

## General information

### Accounting principles and methods

The WACKER Group (WACKER) is a global chemical company with core activities in the fields of silicone and polymer chemistry, specialty and fine chemistry, and polysilicon production. The activities of the individual segments are explained in the Group management report. The Group's parent company, Wacker Chemie AG, is a listed company under the laws of the Federal Republic of Germany and has its headquarters in Munich, Germany (entered in Munich's commercial register under HRB 159705). Its registered office is at Gisela-Stein-Straße 1, 81671 Munich, Germany.

The consolidated financial statements, the combined management report and any other documents subject to disclosure requirements are published in Germany's Company Register and on WACKER's website. PwC GmbH

Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements and the combined management report of Wacker Chemie AG and issued an unqualified audit opinion for them.

» [www.wacker.com/annual-report](http://www.wacker.com/annual-report)

Wacker Chemie AG and its subsidiaries are included in the consolidated financial statements of Dr. Alexander Wacker Familiengesellschaft mbH, Munich. The consolidated financial statements of Dr. Alexander Wacker Familiengesellschaft mbH, Munich, are published in Germany's Company Register.

The Executive Board and Supervisory Board of Wacker Chemie AG have submitted the declaration concerning the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) and made it accessible to the public on WACKER's website.

» [www.wacker.com/corporate-governance](http://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 315e (1) of the German Commercial Code (HGB). The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were applicable in the year under review have also been implemented.

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 in the statement of financial position have been combined. These items are shown and explained separately in the Notes.

The Group's reporting currency is the euro. Unless stated otherwise, all amounts are shown in millions of euros (€ million). 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 reporting date are described in detail in Note 25. The Executive Board of Wacker Chemie AG approved the consolidated financial statements on March 4, 2026. They were submitted to the Supervisory Board for approval at its meeting on March 4, 2026.

### New accounting standards

No new accounting standards and interpretations that have a material effect on WACKER have been applied for the first time in these consolidated financial statements. Other standards and interpretations to be applied for the first time are not applicable due to the absence of relevant circumstances.

**Accounting standards/interpretations not applied prematurely**

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

As of year-end 2025, WACKER had identified the following new or amended standards or interpretations that would be of future relevance to the consolidated financial statements.

<b>Standard/ interpretation</b>		<b>Publication by IASB</b>	<b>Mandatory from</b>	<b>Endorsed by EU</b>	<b>Anticipated impact on WACKER</b>
<a href="#">Amendments to IFRS 9 and IFRS 7</a>	Classification and Measurement of Financial Instruments	May 30, 2024	Jan. 1, 2026	May 28, 2025	The amendments to IFRS 9 enable earlier derecognition of a financial liability that is settled using an electronic payment system. Moreover, the application guidance on the assessment of the SPPI criterion has been expanded. The changes to the standard do not impact WACKER's net assets.
<a href="#">IFRS 18</a>	Presentation and Disclosure in Financial Statements	April 09, 2024	Jan. 1, 2027	February 16, 2026	IFRS 18 will replace IAS 1 "Presentation of Financial Statements." The provisions are intended to improve financial reporting with a newly defined structure for the statement of income. The standard also includes more comprehensive rules on aggregation and disaggregation of information. It also calls for additional disclosures in the notes on management-defined performance measures (MPMs). WACKER has begun implementing the new allocation in accordance with the new categories in the income statement. We expected no material changes to the operating result in the income statement. The previous financial result is divided into the investment category and the financing category. WACKER has - subject to the final agenda decision of the IFRS IC on this topic - preliminarily decided not to show foreign currency effects from intercompany financing in the operating result. According to the current status of the analysis our key KPIs actually do not meet the definition of an MPM.
<a href="#">Amendments to IFRS 9 and IFRS 7</a>	Contracts referencing nature-dependent electricity	Dec. 18, 2024	Jan. 1, 2026	July 1, 2025	Accounting treatment of power purchase agreements (PPAs) based on nature-dependent sources was challenging under the current provisions of IFRS 9. The amendments to IFRS 9 and IFRS 7 clarify the application of the own use exemption and modify the accounting provisions for hedging transactions. Moreover, specific disclosure requirements apply to PPAs that fall under the own use exemption. WACKER will take these changes into account for future PPAs. However, no impact on the earnings, net assets and financial position is currently expected.

### Changes in accounting policies

In 2025, WACKER decided to change the way it presents its result from investments in joint ventures and associates and other investment income in the statement of income in accordance with IAS 8 (Accounting Policy Changes). The result from investments in joint ventures and associates and other investment income will now be reported as part of the financial result going forward and will therefore no longer be part of the EBITDA (earnings before interest, taxes and depreciation and amortization) and EBIT (earnings before interest and taxes) performance indicators. EBIT now corresponds to the operating result.

In the current reporting period, this reclassification led to an increase of €329.7 million in EBIT (previous year: decrease of €19.2 million). In the reporting year, moreover, an impairment loss of €307.8 was recognized on the equity-accounted investment in Siltronic AG under investments in joint ventures and associates. Dividends paid out in equity-accounted investments were reclassified from cash flow from operating activities to cash flow from long-term investing activities (€7.8 million; previous year: €17.1 million).

The change in reporting is due to the diminishing operating significance of investment income in the 2025 consolidated financial statements. The investment income mainly includes the prorated earnings of the equity-accounted investment in Siltronic AG, as well as measurement gains/losses. The investment in Siltronic is reported under the “Other” segment in segment reporting. Impairment losses on equity-accounted investments and their reversal are reported in the same way as the result from investments in joint ventures and associates is presented and, accordingly, are now also reported as part of the financial result. The new presentation method reflects the Group’s operating performance capability even more accurately. It also serves to improve comparability with other chemical-sector companies for investors. IFRS 18, which will apply going forward, no longer includes the result from investments in joint ventures and associates in the operating category either. In addition, the calculation of the covenants (the net debt to EBITDA ratio) for the relevant liabilities to banks totaling €640 million has been adapted to the new EBITDA definition.

WACKER requires emission certificates solely to fulfill obligations under emissions trading schemes. No purchases are made with the aim of reporting carbon-neutral products. Previously, WACKER recognized both the emission certificates provided free of charge and those acquired against payment in its inventories. After analyzing recent accounting pronouncements and industry practices, WACKER considers it appropriate to change its accounting policy for 2025 in accordance with IAS 8. A peer group comparison with other chemical companies shows that emission certificates are primarily recognized under intangible assets. WACKER therefore considers disclosure under intangible assets to allow for a more relevant and clearer presentation of the facts in its net assets. The reclassification from inventories to intangible assets has been made retrospectively. The volume of emission certificates amounted to €66.5 million as of December 31, 2025 (previous year: €88.1 million). In the cash flow statement, cash flows arising from emission certificates are therefore no longer presented in cash flow from operating activities but in cash flow from investing activities. In 2025, there were non-cash additions of €11.5 million (previous year: €43.4 million). Further information on the accounting treatment of emissions certificates can be found in “Accounting and valuation methods”.

The changes to the accounting methods were applied with retroactive effect in accordance with IAS 8; the previous-year figures have been adjusted accordingly.

### Scope of consolidation

The consolidated financial statements include the financial statements of Wacker Chemie AG and all companies over which Wacker Chemie AG has direct or indirect control as defined in IFRS 10, or can exercise joint control as defined in IFRS 11. Depending on their structure, companies over which a WACKER Group company exercises joint control are either included proportionately as joint operations in the consolidated financial statements (line-by-line) or accounted for as a joint venture using the equity method. In the absence of other limiting contractual agreements, holding a majority of the voting rights usually leads to control. Joint control generally exists when voting rights are equally balanced, unless other (contractual) rights result in control by one shareholder. Currently, one company with joint control is accounted for using the equity method.

Associates over which WACKER can exercise significant influence as defined in IAS 28 are likewise accounted for using the equity method. Unless the opposite can be clearly demonstrated, significant influence is presumed if a WACKER Group company directly or indirectly holds 20 percent or more of the voting rights in the investment.

Structured entities are consolidated in the manner described in IFRS 10 if the economic substance of the relationship indicates the existence of control.

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

A detailed list of the companies included in the consolidated financial statements and of Wacker Chemie AG's entire shareholdings is shown in the "Breakdown of shareholdings" section in accordance with Sections 285 and 313 of the German Commercial Code.

» See Note 23

### Composition of the Group

Number	2025	2024
<b>Fully consolidated subsidiaries (including parent company)</b>	<b>48</b>	<b>48</b>
Germany	8	8
International	40	40
<b>Associates and joint ventures</b>	<b>3</b>	<b>3</b>
Germany	2	2
International	1	1
<b>Non-consolidated companies</b>	<b>–</b>	<b>–</b>
Germany	–	–
International	–	–
<b>Total</b>	<b>51</b>	<b>51</b>
Germany	10	10
International	41	41
<b>Structured entities</b>	<b>1</b>	<b>1</b>
Germany <sup>1</sup>	1	1
International	–	–

<sup>1</sup>This is the LBBW AM WMM (special investment fund), Stuttgart, in which WACKER holds all shares in the special fund. The fund is fully consolidated and the fund's securities are reported in the consolidated balance sheet under securities.

As well as Wacker Chemie AG, a total of 50 companies were included in the consolidated financial statements as of December 31, 2025, together with a special fund (contractual trust arrangement) to which Wacker Chemie AG contributed assets (Dec. 31, 2024: 50 companies). In July 2025, Wacker Biosolutions León S.L.U., Spain, was merged with Wacker León S.L.U., Spain, with retroactive effect from January 1, 2025. In December 2025, WACURA Inc. Michigan, USA, was established as a captive insurance company (captive). A captive is an in-house insurance company that is established to insure the company's own risks. As of January 1, 2026, WACKER will pay a contractually agreed portion of the insurance premiums to its own captive instead of to an external insurer. This is designed to optimize insurance costs. The coverage amount is €25 million. WACURA Inc. is fully consolidated in the consolidated financial statements. IFRS 17 is not applicable, as the scenario involves self-insurance of internal risks.

### Corporate acquisitions and disposals

There were no corporate acquisitions or disposals in 2025.

### Restrictions and regulatory constraints on IP

Statutory, contractual or regulatory restrictions and protective rights concerning non-controlling interests can limit the Group in its ability to retain access to assets, to transfer these to or from other companies unhindered within the Group, or to settle Group debts. The distribution of dividends can be limited by the need to prioritize retirement of shareholder loans. As of the reporting date, there were no material restrictions due to protective rights to the benefit of non-controlling interests. For further details, please refer to the Notes (Equity / non-controlling interests / capital structure management).

» See Note 12

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 by means of capital measures (dividends, capital reductions) and only with prior approval from government authorities. There are no other significant limitations on the utility of assets within the Group.

### Consolidation methods

The consolidated financial statements include subsidiaries and associates. The reporting date for all of these entities is December 31.

Business combinations are recognized by applying the acquisition method as defined in IFRS 3. The assets acquired and liabilities assumed are recorded at their respective fair values applicable on the date that WACKER gained control.

Goodwill is the amount on the acquisition date by which the acquisition costs exceed the Group's share in the acquired entity's net assets measured at fair value. The fair value is always calculated without reference to the magnitude of any non-controlling interests. Negative differences are recognized in profit or loss immediately after performing an additional review of the purchase price allocation.

For each acquisition, the individual option exists of measuring any shares not acquired either at fair value or at the proportionate share of the fair value of the acquired entity's net assets. These non-controlling interests are recognized in the statement of financial position under the line item of the same name.

Costs associated with the business combination are recognized as other operating expenses insofar as they are not costs for issuing debt instruments or equity securities.

Investments accounted for using the equity method are initially measured at cost when the acquisition is made. If the cost exceeds the prorated share of the remeasured net assets, 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 reporting date. The carrying amounts of these entities are increased or decreased annually to reflect their prorated 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 in profit or loss.

Interim results, sales, expenses, income, receivables and liabilities between the consolidated companies, as well as prorated profits and losses resulting from transactions with associates, are eliminated.

### Estimates and assumptions used in acquisitions and consolidation

Determining the fair values of the acquired assets and liabilities 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 and property, plant and equipment.

Measurement is based to a large extent on anticipated cash inflows and outflows. If actual cash inflows and outflows vary from those used to calculate fair values, this may affect future Group net income.

In the case of material business combinations, a purchase price allocation is performed with the assistance of independent third-party valuation specialists. The valuations are based on the information available at the acquisition date.

### Discretionary decision-making in consolidation

Discretionary decisions can be made whenever it is necessary to evaluate whether control, joint 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 authority to make decisions regarding the potential subsidiary, or whether joint control exists.

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 joint control exists.

### 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 reporting 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, in 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 closing rate method. This means that items in the statement of financial position are translated from the functional currency to the reporting currency using the average rates of exchange prevailing on the reporting date, whereas items in the income statement are translated using the average exchange rates of the reporting period.

As the Group's subsidiaries conduct their business in financial, economic and organizational autonomy, their functional currencies are basically identical to their respective local currencies. Any net gains or losses arising from the translation of equity are recognized in 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 corresponding 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, 2025	Dec. 31, 2024	2025	2024
US dollar	USD	1.17	1.04	1.13	1.08
Chinese renminbi	CNY	8.19	7.60	8.12	7.79

### 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 disclosure of the recognized assets and debts, income and expenses, and contingent liabilities and contingent assets. These assumptions and estimates comply with the conditions and appraisals prevailing on the reporting date. In this regard, they also impact the amount of income and expenses recognized for the fiscal years in question. The assumptions underlying the estimates relate, in particular, to standardized useful lives defined throughout the Group, the calculation of fair values of financial instruments, the accounting and measurement of provisions, the extent to which future tax relief can be realized, estimates related to lease accounting, the determination of discounted cash flows in connection with impairment testing and purchase price allocations, as well as the calculation of standard land values, property return rates and potential rent levels when measuring properties that form part of plan assets.

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 of the period when the change occurred and, where applicable, of future reporting periods.

### Intangible assets including goodwill / property, plant and equipment / equity-accounted investments

The expected useful lives of intangible assets and of property, plant and equipment, together with their residual values and amortization/depreciation schedules, are based on past experience, planning 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.

Impairment tests are performed for assets if specific indicators point to a possible impairment loss or reversal of an impairment loss. In the case of a possible impairment, an estimate must be made of the recoverable amount of the affected asset that corresponds to the higher of either the fair value less costs to sell or the value in use. To ascertain the value in use, it is necessary to determine the affected asset's discounted future cash flows. The estimate of the discounted future cash flows contains significant assumptions, in particular those regarding future selling prices and sales volumes as well as the development of production costs, maintenance capital expenditures and discount rates. These assumptions relate to a planning phase of at least five years and are based on past experience and on management's expectations of market trends. Although WACKER assumes 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.

The trends in the sales prices and volumes of WACKER products and in raw-material and energy prices will have the most significant impact on future cash flows, particularly at Polysilicon due to its highly volatile selling prices for solar-grade polysilicon. Prices are expected to decline from 2026 onwards, and this development has been incorporated in the relevant planning figures. A change in the long-term price assumptions for solar-grade polysilicon by one euro in either direction changes the value in use by plus/minus €150 million. This would correspondingly decrease the carrying value of the cash-generating unit and increase it within the scope of the remaining potential gain from the write-up. The high energy prices in Germany are expected to decline only gradually and are not expected to match the levels seen in other regions in the foreseeable future. Subsidies received under the US Inflation Reduction Act for polysilicon manufactured in the USA have been taken into account over the entire planning period. It is assumed that US trade restrictions on solar-grade polysilicon will be restructured due in 2026 to Section 232 of the Trade Expansion Act. Depending on the details of the provisions found in Section 232, significant deviations from current assumptions could arise in the future and could lead to additional impairments, or reversals of impairment losses on property, plant and equipment. Impairment losses on inventories within the scope of the inventory valuation could also result from a negative deviation. We also refer to the Group's Risk Management Report. The carrying value of the assets of the Polysilicon business division amount to €1,123.5 million (previous year: €1,259.8 million).

The impairment test performed on the listed company Siltronic AG, which is accounted for using the equity method, revealed a recoverable amount below that of its carrying value. The value in use determined within the scope of a valuation was applied as the recoverable amount; this value corresponded to €55.91/share and was hence above the share price as at the reporting date, which amounted to €48.90/share. This resulted in an impairment loss on the at-equity investment in the amount of €307.8 million. We refer to Note 8 for more information. The main assumptions used to project future cash flows relate to the EBITDA margin and long-term capital expenditures. A 3-percent reduction in the long-term EBITDA margin would change the value in use by €105 million. A 10-percent increase in long-term capital expenditures would change the value in use by €37 million. As a producer of silicon wafers, Siltronic AG depends heavily on the development of the semiconductor industry, which is significantly influenced by market trends for high-performance chips in the field of artificial intelligence (AI). The carrying amount of the investment in Siltronic AG amounts to €517.2 million as of December 31, 2025 (2024: €883.0 million).

Goodwill impairment tests are performed on the basis of cash-generating units, which largely correspond to WACKER's business units. If there is a need for impairment, this will first be fully allocated to the corresponding goodwill. If, subsequently, there is still a need for impairment, this is allocated to the other assets of the respective cash-generating unit.

» See Note 05

### Leases

Lease liabilities are accounted for on the basis of the contractual lease terms. Assumptions and estimates are necessary to determine the term of the lease and the discount rate. As the lessee is not aware of the interest rate on which the lease is based, WACKER calculates the incremental borrowing using a lessee-specific interest rate.

» See Note 06

### Financial instruments

Financial instruments are measured at fair value, while other financial assets and liabilities are disclosed at fair value in the Notes to the financial statements. Calculation of the fair value of financial instruments may require making estimates, which may be more or less extensive depending on the extent to which unobservable inputs are taken into account. When calculating fair value, WACKER strives to include as many observable inputs as possible and to keep the use of unobservable inputs to a minimum. If the fair value cannot be calculated reliably, the amortized cost is taken as an approximate figure to determine it.

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 in accordance with the fair value hierarchy. This hierarchy consists of three levels, to which the inputs are assigned according to the extent to which they are observable as part of the corresponding valuation methods.

» See Note 20

### Impairments of financial assets

Impairments of financial assets are based on assumptions regarding credit-default risk and expected loss rates. When preparing these assumptions and selecting inputs to calculate impairment, WACKER exercises discretion on the basis of past experience, current market conditions and forward-looking estimates as of the end of the reporting period. The most important assumptions and inputs are based on credit ratings and credit insurance, as well as on macroeconomic analyses, all of which provide the basis for classification in risk classes.

» See Note 10

## Provisions

Significant risks inherent in environmental protection provisions and in provisions for damages and onerous contracts include possible changes in future cost/benefit estimates, changes in the likelihood of their utilization, and expanded statutory rules concerning the elimination and prevention of environmental damage. Changes in the discount rate also lead to adjustments in noncurrent provisions, reflecting the interest-rate environment. A floor of zero applies to the discount rates used, meaning negative interest rates are not taken into account.

» See Note 14

Provisions for pensions and similar obligations are accounted for in accordance with actuarial valuations and assumptions regarding plan assets. The valuations are based on statistical and other factors in order to anticipate future events. The factors in question include the discount rate, expected salary and pension increases, the mortality rate and rate increases for preventive health care. Property valuations are used for measuring the plan assets, while fair values are the basis for loans, fixed-interest securities, stocks and funds. 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 in associated future expenses.

» See Note 13

The pension obligation is determined 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 reporting date. The bonds are all denominated in the same currency as the underlying pension obligation. In Germany, WACKER uses Markit iBoxx EUR AA Corporate Bond Index bonds. The yield curve for government bonds is considered to be the composition of government bonds that have been rated AA as of June 30 each year by at least one rating agency and have a maximum maturity of about 100 years. The components of the government-bond curve are updated each year on July 31 on the basis of AA-rated government bonds as of June 30 and remain unchanged until July 31 of the following year. Any negative discount rate derived from these parameters is taken into account when determining the present value of the pension provisions and other long-term employee benefits, such as anniversary provisions.

The restructuring provision contains assumptions regarding the number of employees affected and the exact amount of employment termination benefits. Depending on the outcome of the negotiations with the employee representatives, there may be deviations from the estimated figures.

WACKER is active worldwide and subject to local tax laws. Although we believe we have reasonably assessed tax uncertainties, we cannot ensure that the actual outcome will match the original assessment. If the actual results diverge from this assessment, this could impact the tax liabilities and deferred taxes in the specific period of recognition. Tax liabilities contain uncertain tax positions for cases where it might not be possible to realize the amounts stated in tax returns.

## Deferred taxes

At each reporting date, the Group assesses whether the probability of future tax benefits being realized is sufficient to recognize deferred tax assets. Among other things, this requires management to evaluate the tax benefits resulting from currently available tax strategies and future taxable income, and also to take additional positive and negative factors into account. In the case of entities that, in the past, reported tax losses within the meaning of IAS 12, deferred tax assets are capitalized only in exceptional cases, where there is convincing evidence that they can be realized.

## Climate and sustainability-related development

WACKER has new, ambitious sustainable development goals for addressing climate-change risks up to 2030.

» See Sustainability Report of the WACKER Group, ESRS E1 "Climate Change" in the Group management report

The targets to cut greenhouse gases are science-based because they are consistent with the goal of keeping the global rise in temperature below 1.5 degrees Celsius and therefore comply with the Paris Agreement. The chemical industry is resource-intensive. Integrated production clearly dictates the most efficient and responsible use of resources possible as well as the application of circular-economy principles. Ambitious targets for reducing carbon emissions and the utilization of renewable and recycled raw materials are core components of WACKER's strategy. WACKER is constantly working on improving its production processes. That is why current developments and measures relating to climate change and sustainability have not fundamentally changed our expectations regarding the useful lives or value of noncurrent assets such as property, plant, and equipment. Nor have they resulted in any need to adjust our provisions for environmental or asset retirement obligations. In isolated cases, however, facilities may have to be shut down if this is necessary to protect the environment.

In its decisions regarding capital expenditures, WACKER assumes there will be enough reasonably priced green energy available in the future. There is a risk that both the quantity and the price of energy will diverge from what is expected. Higher electricity and gas prices have been factored into WACKER's planning and are taken into account when remeasuring the value of its noncurrent assets.

Current sustainability figures are reported in the Sustainability Report, which forms part of the Group management report.

Further details about estimates, accounting and valuation principles, and their effects on these consolidated financial statements, are contained in the individual sections of the Notes.

## Accounting and valuation principles

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 and valuation methods correspond to those used in the last consolidated financial statements at the end of the previous financial year, with the exception of the reclassifications of the investment result and emission certificates described in the section "Changes in accounting policies". The Group's consolidated financial statements are based on acquisition and production costs (historical costs), with the exception of items measured at fair value, which include financial assets, derivatives, and plan assets within the scope of pension obligations.

## Sales

Sales comprise revenue from contracts with customers and from other sources. The consideration expected to be received in exchange for transferring goods or services to a customer in the ordinary course of business is reported as revenue from contracts with customers. Revenue is recognized when a performance obligation has been satisfied and the customer has obtained control of the goods or services. A prerequisite is the customer's willingness to acknowledge and accept performance. Revenue recognition can occur either over a period of time or at a point in time and involves a five-step system. First, a contract with a customer and its performance obligations are identified. Then, the transaction price is determined and allocated. Revenue must be recognized for each individual performance obligation when the customer obtains control of the goods or services. In certain transport clauses, transport costs represent a separate performance obligation since the freight/transport performance is not concluded until control has been transferred to the customer. Revenue recognition usually takes place when the goods are transferred to the customer or as stipulated in the agreed transport terms. Certain revenues from services are generated over a period of time, during which the services are rendered and documented in accordance with contractual milestones. These revenues are realized in line with the fulfillment of the performance obligation.

Other revenue concerns the proceeds of sales that are not from contracts with customers; revenue of this kind is recognized at the fair value of the consideration received or receivable for the goods or services sold.

Revenue is reported net of VAT and other taxes incurred in connection with the sales and after accounting for discounts and price reductions. Sales are not reported if there are risks attached to the receipt of the consideration. In the case of risks from returns of finished goods and merchandise, warranties and other complaints, provisions are recognized using the principle of individual evaluation.

When a contracting party (customer or supplier) has fulfilled its contractual obligations, an entity must present the contract as a contract asset or contract liability depending on whether the entity has completed performance or the customer has made payment. An entity must show every unconditional right to receive consideration as a separate receivable. WACKER recognizes contract liabilities in its statement of financial position. These mainly include customer advance payments on polysilicon deliveries and customer advance payments in the Biosolutions segment. Customer-specific discount accruals are also reported as contract liabilities. Discount accruals are contractually agreed discounts that are granted when certain thresholds are exceeded and that reduce sales in the current period. These accruals are estimated on the basis of past experience and usually settled in the following period at the latest. At Biosolutions, assets required for the provision of services are recognized as costs incurred to fulfill a contract.

### **Functional costs**

The cost of goods sold shows the cost of the products, merchandise and services sold. It includes not only directly attributable costs, such as material costs, personnel expenses and energy costs, but also indirect costs, such as depreciation/amortization, impairments and inventory write-downs. It also includes the cost of outward freight. Selling expenses include costs incurred by the sales organization as well as the cost of advertising and market research. This item also includes commission expenses. 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.

### **Research and development expenses**

Research expenses also 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. There must also be sufficient certainty that future cash inflows will take place.

### **Income taxes**

Income taxes include all domestic (German) and international taxes that are based on taxable earnings. They include both current income taxes and deferred taxes. Current income taxes are calculated based on the taxable earnings and the applicable tax regulations in each country in the reporting year. Income taxes also contain adjustment amounts for any tax payments or tax refunds from outstanding tax returns, or from tax audits.

Income tax liabilities are recognized to cover cases in which it might not be possible to realize the amounts stated in tax returns (uncertain tax positions). Their amount is calculated using the best possible estimate of the expected tax payment for the specific item (the most likely value of the tax uncertainty). Income tax receivables from uncertain tax positions are recognized if it is likely that they can be realized. The only scenario in which no income tax liability or receivable is recognized for these uncertain tax positions is in the event of a tax loss carryforward or an unused tax credit. Instead, the uncertain position is offset against the unused tax loss carryforward or unused tax credit, provided there are no restrictions on offsetting.

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. With regard to leases, WACKER recognizes deferred tax assets for lease liabilities and deferred tax liabilities for right-of-use assets separately. Deferred tax assets include tax relief entitlements resulting from the anticipated use of existing loss carryforwards in future years, the realization of which is sufficiently probable. Deferred taxes are determined on the basis of the tax rates which, under current law, will be applicable or are anticipated in the individual countries when they are realized. 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.

Tax effects resulting from the Global Anti-Base Erosion Rules (Pillar Two Rules) are recognized as current income tax expense. Possible effects when calculating the amount recognized for deferred tax assets or liabilities are not taken into account.

### **Intangible assets**

Pursuant to IAS 38, acquired and 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 stated at cost and, provided their useful life can be defined, are amortized on a straight-line basis. The useful life is taken to be between 3 and 15 years unless indicated otherwise, e.g. by the life of a patent. The useful life is reviewed annually and, if necessary, adjusted to correspond to the latest expectations. Amortization of intangible assets is allocated to the functional areas that use the assets. Intangible assets whose useful lives cannot be defined are subject to annual impairment testing. At present, no intangible assets with indefinite useful lives have been capitalized.

Goodwill is not amortized. Existing goodwill undergoes an annual impairment test. If this results in a recoverable amount below the carrying amount, an impairment loss is recognized. An impairment test is also performed when events or circumstances indicate a possible impairment. Impairments of goodwill are disclosed under other operating expenses. Impairment losses on goodwill are not reversed. The recoverable amount is determined in each case by applying the value in use. Planning approved by management and the related cash flows for the next five or more years are used where there are legitimate grounds for extending the detailed-planning period. For the time period thereafter, a terminal value was calculated by extrapolating the last detailed planning year as a perpetual annuity. Planning is based on experience, current business performance and management's best possible estimate of future development of specific influencing factors, such as raw-material prices and profit margins. Macroeconomic and industry-specific sources are consulted when making assumptions on market trends such as market growth. The discounting of cash flows required for impairment testing is based on the weighted post-tax cost of capital using the capital asset pricing model. Components of the formula used in this model are the risk-free interest rate, the market risk premium and an adjustment of the credit risk based on the specific peer group (spread).

**Emission allowances**

The accounting policy for emission allowances was adjusted in 2025. A detailed explanation of this change can be found in the section "Changes in accounting policies".

Emission certificates meet the criteria for intangible assets and, due to their indefinite useful lives, are not subject to amortization. If WACKER receives emission certificates free of charge from a government agency in connection with regulatory requirements, such as the EU Emissions Trading System (EU ETS), these certificates are recognized at a nominal value of zero in the statement of financial position. Additional certificates are purchased in order to meet our current and future obligations under the Emissions Trading System, as the emissions generated exceed the free certificates that are allocated. Emission certificates purchased on the market are carried at cost under intangible assets. If the fair value is lower as of the reporting date, the carrying amount is reduced accordingly. Causing emissions gives rise to an obligation to surrender emission allowances. They are surrendered at a specified point in time after the end of the fiscal year. Corresponding provisions are set up in the amount of the quarterly emissions, with the amount generally corresponding to the cost of the required emission certificates. The expense is recognized under cost of goods sold. When the emission certificates are canceled, the intangible assets are derecognized by utilizing the corresponding provision.

**Property, plant and equipment**

Property, plant and equipment is capitalized at (acquisition or production) cost and depreciated on a straight-line basis over its expected economic life. A residual value is determined in exceptional cases only. The useful life is reviewed annually and, where necessary, adjusted to correspond to expectations. Acquisition costs include not only the purchase price, but also incidental acquisition costs as well as any costs incurred in the demolition, dismantling and/or removal of the relevant asset from its site, and in the restoration of that site. Any reductions in the price of acquisition reduce the acquisition costs. The (production) 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. Financing costs that were incurred in connection with particular qualifying assets and 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.

Day-to-day maintenance and repair costs are expensed as incurred. Costs for replacing parts or carrying out major overhauls of property, plant and equipment are capitalized if future economic benefits are likely to accrue to the Group and if the costs can be measured reliably.

Grants from third parties reduce acquisition and production costs. Unless otherwise indicated, these grants (investment subsidies or development loans) are provided by government bodies. Income grants for which there are no future expenses are recognized as income. Grants are recognized as separate assets until receipt of the funds.

WACKER recognizes assets under construction for as long as the asset or a component thereof is being built or when advance payments are made prior to delivery of services charged. Property, plant and equipment under construction is not depreciated. Reclassification to property, plant and equipment and the start of depreciation are triggered when the assets are ready for operation. This occurs independently of when WACKER actually commissions the items.

If property, plant and equipment is permanently retired, sold or given up, the acquisition or production costs are derecognized, along with the corresponding cumulative depreciation.

Any gain or loss resulting from the difference between the sale proceeds and the residual carrying amount is recognized under other operating income or expenses.

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

In years	Useful life
Buildings and similar rights	10–40
Technical equipment and machinery	6–12
Other equipment, factory and office equipment	3–12

An impairment test is carried out when relevant events or changes in circumstances indicate that it might no longer be possible to realize the net carrying amount of intangible assets, or property, plant and equipment. At the end of each 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 is calculated based on the present value of the estimated future cash flows from the use of the asset, taking into account pre-tax interest rates that have been adjusted to reflect the segment-specific risk. In order to determine the cash flows, 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. 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.

#### Government grants

If their inflow is sufficiently certain, government grants for assets are deducted from the asset's carrying amount and recognized as income using a reduced depreciation/amortization charge over the depreciable/amortizable asset's useful life. Government grants that compensate the Group for incurred expenses are deducted from the corresponding expenses in the period in which the expenses to be compensated are also incurred if their inflow is sufficiently certain.

#### Investment property

Like property, plant and equipment, investment property is measured at cost and depreciated on a straight-line basis. It consists of land and buildings that are held to earn rental income or for capital appreciation. The fair value of this property is regularly measured by means of independent property appraisals. This item in the statement of financial position also includes right-of-use assets from long-term subleases.

#### Leases

At the start of a contract, WACKER assesses whether the agreement constitutes or contains a lease. This is the case if the agreement grants control over the use of an identifiable asset against payment of a fee for a specific term. When the agreement is concluded or modified, the agreed fee must be divided up into a lease component and a non-lease component. WACKER does not perform this separation, however, since all its identified leases are solely of a lease-fee nature.

WACKER recognizes a right-of-use asset, which is initially measured at cost. The cost of this asset includes the lease liability, as well as lease payments made prior to the transfer of use, incremental contract-closing costs and dismantling costs. The right-of-use asset is then amortized on a straight-line basis over the lease term. If WACKER assumes control of the asset at the end of the lease, or if the lease liability contains a purchase option, the asset is amortized over its useful life.

The lease liability is initially measured at the present value of the remaining lease payments as of the date of availability and discounted at the incremental borrowing rate. The incremental borrowing rate is determined using a lessee-specific interest rate. In the case of property leases, adjustments are made due to the leased property's security-related function. The evaluation includes both fixed and variable lease payments. The latter are tied to an index or interest rate, and calculated for the first time on the date of availability. Lease payments from extension options or payments from purchase options are included only if it is sufficiently certain they will be exercised. Penalty payments from premature termination are recognized if WACKER is certain premature termination will take place.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured if the contract is modified or the estimates regarding exercise of the options are amended.

Right-of-use assets are shown as a separate line item in the statement of financial position. Lease liabilities are recognized under financing liabilities. WACKER has decided not to recognize right-of-use assets and lease liabilities if the assets in question are of low value or the leases are short term (including for IT equipment). The lease payments are recognized as expenses. Leased company cars for employees are not recognized as subleases, but rather as salary components under IAS 19 "Employee Benefits."

If it is the lessor, WACKER classifies a lease as being either a finance lease or an operating lease. WACKER acts as a lessor where property subleases are concerned. This classification takes account of indicators such as whether the lease comprises the predominant part of the economic use of the asset or right-of-use asset. The Group recognizes main leases and subleases separately if it acts as an intermediary lessor. It classifies a sublease on the basis of the right of use from the corresponding main lease.

### **Investments, associates and joint ventures**

Shares in non-consolidated affiliated companies and investments are measured and recognized at market value or at cost. Changes are recognized in the consolidated statement of income upon realization through disposal or in the event of changes in the market value. Loans granted are measured at amortized cost, except for non-interest-bearing and low-interest loans, which are recognized at their present value.

Investments in joint ventures and associates are accounted for using the equity method, with the carrying amount reflecting the Group's prorated share of equity. Prorated net profits and losses are recognized in the consolidated statement of income, 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 are therefore deducted from the carrying amount without affecting profit. If a joint venture or associate faces losses that have exhausted its equity, no further losses are taken into account. Exceptions can be made 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 compensated for and the equity is positive again.

An impairment test is also performed if there are indications of impairment, and impairment losses recognized if need be. The recoverable amount is determined in accordance with IAS 36. If the reasons for an impairment loss no longer apply, it is reversed. Impairment losses and their reversal are reported under financial result.

The change in the presentation of the investment income in the income statement for 2025 is explained in the section "Change in accounting policies".

## Financial instruments

Financial assets and liabilities are recognized in the consolidated financial statements when WACKER becomes a contracting party to the financial instrument. They are derecognized when the contractual rights or obligations are fulfilled or rescinded, when they expire, or when the asset has been transferred or the liability settled.

In the case of normal market purchases or sales, however, the settlement date – i.e. the date on which the asset is delivered to or by WACKER – is relevant for initial recognition and derecognition. As a rule, 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.

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 directly available, they are calculated using standard measurement models on the basis of current market parameters.

Financial assets at WACKER include, in particular, cash and cash equivalents, trade receivables and derivatives, as well as financial assets that are held to collect or held for trading. As a general rule, financial liabilities must be settled using cash or another financial asset. Financial liabilities include the Group's own bonds and other securitized liabilities, trade payables, liabilities to banks, lease liabilities, promissory notes (German *Schuldscheine*) and derivative financial liabilities. WACKER does not elect to measure financial assets and liabilities at fair value through profit or loss on initial recognition (fair value option).

Subsequent measurement of financial assets and financial liabilities depends on the measurement categories of IFRS 9.

IFRS 9 stipulates that each financial asset must be classified and measured on the basis of the entity's business model for managing the financial assets and the asset's contractual cash flow characteristics. On initial recognition, each financial asset is classified as measured either at fair value through profit or loss (FVPL), at amortized cost or at fair value through other comprehensive income (FVOCI).

The "held to collect" and "held to collect and sell" business models both require that the cash flows from the financial instrument be solely payments of principal and interest (SPPI). Subject to use of the fair value option, which is still available under certain circumstances, instruments that satisfy the SPPI test are measured at amortized cost in the "held to collect" business model, and at fair value through other comprehensive income (FVOCI) in the "held to collect and sell" business model. Financial instruments that fail the SPPI test are measured at fair value through profit or loss (FVPL) and classified under the "trading" business model. IFRS 9 provides for an exception for interests that are not held for trading, such as company stock. Since they do not meet the SPPI test criteria, equity instruments must be measured at fair value, but upon initial recognition there is an irrevocable election to present subsequent changes in fair value in other comprehensive income. WACKER currently makes no use of this election.

At WACKER, trade receivables, as well as other financial receivables, certain securities, fixed-term deposits, and cash and cash equivalents, are assigned to the "held to collect" business model and measured at amortized cost. If it is both intended and, in economic terms, to be expected with sufficient certainty that securities or fixed-term deposits will be held to collect, they are measured at amortized cost using the effective interest method. Otherwise, securities are measured at fair value provided they meet the SPPI criteria, with changes in fair value recognized in other comprehensive income (FVOCI). Unrealized gains and losses are recognized in other equity items – taking deferred taxes into account. When financial instruments are derecognized, the cumulative gains and losses recognized in equity are recognized in profit or loss.

As fund shares and investments generate cash flows from dividends and other distributions, and thus do not satisfy the SPPI criterion, they are assigned to the "trading" business model and measured at fair value through profit or loss (FVPL). The investments in question are primarily small, regional ones in non-profit organizations operating infrastructure facilities, as well as investments in start-ups. The information available for these companies is not sufficient to calculate a fair value as there are neither stock market prices nor market values available, and nor does WACKER receive any internal information on

these companies. WACKER is of the opinion that the cost of these equity instruments sufficiently approximates their fair value. Derivative financial instruments do not fall into any measurement category: they are measured at fair value through profit or loss. If they are intended for strategic hedging relationships, they are accounted for directly in equity.

Primary financial liabilities are subsequently measured at amortized cost using the effective interest method. Under reverse-factoring agreements, WACKER places its trade payables on a platform for its suppliers, enabling them, where necessary, to initiate payment of their invoices earlier than the agreed payment date. The items in question are still recognized as trade payables because the original payment deadlines are unchanged. WACKER is not exposed to any liquidity risk, as no extended payment deadlines are agreed with the factor and no other changes are made to the original liability. Liabilities with long payment deadlines outside the customary business cycle are reclassified to other financial liabilities where reverse-factoring agreements are in place.

### **Impairments of financial assets**

IFRS 9 stipulates that, with the exception of derivative financial instruments, trade receivables and other financial assets must be recognized at amortized cost. Securities are measured at fair value or amortized cost either through other comprehensive income or through profit or loss. Risk provisioning takes place in the form of loss allowances. Loss allowances are recognized for receivables on initial recognition of the financial assets on the basis of the potential losses expected at that point in time. If the credit risk is not significantly higher on the reporting date than it was on initial recognition, WACKER recognizes a loss allowance in the amount of the 12-month expected credit losses (Level 1) – meaning the credit losses that can be expected to arise from possible default events within the next 12 months. IFRS 9 requires recognition of a loss allowance in the amount of the default of receivables expected over the full remaining term to maturity for those financial assets whose credit risk has become significantly higher (Level 2) and of assets that are defaulted as of the reporting date (Level 3). WACKER considers the credit risk to have become significantly higher if the counterparty's credit rating has been downgraded substantially and the receivable is more than 30 days past due. The main indicators WACKER uses to determine whether an asset has become defaulted (Level 3) are insolvency, internal dunning level 4 and more than 90 days past due. Regardless of this, each case must be assessed individually in line with the credit management process. In this process, the assets – particularly trade receivables – are assigned to internally defined risk classes. The internal credit classes contain forward-looking information and take account of both macroeconomic factors and payment behavior history.

WACKER applies the simplified approach when calculating impairments of trade receivables. Under this approach, the loss allowance is determined immediately upon origination on the basis of the lifetime expected credit losses. Further changes in the credit risk (expected credit losses, ECL) do not need to be tracked. The expected credit losses are determined using an impairment matrix, which defines fixed default rates per past-due category on the basis of the risk classes of the past-due receivables.

The lifetime expected credit losses reflect all possible loss events that could occur until the expected maturity of the financial asset. WACKER determines the expected credit loss by taking into account the entire contractual period during which the Group is exposed to the credit risk.

WACKER applies three key parameters to assess the expected credit loss for noncurrent and current interest-bearing receivables (loans and fixed-interest securities): the probability of default (PD), the loss given default (LGD) and the estimated exposure at default (EAD). In the case of loans and fixed-interest securities, WACKER determines a loss allowance equivalent to the 12-month expected credit losses, as the former are financial instruments with a low credit risk.

A financial asset is derecognized if the company no longer has any expectation of receiving the corresponding outstanding cash flow. Before a receivable is derecognized, a special assessment of the individual case is carried out. That includes offsetting against the gross value of the receivable – and thus utilizing – any impairments recognized. Expenses from expected impairments are reported under other operating expenses.

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

The general impairment model is applied to bank deposits and fixed-term deposits. These are classified as financial instruments with a low credit risk, given that WACKER enters into banking relationships only with investment-grade counterparties. Impairments are not recognized for deposits with banks participating in Germany's Deposit Protection Fund because these deposits are secured via the fund in adherence to statutory requirements.

If the contractual conditions of an asset are modified and the modification does not result in its derecognition under IFRS 9, a gain or loss is recognized in the income statement. The amount recognized is the difference between the original contractual cash flows and the modified cash flows (both discounted using the original effective interest rate). For WACKER, however, modifications of this kind are exceptional, and none have arisen to date.

#### **Derivative financial instruments**

Derivative financial instruments are used solely for hedging purposes, the aim being to reduce both the Group's exposure to exchange-rate, interest-rate and commodity-price risks arising from operating activities and the resulting financing requirements. Derivative financial instruments are recognized as of the trade date. They are always recognized at fair value, irrespective of the purpose or intention for which they were concluded. Positive fair values are recognized as receivables and negative fair values as liabilities. Differences are recognized in profit or loss separately from hedge accounting.

Where derivative financial instruments are used to hedge risks stemming from future cash flows (cash flow hedge) or to hedge items in the statement of financial position, WACKER applies hedge accounting in accordance with the requirements of IAS 39. The effects from the hedging of future cash flows are recognized in other equity items – taking deferred taxes into account – until the hedged item has been realized. When the hedge item is realized, the profit contribution of the hedging transaction is recognized in the statement of income under other operating income and expenses, or under net interest result. If such a derivative is sold or the hedging relationship is discontinued, the change in its value continues to be recognized in other equity items until the underlying transaction occurs. Ineffective parts of the hedging transaction are recognized immediately in profit or loss. Fair value hedges of recognized assets or liabilities and/or unrecognized fixed contractual obligations entail the recognition in profit or loss of market value changes for both the hedged item and the financial derivative (as the hedging instrument). WACKER does not currently hedge the fair values of assets and liabilities or hedge a net investment in a foreign entity through a hedge of a net investment in a foreign operation.

Contracts concluded for the purpose of receiving or delivering non-financial goods in accordance with WACKER's own needs are not recognized as derivatives, but rather as pending transactions. In exceptional cases, contract clauses may result in a contract being treated as a derivative financial instrument. Such instruments are recognized at fair value under other operating income/expense in the statement of income. Hedge accounting is applied if the prerequisites for it are met.

Currency hedges for planned sales are recognized under other operating income and expenses, while interest rate hedges are recognized under net interest income. Currency hedges from intra-Group financing and foreign-exchange derivatives concluded to hedge financing liabilities in foreign currencies are shown under other financial result. Changes in the fair value of commodity hedges are recognized under cost of goods sold.

## Inventories

Inventories are measured at cost using the average cost method. Lower net realizable values or prices as of the reporting date are taken into account by writing down inventories to their 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. Costs for the company pension plan and voluntary social benefits are also included if they are production-related. Due to the relatively short-term nature of the production processes, no financing costs are recognized. For production-related reasons specific to the chemical industry, unfinished and finished goods are reported together. Raw materials and supplies also include spare parts for the day-to-day maintenance of production facilities. They are measured in accordance with their periods of storage and potential usability.

## Guarantees of Origin

Guarantees of Origin (GoOs) for renewable electricity are recognized at cost under inventories. On utilization, they are expensed under cost of goods sold. There is no obligation to surrender these guarantees.

## Income tax receivables and other non-financial assets

Income tax receivables and other non-financial assets are recognized at amortized cost. Changes in income tax receivables are posted under income taxes in the statement of income. Income tax receivables also contain uncertain tax positions. Noncurrent receivables that are non-interest-bearing or low-interest-bearing are discounted.

## Provisions for pensions and similar obligations

Defined-benefit pension plans are measured in accordance with the projected unit credit method. This method takes account not only of known pensions and entitlements to future pensions as of the reporting date, but also of expected increases in salaries and pensions. Moreover, measurement is based on actuarial valuations and takes account of biometric and financial calculation principles. The fair value of the plan assets is subtracted from the present value of the pension obligations (defined benefit obligation, DBO), resulting in either a net liability or net asset of the defined benefit plans. The prior year's underlying DBO assumptions are used to determine the current service cost. The net interest cost for the fiscal year is determined by applying the discount rate set at the beginning of the year to the net liability calculated at the same time. 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. Remeasurements comprise 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 as of the reporting date – in relation to probable mortality rates, retirement and salary trends, or discount rates. Remeasurements are recognized directly in other comprehensive income. 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.

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

The expense from current and past service cost is allocated to the costs of the functional areas concerned. The net interest is shown under other financial result.

Provisions for phased early retirement and anniversaries are measured and recognized 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, 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.

## **Provisions**

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 those estimated to be required to cover the Group's future payment obligations, identifiable risks and contingencies.

Noncurrent provisions are measured at the discounted settlement value as of the reporting date. The discount rate applied is the 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 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 recognized.

## **Financing liabilities and other financial liabilities**

On initial recognition, primary financial liabilities are measured at fair value less any transaction costs incurred. They are subsequently measured at amortized cost using the effective interest method. Derivative financial instruments are recognized at fair value. Lease liabilities are shown as financing liabilities at the present value of the future lease installments.

## **Contingent liabilities / contingent assets**

Contingent liabilities are potential obligations toward third parties or existing obligations for which an outflow of resources is unlikely or the amount of the obligation cannot be estimated with sufficient certainty. Contingent liabilities are not recognized in the statement of financial position.

Contingent assets are potential assets resulting from past events and whose existence will not be confirmed until the occurrence of one or more uncertain future events that are beyond the Group's influence.