other comprehensive income	(Amortized) cost	Fair value Dec. 31, 2014
Trade receivables	**684.0**	684.0	–	–	–	684.0
Loans and receivables	**–**	684.0	–	–	–	684.0
Other financial assets	**217.4**	213.2	1.4	2.8	–	206.2
Loans and receivables	**–**	202.0	–	–	–	202.0
Available-for-sale financial assets[1]	**–**	11.2	–	–	–	–
Derivatives that do not qualify for hedge accounting	**–**	–	1.4	–	–	1.4
Derivatives that qualify for hedge accounting	**–**	–	–	2.8	–	2.8
Securities and fixed-term deposits	**195.0**	10.0	–	185.0	–	195.0
Securities and fixed-term deposits held to maturity	**–**	10.0	–	–	–	10.0
Available-for-sale securities	**–**	–	–	185.0	–	185.0
Cash and cash equivalents	**325.9**	325.9	–	–	–	325.9
Securities and fixed-term deposits held to maturity	**–**	75.0	–	–	–	75.0
Loans and receivables	**–**	250.9	–	–	–	250.9
Total financial assets	1,422.3	–	–	–	–	1,411.1
Of which pursuant to IAS 39 measurement categories:						
Loans and receivables	**1,136.9**	1,136.9	–	–	–	1,136.9
Held-to-maturity securities	**85.0**	85.0	–	–	–	85.0
Available-for-sale financial assets	**196.2**	11.2	–	185.0	–	185.0
Derivatives that do not qualify for hedge accounting	**1.4**	–	1.4	–	–	1.4
Derivatives that qualify for hedge accounting	**2.8**	–	–	2.8	–	2.8
Financial liabilities (excluding finance leases)	**1,572.7**	1,572.7	–	–	–	1,590.0
Measured at amortized cost	**–**	1,572.7	–	–	–	1,590.0
Liabilities from finance leases	**28.8**	–	–	–	28.8	28.8
Trade payables	**374.5**	374.5	–	–	–	374.5
Measured at amortized cost	**–**	374.5	–	–	–	374.5
Other financial liabilities	**74.5**	24.8	15.4	34.3	–	74.5
Measured at amortized cost	**–**	24.8	–	–	–	24.8
Derivatives that do not qualify for hedge accounting	**–**	–	13.7	–	–	13.7
Derivatives that qualify for hedge accounting	**–**	–	1.7	34.3	–	36.0
Total financial liabilities	2,050.5	–	–	–	–	2,067.8
Of which pursuant to IAS 39 measurement categories:						
Measured at amortized cost	**1,972.0**	1,972.0	–	–	–	1,989.3
Derivatives that do not qualify for hedge accounting	**13.7**	–	13.7	–	–	13.7
Derivatives that qualify for hedge accounting	**36.0**	–	1.7	34.3	–	36.0

[1] This item contains available-for-sale financial assets the market values of which cannot be calculated reliably and which have been recognized at cost. This item, along with noncurrent loans, is shown in the statement of financial position under noncurrent financial assets.

The loans and receivables reported include trade receivables and other loans, as well as cash and cash equivalents. Cash and cash equivalents in foreign currency are measured at the conversion rate prevailing on the reporting date. Their carrying amounts correspond to their fair values. The fair value of the loans corresponds to their present value, i.e. the present value of the expected future cash flows. Discounting is carried out on the basis of the interest rates valid on the reporting date.

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

Available-for-sale financial assets include securities and investments in joint ventures and associates. Investments in joint ventures and associates are measured at cost, as no observable prices on active markets are available.

The carrying amounts of trade payables and other financial liabilities correspond to their fair values. The fair values of financial liabilities constitute the present value of the expected future cash flows. Discounting is carried out on the basis of the interest rates valid on the reporting date. All other financial liabilities are valued at cost as no observable prices for them are available.

The following table shows the net gains and losses from financial instruments, broken down by measurement category. The impacts on earnings due to finance leases and derivatives that qualify for hedge accounting are not shown in the table because they do not belong to any of the IAS 39 measurement categories.

€ million	2015	2014
Net result by measurement category		
Loans and receivables	**29.5**	55.0
Available-for-sale financial assets	**0.7**	1.3
Assets/liabilities classified as at fair value through profit or loss	**7.5**	–18.4
Financial liabilities measured at amortized cost	**–66.0**	–60.4
Total	–28.3	–22.5

The net result of the category “Loans and receivables” was primarily due to net losses/gains from foreign currency translation, interest income from financial assets, demand deposits and valuation allowances.

The category “Available-for-sale financial assets” includes interest income from fixed-interest securities.

The gains and losses from changes in the fair value of foreign-currency exchange rates, interest rates and commodity derivatives that do not fulfill the requirements of IAS 39 for hedge accounting are posted in the category “Assets/liabilities classified as at fair value through profit or loss.” The effects of fair value hedge accounting are also reported here.

The interest income from financial assets that are not recognized at fair value through profit or loss amounts to €6.9 million (2014: €7.2 million). This interest income mainly stems from demand deposits and loans as well as from held-to-maturity securities.

The interest expense from financial assets that are not recognized at fair value through profit or loss amounts to €31.8 million (2014: €46.2 million). These interest expenses are mainly due to financial liabilities.

The category “Held-to-maturity financial assets” mainly comprises interest income from noncurrent and current corporate bonds that are posted under securities.

The net losses in the category “Financial liabilities measured at amortized cost” primarily consist of interest expenses on bank liabilities and other financial liabilities.

Neither in the year under review nor in the previous year were there any reclassifications of financial assets between those recognized at amortized cost and those recognized at market value or vice versa.

The financial assets and liabilities measured at fair value in the financial statements were allocated to one of three categories in accordance with the fair value hierarchy described in IFRS 13. Allocation to these categories reveals which of the fair values reported were settled through market transactions and the extent to which the measurement was based on models in the absence of observable market transactions.

The following are the levels of the hierarchy.

Level 1: Financial instruments measured using quoted prices in active markets, the fair value of which can be derived directly from prices in active liquid markets and for which the financial instrument observable in the market is representative of the financial instrument being measured. These include fixed-interest securities traded in liquid markets.

Level 2: Financial instruments measured using valuation methods based on observable market data, the fair value of which can be determined using similar financial instruments traded in active markets or using valuation methods all of whose parameters are observable. These include hedging and non-hedging derivative financial instruments, loans and financial liabilities.

Level 3: Financial instruments measured using valuation methods not based on observable parameters, the fair value of which cannot be determined using observable market data and which require application of different valuation methods. The financial instruments belonging to this category have a value component that is not market-observable and has a major impact on fair value. These include over-the-counter derivatives and unquoted equity instruments.

The following table shows the categories in the fair value hierarchy to which the financial assets and liabilities measured at fair value in the statement of financial position are allocated. The table also shows financial assets and liabilities measured at cost in the statement of financial position. Their fair values are given in the Notes:

Fair Value Hierarchy as of Dec. 31, 2015

€ million	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting	–	11.2	–	**11.2**
Fair value through other comprehensive income/ through profit or loss				
Derivatives that qualify for hedge accounting	–	1.4	–	**1.4**
Available-for-sale securities	6.3	–	–	**6.3**
Total	6.3	12.6	–	18.9
Financial assets measured at amortized cost				
Loans and receivables				
Loans	–	99.9	–	**99.9**
Total	–	99.9	–	99.9
Financial liabilities measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting	–	15.9	–	**15.9**
Fair value through other comprehensive income/ through profit or loss				
Derivatives that qualify for hedge accounting	–	12.4	–	**12.4**
Total	–	28.3	–	28.3
Financial liabilities measured at amortized cost				
Financial liabilities				
Measured at amortized cost	–	1,421.7	–	**1,421.7**
Total	–	1,421.7	–	1,421.7

Fair Value Hierarchy as of Dec. 31, 2014

€ million	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting	–	1.4	–	1.4
Fair value through other comprehensive income				
Derivatives that qualify for hedge accounting	–	2.8	–	2.8
Available-for-sale securities	185.0	–	–	185.0
Total	185.0	4.2	–	189.2
Financial assets measured at amortized cost				
Loans and receivables				
Loans	–	93.6	–	93.6
Total	–	93.6	–	93.6
Financial liabilities measured at fair value				
Fair value through profit or loss				
Derivatives that do not qualify for hedge accounting	–	13.7	–	13.7
Fair value through other comprehensive income/ through profit or loss				
Derivatives that qualify for hedge accounting	–	36.0	–	36.0
Total	–	49.7	–	49.7
Financial liabilities measured at amortized cost				
Financial liabilities				
Measured at amortized cost	–	1,590.0	–	1,590.0
Total	–	1,590.0	–	1,590.0

WACKER regularly reviews whether its financial instruments are still appropriately allocated to the fair-value-hierarchy levels. As was the case in the previous year, no reclassifications were carried out within the fair value hierarchy in 2015.

In the period under review, WACKER measured only financial assets and liabilities at fair value. The market values were calculated using market information available on the reporting date and based on counterparties' quoted prices or via appropriate valuation methodologies (discounted cash-flow or well-established actuarial methodologies, such as the par method).

Derivative financial instruments and available-for-sale financial assets are recognized at fair value and are thus subject to a recurring fair-value assessment.

The fair value of derivative financial instruments is calculated based on market data such as exchange rates or yield curves in accordance with market-specific valuation methodologies. The calculation of the fair value contains our own and the counterparty's default risk, using maturity-matching and market-observable CDS values. The fair value of available-for-sale financial assets can be derived from prices listed in active markets.

Loans and financial liabilities are measured at amortized cost. However, the fair values must be provided in the Notes.

The fair value of the loans corresponds to the present value of expected future cash flows. Application of the discounted cash flow method using market interest rates means that the carrying amount of the loans corresponds to their fair value.

The fair value of financial liabilities is determined using the net present value method and is based on standard market interest rates.

It was not possible to calculate the fair value of the equity instruments that WACKER measures at amortized cost as no stock market prices or market values are available. The instruments in question are shares in unlisted companies for which there was no indication of a lasting impairment on the reporting date and the fair value of which cannot reliably be determined. WACKER had no intention of selling any of the shares reported as of December 31, 2014.

WACKER does not currently have any financial instruments measured at fair value that are allocated to level 3 of the fair value hierarchy.

No changes were made to the valuation methodology compared with the previous year.

Financial Risks

In the normal course of business, WACKER is exposed to credit, liquidity, and market risks from financial instruments. The aim of financial risk management is to limit risks from operations and the resultant financing requirements by using certain derivative and non-derivative hedging instruments.

The risks connected with the procurement, financing and selling of WACKER's products and services are described in detail in the management report. WACKER counters financial risks via the risk management system it has in place. That system is monitored by the Supervisory Board. The fundamental purpose of the risk management system is to identify, analyze, coordinate, monitor and communicate risks in a timely manner. The Executive Board receives regular analyses on the extent of those risks. The analyses focus on market risks, in particular on the potential impact of raw-material price risks, foreign-currency exchange risks, and interest rate risks on EBITDA and interest result.

Credit Risk (Risk of Default)

In terms of financial instruments, the Group is exposed to a default risk should a contractual party fail to fulfill its commitments. The maximum risk is therefore the amount of the respective financial instrument's positive fair value. To limit the risk of default, transactions are conducted only within defined limits and with partners of very high credit standing. To make efficient risk management possible, the market risks within the Group are controlled centrally. The conclusion and handling of transactions comply with internal guidelines and are subject to monitoring procedures that take account of the separation of duties. As for operations, outstanding receivables and default risks are continually monitored and hedged with trade credit insurance, advance payments and bank guarantees. Receivables from major customers are not so high as to represent an extraordinary concentration of risks. Default risks are accounted for by valuation allowances, taking advance payments received into account.

Liquidity Risk

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

To limit this risk, WACKER keeps liquid reserves in the form of current investments and lines of credit. WACKER has also concluded agreements with a number of banks for long-term syndicated loans and bilateral loans.

For information on the maturity analysis for non-derivative financial liabilities, please refer to Note 15.

Market Risks

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

Foreign Exchange Risk

The potential currency exposure to be hedged with derivative financial instruments is determined on the basis of major foreign-currency income and expenditure. The greatest risk is posed by the US dollar. US-dollar income is taken to mean all sales invoiced in US dollars, while all purchases in US dollars as well as site costs incurred in US dollars are reported under US-dollar expenditure. The evaluation of potential risks includes not only direct US-dollar income and expenditure, but also the indirect US-dollar impact of WACKER's main raw materials (methanol and natural gas). The US dollar is the only relevant risk variable for the sensitivity analysis in accordance with IFRS 7, since the largest share of foreign-currency cash flows is in US dollars. By comparison, increases in the euro exchange rate against the renminbi (CNY) and yen (JPY) have a minor impact. In determining sensitivity, we simulate a 10-percent US-dollar devaluation against the euro, taking as a starting point the exchange rate used in the forecast. Such a devaluation would have had an effect on EBITDA of € –60 million as of December 31, 2015 and € –60 million as of December 31, 2014. The effect from cash-flow-hedge designated items would have increased equity before income taxes by €29.4 million (2014: €35.6 million). Due to the optional portion of the hedging transactions, the effect from cash-flow-hedge designated items would have reduced equity before income taxes by €23.2 million (2014: €35.6 million) in the case of a 10-percent appreciation of the US dollar against the euro. The Group's currency exposure amounted to €595 million as of December 31, 2015 (2014: €601 million).

Interest Rate Risk

The interest rate risk results mainly from financial liabilities and interest-bearing investments. The Executive Board determines the mixture of fixed- and variable-interest net financial debt. Interest rate derivatives are concluded as required, taking account of the given structure. Depending on whether the instrument in question (financial liabilities, investments or interest rate derivatives) has a fixed or variable interest rate, the interest rate risks are measured on the basis of either market-value sensitivity or cash-flow sensitivity. As financial liabilities and fixed-interest investments are measured at amortized cost, they are, in accordance with IFRS 7, not subject to any interest-rate risk. Available-for-sale securities are recognized at fair value. Due to their short maturities, they are not subject to a significant risk of changes in interest rates. Hedge accounting is not used for any of the interest rate derivatives. Changes in market interest rates have an impact on the net interest income generated by variable-interest financial instruments and are thus included in the calculation of earnings-related sensitivity. Changes in the market interest rates of interest rate derivatives affect the financial result, and are consequently included in any earnings-related sensitivity analysis. If the market interest rate had been 100 base points lower (December 31, 2014: lower) as of December 31, 2015, interest result would have been €1.4 million (2014: €1.6 million) lower (lower).

Raw-Material Price Risk

In general, the company is faced with the risk that its supplies of raw materials may be inadequate and that potential increases in raw-material prices could threaten its results.

Derivative Financial Instruments

Financial risks are also hedged using derivative financial instruments. The raw-material price risks that WACKER hedges against result principally from ongoing energy procurement. Electricity-supply price hedging takes place via contractual stipulations, for which the “own-use exemption” rules of IAS 39 can essentially be used. These contracts, which are concluded for the purpose of receiving or delivering non-financial goods according to WACKER’s own needs, are not recognized as derivatives, but rather as pending transactions.

In those cases where WACKER hedges against currency risks, it uses derivative financial instruments, in particular currency forward exchange contracts, currency options and foreign exchange swaps. Derivatives are used only if they are backed by positions, cash deposits and funding, or scheduled transactions arising from operations (underlying transactions). The scheduled transactions also include anticipated, but not yet invoiced, sales in foreign currencies.

Foreign exchange hedging is carried out particularly for the US dollar, Japanese yen, Swiss franc and Singapore dollar. Potential interest rate hedges are based on the maturities of the underlying transactions.

Operational hedging in the foreign exchange area relates to the receivables and liabilities already recognized, and generally covers time horizons of between two and three months. The time horizon for strategic hedging is between three and a maximum of 21 months. The hedged cash flows influence the statement of income at the time when sales are realized. The cash inflows are usually recorded shortly afterward, depending on the payment deadline. As well as receivables from, and liabilities to, third parties, intercompany financial receivables and liabilities are hedged.

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

The derivatives are recognized at their market values, irrespective of their stated purpose. They are reported in the statement of financial position under other financial assets or other financial liabilities. Where permissible, cash flow hedge accounting is applied for the strategic hedging of currency exchange risks from future foreign exchange positions. In such cases, changes in the market values of foreign exchange contracts and changes in the intrinsic values of currency options are recognized under equity with no effect on net income until the underlying transaction takes place, insofar as the hedge is effective. When future transactions are realized, the effects accumulated under equity are reversed through profit or loss. The changes in the fair values of the currency options are posted to the statement of income. Depending on the nature of the underlying transaction, they are posted in the statement of income either under the operating result or, if financial liabilities are being hedged, under interest result or other financial result.

For strategic hedging purposes, graduated hedging ratios of between 50 and 30 percent are used in relation to the expected net exposure in US dollars. The expected net exposure for 2016 is about 50 percent hedged, with the expected additional semiconductor-business net exposure for 2017 being around 20 percent hedged. The hedging ratio for operational hedging in US dollars is around 50 percent.

In the fiscal year, the accumulated income and expenses recorded directly in equity included a pre-tax result from cash flow hedges amounting to €15.8 million (2014: €–45.9 million). Of this amount, €69.7 million was reclassified to profit and loss during the period (2014: €–10.5 million). In the result for the period, no gains or losses from hedge accounting ineffectiveness were recorded, as the hedging relationships were almost entirely effective.

The purpose of fair value hedges is to hedge against changes in the fair value of financial assets and liabilities that come about because of fluctuations in the value of currencies (foreign currency swap). If the hedge is effective, the carrying amount of the corresponding underlying transaction is amended to reflect the changes in the fair value of the hedged risks. At year end, WACKER recognized income of €7.3 million (2014: expense of €–0.3 million) from the valuation of the hedging instrument under fair value hedges. At the same time, an expense of €–7.3 million (2014: income of €0.3 million) was realized on the underlying transaction. According to the underlying transaction, the change in the fair value is recognized in the financial result.

€ million	Dec. 31, 2015		Dec. 31, 2014	
	Nominal values	Market values	Nominal values	Market values
Foreign exchange derivatives	1,826.5	–12.7	1,219.9	–44.6
Other derivatives	17.3	–3.0	9.4	–0.9
Total	**1,843.8**	**–15.7**	**1,229.3**	**–45.5**
Market values of derivative financial instruments used for hedge accounting		–11.3		–32.9

The foreign exchange derivatives mainly comprise forward exchange contracts and foreign exchange swaps amounting to US$1,309.5 million, ¥28.0 billion, SG$ 469.7 million and CHF10.5 million (2014: US$923.5 million, ¥27.7 billion and SG$435.5 million). Derivatives with market values of €13.3 million are due in 2016, and €0.4 million expire in 2017.

Other derivatives involve electricity futures traded on the Norwegian market for a nominal amount of €17.3 million (2014: €9.4 million). The electricity futures are used to limit the risk of rising spot-market prices for energy via structured price setting on the electricity market. The hedged amount represents up to 90 percent of the Holla (Norway) site's future silicon-production power needs not covered by long-term supply contracts. The futures have maturities of between one and five years. Derivatives with maturities up until 2020 were concluded.

The following table contains information on the netting of financial assets and liabilities in the consolidated statement of financial position. It also demonstrates the financial effects of a possible setting off of financial instruments from netting agreements, enforceable global netting agreements or similar agreements.

€ million	I	II	I + II	Related amounts not netted out in the balance sheet		Net amount
	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial assets/ liabilities netted out in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Financial instruments	Cash collateral received	
Dec. 31, 2015						
Derivatives with a positive market value	12.7	–0.1	12.6	–6.1	–	**6.5**
Derivatives with a negative market value	–28.4	0.1	–28.3	6.1	–	**–22.2**
Dec. 31, 2014						
Derivatives with a positive market value	6.1	–1.9	4.2	–4.0	–	**0.2**
Derivatives with a negative market value	–51.6	1.9	–49.7	4.0	–	**–45.7**

In addition to the amounts complying with the provisions on netting pursuant to IAS 32, the table also includes those amounts that are subject to netting agreements but may not be netted pursuant to IAS 32.

WACKER does not net any significant financial assets and liabilities. As a part of strategic hedging activities, WACKER closes out forward-exchange contracts prior to maturity by means of offsetting transactions. The strategic forward-exchange contract and the corresponding offsetting forward-exchange transaction are recognized as a net amount in accordance with IAS 32 criteria. In addition, general offsetting agreements, which apply only in cases of insolvency, have been concluded with a number of banks.

WACKER has not received any pledged cash security for positive market values of derivatives nor pledged any cash security for negative market values.

The net amount shows the amount of financial assets or liabilities that, despite netting and global netting agreements, is not received or must be paid in the event of insolvency.

21 Notes to the Statement of Cash Flows

Cash flow from operating activities is calculated using the indirect method, which adjusts the relevant changes in statement-of-financial-position items for any exchange-rate effects and effects of changes in the scope of consolidation. This means that changes to the relevant statement-of-financial-position items cannot be reconciled with the corresponding values based on the published consolidated statements of financial position.

Construction-related borrowing costs that have to be capitalized were deducted from the interest payments recognized in cash flow from operating activities. These construction-related borrowing costs increased capital expenditure included in cash flow from investing activities by €18.6 million (2014: €5.1 million).

In the case of cash flow from investing activities, the actual outflows of funds are recognized. As a result, it is also not possible to reconcile these figures with the additions to investments in the consolidated statement of financial position. If subsidiaries or business activities are acquired or sold, the effects of these transactions are shown as separate items in the statement of cash flows. Investment in securities falling due in more than three months is reported separately under cash flow from investing activities because, in economic terms, these transactions are considered an element of liquidity.

The Group is financed mainly by bank loans granted in the form of loan commitments. Within the defined approval limits for loan commitments, our utilization of credit may be subject to considerable fluctuations both within a given year and over several years. The raising and repayment of loans in foreign currencies are translated at the exchange rate prevailing as of the time of transaction, with the result that here, too, it is not possible to reconcile all the inflows and outflows with the changes in financial liabilities in the statement of financial position.

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

22 Explanatory Notes on Segment Reporting

The Group's segment reporting is in line with the internal organizational and reporting structure. WACKER reports on five operating segments (Silicones, Polymers, Biosolutions, Polysilicon and Siltronic), which are organized and managed autonomously on the basis of the type of products they offer and their different risk and income structures. Any activities or results not assigned to an operating segment are shown under "Other." Currency translation results that cannot be assigned to a segment are likewise shown in this item. Foreign currency gains or losses pertaining to the Siltronic operating segment are recognized directly in that operating segment because an assignment in Siltronic's sub-group financial statements is possible. Foreign currency gains or losses pertaining to the chemical divisions and the Polysilicon operating segment are shown under "Other."

Items in the statement of financial position and statement of income are assigned to the operating segments in accordance with the commercial power of disposition. Assets used jointly by several segments are generally shown under "Other" if they cannot be assigned clearly to a particular segment. A similar approach is adopted for borrowed funds. For the geographical regions, the assets and liabilities are assigned in accordance with where the respective Group company's site is located. Sales are classified in accordance with both the customer's location and the respective Group company's site.

WACKER measures the segments' success using the segment profitability variable EBITDA. EBITDA is calculated by adjusting EBIT for depreciation and amortization, impairments, and write-ups. EBIT consists of the gross result from sales, selling and general administrative expenses, research and development expenses, and other operating income and expenses including income from investments in joint ventures and associates and other income from investments.

Asset additions, depreciation, amortization and write-ups refer to intangible assets, to property, plant and equipment, to investment property and to financial assets. Internal sales show the sales that are generated between the segments. They are settled mainly on the basis of market prices or planned cost of sales. Segment information is based on the same presentation and accounting methods used for the consolidated financial statements. Receivables and liabilities, provisions, income, expenses, and results between the segments are eliminated in the course of consolidation.

As a rule, the assets reported for the segments encompass all of their assets. Loans, cash and cash equivalents, and deferred tax assets, however, are allocated to the "Other" segment.

The liabilities shown for the segments represent all of their liabilities – except deferred tax liabilities, which are shown under "Other." The Group's financial liabilities are allocated to individual segments in proportion to the segment assets. Provisions for pensions are allocated according to Group HR ratios. The advance payments received are allocated directly to the individual segments.

Non-cash expenses and income are divided up between the individual segments as follows:

Other Non-Cash Expenses and Income

€ million	2015	2014
SILICONES	1.5	–2.4
POLYMERS	0.9	–1.9
BIOSOLUTIONS	0.1	–0.2
POLYSILICON	4.3	–3.1
SILTRONIC	–9.7	9.1
Other	–36.2	–56.9
	–39.1	–55.4

The decline in both advance payments received for polysilicon deliveries and advance payments retained due to the termination of polysilicon contracts €214.4 million (2014: €–218.6 million). In the Siltronic segment, advance payments received decreased by €23.9 million (2014: increase of €45.1 million).

Start-up costs for the new polysilicon site in Charleston, Tennessee (USA) diminished EBITDA in the polysilicon segment by around €90 million.

Important valuation changes not recognized through profit or loss include changes in the market value of derivative financial instruments (cash flow hedging) and changes in value from the remeasurement of defined benefit pension plans.

Of the changes in the market value of derivative financial instruments from cash flow hedging, €13.5 million (2014: €–33.4 million) is attributable to the Siltronic segment and €8.9 million (2014: €–12.4 million) to "Other." The changes in value from the remeasurement of defined benefit pension plans are distributed among the segments as follows: €41.8 million (2014: €–127.1 million) for the Silicones segment; €15.3 million (2014: €–49.1 million) for the Polymers segment; €3.7 million (2014: €–11.7 million) for the Biosolutions segment; €28.2 million (2014: €–85.5 million) for the Polysilicon segment; €95.2 million (2014: €–135.5 million) for the Siltronic segment; and €77.8 million (2014: €–231.0 million) for the "Other" segment.

In addition to Germany, the USA and China are the only countries in which WACKER generates significant sales from a Group viewpoint. Measured in relation to the headquarters of the selling unit, sales amounted to €829.4 million in the USA (2014: €633.7 million) and €557.5 million in China (2014: €441.5 million). Measured by the respective customer location in the USA and China, the sales generated were €754.1 million (2014: €643.0 million) and €1,013.8 million (2014: €900.0 million), respectively. WACKER has no major customer whose sales it is obliged to report.

The reconciliation of the segments' aggregate results with the net income for the year is shown in the following list:

Reconciliation of Segment Results (EBIT)

€ million	2015	2014
Operating result of reporting segments	**472.5**	447.6
Consolidation	**0.9**	–4.3
Group EBIT	**473.4**	443.3
Financial result	**–66.7**	–78.1
Income before taxes	**406.7**	365.2
Income taxes	**–164.9**	–169.8
Net income for the year	**241.8**	195.4

23 Breakdown of Shareholdings

Unless otherwise stated, the following figures for international subsidiaries were calculated in accordance with IFRS.

Affiliated Companies

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
Germany						
1 Alzwerke GmbH, Munich	Other	a), b)	7,160	–	100.00	0
2 DRAWIN Vertriebs-GmbH, Hohenbrunn	Silicones	a), b)	5,016	–	100.00	0
3 W.E.L.T. Reisebüro GmbH, Munich[2]	Other		116	75	51.00	0
4 Wacker-Chemie Versicherungsvermittlung GmbH, Munich	Other	a), b)	26	–	100.00	0
5 Wacker-Chemie Beteiligungsfinanzierungs GmbH, Munich	–		30	–	100.00	0
6 Wacker Polysilicon Geschäftsführungs GmbH, Nünchritz	–		27	–	100.00	0
7 Wacker-Chemie Erste Venture GmbH, Munich	–		80	–	100.00	0
8 Wacker-Chemie Zweite Venture GmbH, Munich	–		36	–	100.00	0
9 Wacker-Chemie Dritte Venture GmbH, Munich	Holding	a), b)	387,727	–	100.00	0
10 Wacker-Chemie Sechste Venture GmbH, Munich	–		27	–	100.00	0
11 Wacker Biotech GmbH, Jena	Biosolutions	a), b)	290	–	100.00	0
12 Wacker-Chemie Siebte Venture GmbH, Munich	–		25	–	100.00	0
13 Wacker-Chemie Achte Venture GmbH, Munich	–	a), b)	2,753	–	100.00	0
14 Siltronic AG, Munich	Siltronic		525,760	–72,756	49.50	9
					8.33	0
Rest of Europe						
15 Wacker Chemicals Finance B.V., Krommenie/Amsterdam, Netherlands	Holding		1,369,849	164	100.00	0
16 Wacker-Chemicals Ltd., Egham, Surrey, Great Britain	Sales and distribution		947	823	100.00	0
17 Wacker-Chemie Italia S.r.L., Peschiera Borromeo/Milan, Italy	Sales and distribution		2,382	782	100.00	0
18 Wacker-Chemie Benelux B.V., Krommenie/Amsterdam, Netherlands	Sales and distribution		425	407	100.00	15
19 Wacker Chimie S.A.S., Lyon, France	Sales and distribution		561	349	100.00	0
20 Wacker-Kemi AB, Solna, Sweden	Sales and distribution		162	95	100.00	0
21 Wacker Química Ibérica, S.A., Barcelona, Spain	Sales and distribution		442	304	100.00	0
22 Siltronic Holding International B.V., Krommenie/Amsterdam, Netherlands	Holding		318,255	37,585	57.83	14

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
23 Wacker-Chemie S.r.o., Prague, Czech Republic	Sales and distribution		3,222	185	100.00	0
24 Wacker-Chemie Polska Sp. z o.o., Warsaw, Poland	Sales and distribution		451	321	100.00	0
25 Wacker-Chemie Hungária Kft., Budapest, Hungary	Sales and distribution		539	358	100.00	0
26 OOO Wacker Chemie RUS, Moscow, Russia	Sales and distribution		697	98	100.00	0
27 Wacker Chemicals Norway AS, Holla, Norway	Silicones		40,661	5,604	100.00	15
28 Wacker Kimya Tic. Ltd. Sti., Turkey	Sales and distribution		273	221	100.00	15
Americas						
29 Wacker Química do Brasil Ltda., São Paulo, Brazil	Silicones, Polymers		3,446	–2,273	100.00	0
30 Wacker Mexicana S.A. de C.V., Mexico, D.F., Mexico	Sales and distribution		1,356	752	100.00	0
31 Wacker Chemical Corp., Adrian, Michigan, USA	Silicones, Polymers, Biosolutions		1,468,616	12,700	100.00	15
32 Wacker Polysilicon North America, LLC, Cleveland, Tennessee, USA	Polysilicon		1,077,501	–114,379	100.00	31
33 Siltronic Corp., Portland, Oregon, USA	Siltronic		23,557	6,696	100.00	22
34 Wacker Colombia S.A.S., Colombia	Sales and distribution		16	6	100.00	15
Asia						
35 Wacker Chemicals (South Asia) Pte. Ltd., Singapore	Sales and distribution		1,997	512	100.00	0
36 Wacker Chemicals Hong Kong Ltd., Hong Kong, China	Sales and distribution		9,024	6,612	100.00	0
37 Wacker Metroark Chemicals Pvt. Ltd., Parganas, India	Silicones		43,660	9,396	51.00	0
38 Wacker Chemicals Korea Inc., Seoul, South Korea	Silicones, Polymers		36,058	7,534	100.00	15
39 Wacker Chemicals East Asia Ltd., Tokyo, Japan	Sales and distribution		15	–46	100.00	0
40 Wacker Chemicals Trading (Shanghai) Co. Ltd., Shanghai, China	Silicones		4,298	74	100.00	36
41 Wacker Chemicals Fumed Silica (ZJG) Holding Co. Private Ltd., Singapore	Holding		47,905	–17	51.00	0
42 Wacker Chemicals Fumed Silica (ZJG) Co. Ltd., Zhangjiagang, China	Silicones		18,297	5,329	51.00	41
43 Wacker Chemicals (Zhangjiagang) Co. Ltd., Zhangjiagang, China	Silicones		50,913	8,857	100.00	45
44 Wacker Polymer Systems (WUXI) Co. Ltd., Wuxi, China	Biosolutions		2,745	–135	100.00	45
45 Wacker Chemicals (China) Company Ltd. (Holding), Shanghai, China	Sales and distribution		125,273	11,184	100.00	0
46 Wacker Chemicals (Nanjing) Co. Ltd., Nanjing, China	Polymers, Biosolutions		54,697	1,541	100.00	45
47 Wacker Chemicals India Ltd., Mumbai, India	Sales and distribution		4,081	643	100.00	15
48 Siltronic Singapore Pte. Ltd., Singapore	Siltronic		127,417	43,707	57.83	22
49 Siltronic Asia Pte. Ltd., Singapore	Siltronic		846	805	57.83	22
50 Siltronic Japan Corp., Hikari, Japan	Siltronic		–13,569	26	57.83	22
51 Siltronic Silicon Wafer Pte. Ltd., Singapore	Siltronic		–29,252	–22,850	44.93	22

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
Other regions						
52 Wacker Chemicals Australia Pty. Ltd., Melbourne, Australia	Sales and distribution		697	363	100.00	0
53 Wacker Chemicals Middle East Ltd., Dubai, UAE	Sales and distribution		3,213	213	100.00	0

Joint Ventures/Associated Companies[3]

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %	Held by serial number[1]
54 Wacker Asahi Kasei Silicone Co. Ltd., Tokyo, Japan	Silicones		13,264	2,489	50.00	0
55 Dow Corning (ZJG) Holding Co. Private Ltd., Singapore	Silicones		368,758	–3,739	25.00	0
56 Wacker Dymatic (Shunde) Co. Ltd., Guangdong, China	Silicones		23,411	6,135	50.00	45

Special-Purpose Entity

Serial number	Activity	Identifier*	Equity in € '000	Net income for the year in € '000	Capital share in %[4]	Held by serial number[1]
57 WMM-Universal-Fonds, Germany	–		6,466	557	100.00	0

* Identifier:
a) Wacker Chemie AG has concluded profit-and-loss transfer agreements with these entities, either directly or indirectly.
b) The shareholders of Wacker Chemie AG have agreed not to disclose the financial statements of these entities (Section 264, Subsection 3 of the German Commercial Code).

[1] Serial number 0: Wacker Chemie AG
[2] Prior-year figures
[3] Only direct holdings in the relevant parent company are listed
[4] Share of special assets; as per IFRS

24 Related Party Disclosures

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

In the year under review, the WACKER Group was affected by the disclosure obligations under IAS 24 in respect of the business relations with Wacker Chemie AG's major shareholders and its Executive and Supervisory Board members. The principles of IAS 24 also apply to all transactions with non-consolidated subsidiaries, associated companies and joint ventures, since Wacker Chemie AG exercises significant influence over them.

Dr. Alexander Wacker Familiengesellschaft mbH, Munich, informed Wacker Chemie AG on June 7, 2006, that it holds over 50 percent of the voting shares in Wacker Chemie AG. Blue Elephant Holding GmbH, Pöcking, informed Wacker Chemie AG on April 12, 2006, that it holds over 10 percent of the voting shares in Wacker Chemie AG.

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

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

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

Wacker Chemie AG's pension fund is also considered a related party pursuant to IAS 24. Provision of services takes place between the two entities in the area of company pension plan benefits. WACKER makes payments to plan assets to cover pension obligations. Wacker Chemie AG also rents the headquarters building and the land on which it stands from a subsidiary of Pensionskasse der Wacker Chemie VVaG. The total expenditures amounted to €45.3 million (2014: €45.6 million), while the receivables from the pension fund totaled €0.5 million (2014: €40.4 million).

On June 22, 2015, The Capital Research and Management Company, Inc., Los Angeles, USA (a subsidiary of Capital Group Companies, Inc. Los Angeles, USA) reported holding 3.07 percent, thereby exceeding the 3-percent threshold of voting shares in Wacker Chemie AG.

Further detailed information has been published in the German register of companies.
www.unternehmensregister.de

Business with joint ventures and associates, the pension fund, and non-consolidated subsidiaries is conducted under conditions that are customary between outside third parties (arm's length transactions). Contractually agreed transfer-price formulas have been defined for joint-venture and associated-company product shipments.

Related Party Disclosures

€ million	2015				2014			
	Income	Expenses	Receivables	Liabilities	Income	Expenses	Receivables	Liabilities
Associated companies	9.5	144.9	3.2	8.7	6.3	123.5	2.1	15.9
Joint ventures	31.5	1.4	5.4	0.5	28.0	1.7	4.3	0.2

Transactions with joint ventures and associates relate to such supplies and services as arise during the normal course of business (for example in connection with sales revenue, license revenue and administrative expense allocations). Joint ventures and associates submitted invoices for material purchases and commissions. Any guarantees or other security pledges are reported under other financial obligations. See Note 17.

In addition, there is a loan to an associated company totaling €99.9 million (2014: €93.6 million).

Information Regarding Compensation for the Supervisory and Executive Boards:

Compensation for the Executive and Supervisory Boards

€	Fixed compensation	Variable compensation	Pension expenses[1]	Total
Executive Board compensation 2015	2,629,052	3,681,166	2,174,835	**8,485,053**
Executive Board compensation 2014	2,633,579	3,057,625	934,991	**6,626,195**
Pension commitments for active members of the Executive Board 2015				**22,692,191**
Pension commitments for active members of the Executive Board 2014				**25,151,057**
Compensation for former members of the Executive Board and their surviving dependents 2015				**1,922,900**
Compensation for former members of the Executive Board and their surviving dependents 2014				**1,851,841**
Pension commitments for former members of the Executive Board and their surviving dependents 2015				**36,718,229**
Pension commitments for former members of the Executive Board and their surviving dependents 2014				**35,200,916**
Supervisory Board compensation 2015	1,716,973	–	–	**1,716,973**
Supervisory Board compensation 2014	1,729,041	–	–	**1,729,041**

[1] The compensation for retirement benefits is based on service cost. Interest expense amounted to €585,079 (2014: €706,334).

Dr. Rauhut retired on October 31, 2015 after his employment contract expired as scheduled. Before expiry of his employment contract, Dr. Rauhaut had received all compensation due him under the provisions of this contract. He will receive the agreed competitive-restriction compensation, which will total €636,548 for the 12 months following his departure. €106,091 of that total amount was paid to him in 2015 and is included under compensation for former members of the Executive Board and their surviving dependents.

Detailed information about Executive Board compensation is contained in the compensation report, which forms part of the management report. German commercial law (HGB) requires the inclusion of this information in the notes to the consolidated financial statements.

Other business relations with members of the Supervisory and Executive Boards comprise the purchase and sale of shares in Wacker Chemie AG. Such transactions take place on customary market terms and conditions. These transactions were published both in the German register of companies and on the Wacker Chemie AG website at: www.wacker.com/directors-dealings

The members of Wacker Chemie AG's Supervisory Board and Executive Board are listed on the following pages.

Munich, February 29, 2016
Wacker Chemie AG

Rudolf Staudigl **Christian Hartel**

Tobias Ohler **Auguste Willems**

Supervisory Board

Dr. Peter-Alexander Wacker[1,2,3]

Chairman
Starnberg
Former President & CEO
of Wacker Chemie AG, businessman

Chairman of the Supervisory Board and Advisory Council
Giesecke & Devrient GmbH (until May 31, 2015)

Chairman of the Administrative Council and Board of Trustees
ifo Institute – Leibniz Institute for Economic Research at the University of Munich

Anton Eisenacker*[1,2,3]

Deputy Chairman
Perach, master chemical technician

Peter Áldozó*

Burghausen, HR specialist

Dr. Andreas H. Biagosch

(since January 26, 2015)
Munich, Managing Director of Impacting I GmbH & Co. KG and Impact GmbH

Member of the Board of Directors
Ashok Leyland, Chennai, India

Member of the Supervisory Board
Aixtron SE

Member of the Advisory Board
Lürssen Werft GmbH & Co. KG

Member of the Southern Regional Advisory Council
Commerzbank AG

Dr. Gregor Biebl

Munich, Undersecretary
Bavarian Ministry of Finance

Matthias Biebl

Munich, attorney and bank in-house lawyer
UniCredit Bank AG

Dagmar Burghart*

Kirchdorf, industrial mechanic

Deputy Chairwoman of the Supervisory Board
Pensionskasse der Wacker Chemie VVaG

Konrad Kammergruber*

Burghausen, Director of Infrastructure Services

Eduard-Harald Klein*

Neuötting, operator

Manfred Köppl*[1]

Kirchdorf, industrial mechanic

Franz-Josef Kortüm[1,2,3]

Munich
Former Chairman of the Executive Board of Webasto SE

Deputy Chairman of the Supervisory Board
Webasto SE

Chairman of the Advisory Council
Brose Fahrzeugteile GmbH & Co. KG

Member of the Board of Directors
Autoliv Inc., USA

Seppel Kraus*

Olching, regional head of the IG BCE labor union, Bavaria

Member of the Supervisory Board
Novartis Deutschland GmbH
Hexal AG
Gerresheimer AG

Harald Sikorski*

Munich, Altötting District Chairman of the IG BCE labor union

Member of the Supervisory Board
Siltronic AG**

Dr. Thomas Strüngmann

Tegernsee, Co-Managing Director, ATHOS Service GmbH

Dr. Susanne Weiss

Munich, attorney, and a partner in the law firm Weiss Walter Fischer-Zernin

Chairwoman of the Supervisory Board
PIAG Immobilien AG, Austria
(until January 19, 2015)
ROFA AG

Member of the Supervisory Board
Porr AG, Austria
Schattdecor AG
UBM Development AG (since January 15, 2015)

Member of the Advisory Council
Alu-Sommer GmbH, Austria

Prof. Dr. Ernst-Ludwig Winnacker

Munich, professor emeritus of Biochemistry at LMU, Munich
Secretary General of the HFSP Human Frontier Science Program, Strasbourg (until June 30, 2015)

Member of the Supervisory Board
Bayer AG

* Employee representative
** Affiliated company
[1] Mediation Committee (Chairman: Dr. Peter-Alexander Wacker)
[2] Executive Committee (Chairman: Dr. Peter-Alexander Wacker)
[3] Audit Committee (Chairman: Franz-Josef Kortüm)

Executive Board

Dr. Rudolf Staudigl

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

Chairman of the Supervisory Board
Pensionskasse der Wacker Chemie VVaG

Deputy Chairman of the Supervisory Board
Groz-Beckert KG

Member of the Advisory Council, Bavaria
Deutsche Bank AG

Dr. Christian Hartel

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

Dr. Tobias Ohler

WACKER POLYMERS (until October 31, 2015)
SILTRONIC (since November 1, 2015)
Human Resources (Personnel Director)
(until October 31, 2015)
Technical Procurement & Logistics
Raw Materials & Energy
Corporate Accounting and Tax (since November 1, 2015)
Corporate Controlling (since November 1, 2015)
Information Technology (since November 1, 2015)
Region: Asia (until October 31, 2015)
Region: The Americas (since November 1, 2015)

Member of the Supervisory Board
Siltronic AG** (until December 11, 2015)
Pensionskasse der Wacker Chemie VVaG
(since December 1, 2015)

Chairman of the Supervisory Board
Siltronic AG** (since December 12, 2015)

Dr. Joachim Rauhut

(until October 31, 2015)
SILTRONIC
Corporate Accounting and Tax
Corporate Controlling
Corporate Finance and Insurance
Corporate Engineering
Information Technology
Region: The Americas

Member of the Supervisory Board
Pensionskasse der Wacker Chemie VVaG
(until October 31, 2015)
MTU Aero Engines AG
B. Braun Melsungen AG
Stabilus S.A. (since May 12, 2015)

Chairman of the Supervisory Board
Siltronic AG** (until December 11, 2015)

Member of the Advisory Council
J. Heinrich Kramer Holding GmbH

Member of the Southern Regional Advisory Committee
Commerzbank AG

Auguste Willems

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

Member of the Supervisory Board
Siltronic AG** (until May 7, 2015)

Member of the Bavarian State Branch Advisory Committee
TÜV Süd AG

** Affiliated company

Corporate Governance Report and Declaration on Corporate Management

Corporate governance is an important part of a company's success, responsible corporate management and supervision. Wacker Chemie AG attaches great importance to the rules of proper corporate governance. In this report, the Executive Board provides details – also for the Supervisory Board – on corporate governance in accordance with Item 3.10 of the German Corporate Governance Code (the Code) and Section 289a (1) of the German Commercial Code (HGB).

Declaration of Conformity and Corporate Governance Reporting

In 2015, the Executive and Supervisory Boards dealt intensively with the company's corporate governance and the recommendations of the Code published on May 5, 2015. The Executive Board and the Supervisory Board resolved in December 2015 to issue the following Declaration of Conformity as per Section 161 of the German Stock Corporation Act (AktG). The Declaration of Conformity has since been made permanently available to the general public on the company's website.

Declaration of Conformity 2015 Issued by the Executive Board and Supervisory Board of Wacker Chemie AG

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

In December 2014, the Executive Board and the Supervisory Board of Wacker Chemie AG issued their most recent declaration of conformity pursuant to Section 161 of the German Stock Corporation Act. Since that time, Wacker Chemie AG has complied with the recommendations of the German Corporate Governance Code (the Code) as amended on June 24, 2014, with the exceptions listed under 2. a), b), c), d), e) and g) in the following, and will continue to comply with the recommendations of the Code as amended on May 5, 2015, with the exceptions listed under 2. a), c), d), e), f) and g).

2. Exceptions

a) D&O Insurance Deductible for Supervisory Board Members

German law and a company's articles of association set clear limits in regard to the supervisory board's ability to exert influence on the business activities of a stock corporation. Pursuant to Section 76 (1) of the German Stock Corporation Act, the executive board has direct responsibility for managing the corporation. The supervisory board is instrumental in defining the main features of corporate strategy. However, beyond this contribution, the supervisory board's abilities are limited in terms of influencing the implementation of corporate strategy or operations. The same applies to measures taken to avert damage or loss to the company. Furthermore, since our Supervisory Board members receive only a relatively small amount for reimbursement of expenses compared to our Executive Board compensation, we do not deem the agreement of a deductible reasonable for members of our Supervisory Board.

b) Appropriate Consideration of Women for Appointment to the Executive Board

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

c) Formation of a Nomination Committee within the Supervisory Board
The Supervisory Board shall establish a Nomination Committee that is exclusively composed of shareholder representatives and whose task it is to make recommendations to the Supervisory Board with regard to candidates suitable for proposal to the Annual Shareholders' Meeting.

We do not comply with this recommendation because, in view of our shareholder structure, we do not believe that the formation of such a committee is appropriate. Due to the majority situation, nominations to the Supervisory Board must be agreed with the majority shareholder in any case, so that an additional nomination committee would not serve to increase efficiency.

d) Announcement of Proposed Candidates for the Chair of the Supervisory Board to Shareholders
According to this recommendation, shareholders shall be informed of any candidates for the Supervisory Board chair even though, as a rule, the Supervisory Board has not yet been appointed. Under German law, the Supervisory Board chair must be elected by, and from among, the Supervisory Board members. There is no legal requirement to announce the candidates for the chair from among a yet-to-be-appointed group of Supervisory Board members. Furthermore, this would result in a de facto predetermination, which is also not provided for under German law. For these reasons, we do not comply with this recommendation.

e) Defining Concrete Objectives Regarding the Number of Independent Members of the Supervisory Board
The Supervisory Board of Wacker Chemie AG, as it is composed at present, meets the requirements of the Code regarding an adequate number of independent members. The Supervisory Board will continue to ensure that in future elections, it will recommend a number of independent candidates which it considers to be appropriate to the shareholders. Additionally defining a concrete objective in this regard would not only limit the choice of suitable candidates for the Supervisory Board, but also restrict the shareholders' right to elect those Supervisory Board members whom they consider to be the most suitable. For these reasons, we do not comply with this recommendation.

f) Term Limit for Length of Service on the Supervisory Board
According to this recommendation, the Supervisory Board shall determine a general term limit for the length of service on the board. A generally applicable term limit of this sort is not required in our opinion, as we consider an individual analysis of the respective Supervisory Board members to be more effective. This particularly applies since the Code provides for self-inspection of the Supervisory Board and its members anyway as part of the regular examination of efficiency. Furthermore, a general term limit would restrict the majority shareholder's freedom to choose representatives on the Supervisory Board at its own discretion in fulfillment of its corporate responsibility.

g) Time Limit Placed on Applications for the Judicial Appointment of a Supervisory Board Member
According to this recommendation, applications for the judicial appointment of a Supervisory Board member shall be limited in time up to the next Annual Shareholders' Meeting.

We do not comply with this recommendation. Proposals for candidates to be appointed by the court are agreed with the majority shareholder beforehand anyway. In view of the majority situation, the election of this same candidate at the next Annual Shareholders' Meeting would merely constitute a confirmation of his/her appointment, which we consider to be superfluous.

Corporate Governance Reporting

Shareholders and Annual Shareholders' Meeting

Transparent Information for Shareholders and the Public

WACKER's aim is to inform all of the company's target groups – whether shareholders, shareholder representatives, analysts, media, or the interested general public – promptly and without preference. We regularly publicize important company dates in a financial calendar published in our Annual Report, in the interim reports and on our website. Capital market participants are in close contact with our Investor Relations team. We inform investors and analysts about the current and future development of business in telephone conferences held whenever a quarterly report is published. We regularly attend roadshows and investors' conferences. Once a year, we hold an event for analysts. Important presentations are available on the internet, as well as all press releases and ad-hoc disclosures in both German and English, the online version of the Annual Report, all interim reports and the Sustainability Report. Further information is provided by our online customer magazine, media library and Podcast Center. www.wacker.com

Annual Shareholders' Meeting

The Annual Shareholders' Meeting provides an efficient and inclusive forum for informing shareholders about the company's situation. Even before the Annual Shareholders' Meeting begins, shareholders receive important information about the previous fiscal year in the Annual Report. The agenda items are described and the conditions of attendance explained in the invitation to the Annual Shareholders' Meeting. The notice of the Annual Shareholders' Meeting – together with all legally prescribed reports and documents, including the Annual Report (of which the consolidated financial statements and the combined management report form part) – as well as the annual financial statements of Wacker Chemie AG are also available on the company's website. After the Annual Shareholders' Meeting, we publish the attendance figures and the results of the votes on the internet. All these communication measures contribute to the regular exchange of information with our shareholders. WACKER helps its shareholders exercise their voting rights by giving them the option of casting their vote either in person or by proxy. Proxies are available to exercise shareholders' voting rights as instructed and can also be contacted during the Annual Shareholders' Meeting.

Working Methods of the Executive and Supervisory Boards

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

Executive Board

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

The members of the Executive Board bear joint responsibility for managing the company, but each individual member is directly responsible for managing its respective unit. All Executive Board decisions require a simple majority. In the case of a tie of votes, the president & CEO has the deciding vote. However, he/she does not have the right to veto Executive Board resolutions.

Close Collaboration between the Executive and Supervisory Boards

The Executive and Supervisory Boards work together closely to promote the interests of the company. Their common goal is the sustainable growth of the company and the enhancement of its value. The Executive Board reports to the Supervisory Board regularly, promptly and comprehensively on all relevant issues of company strategy, planning, business development, risk exposure, risk management and compliance. Also in the period between meetings, the Supervisory Board chairman maintains contact with the Executive Board, in particular with the president & CEO, consulting with that body on the above-mentioned issues. The Executive Board explains to the Supervisory Board and gives reasons for any deviations from approved business plans and objectives.

The Rules of Procedure for Wacker Chemie AG's Executive Board stipulate that certain transactions require prior consent from the Supervisory Board. These include approving the annual budget (including financial and investment planning), acquiring and disposing of shares in companies, establishing new production or business units or suspending existing ones, and concluding sizable long-term loan agreements.

Supervisory Board

The Supervisory Board appoints, oversees and advises the Executive Board and is directly involved in any decisions of crucial importance to WACKER. Fundamental decisions on the company's development require Supervisory Board approval.

Supervisory Board Composition

The Supervisory Board comprises 16 members. In compliance with the German Co-Determination Act (MitbestG), it has an equal number of shareholder and employee representatives. Shareholder representatives are elected by the Annual Shareholders' Meeting and employee representatives by the employees, as stipulated by the German Co-Determination Act. The term of office is generally about five years.

WACKER has always placed importance on having highly qualified individuals sit on its Supervisory Board. In compliance with the recommendation made in Item 5.4.1 of the German Corporate Governance Code as amended on May 26, 2010, WACKER's Supervisory Board resolved in December 2010 to set itself concrete objectives in respect of its composition. These include the qualifications, international experience and gender of Supervisory Board members, and the prevention of conflicts of interest. Accordingly, the profile of requirements and targets is as follows:

- International scope: an appropriate number of Supervisory Board members – however, at least one – should have international experience.

- Prevention and handling of conflicts of interest: the Supervisory Board's Rules of Procedure already contain extensive provisions on members' conflicts of interest. In addition, the Supervisory Board actively strives to prevent such conflicts of interest and also takes this goal into consideration when making recommendations to the Annual Shareholders' Meeting.

- Diversity and gender representation: diversity includes gender diversity. The objective set in December 2010 to increase the number of female members to at least two – one shareholder and one employee representative – was achieved in 2013. Since WACKER is a publicly listed company subject to co-determination, its Supervisory Board is required by the "Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector" of April 24, 2015 to be composed of at least 30 percent female members and at least 30 percent male members. These requirements became valid for the first time as of January 1, 2016 for new elections.

The Supervisory Board's Rules of Procedure already define an age limit. The Supervisory Board does not comply with the recommendation made in Item 5.4.1 of the German Corporate Governance Code as amended on May 5, 2015 to set a general term limit for the length of service of its members. The reasons for this decision are given in the Declaration of Conformity of December 2015.

As members of the Supervisory Board cannot simultaneously sit on the Executive Board, this structure ensures a high degree of independence in monitoring the Executive Board. Since the Supervisory Board believes that it comprises an adequate number of independent members, it does not comply with the additional recommendation made in Item 5.4.2 of the German Corporate Governance Code as amended on May 5, 2015 to name a specific target number of independent members. The reasons for this decision are given in the Declaration of Conformity of December 2015.

The Supervisory Board will take into account the objectives it has set when making its nomination proposals to the Annual Shareholders' Meeting. The composition of the Supervisory Board complies with the objectives set in December 2010.

Committees Increase the Supervisory Board's Efficiency

The Supervisory Board has constituted three professionally qualified committees to help it perform its duties optimally. The work of those committees is reported on regularly at Supervisory Board meetings.

The Executive Committee prepares the Supervisory Board's personnel decisions, especially the appointment and dismissal of Executive Board members and the nomination of the president & CEO. In addition, it negotiates contracts with Executive Board members and develops a compensation system that the full Supervisory Board then uses as a basis for determining the compensation for Executive Board members. The Executive Committee consists of the Chairman of the Supervisory Board, Dr. Peter-Alexander Wacker, and Supervisory Board members Anton Eisenacker and Franz-Josef Kortüm.

The Audit Committee does the groundwork for the Supervisory Board's decisions on the adoption of the annual financial statements and the approval of the consolidated financial statements. Its work also includes an audit of the consolidated interim financial statements for the first half-year, discussion of the quarterly reports, and issues involving risk management. In connection with this, the committee is obliged to pre-audit the annual financial statements, the consolidated financial statements, the combined management report and the proposal for the appropriation of profits. In particular, this committee monitors the accounting processes, the company's compliance with laws and regulations, and the effectiveness of the internal control, risk management and auditing systems. It performs these tasks in close cooperation with the external auditors. The Audit Committee also prepares the agreement with the external auditors and takes suitable steps to monitor the auditors' independence and the services they deliver. On this basis, it gives the Supervisory Board a recommendation as to which auditors it should propose to the

Annual Shareholders' Meeting. The members of this committee are Franz-Josef Kortüm, Dr. Peter-Alexander Wacker and Anton Eisenacker. The chairman of the Audit Committee is Franz-Josef Kortüm.

The Group also has a statutory Mediation Committee, the tasks of which are stipulated by German law. This committee consists of Dr. Peter-Alexander Wacker, Anton Eisenacker, Franz-Josef Kortüm and Manfred Köppl. It is chaired by Dr. Peter-Alexander Wacker.

Key Corporate Management Practices

Compliance as a Key Managerial Duty of the Executive Board

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

These tasks are the responsibility of the compliance management department. The company has appointed and trained compliance officers in Germany, Norway, the USA, China, Japan, India, South Korea, Brazil, Mexico, Singapore, Russia, the United Arab Emirates and Taiwan, who hold regular training courses to inform employees of key legal provisions and internal regulations. They also serve as contacts whenever employees have questions or need advice about compliance. In 2015, one focus of the compliance management department remained the further improvement of communication with the company's international sites within the compliance organization and the training of the local employees at those sites.

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

Two voluntary global initiatives form the basis for sustainable corporate management: the chemical industry's Responsible Care® initiative and the UN's Global Compact. WACKER has been an active member of the Responsible Care® initiative since 1991. Program participants undertake to continually improve health, safety and environmental performance on a voluntary basis – even in the absence of statutory requirements. WACKER is equally committed to the UN's Global Compact initiative. We observe the Global Compact's ten principles, which address social and environmental standards, anticorruption and the protection of human rights. We also expect our suppliers to respect the principles of the Global Compact, and we evaluate them on this point in our risk assessments.

In 2011, WACKER created an internal Corporate Sustainability department that implements the company's voluntary commitments under Responsible Care® and the Global Compact, and coordinates its sustainability activities worldwide.

Social Commitments

Companies can be commercially successful only if they have society's trust. Consequently, WACKER takes its social responsibilities seriously toward communities near its sites and wherever people are in need around the world. We regularly promote and support a wide variety of charitable projects, organizations and initiatives. Our commitment covers activities relating to science, education, sport and various charities.

Further Information on Corporate Governance at WACKER

Compliance with the Provisions of Section 15 of the German Securities Trading Act (WpHG)

We comply with the statutory provisions of Section 15 of the German Securities Trading Act. For a number of years, we have maintained an "ad-hoc publicity" coordination unit in which representatives of various specialist areas examine issues for their ad-hoc relevance. In this way, we guarantee that potential insider information is handled in accordance with the law. Employees required to access insider information as part of their job are listed in an insider directory.

Share Dealings by the Executive and Supervisory Boards

Section 15a of the German Securities Trading Act stipulates that members of the Executive and Supervisory Boards and certain of their dependents are obliged to notify the German Federal Financial Supervisory Authority (BaFin) and the company of any purchase or sale of WACKER shares or any other rights related to such shares if an amount of €5,000 is exceeded within one calendar year.

In 2015, no notification of sales or acquisitions of WACKER shares was given by members of the Supervisory Board or their dependents subject to reporting requirements.

Blue Elephant Holding GmbH, which is majority-owned by Dr. Peter-Alexander Wacker (Supervisory Board Chairman of Wacker Chemie AG), holds over 10 percent of the shares in Wacker Chemie AG.

Dealing Responsibly with Opportunities and Risks

Dealing responsibly with risks is an important part of good corporate governance. WACKER has in place an opportunity and risk management system to regularly identify and monitor material risks and opportunities. Its objective is to recognize risks at an early stage and minimize them through systematic risk management. The Executive Board informs the Supervisory Board regularly about existing risks and their development. The Audit Committee regularly reviews the accounting process and the effectiveness of the internal control, risk management and auditing systems. It is also involved in auditing the financial statements. The opportunity and risk management system is continuously being enhanced and adapted to meet changing conditions.

Accounting and Auditing

As stipulated by the Corporate Governance Code, we have agreed with the auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, that the Chairman of the Supervisory Board shall be informed without delay during the audit about any grounds for disqualification and/or bias. In addition, the auditors shall immediately report all significant discoveries and events which concern the Supervisory Board's duties. If, in the course of their audit activities, the auditors establish facts that reveal errors in the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act, the Supervisory Board shall be notified accordingly and/or a note included in the audit report.

D&O Insurance

WACKER has concluded a financial liability insurance policy that also covers the activities of the Executive and Supervisory Board members (i.e. D&O insurance). This insurance provides for the statutory deductible for the members of the Executive Board.

Provisions to Support the Participation of Women in Executive Positions as per Section 76 (4) and Section 111 (5) of the German Stock Corporation Act

On May 1, 2015, the “Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector” of April 24, 2015 came into effect. It requires Wacker Chemie AG to specify target values for the proportion of women on the Executive Board and in the two management levels below the Executive Board. The target values for the Executive Board are set by the Supervisory Board and those for the two management levels below the Executive board are set by the Executive Board.

On September 24, 2015, the Supervisory Board set the target for the proportion of women on the Executive Board for the period up to June 30, 2017 as zero.

On September 22, 2015, the Executive Board of Wacker Chemie AG set target values of 10 percent for the management level directly below the Executive Board (status on June 30, 2015: 8 percent) and 17.5 percent for the second management level below the Executive Board (status on June 30, 2015: 14.5 percent). In both cases, the deadline for implementation is June 30, 2017.

Report on Compensation

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

Compensation System for the Executive Board

The full Supervisory Board, following preparation by the Executive Committee, is responsible for determining the individual compensation paid to members of Wacker Chemie AG’s Executive Board.

In accordance with the Executive Board compensation system in effect since January 1, 2010, the Executive Board’s compensation is comprised of the following key components:

(I) A fixed annual salary:
The fixed annual salary is paid monthly in identical installments.

(II) A variable, performance-related bonus:
The amount of the variable bonus, which is paid annually and retrospectively, depends on the attainment of agreed annual Group targets set by the Supervisory Board for all Executive Board members. The bonus is calculated based on goal achievement in the reporting year, as well as on average overall target attainment for both prior years. The targets are based on the following key indicators: business value contribution, cash flow, target return, and return on capital employed (ROCE). The computational target bonus in the event of 100-percent target attainment during the evaluation period depends on the Executive Board member in question and amounts to either 180 percent or 140 percent of the average annual base salary in the last year of the evaluation period. The maximum bonus, too, depends on the specific Board member and amounts to either 220 percent or 180 percent of the average annual base salary in the last year of the evaluation period. Thus, the Supervisory Board has the discretion to increase or reduce the calculated bonus based on overall recognition of all circumstances, including individual performance, by as much as 30 percent. The Executive Board members are obligated to purchase Wacker Chemie AG shares in the amount of 15 percent of their annual gross bonus. A holding period of two years is in effect for these shares.

(III) A contribution to retirement benefits:
The members of the Executive Board become entitled to the payment of an annual retirement pension should the event insured against occur, i.e. when the member in question reaches retirement age or becomes afflicted by permanent occupational disability. Before the event insured against occurs, Dr. Rudolf Staudigl has a basic entitlement to the premature payment of an annual pension if he leaves the Executive Board against his will without good cause or if he, of his own accord, ceases his activity for good cause, the company being responsible for said cause. The pension sum is calculated in accordance with the last fixed annual salary received and the length of Executive Board membership. A percentage of the base salary is defined as a basic amount and adjusted by means of an annual percentage rate of increase for each year of service. Entitlement to a pension presupposes at least five years of service on the Executive Board.

The company grants the members of the Executive Board appropriate insurance coverage, in particular D&O insurance, with a deductible in accordance with "VorstAG" stipulations.

After all, if they leave the company, the Executive Board members are each subject to a 12-month obligatory waiting period, which is tied to competitive-restriction compensation. The competitive-restriction compensation is calculated on the basis of 50 percent of the most recently received overall annual compensation (average of the last three years). Any pension will be set off against the competitive-restriction compensation.

If Executive Board membership is prematurely terminated without good cause, the contracts with Executive Board members specify that any compensatory payments for Dr. Rudolf Staudigl and Auguste Willems be limited to a maximum of two full annual salaries and, in the case of Dr. Tobias Ohler and Dr. Christian Hartel, a maximum of one full annual salary (severance pay cap).

Total Compensation for the Members of the Executive Board for Fiscal 2015

The current level of each Executive Board member's compensation is listed in the tables below, which follow the model tables recommended by the German Corporate Governance Code (DCGK).

Dr. Rauhut retired on October 31, 2015 after his employment contract expired as scheduled. Before expiry of his employment contract, Dr. Rauhut had received all compensation due to him under the provisions of this contract. He will receive the agreed competitive-restriction compensation, which will total €636,548 for the 12 months following his departure (thus €106,091 on a pro rata basis for 2015).

Dr. Christian Hartel was appointed as a new Executive Board member effective November 1, 2015. He receives a fixed gross annual salary of €400,000.

The following table shows the value of compensation and benefits granted for fiscal 2015. It also lists minimum and maximum attainable values.

Compensation and Benefits Granted for the Year Under Review

Dr. Rudolf Staudigl, President & CEO

€	2015	2015 (min.)	2015 (max.)	2014
Fixed compensation	800,000	800,000	800,000	787,500
Payment unrelated to the accounting period[1]	28,125	28,125	28,125	28,125
Additional benefits[2]	55,132	55,132	55,132	61,539
Total	883,257	883,257	883,257	877,164
One-year variable compensation[3]	–	–	–	250,000
Multiyear variable compensation[4]	1,312,000	582,400	1,840,800	937,125
Total	2,195,257	1,465,657	2,724,057	2,064,289
Pension expenses[5]	10,583	10,583	10,583	8,490
Total compensation	2,205,840	1,476,240	2,734,640	2,072,779

Dr. Christian Hartel, Executive Board member (since November 1, 2015)

€	2015	2015 (min.)	2015 (max.)	2014
Fixed compensation	66,668	66,668	66,668	–
Payment unrelated to the accounting period[1]	–	–	–	–
Additional benefits[2]	8,100	8,100	8,100	–
Total	74,768	74,768	74,768	–
One-year variable compensation[3]	–	–	–	–
Multiyear variable compensation[4]	86,000	38,267	123,067	–
Total	160,768	113,035	197,835	–
Pension expenses[5]	1,201,045	1,201,045	1,201,045	–
Total compensation	1,361,813	1,314,080	1,398,880	–

Dr. Tobias Ohler, Executive Board member

€	2015	2015 (min.)	2015 (max.)	2014
Fixed compensation	400,000	400,000	400,000	400,000
Payment unrelated to the accounting period[1]	15,000	15,000	15,000	15,000
Additional benefits[2]	44,391	44,391	44,391	39,319
Total	459,391	459,391	459,391	454,319
One-year variable compensation[3]	–	–	–	–
Multiyear variable compensation[4]	516,000	229,600	738,400	368,000
Total	975,391	688,991	1,197,791	822,319
Pension expenses[5]	354,563	354,563	354,563	250,760
Total compensation	1,329,954	1,043,554	1,552,354	1,073,079

Dr. Joachim Rauhut, Executive Board member (until October 31, 2015)

€	2015	2015 (min.)	2015 (max.)	2014
Fixed compensation	483,333	483,333	483,333	572,500
Payment unrelated to the accounting period[1]	20,625	20,625	20,625	20,625
Additional benefits[2]	53,058	53,058	53,058	63,556
Total	557,016	557,016	557,016	656,681
One-year variable compensation[3]	–	–	–	–
Multiyear variable compensation[4]	792,666	351,866	1,112,149	681,275
Total	1,349,682	908,882	1,669,165	1,337,956
Pension expenses[5]	10,041	10,041	10,041	222,842
Total compensation	1,359,723	918,923	1,679,206	1,560,798

Auguste Willems, Executive Board member

€	2015	2015 (min.)	2015 (max.)	2014
Fixed compensation	580,000	580,000	580,000	572,500
Payment unrelated to the accounting period[1]	20,625	20,625	20,625	20,625
Additional benefits[2]	53,995	53,995	53,995	52,290
Total	654,620	654,620	654,620	645,415
One-year variable compensation[3]	–	–	–	–
Multiyear variable compensation[4]	951,200	422,240	1,334,580	681,275
Total	1,605,820	1,076,860	1,989,200	1,326,690
Pension expenses[5]	598,603	598,603	598,603	452,899
Total compensation	2,204,423	1,675,463	2,587,803	1,779,589

[1] Pro rata compensation of withheld amount from 2013. WACKER had implemented a large number of programs to reduce costs and improve productivity in 2013 in response to the challenging earnings situation. In order to set a positive example, the members of the Executive Board had temporarily reduced the amount of their fixed monthly salaries by 10 percent from March to November 2013 inclusive. In 2014 and 2015, Executive Board members were each paid a sum of 50 percent of each withheld amount from 2013.
[2] Additional benefits include, in particular, use of a company car and social insurance allowances.
[3] Special bonus for outstanding personal performance in 2014.
[4] Multiyear refers to the assessment basis. The Executive Board members purchase Wacker Chemie AG shares in the amount of 15 percent of their annual gross bonus (holding period of two years). Once determined, the fixed bonus amount calculated using a three-year assessment basis is not otherwise influenced by subsequent developments. The actual goal-achievement success level of the two previous years was taken into consideration for calculating the minimum and maximum values, respectively. The following values were set for 2015: a minimum value of 0 percent and a maximum value of either 220 percent or 180 percent. The disclosure of each theoretically attainable minimum or maximum value also includes the Supervisory Board's possible scope of discretion.
[5] Service cost pursuant to IAS 19 from pension commitments and other pension-related benefits. In connection with the appointment of Dr. Hartel to the Executive Board of Wacker Chemie AG, a past service cost resulted in the amount of €1,119,185.

The following table shows the payments for fiscal 2015 from fixed compensation, additional benefits and variable compensation – grouped according to one-year and multiyear variable compensation – as well as pension expenses.

Payments in the Year Under Review

€	Dr. Rudolf Staudigl President & CEO		Dr. Christian Hartel Executive Board member (since November 1, 2015)		Dr. Tobias Ohler Executive Board member	
	2015	2014	2015	2014	2015	2014
Fixed compensation	**800,000**	787,500	**66,668**	–	**400,000**	400,000
Payment unrelated to the accounting period[1]	**28,125**	28,125	**–**	–	**15,000**	15,000
Additional benefits[2]	**55,132**	61,539	**8,100**	–	**44,391**	39,319
Total	**883,257**	877,164	**74,768**	–	**459,391**	454,319
One-year variable compensation[3]	**–**	250,000	**–**	–	**–**	–
Multiyear variable compensation[4]	**1,320,000**	984,375	**86,667**	–	**520,000**	392,000
Total	**2,203,257**	2,111,539	**161,435**	–	**979,391**	846,319
Pension expenses[5]	**10,583**	8,490	**1,201,045**	–	**354,563**	250,760
Total compensation	**2,213,840**	2,120,029	**1,362,480**	–	**1,333,954**	1,097,079

€	Dr. Joachim Rauhut Executive Board member (until October 31, 2015)		Auguste Willems Executive Board member	
	2015	2014	2015	2014
Fixed compensation	**483,333**	572,500	**580,000**	572,500
Payment unrelated to the accounting period[1]	**20,625**	20,625	**20,625**	20,625
Additional benefits[2]	**53,058**	63,556	**53,995**	52,290
Total	**557,016**	656,681	**654,620**	645,415
One-year variable compensation[3]	**–**	–	**–**	–
Multiyear variable compensation[4]	**797,500**	715,625	**957,000**	715,625
Total	**1,354,516**	1,372,306	**1,611,620**	1,361,040
Pension expenses[5]	**10,041**	222,842	**598,603**	452,899
Total compensation	**1,364,557**	1,595,148	**2,210,223**	1,813,939

[1] Pro rata compensation of withheld amount from 2013. WACKER had implemented a large number of programs to reduce costs and improve productivity in 2013 in response to the challenging earnings situation. In order to set a positive example, the members of the Executive Board had temporarily reduced the amount of their fixed monthly salaries by 10 percent from March to November 2013 inclusive. In 2014 and 2015, Executive Board members were each paid a sum of 50 percent of each withheld amount from 2013.
[2] Additional benefits include, in particular, use of a company car and social insurance allowances.
[3] Special bonus for outstanding personal performance in 2014.
[4] Multiyear refers to the assessment basis. The Executive Board members purchase Wacker Chemie AG shares in the amount of 15 percent of their annual gross bonus (holding period of two years). Once determined, the fixed bonus amount calculated using a three-year assessment basis is not otherwise influenced by subsequent developments.
[5] Service cost pursuant to IAS 19 from pension commitments and other pension-related benefits; this does not concern payments during the fiscal year. In connection with the appointment of Dr. Hartel to the Executive Board of Wacker Chemie AG, a past service cost resulted in the amount of €1,119,185.

Compensation for Former Executive Board Members and Their Surviving Dependents

€	Total
2015	**1,922,900**
2014	1,851,841

Pension Obligations for Executive Board Members

€	Total
Pension obligations for active Executive Board members	
2015	**22,692,191**
2014	25,151,057
Pension obligations for former members of the Executive Board or their dependents	
2015	**36,718,229**
2014	35,200,916

Compensation of Supervisory Board Members

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

In return for their work, the members of the Supervisory Board receive fixed annual compensation in the amount of €70,000 payable when the fiscal year expires and are additionally refunded any VAT payable on their compensation. Supervisory Board members who join, or depart from, the Supervisory Board during the ongoing fiscal year receive the appropriate pro rata compensation.

The compensation is multiplied by a factor of 3 for the Chairman of the Supervisory Board, by a factor of 2 for the Vice Chairman and for committee chairmen, and by a factor of 1.5 for members of committees. This arrangement does not take account of double and multiple functions.

The members of the Supervisory Board are compensated for any outlays incurred in connection with the execution of their duties with an annual lump sum of €18,000. They are additionally refunded any VAT payable on their compensation.

The company grants the members of the Supervisory Board appropriate insurance coverage; in particular, the company concludes a D&O insurance policy for the benefit of the Supervisory Board's members.

Supervisory Board Compensation

€	Fixed compensation[1]	Variable compensation	Total
2015	1,716,973	–	**1,716,973**
2014	1,729,041	–	1,729,041

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

Declaration by the Executive Board on Accounting Methods and Auditing

The Executive Board is responsible for preparing Wacker Chemie AG's consolidated financial statements and combined management report. WACKER's consolidated financial statements were prepared in compliance with the rules published in London by the International Accounting Standards Board (IASB) and endorsed by the European Union. WACKER has set up effective internal monitoring and steering systems to guarantee that the combined management report and the consolidated financial statements comply with the applicable rules and procedures of proper corporate reporting. The reliability and workability of the monitoring and steering systems are examined continuously by the internal auditing division on a worldwide basis. KPMG AG Wirtschaftsprüfungsgesellschaft has audited Wacker Chemie AG's consolidated financial statements and Group management report and granted them an unqualified certificate. WACKER's consolidated financial statements, its combined management report and the auditors' report were discussed in detail by the Supervisory Board's Audit Committee at its meeting on February 29, 2016. For information about the Supervisory Board's audit, please refer to its report.

Assurance by the Legal Representatives in Accordance with Sections 297 (2) and 315 (1) HGB

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

Munich, February 29, 2016
Wacker Chemie AG

Rudolf Staudigl   Christian Hartel

Tobias Ohler   Auguste Willems

Auditors' Report

We have audited the consolidated financial statements prepared by Wacker Chemie AG, Munich – comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes – together with the report on the position of the Company and the Group for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the report on the position of the Company and the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB (Handelsgesetzbuch: "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the report on the position of the Company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and with the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The report on the position of the Company and the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 29, 2016
KPMG AG Wirtschaftsprüfungsgesellschaft

Pastor
Auditor

Maurer
Auditor

Multiyear Overview

Multiyear Overview

€ million	2015	Change in %	2014	2013	2012	2011	2010	2009
Sales	**5,296.2**	9.7	4,826.4	4,478.9	4,634.9	4,909.7	4,748.4	3,719.3
Income before taxes	**406.7**	11.4	365.2	31.0	203.9	567.4	732.3	3.3
Net income for the year	**241.8**	23.7	195.4	6.3	114.7	356.1	497.0	–74.5
EBITDA	**1,048.8**	0.6	1,042.3	678.7	795.4	1,104.2	1,194.5	606.7
EBIT	**473.4**	6.8	443.3	114.3	266.6	603.2	764.6	26.8
Fixed assets	**4,964.9**	11.0	4,471.0	4,067.7	4,260.7	3,797.7	3,273.5	3,017.5
Intangible assets	**32.1**	–2.4	32.9	20.4	25.5	30.2	33.2	22.0
Property, plant and equipment	**4,800.6**	11.3	4,312.8	3,785.6	3,924.4	3,502.0	3,027.2	2,778.5
Financial assets	**132.2**	5.5	125.3	261.7	310.8	265.5	213.1	217.0
Current assets, incl. deferred taxes + accruals and deferrals	**2,299.5**	–7.1	2,476.2	2,264.7	2,232.1	2,439.3	2,227.7	1,524.4
Liquid funds	**310.5**	–4.7	325.9	431.8	192.6	473.9	545.2	363.6
Equity	**2,795.1**	43.6	1,946.5	2,197.1	2,121.3	2,629.7	2,446.8	1,942.4
Subscribed capital	**260.8**	–	260.8	260.8	260.8	260.8	260.8	260.8
Capital reserves	**157.4**	–	157.4	157.4	157.4	157.4	157.4	157.4
Treasury shares	**–45.1**	–	–45.1	–45.1	–45.1	–45.1	–45.1	–45.1
Retained earnings, consolidated net income, and other equity items	**2,195.1**	41.7	1,549.3	1,805.7	1,730.0	2,230.3	2,049.0	1,552.4
Non-controlling interests	**226.9**	>100	24.1	18.3	18.2	26.3	24.7	16.9
Borrowed capital	**4,469.3**	–10.6	5,000.7	4,135.3	4,371.5	3,607.3	3,054.4	2,599.5
Provisions	**1,996.7**	–6.6	2,137.7	1,401.9	1,575.3	904.2	893.2	867.8
Liabilities, incl. deferred taxes + accruals and deferrals	**2,472.6**	–13.6	2,863.1	2,733.4	2,796.2	2,703.1	2,161.2	1,731.7
Net financial debt (–) Net financial receivables (+)	**–1,074.0**	–0.6	–1,080.6	–792.2	–700.5	95.7	264.0	–76.1
Total assets	**7,264.4**	4.6	6,947.2	6,332.4	6,492.8	6,237.0	5,501.2	4,541.9
Employees (average for the year)	**16,937**	1.2	16,744	16,134	16,663	16,934	16,033	15,719
Employees (Dec. 31)	**16,972**	1.6	16,703	16,009	16,292	17,168	16,314	15,618
Employees (total)	**16,972**	1.6	16,703	16,009	16,292	17,168	16,314	15,618

€ million	2015	Change in %	2014	2013	2012	2011	2010	2009
Key profitability figures								
Return on sales (EBIT) = EBIT/sales (%)	**8.9**	n.a.	9.2	2.6	5.8	12.3	16.1	0.7
Return on sales (EBITDA) = EBITDA/sales (%)	**19.8**	n.a.	21.6	15.2	17.2	22.5	25.2	16.3
Return on equity = net income for the year/equity (as of Dec. 31) (%)	**8.7**	n.a.	10.0	0.3	5.4	14.0	22.6	–3.7
ROCE – return on capital employed = EBIT/capital employed (%)	**8.1**	n.a.	8.4	2.2	5.2	13.9	19.1	0.7
Key statement-of-financial-position figures								
Investment intensity of the fixed assets = fixed assets/total assets (%)	**68.3**	n.a.	64.4	64.2	65.6	60.9	59.5	66.4
Equity ratio = equity/total assets (%)	**38.5**	n.a.	28.0	34.7	32.7	42.2	44.5	42.8
Capital structure = equity/borrowed capital (%)	**62.5**	n.a.	38.9	53.1	48.5	72.9	80.1	74.7
Cash flow and investments								
Cash flow from operating activities	**617.2**	27.2	485.2	464.0	363.2	867.0	1,103.1	767.5
Cash flow from long-term investing activities	**–815.6**	64.0	–497.3	–555.2	–1,053.8	–831.5	–681.5	–800.4
Cash flow from financing activities	**57.9**	>100	–88.6	227.6	326.6	37.4	3.7	92.5
Net cash flow = CF from operating activities + CF from investing activities – additions from finance leases	**22.5**	–89.6	215.7	109.7	–536.2	6.2	421.6	–32.9
Investments	**834.0**	45.8	572.2	503.7	1,095.4	981.2	695.1	740.1
Share and valuation								
Consolidated net income	**241.8**	23.7	195.4	6.3	114.7	352.6	490.7	–70.8
Earnings per share (€) = consolidated net income/number of shares	**4.97**	21.1	4.10	0.05	2.4	7.1	9.9	–1.4
Market capitalization (total number of shares without treasury shares)	**–**	–100.0	4,523.2	3,994.1	2,466.5	3,087.5	6,487.9	6,066.7
Number of shares	**49,677,983**	–	49,677,983	49,677,983	49,677,983	49,677,983	49,677,983	49,677,983
Price as of reporting date December 31	**77.52**	–14.9	91.05	80.4	49.7	62.2	130.6	122.1
Dividend per share (€)	**2.00**	33.3	1.50	0.50	0.60	2.20	3.20	1.20
Dividend yield (%)	**2.2**	n.a.	1.7	0.8	1.0	3.5	2.8	1.4
Capital employed	**5,875.4**	11.7	5,260.7	5,238.2	4,979.0	4,343.8	4,004.4	3,846.3