Q3

Wacker Chemie AG
Interim Report

January – September 2012

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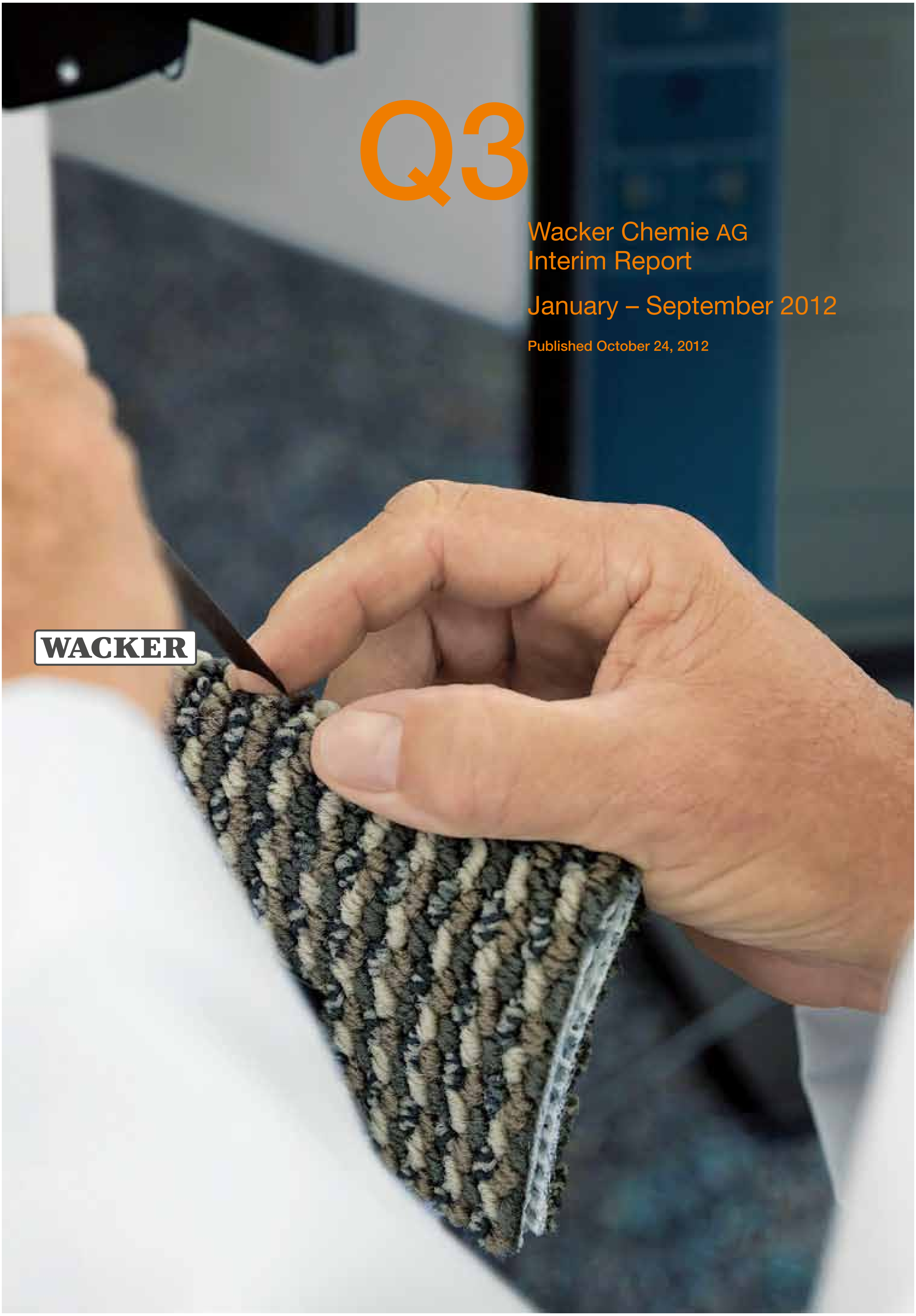


WACKER

Interim Report January – September 2012

Group sales reach €1.20 billion in Q3 2012, close to 2 percent below Q2 2012 and about 6 percent below the prior-year period

At €204 million, third-quarter earnings before interest, taxes, depreciation and amortization are 15 percent lower than in Q2 2012 and 36 percent lower year on year due to price declines

Net income for Q3 2012 amounts to €27 million

Chemical-business revenue increases by 7 percent thanks to strong customer demand, with EBITDA up by 20 percent year on year

Polysilicon business shows significant declines in sales and earnings

Investments of €291 million for strategic expansion of polysilicon and dispersion capacities

Annual-forecast specified: Group sales of between €4.6 and €4.7 billion expected for full-year 2012, with EBITDA anticipated at about €750 million due to price pressure

Cover

Successful substitution business:
VAE dispersions win over the carpet industry.

WACKER at a Glance

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Sales	1,200.9	1,280.6	–6.2	3,617.7	3,898.1	–7.2
EBITDA[1]	204.3	317.6	–35.7	656.6	993.4	–33.9
EBITDA margin[2] (%)	17.0	24.8	–	18.1	25.5	–
EBIT[3]	70.7	197.2	–64.1	263.4	658.2	–60.0
EBIT margin[2] (%)	5.9	15.4	–	7.3	16.9	–
Financial result	–15.3	–9.3	64.5	–44.5	–26.9	65.4
Income before taxes	55.4	187.9	–70.5	218.9	631.3	–65.3
Net income for the period	26.9	124.9	–78.5	127.5	435.6	–70.7
Earnings per share (basic/diluted) (€)	0.50	2.50	–80.0	2.52	8.76	–71.2
Investments (incl. financial assets)	291.4	299.1	–2.6	722.4	644.0	12.2
Net cash flow[4]	–90.4	23.2	n.a.	–294.9	41.1	n.a.

€ million	Sept. 30, 2012	Sept. 30, 2011	Dec. 31, 2011
Equity	2,651.5	2,698.9	2,629.7
Financial liabilities	1,177.4	593.1	777.9
Net financial liabilities/receivables[5]	–411.3	364.0	95.7
Total assets	6,563.4	6,125.7	6,237.0
Employees (number at end of period)	16,433	17,133	17,168

[1] EBITDA is EBIT before depreciation and amortization.
[2] Margins are calculated based on sales.
[3] EBIT is the result from continuing operations for the period before interest and other financial results, and income taxes.
[4] Sum of cash flow from operating activities (excluding changes in advance payments) and cash flow from noncurrent investment activities (before securities), including additions due to finance leases.
[5] Sum of cash and cash equivalents, noncurrent and current securities, and noncurrent and current financial liabilities.

Interim Report
January – September 2012

You can't always reinvent the world. But sometimes you can change the rules of the game, even in established markets. Substitution is a way of changing a market by introducing new, more modern technologies. An example from the carpet industry shows how this works.

1

VINNAPAS® polymer dispersions have been a very good business for WACKER for decades, winning new markets all the time. Now, WACKER POLYMERS technologists in the US have managed a breakthrough for their product in an industry that has had little to do with this binder in the past, namely the carpet industry. This success story is being repeated in other industries.

1
Peter Summo, Vice President for Dispersion & Resin: in the background is a production plant for dispersions in Burghausen.

2

2
This container holds 1,000 liters of dispersion supplied from Dalton to US carpet factories.

Calvert City Production Site

-- US State of Kentucky
--- WACKER site since 2008
--- Production capacity for dispersions
> 200,000 metric tons/year

3

4

3
WACKER's carpet lab in Dalton.

4
WACKER expert John McClurken has convinced his customers of the advantages of vinyl acetate-ethylene dispersions.

John McClurken from Georgia has worked with carpets for the whole of his professional life. With his Southern drawl, he talks in rapid fire about tufted carpets, needle felts, woven, flock and knitted carpets, with all the enthusiasm that his neighbors show when recounting the latest Atlanta Falcons game. Since graduating from college 25 years ago, he has supported customers from the American carpet industry. It's a huge market. In 2011, the US carpet industry chalked up sales worth $9.5 billion – almost half of global revenue.

Astonishing Speed

From his office in Dalton, the 48-year-old is no more than an hour's drive in his Subaru Legacy from any of the major carpet manufacturers. The town of Dalton, in north Georgia, at the foothills of the Blue Ridge Mountains, proudly dubs itself the "carpet capital of the world," and there are few who know their way around this capital as well as John McClurken. He has experienced a lot here – consolidation of companies, the battles against competition from Asia, the subprime crisis and the recent recovery. There's not much that can surprise him. So John McClurken was all the more astonished by the way that WACKER's vinyl acetate-ethylene copolymer (VAE) has swept through the US carpet industry in recent months. "I had counted on the time being right for us to launch our VAE dispersions in the carpet industry, too. After all, we've developed excellent products for these applications and the shifts in the raw material markets are making our technology attractive in terms of applied costs. But even I was surprised at how quickly it went," says the WACKER carpet expert.

Almost all the major manufacturers have switched over most of their production from styrene-butadiene (SB) latex to a VAE dispersion in recent months. They use it to bond the textile layer to the backing. WACKER expanded VAE production at its Calvert City plant for this purpose, since VAE has a crucial advantage – unlike the SB latex that was almost ubiquitous here, VAE can be made from natural gas. It means carpet manufacturers who use VAE are less at the mercy of increasing oil prices, and naphtha, which is becoming scarcer in the USA.

The example of VAE shows that you don't always have to come up with a new product for a new market. Sometimes it makes more sense to modify products so that they can take over existing markets. For example, by making them more sustainable and cost-effective than the products currently dominant there. WACKER POLYMERS is doing very well with its substitution policy. VAE dispersions are the growth drivers for WACKER POLYMERS in the USA, with enormous potential in the carpet, coatings and paper sectors. These are lucrative fields. In the third quarter of 2012, WACKER POLYMERS generated total sales of €274 million. That is 6 percent more than a year ago. A good proportion of this was due to the strong demand for dispersions.

Polymer binders are actually a mainstay of WACKER's portfolio. Burghausen chemists were already producing vinyl acetate from acetic acid in 1928. By 1966, they had succeeded in combining vinyl acetate with ethylene. Vinyl acetate-ethylene copolymer (VAE) is now the dominant monomer combination throughout the world. It is an ideal binder that is an integral part of mortars, architectural paints, and adhesives. "VAE is WACKER POLYMERS' core technology," says Peter Summo, Vice President for Dispersion & Resin.

Reliable Alternative

However, VAE dispersions had only been seen as a niche product in the carpet industry. Manufacturers had written them off as "good, but expensive." That was until the upheavals in the raw-material market of recent years. First, there were the high oil prices. Second came the raw materials revolution due to the extraction of unconventional natural gas, i.e. shale gas, in the USA, which has slashed the price of gas by 80 percent since 2005. Third was the switch from naphtha-fed to ethane-fed cracking in the USA, which produces very low levels of butadiene. Fourth, there came the strong demand for butadiene in Asia, for example for tires. Within three years, the price of butadiene had rocketed from 500 to almost 4,000 US dollars per metric ton.

It's very clear that VAE has become the reliable and economical alternative to SB latex for the carpet industry. That is a powerful argument in an industry where producers have to shave every penny off their costs. Nevertheless, WACKER still had to prove that the VAE binders would perform every bit as well as SB latex in production. Otherwise no producer would risk a change, whatever the price.

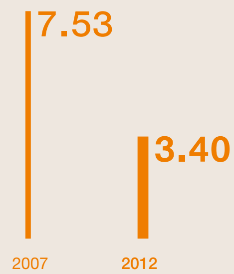
Teamwork is Key

This is where John McClurken enters the field. The carpet expert, who has been with WACKER since 2009, won over his customers. "The carpet manufacturers were reluctant to change anything," he says, "but as the price differences between the two binders increased, one eventually said 'OK, let's give it a shot.'" For months, McClurken and the WACKER carpet team of Steve Osby, Buddy Laughridge and Bobby Richardson worked together with the carpet company's engineers on a formulation optimized to the available machinery. "We were all a real team," says McClurken proudly. Then the carpet factory tested the samples made with the new formulation for one year in schools and homes. At the same time, the lab chemists simulated the many thousands of rolling cycles exerted by an office chair. No sample was permitted to fray or to pill.

5

Price trend of crude oil (in US$/barrel)

Price trend of natural gas (in US$ per MMBtu)



5
Stress test in the office:
The flooring must withstand
rolling office chairs for years.

VAE is Changing the Rules of the Market

The tests proved that VAE is a totally satisfactory substitute that can be used in all market segments. Even carpet expert John McClurken wouldn't have believed it. By now, of course, the other carpet manufacturers had heard about the tests. "Within a few weeks, we were converting one production line after another," says Dr. Richard Bott, Director of Technology Management for Dispersion & Resin in Allentown, Pennsylvania. Now, almost all the major carpet producers in the USA have switched to VAE. It has changed the rules of the market.

To make sure its new customers have a reliable supply of VAE, WACKER is expanding its global production capacities. In Korea and Nanjing, China, the production capacities of the VAE reactors will have doubled by 2013. This means WACKER will be able to serve its regional customers rapidly at acceptable prices.

Now that the manufacturers in the USA have changed over to VAE, the first requests are coming from Europe. "The carpet business is a small world," explains John McClurken. He works closely with his colleagues in Europe, and knows the score at the big factories in Belgium, the Netherlands and Germany. In the past, the switch from crude oil to natural gas-derived dispersions was not so urgent in these countries as in the US, since European crackers are predominantly naphtha-fed. Today, however, butadiene is a global commodity and here, too, carpet manufacturers feel the combined impact of the scarcity of butadiene-based products and high oil prices. VAE dispersions are therefore going through an approval test with many manufacturers. The first product samples are also circulating in Asia. According to Peter Summo, in Europe and Asia, too, inexpensive American shale gas could change the rules of the game for styrene-butadiene raw materials in favor of VAE. Sales of VAE dispersions would continue to benefit.

John McClurken's applications lab in Dalton is therefore a global support hub for questions about carpets. In the future, McClurken plans to run a WACKER ACADEMY course in which applications engineers from all over the world will receive training tailored to the carpet industry. They will be modifying VAE polymers to meet the special demands of carpet manufacturers in their regions.

The Success Story Continues

The story could end there. But carpets are only one of the industries that WACKER has set its sights on for substitution with VAE dispersions. These binders are already finding success in another market: paperboard coatings for consumer packaging. In this industry, the dispersion volume demand is three to four times bigger than in the carpet sector and until now it has been just as dependent on styrene-butadiene and, to a lesser extent, styrene-acrylates. This packaging sector mainly uses crude-oil-based binders in the coating formulations for color-printed outer packaging – such as six-pack boxes and all the other cartons you see on supermarket shelves. WACKER's planners are certain that the 25,000 metric tons that it currently produces for the paperboard coating industry are by no means the last word.

Researchers from WACKER POLYMERS in Allentown, working closely with major packaging manufacturers, have developed VAE dispersions that can be used for coating the cartons. They allow food packaging materials to be printed with highly durable images in bright colors, at a more economical price. Just as in the carpet industry, these dispersions could also change the rules of the game for paperboard applications in the North American market. In July, the US researchers received the Alexander Wacker Innovation Award for their work.

WACKER Stock

The situation and mood in capital and financial markets worldwide eased slightly in Q3 2012, but did not fundamentally improve. The European Central Bank's decision to buy crisis-hit countries' sovereign bonds in unlimited amounts if necessary helped calm financial markets somewhat, especially in Europe. This situation was also eased by the German Constitutional Court's ruling on the European Stability Mechanism (ESM). The positive vote by the Court's judges meant Germany was able to ratify the ESM Treaty. The international financial institution established by this treaty started its work shoring up the single currency on September 27, 2012.

Countries such as Spain are now again able to borrow at much more favorable rates on the open market. However, there has still been no lasting improvement in the high public deficits affecting crisis-stricken Southern European countries, despite their governments' massive efforts to push through spending cuts and, in certain cases, deep structural reforms. The economies of these countries are also burdened by the reluctance of consumers, companies and the public sector to spend and invest. The financial and debt crisis has now spilled over to numerous areas of the real economy worldwide.

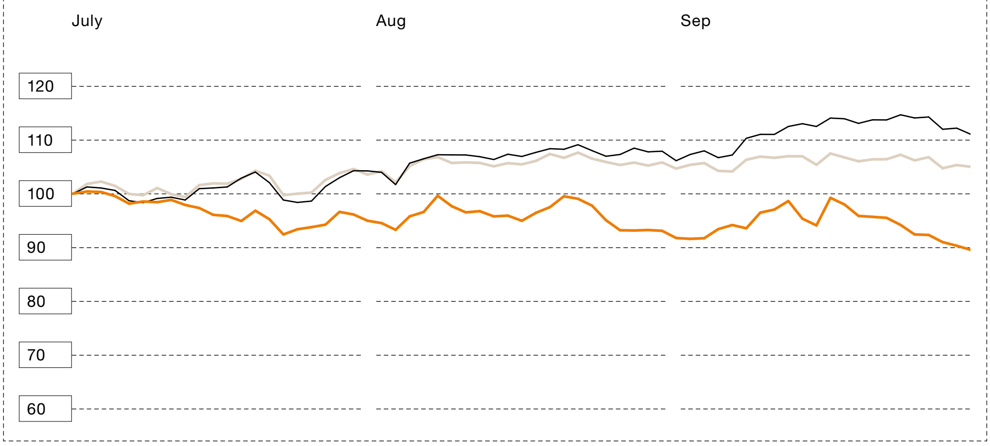
Nevertheless, Germany's DAX and MDAX benchmark indices developed positively from July through September 2012. The DAX improved by around 11 percent and has been well above 7,000 points since the start of September 2012. The MDAX gained 5 percent during Q3 2012 and has been hovering around the 11,000-point mark for weeks.

WACKER's share price did not mirror this trend. The company's shares entered the third quarter at €55.80 on July 2, 2012, climbed briefly to a high of €56.03 (July 3, 2012) and subsequently fell to a low of €49.96 on September 28, 2012. Short-lived rebounds in August and September, which took the shares past the €55 mark on several occasions, did not result in a lasting change. The publication of the Q2 2012 Interim Report on July 25, with its cautious outlook and slightly adjusted 2012 forecast, had no discernible impact on the share price, given the prevailing situation. Overall, WACKER's shares lost over 10 percent of their market capitalization in the quarter under review.

The attractiveness of WACKER's shares is still appreciably undermined by price and consolidation pressures, in addition to political uncertainty in the solar industry. Moreover, in early September, the European Union launched an anti-dumping investigation that could lead to import duties on solar modules manufactured in China. Earlier, in mid-May, the US Department of Commerce decided to impose provisional duties – ranging from 31 to 250 percent, in some cases – on Chinese-made solar modules imported into the US. The possibility of a trade war between China on the one hand and the US and the European Union on the other has further unsettled investors. Because WACKER is one of the world's leading manufacturers of polysilicon for photovoltaic applications, the Group has been included in investors' and analysts' skeptical assessments of solar businesses. Consequently, WACKER's share price was noticeably impacted in the third quarter.

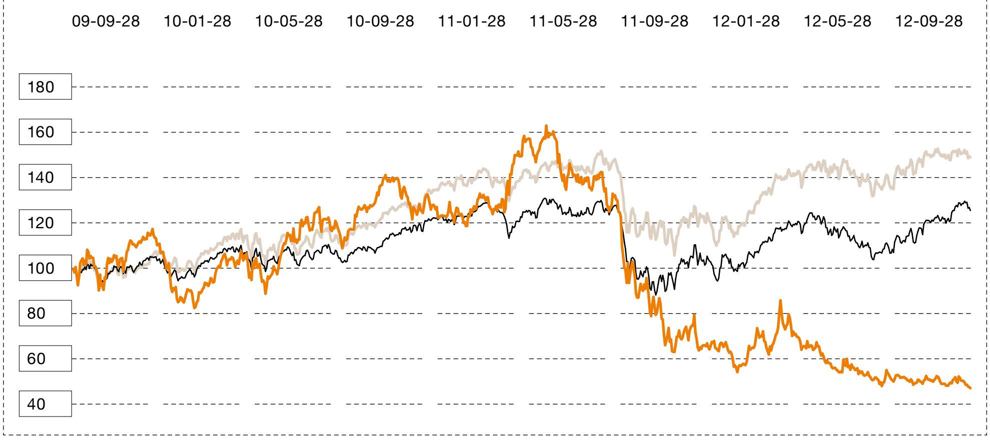
The three-year view from September 2009 through September 2012 reveals that, until fall 2011, the trading price of WACKER shares largely tracked Germany's DAX and MDAX benchmark indices, albeit with much greater volatility. Subsequently, WACKER shares became detached from the general trend and now command a noticeably lower price. WACKER's stock reached its high on May 3, 2011, with a closing price of €172.80. Its low during the three-year period came on September 28, 2012, at €49.96. Compared with its price of €106.59 at the end of September 2009, the stock lost around 53 percent of its value over the last three years. During the same period, the DAX rose by over 27 percent and the MDAX by as much as 49 percent.

G 1.1 WACKER Share Performance in Q3 2012 (indexed to 100)[1]



[1]100 = €55.80 (closing price on July 2, 2012)

G 1.2 WACKER Share Performance from September 28, 2009 to September 28, 2012 (indexed to 100)[1]



[1]100 = €105.80 (closing price on September 28, 2009)

T 1.2 Facts & Figures on WACKER Stock

€	Q3 2012	9M 2012
Closing price at the start of the reporting period	55.80	65.85
High in the reporting period	56.03	91.00
Low in the reporting period	49.96	49.96
Closing price at the end of the reporting period	49.96	49.96
Change during the reporting period (%)	–10.5	–24.1
Average daily trading volume in shares/day (Xetra)	126,262	207,061
Market capitalization at the start of the reporting period (billion) (based on shares outstanding)	2.77	3.27
Market capitalization at the end of the reporting period (billion) (based on shares outstanding)	2.48	2.48
Earnings per share (€)	0.50	2.52

On September 11, 2012, WACKER invited interested analysts and investors to its Capital Markets Day 2012 in Dresden. Twenty-four analysts from banks and investment firms took part and were able to gain an up-to-date overview of WACKER and its strategies, technologies, products and innovations.

At the end of the reporting period, short sales of Wacker Chemie AG's stock amounting to 4.05 percent of the shares outstanding were reported as per Section 30i of Germany's Securities Trading Act ("WpHG"). The largest position amounted to 1.68 percent. Short positions exceeding 0.5 percent of the shares outstanding are published in Germany's Federal Gazette (www.bundesanzeiger.de).

Please refer to the 2011 Annual Report (pages 41 to 46) and the internet (www.wacker.com/investor-relations) for more details about WACKER's stock (e.g. the dividend, shareholder structure, banks and investment firms that cover and rate WACKER, analyst estimates, and investor and analyst events held or attended by WACKER).

Report on the 3rd Quarter of 2012

July – September 2012

Dear Shareholders,

WACKER has performed respectably in a difficult third quarter despite a number of challenges. However, the continued slowdown in global economic growth and the particular problems in the solar industry left their mark on our figures for Q3 2012.

Our chemical business developed well, with higher sales and earnings. WACKER SILICONES, WACKER POLYMERS and WACKER BIOSOLUTIONS all benefited from high levels of customer demand in many application fields. Strong utilization of production capacity helped our chemical divisions compensate for price pressures in some of their markets. We will continue to focus on demand-driven capacity expansion so that we can quickly supply our customers worldwide with sufficient quantities of the consistently high-grade products they need. To that end, we are expanding our dispersion plants in China and South Korea, for example. We are also identifying and selecting strong distributors for our biotech products, and we continue to do research on attractive product innovations and novel applications.

Siltronic has once again delivered positive earnings before interest, taxes, depreciation and amortization in Q3 2012. The measures we have taken to improve profitability in our semiconductor business show traction amid increasingly challenging market conditions. We will keep optimizing our silicon-wafer production capacity to make sure that Siltronic remains competitive.

The biggest challenges currently face our WACKER POLYSILICON division. The relentless consolidation process in the solar industry continues undiminished. Sustained price competition, high inventories, the difficult financial situation of many market players and the anti-dumping proceedings against Chinese solar manufacturers currently characterize our polysilicon business. We are adapting to this market environment, and have therefore made the decision to delay the completion and start-up of our new Charleston site. The rescheduled mid-2015 start-up date reflects anticipated polysilicon demand from the solar industry and, at the same time, relieves next year's capital expenditure budget by a euro amount in the three-digit-million range.

What's more, generating solar power is becoming steadily less expensive, triggering further market growth. For us, that means we must respond flexibly to market conditions. We are confident that the photovoltaic market will continue to grow, and that we will ultimately benefit from the consolidation in the long term, because WACKER is a quality and cost leader in this business.

We are devoting all our energy to keeping WACKER on the road to success in this difficult global environment. Our intensive research and development activity, the superior quality of our products and the focused expansion of our presence in growth markets are leading the way.

Munich, October 24, 2012
Wacker Chemie AG's Executive Board

Interim Group Management Report

Overall Economic Situation and State of the Industry

Economic Growth Continues to Weaken

Prospects for global economic growth have deteriorated in the second half of 2012. Although economic analysts at the International Monetary Fund (IMF) are still expecting global economic output to grow for the full year, that growth is now predicted to be significantly lower than previously forecast in July, as regards both the advanced and emerging economies. The risks and hazards caused by the European financial and debt crisis are exacerbated by high unemployment levels and declining sales volumes in many industrial sectors, the result being continued uncertainty worldwide. In its most recent analysis, the IMF downwardly revised its growth outlook for 2012 by 0.2 percentage points, and now expects overall global economic output to increase by 3.3 percent.[1]

The economies in the emerging and developing nations of Asia, Latin America and Eastern Europe continue to outperform the leading advanced economies by a wide margin thanks to rising employment and healthy consumer spending. Yet they, too, are seeing more weakness than just a few months ago. The IMF is now anticipating a 2012 growth rate of 5.6 percent for the emerging and developing world, down from 6.2 percent in 2011. China's growth rate has slowed noticeably. The IMF now projects that China's GDP will expand by 7.8 percent in 2012, down from 9.2 percent in 2011, while India will see a 4.9-percent increase in output (2011: 6.8 percent).[1]

The Japanese economy remains well on the road to recovery after the 2011 crisis, and will grow by 2.2 percent this year. But here, too, there will be a slowdown in economic activity in the second half, with the Organisation for Economic Co-Operation and Development (OECD) forecasting annualized quarter-on-quarter growth rates in Japan of minus 2.3 percent for 2012's third quarter and 0.0 percent for the fourth quarter.[2]

Economic activity in the USA is relatively stable, but moderate. The IMF expects the US economy to grow by 2.1 percent in 2012. Weak budgets, low consumer confidence and ongoing fiscal consolidation are all weighing on economic output in the United States of America.[1]

In Europe, the stagnation and mild recession predicted in previous forecasts have materialized. The IMF estimates in its latest projection for 2012 that eurozone GDP will fall 0.4 percent, and only a few European countries such as Germany (0.9 percent) and France (0.1 percent) are likely to see any growth at all this year. Crisis-hit countries such as Greece (–6.0 percent) and Portugal (–3.0 percent), but also economies like Spain (–1.5 percent) and Italy (–2.3 percent), are in recession. A modest recovery is not in sight until 2013.[1]

[1] International Monetary Fund, World Economic Outlook October 2012, Coping with High Debt and Sluggish Growth, Washington, D.C., October 9, 2012
[2] Organisation for Economic Co-Operation and Development (OECD), What is the near-term global economic outlook? An interim assessment, Paris, September 6, 2012

Germany's economy is proving comparatively stable amid the difficult global environment. Further economic developments are currently dominated by downside risks, however. The OECD reports that Germany still had a positive quarter-on-quarter GDP growth rate of 1.1 percent in Q2 2012. But economic output is likely to slightly pull back later in the year, with the OECD projecting quarter-on-quarter declines of 0.5 percent and 0.8 percent, respectively, in the third and fourth quarters. For full-year 2012, the OECD estimates that Germany's gross domestic product will increase by 0.8 percent.[1] This is in line with the joint estimate of the leading economic institutes in Germany, whose autumn forecast indicates that economic growth will be weaker toward year-end. They, too, believe that Germany will have real GDP growth of 0.8 percent for the full year.[2]

The industry associations are in consensus that the effects of Europe's financial and sovereign-debt crisis have now also taken their toll on the chemical industry in Germany and across Europe. Data from the European Chemical Industry Council (Cefic) show that Europe's chemical output dropped 2.4 percent in the first half of 2012 compared with the same period in 2011.[3] Germany's downturn was even more pronounced, with the German Chemical Industry Association (VCI) reporting that the country's chemical companies saw production in Q2 2012 fall 6.7 percent from the same period last year. Compared with Q1 2012, output was down 2.8 percent. Many industrial customers are currently ordering much lower volumes of chemical products. But, when seasonally adjusted, Q2 sales at Germany's chemical companies were actually 1.3 percent higher than a year ago. This increase was driven by business from international customers. Compared with the first quarter of 2012, however, sales registered a slight drop of 0.5 percent. For the whole of 2012, the VCI expects chemical production to fall by about 3 percent from the previous year. With prices expected to rise some 2.5 percent, that means sales will stagnate at approximately €184 billion.[4] WACKER's chemical business performed in line with the industry trend and profited from good demand from customers outside Europe. Sales volumes and revenues have climbed again – both year on year and compared with Q2 2012.

After a strong second quarter, demand for silicon wafers for semiconductor applications cooled off noticeably in Q3 2012. In its most probable scenario, the Gartner market research institute anticipates that the wafer surface area sold from July through September 2012 will only have increased by 3.2 percent. Its industry experts expect volumes to advance by 3.9 percent for full-year 2012, with the 300 mm wafer segment once again leading the way with a 9.9-percent rise. Regionally, 2012's main growth engines are Asia-Pacific (5.3 percent) and the Americas (3.3 percent). Japan, with a 2.4-percent increase, and Europe, up 0.6 percent, are lagging behind the overall market. Given the persistently high pressure on prices, Gartner anticipates that, higher sales volumes notwithstanding, worldwide revenues for semiconductor wafers will actually fall some 6.3 percent this year.[5] Siltronic sold somewhat fewer wafers in Q3 2012 than in the preceding quarter. Yet when compared with the previous year, volumes were actually slightly higher, with the most significant increases achieved in the 300 mm segment. In terms of sales revenues, persistently high price pressure prevented Siltronic from matching the figures recorded in Q3 2011 and Q2 2012.

[1] Organisation for Economic Co-Operation and Development (OECD), What is the near-term global economic outlook? An interim assessment, Paris, September 6, 2012
[2] Joint Economic Forecast Project Group, Joint Economic Forecast Autumn 2012, Euro Crisis Curbs Economic Activity – Risks to Stability Remain High, Kiel, October 9/11, 2012
[3] The European Chemical Industry Council, Chemicals Trends Report, September 2012: First half 2012 EU chemicals sector output drops 2.4 per cent, Brussels, September 5, 2012
[4] VCI (German Chemical Industry Association), Report on the business situation of the German chemical industry in the 2nd quarter 2012, Frankfurt, September 5, 2012
[5] Gartner Market Statistics, Forecast: Semiconductor Silicon Wafers, Worldwide, 3Q12 Update, Stamford (USA), September 2012

For the solar industry, investment bank UBS projects that new photovoltaic capacity worldwide will exceed 30 gigawatts in 2012. Germany remains by far the world's largest individual market this year. Demand in rising photovoltaic markets such as China (4 gigawatts), the United States (3 gigawatts) and Japan (2.4 gigawatts) is expected to grow further in 2012.[1] With the US already having imposed provisional import duties in May on solar cells produced in China, the EU has also launched an investigation into the pricing policy adopted by Chinese solar manufacturers. The continued difficult situation in the solar-silicon market held back WACKER POLYSILICON's business performance in Q3 2012.

Sales and Earnings for the WACKER Group

WACKER's Chemical Business Good in Q3 2012, but Group Sales Down amid Persistent Price Pressure, Especially for Polysilicon

WACKER's performance varied across its individual segments in the July-through-September quarter of 2012. The chemical divisions improved compared with the previous year, with sales again higher thanks to satisfactory overall customer demand and positive exchange-rate effects. In contrast, polysilicon and semiconductor-wafer sales were down from Q3 2011, mainly due to significant price reductions in those businesses. WACKER had total third-quarter sales of €1,200.9 million – 6 percent below the comparable period last year (€1,280.6 million). The Group almost matched its sales level of the preceding quarter (€1,222.5 million). For the nine months from January through September 2012, WACKER posted aggregate sales of €3,617.7 million – some 7 percent lower than in the previous year (€3,898.1 million).

WACKER SILICONES and WACKER POLYMERS generated higher sales volumes and revenues in Q3 2012 than in the prior-year period. Compared with Q2 2012, WACKER SILICONES grew its sales further and WACKER POLYMERS repeated its strong performance. Polymer products achieved slightly better prices than a year ago. In silicone-product markets, though, continuing price pressures held back sales somewhat in Q3 2012. WACKER BIOSOLUTIONS benefited from strong third-quarter demand for polymers used in gumbase and in products for the pharmaceutical industry and agricultural applications. The division raised its sales by almost 18 percent over the previous year, and held the level achieved in the preceding quarter.

For WACKER POLYSILICON, the industry environment remained challenging in Q3 2012. Many solar manufacturers are in a tough financial situation. In the third quarter, high inventory levels throughout the supply chain intensified pressure on market prices for hyperpure polysilicon, and slow down sales volumes. WACKER POLYSILICON posted higher volumes both year on year and compared with Q2 2012, helped by bookings of delayed volumes from Q2. However, its sales revenues were much lower than a year earlier, primarily because of the marked fall in prices. WACKER POLYSILICON did not reach the preceding quarter's sales level either.

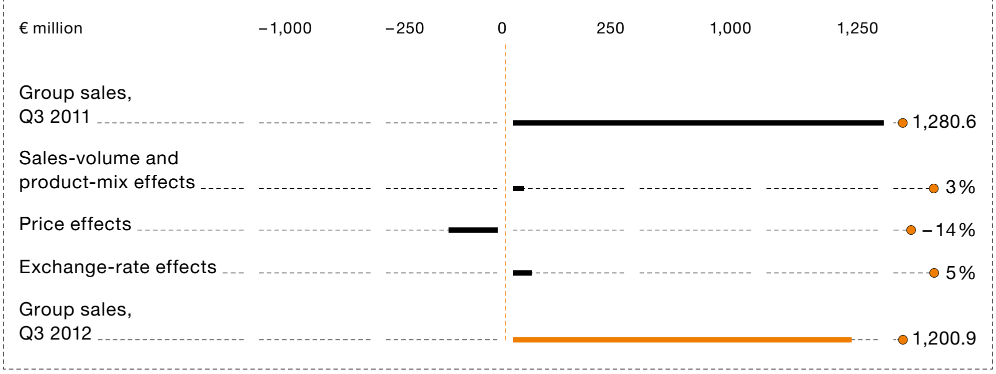
At Siltronic, July-through-September sales did not quite match the figures posted both a year ago and in the preceding quarter. This was due to lower year-on-year prices and to volumes declining somewhat from Q2 2012. In line with the market, Siltronic further increased its sales volume for 300 mm wafers compared with the third quarter of 2011. Demand for smaller wafer diameters was down.

Overall, exchange-rate effects raised the Group's third-quarter sales by some 5 percent over the prior-year period. At €1.25, the euro traded substantially lower against the US dollar during the quarter under review than a year ago (€1.41), and even slightly lower than in the preceding quarter (€1.28). These effects were offset by lower prices

[1] UBS Investment Research, Global Solar Industry Update, Stamford, September 11, 2012

mainly in the polysilicon and semiconductor businesses, which reduced Group sales by 14 percent in Q3 2012. Sales-volume and product-mix effects increased third-quarter sales by some 3 percent. In Q3 2012, WACKER invoiced some 33 percent of its sales in US dollars, compared with 28 percent a year earlier. Compared to the US dollar, other foreign currencies have only minor importance.

G 2.1 Year-on-Year Sales Comparison



Production-Capacity Utilization Stays at High Levels

Thanks to continued good demand, especially in the chemical divisions, capacity utilization remained at high levels during the third quarter of 2012. WACKER POLYMERS reported average capacity utilization of about 80 percent at its plants for dispersions and dispersible polymer powders. At WACKER SILICONES, most of its plants were running at full capacity during the third quarter. WACKER POLYSILICON adjusted its production volumes in line with reduced customer demand. Capacity utilization at the division was about 80 percent in Q3 2012. Average plant utilization rates at Siltronic during July and September 2012 ranged between 70 and 90 percent, depending on the wafer diameter. Here, the actions taken to consolidate capacity for smaller wafer diameters had a positive effect. Production of 300 mm wafers at the Siltronic Samsung Wafer joint venture in Singapore was at a high level of capacity utilization during the third quarter.

The performance of each of WACKER's five divisions during the third quarter of 2012 is described in detail in the "Division Results" section of this Interim Report, starting on page 35.

Business Stimulated by Rising Demand in Asia and USA

During Q3 2012, WACKER's divisions profited primarily from good customer demand for silicone and polymer products in the USA and Asia. In Europe, business was generally weak compared with the previous year. Many customers in Europe are currently rather cautious and hesitant about placing orders, given the economic uncertainties. In addition, the ongoing shift of the solar industry to Asia remains a significant factor for WACKER's lower sales in Europe.

In Asia, WACKER posted sales of €481.5 million for Q3 2012, a level more or less unchanged from a year ago (€484.7 million). The substantial increases in sales of chemical products almost entirely offset the region's declining polysilicon and semiconductor business. Southeast Asian business fared particularly well. During the nine months from January through September 2012, the Group's Asian sales totaled €1,457.9 million (9M 2011: €1,456.4 million). Accounting for 40 percent of Group sales, Asia remains WACKER's principal sales region.

In Germany and the rest of Europe, business during Q3 2012 was down significantly from the previous year. Economic developments prompted a slight drop in chemical-division sales. Solar-sector consolidation and lower wafer prices meant that polysilicon and semiconductor-wafer business remained well below the prior-year level. Third-quarter sales in Germany totaled €172.2 million – down almost 28 percent from a year earlier (€237.6 million). Quarterly sales elsewhere in Europe, at €282.2 million, also fell short of the prior-year figure (€298.7 million). Aggregate sales for the first three quarters of 2012 amounted to €529.8 million in Germany (9M 2011: €727.6 million) and €850.7 million in the rest of Europe (9M 2011: €940.1 million).

In the Americas, the growing demand for chemicals completely offset the decline in polysilicon and semiconductor wafers. Consolidated third-quarter sales in this region matched exactly the prior-year level. July-through-September sales amounted to €219.9 million (Q3 2011: €219.9 million). In the nine months from January through September 2012, aggregate sales for this region totaled €651.6 million (9M 2011: €652.2 million).

In the markets listed under "Other regions," WACKER's five business divisions generated third-quarter sales of €45.1 million compared with €39.7 million a year ago. The aggregate sales figure for the first nine months of 2012 was €127.7 million (9M 2011: €121.8 million).

Overall, WACKER generated about 86 percent of its third-quarter 2012 sales with customers outside Germany (Q3 2011: 81 percent).

T 2.1 Group Sales by Region

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %	% of Group sales
Asia	481.5	484.7	–1	1,457.9	1,456.4	–	40
Europe excluding Germany	282.2	298.7	–6	850.7	940.1	–10	24
Germany	172.2	237.6	–28	529.8	727.6	–27	14
The Americas	219.9	219.9	–	651.6	652.2	–	18
Other regions	45.1	39.7	14	127.7	121.8	5	4
Total sales	1,200.9	1,280.6	–6	3,617.7	3,898.1	–7	100

Please refer to WACKER's 2011 Annual Report (pages 49 to 57) for more detailed information on the Group's business and growth potential in the relevant markets, as well as on the respective market and competitive positions of Group divisions. Aside from the worsening market conditions in the solar-grade polysilicon business, which are slowing down sales volumes and revenues at WACKER POLYSILICON, the circumstances described in that report did not change substantially in the quarter under review.

Variable Raw-Material and Energy-Price Trends Lower Costs Only Marginally

At WACKER, more than one-third of the cost of goods sold consists of raw materials and energy. Consequently, procurement-market trends likewise have an impact on earnings at the Group's divisions. With economic trends weakening and global production output slowing, cost pressures have eased slightly for some raw materials and energy sources. Silicon metal was about 7 percent cheaper in Q3 2012 than a year ago, while vinyl acetate monomer (VAM) prices were down some 14 percent. The cost of methanol, in contrast, was about 12 percent higher year on year, while that of ethylene rose some 4 percent year on year. Compared with the second quarter of 2012, ethylene was about 10 percent less expensive. VAM was also slightly cheaper than in the preceding quarter. Silicon-metal and methanol prices remained largely unchanged from Q2 2012. Prices for natural gas rose in the third quarter, up 13 percent against the the prior-year period. Electricity prices, in contrast, fell just under 10 percent compared with Q3 2011. Relative to the preceding quarter, third-quarter natural-gas and electricity prices were only marginally more favorable.

Price Pressures in Solar and Semiconductor Sectors Erode Earnings Growth at Chemical Divisions – EBITDA Margin of 17.0 Percent in Q3 2012

WACKER's July-through-September earnings trend was dominated by the challenging business conditions in the solar and semiconductor industries. At WACKER POLYSILICON and Siltronic, earnings before interest, taxes, depreciation and amortization (EBITDA) lagged substantially behind the Q3 2011 figures. During the quarter under review, the polysilicon segment's EBITDA was significantly dampened, primarily by persistent price pressure. At Siltronic, lower year-on-year prices for semiconductor wafers left their mark on EBITDA. In contrast, 2012's third quarter saw the WACKER SILICONES and WACKER POLYMERS chemicals divisions surpassing their prior-year performance, thanks to both high sales volumes and good fixed-cost coverage stemming from high plant-capacity utilization. All the divisions generated a positive total EBITDA for the quarter under review.

The Group's earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €204.3 million in Q3 2012, 36 percent lower than a year ago (€317.6 million) and 15 percent lower than Q2 2012 (€240.5 million). The EBITDA margin for the third quarter of 2012 was 17.0 percent, compared with 24.8 percent a year ago and 19.7 percent in the preceding quarter. Over the nine months from January through September 2012, EBITDA was down just short of 34 percent year on year to €656.6 million (9M 2011: €993.4 million). This corresponds to an EBITDA margin of 18.1 percent.

The profitability trend of each of WACKER's five divisions in Q3 2012, and the respective key factors involved, are described in the "Division Results" section of this Interim Report, starting on page 35.

The Group's earnings before interest and taxes (EBIT) fell to €70.7 million in the third quarter of 2012 (Q3 2011: €197.2 million), yielding a correspondingly lower EBIT margin of 5.9 percent (Q3 2011: 15.4 percent). Aggregate EBIT for the first nine months of 2012 was €263.4 million (9M 2011: €658.2 million). This represents an EBIT margin of 7.3 percent (Q3 2011: 16.9 percent). Aside from the factors already mentioned, EBIT was also reduced by higher depreciation of noncurrent assets, amounting to €133.6 million in the third quarter of 2012 (Q3 2011: €120.4 million). During the first nine months of 2012, depreciation totaled €393.2 million (9M 2011: €335.2 million). Two factors, in particular, caused depreciation to increase. The new polysilicon plant at Nünchritz prompted a rise in fixed assets. At the same time, WACKER shortened, back in Q1 2012, the depreciation period of polysilicon-plant infrastructure and technical facilities to more closely reflect their expected useful life.

Q3 Business Performance in Line with Expectations

WACKER's third-quarter business performance and sales and earnings trends were essentially in line with the expectations of the Group's Executive Board and management. When releasing the interim report for Q2 2012 at the end of July, we said that we anticipated a challenging, highly unpredictable economic and industry environment in the second half of 2012. At WACKER SILICONES, we predicted that business would be stable amid persistent price pressures. This forecast proved correct during the quarter under review. The same applies to our late-July forecast of demand growth for WACKER POLYMERS' dispersions, especially in North America, where both sales volumes and revenues expanded in Q3 2012. When releasing the last quarterly report, we also anticipated continued solar-industry consolidation, coupled with increased polysilicon-price pressure. This projection also materialized during the quarter. In spite of slowing consumer activity and rising inventory levels in the semiconductor industry, Siltronic has delivered positive EBITDA, as announced.

Third-Quarter Earnings per Share at €0.50

The WACKER Group generated net income of €26.9 million in the quarter under review (Q3 2011: €124.9 million). In consequence, earnings per share were €0.50 for July through September 2012, compared with €2.50 a year ago. In addition to the factors already described, net income for the period was affected by a relatively high effective tax rate and by increased interest expenses, as had already been the case in the two preceding quarters. For the nine months from January through September 2012, net income totaled €127.5 million (9M 2011: €435.6 million) and earnings per share amounted to €2.52 (9M 2011: €8.76).

Investments Reinforce Regional Presence as Part of Global Growth Strategy

During Q3 2012, WACKER continued its investment strategy for expanding production capacity in international markets. The Group's capital expenditures totaled €291.4 million – due to project-related reasons, 3 percent lower than a year ago (€299.1 million), but 19 percent up on Q2 2012 (€244.9 million). Over two-thirds of July-through-September investments were for the ongoing expansion of polysilicon production facilities at Charleston in the USA. In the first nine months of 2012, WACKER invested a total of €722.4 million, 12 percent more than a year ago (€644.0 million).

During the quarter, a second investment focus, alongside increasing polysilicon capacity, was the expansion of production facilities for vinyl acetate-ethylene copolymer dispersions and polyvinyl acetate solid resins. WACKER is currently constructing a second reactor line for dispersions, with an annual capacity of 40,000 metric tons, at its site in Ulsan, South Korea. This will almost double WACKER's South Korean production capacity. The additional quantities are primarily intended for the paints, coatings, construction, nonwovens, paper and carpeting industries. Some €10 million has been budgeted for this expansion. At Nanjing in China, construction of the new facilities for dispersions and polyvinyl acetate solid resins progressed as planned during the quarter under review.

Cash Flow Reflects Lower Net Income

WACKER's net cash flow for July through September 2012 was € – 90.4 million, compared with €23.2 million a year ago. This cash-flow decline was mainly due to net income being substantially lower year on year. Since the beginning of fiscal 2012, the change in advance payments received has no longer been reported within net cash flow. WACKER has adapted its presentation of net cash flow to the method used by financial analysts, who consider advance payments for polysilicon deliveries to be a form of financing. Applying this method to Q3 2011, WACKER would have had net cash flow of €23.2 million then, instead of the €34.5 million actually reported for that prior-year quarter. In the nine months from January through September 2012, net cash flow totaled € – 294.9 million (9M 2011: €41.1 million).

Additional information and explanations on the WACKER Group's financial position in Q3 2012 and in the first nine months of the current fiscal year can be found in the "Earnings, Net Assets and Financial Position" section of this Interim Report starting on page 32.

New Distribution Partnerships Leverage Synergies and Improve Sales Efficiency

To enhance sales efficiency, the WACKER Group regularly reviews its distribution partnerships, readjusting them when necessary. In Q3 2012, WACKER BIOSOLUTIONS appointed new distribution partners for a number of its biotech products in Europe and Asia. Effective early September 2012, WACKER entrusted the Nordmann, Rassmann company – a chemical distributor – with the distribution of cyclodextrins, cystine and cysteine for cosmetics and personal-care applications in much of Western and Eastern Europe. The Hamburg-based company already distributes WACKER products for several market segments. Since early October, DKSH (a distributor specializing in Asia and headquartered in Zurich, Switzerland) has been responsible for the distribution of cyclodextrins, cystine and cysteine in Southeast Asia, India and South Korea. Through this partnership, WACKER BIOSOLUTIONS seeks to leverage synergies and strengthen its position in the markets of Southeast Asia.

R&D Activities Are Securing Tomorrow's Successes

WACKER spent €42.2 million on R&D activities in Q3 2012, compared with €41.4 million a year ago. In the first nine months of 2012, the Group's R&D expenses totaled €129.4 million (9M 2011: €127.3 million).

During Q3 2012, WACKER's divisions introduced a specialist public to a number of innovations and high-grade products for a variety of application fields. Here are a few examples:

- At the end of August, WACKER showcased the world's first-ever solvent-free silicone coating for electrical insulators at CIGRE in Paris. The one-component emulsion, called POWERSIL® 570 PLUS, is applied by spraying and then cures to form a water-repellent silicone layer. The coating increases the reliability and fail-safe characteristics of insulators for overhead transmission and distribution power lines.

- In mid-September, the French capital also hosted the World Adhesive & Sealant Conference 2012, where WACKER presented innovative hybrid polymers from its new GENIOSIL® XB product line for adhesives. The GENIOSIL® XB line is a range of alpha-silane-terminated polyethers that cure on contact with atmospheric moisture and achieve the high bond strength needed for structural adhesives.

- At the Concrete Show South America 2012 in São Paulo (Brazil) in late August, WACKER showcased innovative polymeric binders from its VINNAPAS® line for a wide array of concrete building applications. The product portfolio on display included hydrophobic dispersible polymer powders for dry renders and for external thermal insulation composite systems, specialty polymers for infrastructural applications, and binders for high-quality, self-leveling flooring compounds that meet even the toughest environmental standards.

- WACKER presented innovative polymer and silicone products for the Turkish paint and coatings industry at paintistanbul in mid-September. Among the highlights at this show were vinyl acetate-ethylene copolymer dispersions for low-emission, low-odor interior paints, silicone additives for interior paints, surface coating resins for pharmaceutical and food packaging, and silicone resin emulsion paints for effective facade protection.

The Group's central R&D activities and the separate R&D fields of WACKER's divisions are described in detail on pages 100 to 109 of the 2011 Annual Report. The goals and priorities presented there did not change substantially in Q3 2012.

This year's Alexander Wacker Innovation Award was bestowed on WACKER researchers Christian Daniels, John Boylan and Bruce Gruber in July 2012 for their development of two novel dispersions based on vinyl acetate-ethylene copolymers. The new VINNAPAS® EF 101 and EF 575 dispersions are used mainly as coating material in paper processing. The coating ensures that the print on cardboard packaging is particularly durable and vividly colored. Compared with the products based on styrene-butadiene and styrene-acrylate currently in frequent use, the new grades offer customers an alternative technology with significant cost advantages. The developers were able to modify the formulation of these dispersions such that it now has the same application-related properties as the materials previously deployed. This year's €10,000 innovation award, which was established in 2005 to honor outstanding R&D work within the WACKER Group, focused on product innovation.

Slightly Lower Workforce in Q3 2012

WACKER's workforce declined somewhat in the July-through-September period. On September 30, 2012, there were 16,433 employees worldwide (June 30, 2012: 16,759) at WACKER, 2 percent fewer than at the end of the preceding quarter.

As of September 30, 2012, WACKER had 12,755 employees in Germany (June 30, 2012: 12,824) and 3,678 at its international sites (June 30, 2012: 3,935).

For further information on the organization and structure of Wacker Chemie AG, as well as on its corporate goals and strategy, please refer to the "Business Environment" section on pages 49 to 64 of the 2011 Annual Report.
The principles, guidelines and processes described there did not change materially during the quarter under review and continue to apply.

Condensed Statement of Income – Earnings

January 1 through September 30, 2012

T 2.2 Condensed Statement of Income

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Sales	1,200.9	1,280.6	−6.2	3,617.7	3,898.1	−7.2
Gross profit from sales	208.3	300.9	−30.8	664.5	1,061.9	−37.4
Selling, R&D and general administrative expenses	−137.0	−138.9	−1.4	−421.6	−423.3	−0.4
Other operating income and expenses	−0.9	33.3	n.a.	25.3	32.2	−21.4
Operating result	70.4	195.3	−64.0	268.2	670.8	−60.0
Result from investments in joint ventures and associates	0.3	1.9	−84.2	−4.8	−12.6	−61.9
EBIT	70.7	197.2	−64.1	263.4	658.2	−60.0
Financial result	−15.3	−9.3	64.5	−44.5	−26.9	65.4
Income before taxes	55.4	187.9	−70.5	218.9	631.3	−65.3
Income taxes	−28.5	−63.0	−54.8	−91.4	−195.7	−53.3
Net income for the period	26.9	124.9	−78.5	127.5	435.6	−70.7
Of which						
Attributable to Wacker Chemie AG shareholders	24.9	124.2	−80.0	125.2	435.1	−71.2
Attributable to non-controlling interests	2.0	0.7	>100	2.3	0.5	>100
Earnings per share (basic/diluted) (€)	0.50	2.50	−80.0	2.52	8.76	−71.2
Average number of shares outstanding (weighted)	49,677,983	49,677,983	–	49,677,983	49,677,983	–
Reconciliation to EBITDA						
EBIT	70.7	197.2	−64.1	263.4	658.2	−60.0
Depreciation/appreciation of noncurrent assets	133.6	120.4	11.0	393.2	335.2	17.3
EBITDA	204.3	317.6	−35.7	656.6	993.4	−33.9

The development of the solar industry and the challenges it brought had a major influence on the WACKER Group in the third quarter of 2012. The chemical divisions can look back on a very good quarter, but their performance did not compensate entirely for weaker business at WACKER POLYSILICON. As in Q2 2012, Siltronic's EBITDA was narrowly in positive territory. Overall, WACKER did not quite match the earnings figures of the previous two quarters.

Sales of €1.20 Billion 6 Percent Down on Prior-Year Quarter

WACKER achieved third-quarter sales of €1,200.9 million – 6 percent below the prior-year figure (€1,280.6 million) and almost 2 percent down on Q2 2012 (€1,222.5 million). However, sales were higher than in the first quarter of 2012 (€1,194.3 million). From January through September 2012, aggregate sales totaled €3,617.7 million, 7 percent lower than a year earlier (€3,898.1 million).

Business at WACKER's various segments developed in very different ways during the quarter under review, as evidenced by their sales figures. As previously in Q1 and Q2 2012, WACKER POLYMERS in particular benefited from high demand, above all in the Americas and Asia. The division realized sales of €274.0 million in Q3 2012, surpassing the prior-year figure (€257.9 million) by 6 percent. Overall, WACKER POLYMERS' sales for 9M 2012 came to €783.9 million, up 10 percent compared with the same period of 2011 (€713.0 million). WACKER SILICONES' sales of €432.1 million were well above the Q3 2011 figure (€405.2 million). Compared to Q2 2012 (€422.9 million), the division increased its sales by just over 2 percent. The change over the nine-month period was a rise of just under 2 percent. Sales for the first three quarters of 2012 amounted to €1,256.0 million (9M 2011: €1,236.8 million).

Siltronic achieved total third-quarter sales of €234.7 million (Q3 2011: €255.3 million). Lower prices are the main reason for this 8-percent decrease. Compared to Q2 2012 (€247.4 million), sales were down 5 percent because of slightly lower volumes. During the first nine months of 2012, sales totaled €683.2 million (9M 2011: €812.4 million). WACKER POLYSILICON posted total sales of €269.1 million in Q3 2012, a decline of 29 percent compared with one year earlier (€378.2 million). The level of sales relative to Q2 2012 (€286.8 million) remained almost steady. Over the first nine months of the year, WACKER POLYSILICON generated sales amounting to €922.5 million (9M 2011: €1,191.8 million). Significantly lower market prices for polysilicon were the main reason for the decline. In addition, high inventory levels in the photovoltaic supply chain are slowing down polysilicon volumes.

Third-Quarter EBITDA Reaches €204.3 Million

In Q3 2012, earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €204.3 million (Q3 2011: €317.6 million), down 36 percent from a year earlier. EBITDA for WACKER in the first nine months of 2012 came to €656.6 million, 34 percent less than in last year's €993.4 million. The lower sales and margins for polysilicon during the period under review were the main reason. EBITDA for WACKER POLYSILICON fell 56 percent year on year to €78.8 million (Q3 2011: €179.4 million). The chemical divisions' performance helped support EBITDA. WACKER POLYMERS increased its EBITDA by 29 percent in Q3 2012, and by 34 percent over the nine-month period of the year. The third-quarter figure came to €50.5 million, with the 9M 2012 total amounting to €129.9 million. WACKER SILICONES' EBITDA was €57.4 million in the quarter under review (Q3 2011: €52.0 million) and €166.7 million for the January-through-September period (9M 2011: €177.2 million). Third-quarter earnings before interest and taxes (EBIT) fell 64 percent to €70.7 million (Q3 2011: €197.2 million). A comparison of the 9M figures shows a 60-percent decrease to €263.4 million (9M 2011: €658.2 million). On top of the effects mentioned above, higher depreciation compared to a year ago reduced EBIT. In the quarter under review, depreciation came to €133.6 million (Q3 2011: €120.4 million). There were two reasons for this 11-percent increase. WACKER started up a new polysilicon plant at Nünchritz in the fourth quarter of 2011. In addition, WACKER shortened the useful life of polysilicon-plant infrastructure and technical facilities in response to the altered market situation.

From January through September 2012, WACKER retained advance payments and damages from terminated polysilicon contracts. The resultant income increased EBITDA and EBIT for the nine-month period by €56.4 million. Conversely, there were restructuring expenses of €14.8 million in Q1 2012 for the closure of 150 mm wafer production at Portland.

Cost of Goods Sold Slightly Up on 2011

The gross profit from sales in Q3 2012 was lower than a year ago. It fell by €92.6 million to €208.3 million, down 31 percent from a year earlier. The gross margin in the quarter under review was 17 percent. A year earlier, the figure had been 23 percent. The change is mainly attributable to the year-on-year sales decline and narrower margins at WACKER POLYSILICON. Gross profit from sales for the first nine months of 2012 reached €664.5 million (9M 2011: €1,061.9 million), yielding a gross margin of 18 percent (9M 2011: 27 percent).

The cost of goods sold in Q3 2012 edged up slightly to €992.6 million, compared with €979.7 million in the prior-year quarter. The 9M 2012 figure was €2,953.2 million, up 4 percent on the prior-year period (€2,836.2 million). Higher depreciation for polysilicon facilities added some €21 million to the cost of goods sold. WACKER POLYSILICON adjusted its plant utilization to the lower volume demand from customers. The fixed-cost coverage for this division consequently fell, pushing up the cost of goods sold per kilogram of polysilicon. The cost-of-sales ratio for Q3 2012 was 83 percent, compared with 77 percent in the previous year. For the first nine months, the cost-of-sales ratio came in at 82 percent (9M 2011: 73 percent).

Functional Costs

In Q3 2012, other functional costs (selling, R&D and general administrative expenses) came to €137.0 million, a slight decrease on the prior-year quarter (€138.9 million). At €421.6 million, other functional costs for the first nine months of 2012 were on a par with the previous year (€423.3 million).

Other Operating Income and Expenses

Other operating income and expenses balanced each other out in the third quarter of 2012 (Q3 2011: €+33.3 million). There was a net exchange-rate loss of €9.8 million. This position was moderated by several income components, including the pro-rata retention of advance payments from customers for polysilicon volumes not taken. For the nine months from January through September 2012, the balance of other operating income and expenses totaled €25.3 million (9M 2011: €32.2 million). There was a net exchange-rate loss of €1.5 million. As of September 30, 2012, the Group had retained an amount of €56.4 million in advance payments received and damages from terminated polysilicon contracts. Other operating income was reduced, for example, by restructuring costs of €14.8 million in the first quarter of 2012. These expenses arose mainly in connection with the plant closure of 150 mm wafer production at Portland.

Operating Result

Due to the effects mentioned, the third-quarter operating result fell year on year by 64 percent to €70.4 million. Compared with the previous quarter (€112.5 million), the figure was down 37 percent. The operating result for the first nine months of 2012 came to €268.2 million (9M 2011: €670.8 million).

Result from Investments in Joint Ventures and Associates

The result from investments in joint ventures and associates for Q3 2012 was €0.3 million (Q3 2011: €1.9 million). For January through September 2012, the result from investments in joint ventures and associates amounted to € – 4.8 million (9M 2011: € – 12.6 million).

Financial Result

WACKER's financial result in both the third quarter and the first nine months of 2012 was lower than in the corresponding 2011 periods. The Q3 2012 figure was € – 15.3 million (Q3 2011: € – 9.3 million), with the nine-month total coming in at € – 44.5 million (9M

2011: € – 26.9 million). Higher interest expenses for external financial liabilities were the main reason for this increase. WACKER raised loans totaling €500 million in Q4 2011 and Q1 2012 to finance its investments. Interest expenses amounted to €5.7 million in Q3 2012, compared with €4.7 million a year earlier. Aggregate nine-month interest expenses in 2012 were €15.4 million (9M 2011: €9.1 million). Capitalized construction-related borrowing costs of €5.2 million (Q3 2011: €3.1 million) reduced the external interest cost for the quarter. For January through September 2012, a total interest cost of €13.5 million (9M 2011: €9.0 million) was capitalized for investment projects. Interest income amounted to €3.5 million in Q3 2012 and to €11.3 million for the year to date, on a par with the prior-year level. Q3 2012's other financial result of € – 13.1 million (Q3 2011: € – 8.6 million) comprises primarily interest expenses for interest-bearing elements of pension and other noncurrent provisions. The other financial result for the first nine months of 2012 came to € – 40.4 million (9M 2011: € – 30.2 million).

Income taxes

The tax rate for January through September 2012 was 41.8 percent. A year earlier, the rate had been 31.0 percent. Income taxes for the first nine months of 2012 mainly comprise current tax expenses. The high income tax expense relative to the Group's pre-tax result is attributable to losses at international subsidiaries, non-tax-deductible expenses, and losses at companies accounted for using the equity method. Deferred tax assets were only recognized where they are expected to be realizable.

Net Income

Net income for the third quarter and first nine months of 2012 was lower due to the effects mentioned above. Third-quarter net income was €26.9 million, 79 percent lower than a year earlier (€124.9 million). The figure was 56 percent down on Q2 2012 (€60.6 million). January-through-September net income came in at €127.5 million, 71 percent down on one year earlier (€435.6 million).

Condensed Statement of Financial Position – Net Assets

As of September 30, 2012

T 2.3 Assets

€ million	Sept. 30, 2012	Sept. 30, 2011	Change in %	Dec. 31, 2011	Change in %
Intangible assets, property, plant and equipment, and investment property	3,830.9	3,359.4	14.0	3,532.2	8.5
Investments in joint ventures and associates accounted for using the equity method	121.2	93.6	29.5	124.5	−2.7
Other noncurrent assets	324.5	303.4	7.0	339.3	−4.4
Noncurrent assets	4,276.6	3,756.4	13.8	3,996.0	7.0
Inventories	756.9	659.0	14.9	713.7	6.1
Trade receivables	672.1	689.9	−2.6	566.1	18.7
Other current assets	857.8	1,020.4	−15.9	961.2	−10.8
Current assets	2,286.8	2,369.3	−3.5	2,241.0	2.0
Total assets	6,563.4	6,125.7	7.1	6,237.0	5.2

T 2.4 Equity and Liabilities

€ million	Sept. 30, 2012	Sept. 30, 2011	Change in %	Dec. 31, 2011	Change in %
Equity	2,651.5	2,698.9	−1.8	2,629.7	0.8
Noncurrent provisions	844.6	751.1	12.4	782.3	8.0
Financial liabilities	911.2	441.7	>100	662.1	37.6
Other noncurrent liabilities	894.6	1,106.8	−19.2	1,041.6	−14.1
of which advance payments received	871.1	1,062.4	−18.0	1,000.9	−13.0
Noncurrent liabilities	2,650.4	2,299.6	15.3	2,486.0	6.6
Financial liabilities	266.2	151.4	75.8	115.8	>100
Trade payables	401.8	380.4	5.6	402.6	−0.2
Other current provisions and liabilities	593.5	595.4	−0.3	602.9	−1.6
Current liabilities	1,261.5	1,127.2	11.9	1,121.3	12.5
Liabilities	3,911.9	3,426.8	14.2	3,607.3	8.4
Total equity and liabilities	6,563.4	6,125.7	7.1	6,237.0	5.2

Total assets grew by 5 percent compared with December 31, 2011. As of September 30, 2012, the figure was up €326.4 million at €6.56 billion (Dec. 31, 2011: €6.24 billion). The increase stems mainly from higher property, plant and equipment and from higher current assets. In February 2012, WACKER had successfully placed four promissory notes

(German Schuldscheine) for a total of €300 million on the market, as part of its multi-year financing strategy. Foreign currency translation effects added €6.0 million to total assets.

Noncurrent Assets

Noncurrent assets at the reporting date rose 7 percent to €4.28 billion (Dec. 31, 2011: €4.00 billion). As of September 30, 2012, noncurrent assets accounted for 65 percent of total assets. The €280.6 million rise relates mainly to property, plant and equipment. Intangible assets, property, plant and equipment and investment property grew by €298.7 million to €3.83 billion. Two opposing effects were at work here. Investments, especially in construction of the polysilicon site in Charleston, Tennessee (USA), increased property, plant and equipment by €695.6 million. Conversely, depreciation reduced property, plant and equipment by €386.1 million (Sept. 30, 2011: €327.2 million). There are two reasons for the increased depreciation. First, in response to the altered market situation, WACKER shortened the useful life of polysilicon-plant infrastructure and technical facilities. Second, the Nünchritz polysilicon facilities came on stream.

Investments in associates accounted for using the equity method fell from €124.5 million at the end of 2011 to €121.2 million. This decline of just under 3 percent is due to current losses. Exchange-rate effects had an opposite impact.

The other noncurrent assets of €324.5 million (Dec. 31, 2011: €339.3 million) showed a decrease of 4 percent because securities to the value of €66.9 million were reclassified as current assets. WACKER still holds noncurrent securities totaling €95.6 million (Dec. 31, 2011: €162.5 million). Loans to joint ventures and associates climbed from €130.0 million as of December 31, 2011 to €167.2 million at the end of the third quarter of 2012. During the first nine months of 2012, loans amounting to €25.4 million were advanced in connection with the expansion of 300 mm production at the joint venture with Samsung. Other noncurrent assets also include noncurrent derivative financial instruments, noncurrent tax assets, and deferred tax assets.

Current Assets

Current assets increased by 2 percent, from €2.24 billion at the end of 2011 to €2.29 billion as of September 30, 2012. Their share of total assets was 35 percent (Dec. 31, 2011: 36 percent). There was a substantial rise in working capital. Trade receivables rose to €672.1 million as per September 30, 2012 (Dec. 31, 2011: €566.1 million), up 19 percent. Inventories, too, grew by 6 percent to €756.9 million. Inventories and trade receivables combined represent 22 percent of total assets (Dec. 31, 2011: 21 percent).

Other current assets fell from €961.2 million at the end of 2011 to €857.8 million. The total mainly comprises current securities of €201.7 million (Dec. 31, 2011: €237.2 million), as well as cash and cash equivalents of €468.8 million (Dec. 31, 2011: €473.9 million). Other current assets include tax receivables of €57.0 million (Dec. 31, 2011: €117.3 million), investment-grant receivables of €42.4 million (Dec. 31, 2011: €38.1 million) and derivatives for foreign exchange hedging of €7.4 million (Dec. 31, 2011: €16.9 million). Other current assets represented 13 percent of total assets (Dec. 31, 2011: 15 percent).

Equity Remains Constant

Group equity remained virtually unchanged compared with December 31, 2011. It reached €2.65 billion at the reporting date (Dec. 31, 2011: €2.63 billion). However, the higher total assets meant that the equity ratio was lower. As of September 30, 2012, it came to 40.4 percent (Dec. 31, 2011: 42.2 percent). The net income of €127.5 million increased equity. In contrast, the dividend of €109.3 million paid by Wacker Chemie AG in Q2 2012 reduced equity. The change in other equity components amounting to €5.0 million had a positive impact (Dec. 31, 2011: € –13.1 million), mainly from revaluations relating to foreign currency and hedge accounting of forward-exchange contracts.

Noncurrent Liabilities

Noncurrent liabilities rose by €164.4 million compared with year-end 2011. They amounted to €2.65 billion at the end of the reporting period (Dec. 31, 2011: €2.49 billion). Their share of total assets was 40 percent (Dec. 31, 2011: 40 percent). Noncurrent provisions climbed from €782.3 million to €844.6 million, an 8-percent rise, for which there were two main reasons. Pension provisions grew 6 percent through regular additions to €558.6 million (Dec. 31, 2011: €527.1 million). Other noncurrent provisions increased by €23.3 million to €217.2 million as a result of changes in the maturity structure.

Noncurrent financial liabilities also rose, from €662.1 million at the end of 2011 to €911.2 million as of September 30, 2012 – up 38 percent. Effective February 23, 2012, WACKER issued four promissory notes (German Schuldscheine) totaling €300 million, as part of its multiyear financing strategy. They have terms of three and five years, and contain standard market credit terms. In addition, a long-term loan of 5 billion Japanese yen was raised in Q3 2012.

Other noncurrent liabilities decreased by 14 percent to €894.6 million as of the end of the quarter. In particular, noncurrent advance payments received went down from €1.00 billion (Dec. 31, 2011) to €871.1 million as of September 30, 2012, due to their reclassification as current. They now represent 13 percent of total equity and liabilities. As of the reporting date, noncurrent and current advance payments totaled €1.11 billion (Dec. 31, 2011: €1.20 billion).

Current Liabilities

Current liabilities rose 13 percent to €1.26 billion (Dec. 31, 2011: €1.12 billion). Their share of total equity and liabilities was 19 percent. Trade payables amounted to €401.8 million as per September 30, 2012 (Dec. 31, 2011: €402.6 million) and have therefore remained relatively constant. There was a slight decrease in current provisions and liabilities to €593.5 million (Dec. 31, 2011: €602.9 million). Two opposing effects could be observed here. Other provisions and tax provisions climbed by €50.9 million – mainly due to the recognition of provisions for restructuring Siltronic's Portland site in Q1 2012 and increased tax provisions for current taxes. Other liabilities fell by €54.4 million to €403.9 million. Variable compensation payments and expenses in connection with closing the Hikari site in Japan are the main reasons for this decrease. There was a seasonal rise in obligations from vacation and flextime credits during 9M 2012. Current advance payments received also rose under the influence of reclassifications from the noncurrent category.

WACKER Posts Net Financial Liabilities

Current financial liabilities also rose – from €115.8 million at the end of fiscal 2011 to €266.2 million as of the reporting date. In Q1 2012, WACKER raised loans for the financing of new investment projects at its Chinese subsidiaries. Additionally, two long-term loans totaling €69 million were reclassified as short-term. Compared with the end of 2011, WACKER's overall financial liabilities grew by €399.5 million to €1.18 billion. The promissory notes (German Schuldscheine) referred to above and the newly raised loans in China and Japan account for this 51-percent rise. Current liquidity (current securities, cash and cash equivalents) dropped just under 6 percent, falling to €670.5 million at the end of the period under review (Dec. 31, 2011: €711.1 million). In addition, noncurrent securities valued at €95.6 million (Dec. 31, 2011: €162.5 million) are available. As of September 30, 2012, WACKER has net financial liabilities (the balance of gross financial debt and noncurrent and current liquidity) totaling €411.3 million (Dec. 31, 2011: net financial receivables of €95.7 million).

Off-Balance-Sheet Financing Instruments

WACKER does not use any off-balance-sheet financing instruments.

For additional information, please see page 84 of the 2011 Annual Report.

Condensed Statement of Cash Flows – Financial Position

January 1 through September 30, 2012

T 2.5 Condensed Statement of Cash Flows

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Net income for the period	26.9	124.9	–78.5	127.5	435.6	–70.7
Depreciation/appreciation of noncurrent assets	133.6	120.4	11.0	393.2	335.2	17.3
Changes in inventories	–20.3	–45.8	–55.7	–55.2	–136.6	–59.6
Changes in trade receivables	2.5	7.4	–66.2	–118.8	–87.0	36.6
Changes in other assets	3.6	21.8	–83.5	37.8	43.7	–13.5
Changes in advance payments made and received	–7.2	11.3	n.a.	–73.2	226.6	n.a.
Changes from equity accounting	1.0	–1.4	n.a.	7.6	14.2	–46.5
Other non-cash expenses, income and other items	18.3	58.3	–68.6	48.2	53.6	–10.1
Cash flow from operating activities (gross cash flow)	158.4	296.9	–46.6	367.1	885.3	–58.5
Cash receipts and payments for investments	–264.4	–237.1	11.5	–751.6	–590.9	27.2
Cash flow from noncurrent investment activities before securities	–264.4	–237.1	11.5	–751.6	–590.9	27.2
Acquisition/disposal of securities	–1.3	–11.7	–88.9	88.2	–93.1	n.a.
Cash flow from investment activities	–265.7	–248.8	6.8	–663.4	–684.0	–3.0
Distribution of profit from prior-year net income	–	–1.1	–100.0	–110.7	–160.1	–30.9
Changes in financial liabilities	74.8	–2.1	n.a.	401.1	23.9	>100
Cash flow from financing activities	74.8	–3.2	n.a.	290.4	–136.2	n.a.
Changes due to exchange-rate fluctuations	–0.8	4.8	n.a.	0.8	1.5	–46.7
Changes in cash and cash equivalents	–33.3	49.7	n.a.	–5.1	66.6	n.a.
At the beginning of the period	502.1	562.1	–10.7	473.9	545.2	–13.1
At the end of the period	468.8	611.8	–23.4	468.8	611.8	–23.4

T 2.6 Net Cash Flow[1]

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Cash flow from operating activities (gross cash flow)	158.4	296.9	–46.6	367.1	885.3	–58.5
Changes in advance payments received	15.6	–11.3	n.a.	89.6	–226.6	n.a.
Cash flow from noncurrent investment activities before securities	–264.4	–237.1	11.5	–751.6	–590.9	27.2
Additions from finance leases	–	–25.3	–100.0	–	–26.7	–100.0
Net cash flow	–90.4	23.2	n.a.	–294.9	41.1	n.a.

[1] Excluding changes in advance payments received, including additions from finance leases

The Group's high level of capital expenditures currently means that cash outflow clearly exceeds operating cash flow. Consequently, WACKER has adopted a strategy of external borrowing that supplements its long-term goal of essentially financing its investments from its own cash flow. Through this strategy, the Group is ensuring that it can finance important investment projects partly through long-term loans. In this connection, WACKER agreed a syndicated loan of €400 million with a five-year term during Q2 2012. Conversely, an existing syndicated loan of €300 million raised in 2007 was redeemed prematurely. WACKER had already agreed a bilateral loan of 10 billion yen with a Japanese bank in the first quarter of 2012, again with a term of five years. WACKER drew on the first 5 billion yen of this loan during the quarter under review. Both loan agreements are at standard market credit terms.

Gross Cash Flow

In the first nine months of 2012, cash flow from operating activities (gross cash flow) totaled €367.1 million – €518.2 million below the prior-year level (€885.3 million). Lower net income, which fell by €308.1 million, adjusted for higher nine-month depreciation of €393.2 million (9M 2011: €335.2 million), was the main reason for this decline. At the same time, working capital rose and the balance of advance payments received decreased as expected. There was an overall change of € –73.2 million in advance payments made and received (9M 2011: €226.6 million). The determining factor here was polysilicon deliveries for which WACKER had in the past received advance payments from customers. This change contrasted to the prior-year period, when cash inflows from advance payments by customers had improved cash flow. Working capital grew as a result of higher trade receivables and an increase in inventories. As of September 30, 2012, the build-up of inventories and trade receivables tied up additional funds of €174.0 million (9M 2011: €223.6 million).

Cash Flow from Investment Activities

As in 2011, cash flow from noncurrent investment activities was dominated by high capital expenditures for constructing polysilicon production facilities. From January through September 2012, cash outflow for capital expenditures totaled € –751.6 million (9M 2011: € –590.9 million). The construction of the polysilicon site in Charleston, Tennessee (USA) accounted for the majority of expenditures in the first three quarters of 2012. In the previous year, the polysilicon production plant at Nünchritz had been the main focus of investment.

Cash flow from investment activities for January through September 2012 came in at € –663.4 million (9M 2011: € –684.0 million). Alongside fixed-asset investments, it included payments received and made for securities with a term of more than three months. Due securities led to incoming payments in the period under review.

Net Cash Flow

In connection with the refinement of its internal value-management system, WACKER has redefined its net cash flow ratio. It has thus adopted the approach used by financial analysts of considering the change in advance payments received from polysilicon contracts as a form of financing. Net cash flow now comprises cash flow from operating activities excluding advance payments received, and cash flow from noncurrent investment activity (excluding securities), taking account of additions from finance leases. The figure for the period under review was € –294.9 million. This compares with an adjusted prior-year figure of €41.1 million.

Cash Flow from Financing Activities

Nine-month cash flow from financing activities came in at €290.4 million, compared with the prior-year period's € –136.2 million. The change essentially reflects the cash inflow from the newly raised loans. The dividend payment by Wacker Chemie AG in the second quarter of 2012 led to an outflow of €109.3 million. Cash and cash equivalents amounted to €468.8 million, decreasing €5.1 million relative to the total on December 31, 2011 (9M 2011: €+66.6 million).

Division Results

January 1 through September 30, 2012

T 2.7 Sales

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
WACKER SILICONES	432.1	405.2	6.6	1,256.0	1,236.8	1.6
WACKER POLYMERS	274.0	257.9	6.2	783.9	713.0	9.9
WACKER BIOSOLUTIONS	40.1	34.1	17.6	121.4	110.8	9.6
WACKER POLYSILICON	269.1	378.2	−28.8	922.5	1,191.8	−22.6
SILTRONIC	234.7	255.3	−8.1	683.2	812.4	−15.9
Corporate functions/Other	41.1	45.2	−9.1	128.1	130.5	−1.8
Consolidation	−90.2	−95.3	−5.4	−277.4	−297.2	−6.7
Group sales	1,200.9	1,280.6	−6.2	3,617.7	3,898.1	−7.2

T 2.8 EBIT

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
WACKER SILICONES	36.2	32.2	12.4	104.7	120.1	−12.8
WACKER POLYMERS	41.3	30.3	36.3	102.2	70.7	44.6
WACKER BIOSOLUTIONS	3.8	1.4	>100	15.5	12.0	29.2
WACKER POLYSILICON	21.5	130.1	−83.5	181.9	456.3	−60.1
SILTRONIC	−13.6	10.9	n.a.	−72.5	40.1	n.a.
Corporate functions/Other	−17.9	−5.5	>100	−67.1	−38.8	72.9
Consolidation	−0.6	−2.2	−72.7	−1.3	−2.2	−40.9
Group EBIT	70.7	197.2	−64.1	263.4	658.2	−60.0

T 2.9 EBITDA

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
WACKER SILICONES	57.4	52.0	10.4	166.7	177.2	−5.9
WACKER POLYMERS	50.5	39.2	28.8	129.9	97.2	33.6
WACKER BIOSOLUTIONS	5.5	3.1	77.4	20.5	16.9	21.3
WACKER POLYSILICON	78.8	179.4	−56.1	349.3	582.3	−40.0
SILTRONIC	9.9	33.6	−70.5	−2.8	107.7	n.a.
Corporate functions/Other	2.8	12.5	−77.6	−5.7	14.3	n.a.
Consolidation	−0.6	−2.2	−72.7	−1.3	−2.2	−40.9
Group EBITDA	204.3	317.6	−35.7	656.6	993.4	−33.9

T 2.10 Reconciliation with Segment Results

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
EBIT of reporting segments	89.2	204.9	−56.5	331.8	699.2	−52.5
Corporate functions/Other	−17.9	−5.5	>100	−67.1	−38.8	72.9
Consolidation	−0.6	−2.2	−72.7	−1.3	−2.2	−40.9
Group EBIT	70.7	197.2	−64.1	263.4	658.2	−60.0
Financial result	−15.3	−9.3	64.5	−44.5	−26.9	65.4
Income before taxes	55.4	187.9	−70.5	218.9	631.3	−65.3

WACKER SILICONES

T 2.11 WACKER SILICONES

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Sales						
External sales	427.5	402.7	6.2	1,244.6	1,226.6	1.5
Internal sales	4.6	2.5	84.0	11.4	10.2	11.8
Total sales	432.1	405.2	6.6	1,256.0	1,236.8	1.6
EBIT	36.2	32.2	12.4	104.7	120.1	–12.8
EBIT margin (%)	8.4	7.9	–	8.3	9.7	–
Depreciation	21.2	19.8	7.1	62.0	57.1	8.6
EBITDA	57.4	52.0	10.4	166.7	177.2	–5.9
EBITDA margin (%)	13.3	12.8	–	13.3	14.3	–
Investments	17.4	21.8	–20.2	48.8	63.0	–22.5
As of	Sept. 30, 2012	June 30, 2012	Change in %	Sept. 30, 2012	Dec. 31, 2011	Change in %
Number of employees	3,974	3,936	1.0	3,974	3,956	0.5

In Q3 2012, WACKER SILICONES increased its total sales. At €432.1 million, the figure was almost 7 percent up on the prior-year period (€405.2 million). Sales rose around 2 percent compared with 2012's second quarter (€422.9 million). Higher volumes and favorable exchange-rate effects offset continuing price pressures on silicone products. The division reported solid third-quarter demand in many application sectors. Silicone volumes were especially strong for personal-care products, the textile sector and paper coating. Regionally, growth was mainly driven by Asia, where sales climbed over 10 percent relative to the preceding quarter. When compared with Q3 2011, growth was even stronger. In the Americas, WACKER SILICONES also increased its sales substantially compared with last year's quarter. In Europe, though, divisional sales were slightly down on the levels reached both in Q3 2011 and Q2 2012. Plant utilization was high in July through September 2012, with production lines operating at maximum capacity in some instances. In the first nine months of 2012, WACKER SILICONES generated revenues of €1,256.0 million – close to 2 percent higher than in the same period last year (€1,236.8 million).

EBITDA Grows over 10 percent Year on Year

Rising volumes, good fixed-cost coverage through high plant utilization, and the stronger US dollar all benefited WACKER SILICONES' profitability. Conversely, earnings performance was held back by partially lower prices, particularly for standard products. Raw-material prices remained at a high level during the quarter. Amid these conditions, WACKER SILICONES achieved earnings before interest, taxes, depreciation and amortization of €57.4 million in Q3 2012, compared with €52.0 million in the prior-year quarter – an increase of over 10 percent year on year, but 4 percent down on Q2 2012 (€59.9 million). Q3 2012's EBITDA margin was 13.3 percent (Q3 2011: 12.8 percent). For the first nine months of 2012, EBITDA reached €166.7 million (9M 2011: €177.2 million). This resulted in an EBITDA margin of 13.3 percent, compared with 14.3 percent a year earlier.

During the quarter under review, WACKER SILICONES invested €17.4 million (Q3 2011: €21.8 million). In the nine months from January through September 2012, investment spending totaled €48.8 million (9M 2011: €63.0 million).

The total number of employees at WACKER SILICONES remained almost unchanged in the third quarter. There were 3,974 employees in the division on September 30, 2012 (June 30, 2012: 3,936).

WACKER POLYMERS

T 2.12 WACKER POLYMERS

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Sales						
External sales	266.3	249.6	6.7	761.3	691.1	10.2
Internal sales	7.7	8.3	−7.2	22.6	21.9	3.2
Total sales	274.0	257.9	6.2	783.9	713.0	9.9
EBIT	41.3	30.3	36.3	102.2	70.7	44.6
EBIT margin (%)	15.1	11.7	–	13.0	9.9	–
Depreciation	9.2	8.9	3.4	27.7	26.5	4.5
EBITDA	50.5	39.2	28.8	129.9	97.2	33.6
EBITDA margin (%)	18.4	15.2	–	16.6	13.6	–
Investments	16.4	8.3	97.6	40.3	17.3	>100
As of	Sept. 30, 2012	June 30, 2012	Change in %	Sept. 30, 2012	Dec. 31, 2011	Change in %
Number of employees	1,371	1,376	−0.4	1,371	1,412	−2.9

Due to good demand for dispersions and dispersible polymer powders, WACKER POLYMERS increased its total third-quarter sales by over 6 percent to €274.0 million (Q3 2011: €257.9 million). The division almost reached the level of 2012's strong preceding quarter (€276.1 million). In the nine months from January through September 2012, WACKER POLYMERS generated sales of €783.9 million, up 10 percent compared with last year's €713.0 million.

In Q3 2012, sales volumes for dispersions and dispersible polymer powders were around 5 percent higher than a year earlier. Business progressed particularly well in the Americas and Asia. In both regions, sales grew by around 20 percent year on year. WACKER POLYMERS also generated sales growth there compared with Q2 2012. The division's dispersions business is benefiting from the carpet and packaging industries' increasing shift away from styrene-butadiene and styrene-acrylate (naphtha-based raw materials) toward cheaper ethylene-based VAE dispersions. Mirroring the high level of customer demand, the plant utilization rate at WACKER POLYMERS was around 80 percent in the third quarter.

EBITDA up 29 Percent on Prior-Year Period

WACKER POLYMERS achieved earnings before interest, taxes, depreciation and amortization of €50.5 million in July through September 2012, up 29 percent on Q3 2011 (€39.2 million) and almost 12 percent more than in Q2 2012 (€45.3 million). The third-quarter EBITDA margin climbed to 18.4 percent from 15.2 percent a year earlier. This increase was supported by higher volumes and good production capacity utilization. Earnings also benefited from favorable exchange-rate effects. In the first nine months of 2012, WACKER POLYMERS posted EBITDA of €129.9 million, a rise of almost 34 percent on the comparable period last year (€97.2 million). The EBITDA margin for January through September 2012 was 16.6 percent (9M 2011: 13.6 percent).

In Q3 2012, WACKER POLYMERS' investments totaled €16.4 million (Q3 2011: €8.3 million), with the focus on expanding dispersions capacity in Asia. The division's January-through-September 2012 investments amounted to €40.3 million, compared with €17.3 million during the same period last year.

To enhance its regional market presence and supply customers worldwide with sufficient quantities of products of proven high quality, WACKER POLYMERS is currently expanding its production capacities for vinyl acetate-ethylene copolymer (VAE) dispersions at several sites. At Ulsan (South Korea), the division is constructing a second reactor line with an annual capacity of 40,000 metric tons. This move will virtually double the production output available in South Korea. The additional quantities are primarily intended to meet increased demand in the paints, coatings, construction, nonwovens, paper and carpeting industries. The capacity expansion, involving investments of some €10 million, reflects the growing demand for high-grade VAE dispersions in Southeast Asia. In the early part of the year, WACKER had already started work on expanding VAE capacities by around 60,000 metric tons annually at its Nanjing site in China. The new facilities there are scheduled to come on stream mid-way through next year.

In the third quarter, WACKER POLYMERS ceased making its own acetic acid at Burghausen, as planned. In the future, this raw material for producing polymers will be sourced entirely from external suppliers, enabling the division to realize cost advantages.

As of September 30, 2012, WACKER POLYMERS had 1,371 employees (June 30, 2012: 1,376).

WACKER BIOSOLUTIONS

T 2.13 WACKER BIOSOLUTIONS

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Sales						
External sales	39.4	33.6	17.3	118.5	105.3	12.5
Internal sales	0.7	0.5	40.0	2.9	5.5	–47.3
Total sales	40.1	34.1	17.6	121.4	110.8	9.6
EBIT	3.8	1.4	>100	15.5	12.0	29.2
EBIT margin (%)	9.5	4.1	–	12.8	10.8	–
Depreciation	1.7	1.7	–	5.0	4.9	2.0
EBITDA	5.5	3.1	77.4	20.5	16.9	21.3
EBITDA margin (%)	13.7	9.1	–	16.9	15.3	–
Investments	5.5	3.1	77.4	13.9	4.8	>100

As of	Sept. 30, 2012	June 30, 2012	Change in %	Sept. 30, 2012	Dec. 31, 2011	Change in %
Number of employees	348	343	1.5	348	354	–1.7

WACKER BIOSOLUTIONS generated total third-quarter sales of €40.1 million, posting a rise of close to 18 percent on the prior-year period (€34.1 million) and matching the Q2 2012 figure (€40.1 million). Strong customer demand for polymers for gumbase was a key factor behind this growth. Volumes in that area were over 20 percent higher than a year ago. Products for pharmaceuticals and agricultural applications also performed well during the quarter. Sales over the nine months from January through September 2012 reached €121.4 million, almost 10 percent above the corresponding figure for 2011 (€110.8 million).

WACKER BIOSOLUTIONS' third-quarter earnings before interest, taxes, depreciation and amortization improved to €5.5 million (Q3 2011: €3.1 million). However, the division's earnings were below the Q2 2012 figure of €7.1 million. The third-quarter EBITDA margin came in at 13.7 percent (Q3 2011: 9.1 percent). Aggregate January-through-September EBITDA reached €20.5 million (9M 2011: €16.9 million), yielding an EBITDA margin for the nine-month period of 16.9 percent (9M 2011: 15.3 percent).

WACKER BIOSOLUTIONS' third-quarter capital expenditures amounted to €5.5 million (Q3 2011: €3.1 million). Among other projects, expenditures went toward the new plant for polyvinyl acetate solid resins being constructed at Nanjing, China. The division invested a total of €13.9 million in January through September 2012, compared with €4.8 million in the same period last year.

As of September 30, 2012, employee numbers at WACKER BIOSOLUTIONS totaled 348 (June 30, 2012: 343).

WACKER POLYSILICON

T 2.14 WACKER POLYSILICON

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Sales						
External sales	221.8	323.1	–31.4	770.6	1,017.0	–24.2
Internal sales	47.3	55.1	–14.2	151.9	174.8	–13.1
Total sales	269.1	378.2	–28.8	922.5	1,191.8	–22.6
EBIT	21.5	130.1	–83.5	181.9	456.3	–60.1
EBIT margin (%)	8.0	34.4	–	19.7	38.3	–
Depreciation	57.3	49.3	16.2	167.4	126.0	32.9
EBITDA	78.8	179.4	–56.1	349.3	582.3	–40.0
EBITDA margin (%)	29.3	47.4	–	37.9	48.9	–
Investments	206.6	183.8	12.4	507.1	391.0	29.7

As of	Sept. 30, 2012	June 30, 2012	Change in %	Sept. 30, 2012	Dec. 31, 2011	Change in %
Number of employees	2,348	2,335	0.6	2,348	2,251	4.3

WACKER POLYSILICON generated total sales of €269.1 million in Q3 2012, a decline of about 29 percent on the same period last year (€378.2 million) and down some 6 percent on Q2 2012 (€286.8 million). From January through September 2012, aggregate sales came in at €922.5 million (9M 2011: €1,191.8 million), a decrease of just under 23 percent.

WACKER POLYSILICON's market environment remains challenging. Ongoing consolidation pressures in the solar industry, high inventory levels along the entire photovoltaic supply chain, and the financial difficulties facing many manufacturers of solar cells and modules are slowing down sales volumes and prices for hyperpure polysilicon. Third-quarter solar-silicon prices were around 40 percent below their prior-year level. Prices were also down on the second quarter of 2012. Sales volumes, however, were slightly higher both year on year and compared with Q2 2012, thanks to WACKER POLYSILICON's broad-based customer portfolio, and helped by bookings of delayed volumes from Q2.

Production Capacities Adjusted in Line with Customer Demand

To bring production volumes in line with customer demand, WACKER POLYSILICON partially curbed production during the third quarter. Plant utilization was about 80 percent between July and September 2012, which held back the division's profitability. In line with the lower utilization of its plants, WACKER POLYSILICON has been implementing short-time work at individual production facilities at Burghausen since early October, 2012. This measure reduces the division's personnel costs and helps align inventories with demand.

The above factors made their mark on WACKER POLYSILICON's earnings performance during the quarter. Earnings before interest, taxes, depreciation and amortization in Q3 2012 amounted to €78.8 million, 56 percent lower than a year earlier (€179.4 million).

Third-quarter EBITDA included €2.1 million resulting from retained advance payments and damages relating to a terminated customer contract. EBITDA retreated by almost 35 percent compared with the preceding quarter (€120.3 million). Q2 2012's EBITDA included €19.4 million in advance payments that WACKER retained due to the termination of polysilicon supply agreements. The EBITDA margin for Q3 2012 was 29.3 percent (Q3 2011: 47.4 percent). EBITDA for January through September 2012 came in at €349.3 million, 40 percent lower than in the same period last year (€582.3 million). The EBITDA margin for the first nine months of 2012 was 37.9 percent (9M 2011: 48.9 percent).

In Q3 2012, WACKER POLYSILICON invested €206.6 million (Q3 2011: €183.8 million). Capital expenditures focused primarily on the ongoing construction of the new production site in Charleston, Tennessee (USA). The additional capacity will enable the division to meet long-term demand growth for solar-grade polysilicon. The division's investments for the first nine months totaled €507.1 million (9M 2011: €391.0 million). In response to the present difficulties in the solar market and current polysilicon overcapacities, WACKER has decided to reschedule its investment program. At the moment, WACKER anticipates starting production at Charleston by mid-2015, some 18 months later than originally planned.

WACKER POLYSILICON had 2,348 employees as of September 30, 2012 (June 30, 2012: 2,335).

SILTRONIC

T 2.15 SILTRONIC

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Sales						
External sales	232.2	253.5	–8.4	676.3	807.6	–16.3
Internal sales	2.5	1.8	38.9	6.9	4.8	43.8
Total sales	234.7	255.3	–8.1	683.2	812.4	–15.9
EBIT	–13.6	10.9	n.a.	–72.5	40.1	n.a.
EBIT margin (%)	–5.8	4.3	–	–10.6	4.9	–
Depreciation	23.5	22.7	3.5	69.7	67.6	3.1
EBITDA	9.9	33.6	–70.5	–2.8	107.7	n.a.
EBITDA margin (%)	4.2	13.2	–	–0.4	13.3	–
Investments	32.9	34.6	–4.9	75.4	81.1	–7.0

As of	Sept. 30, 2012	June 30, 2012	Change in %	Sept. 30, 2012	Dec. 31, 2011	Change in %
Number of employees	4,079	4,427	–7.9	4,079	4,974	–18.0

Siltronic posted total sales of €234.7 million in Q3 2012, 8 percent lower than last year (€255.3 million) and about 5 percent below Q2 2012 (€247.4 million). The main factor behind the year-on-year decrease was weaker prices. Compared with Q2 2012, prices only changed slightly. But, at the same time, fewer wafers were sold. In every major region, third-quarter sales decreased relative to both the same period last year and the preceding quarter. In the nine months from January through September 2012, Siltronic reported aggregate sales of €683.2 million – around 16 percent below the year-earlier figure (€812.4 million).

Third-quarter plant utilization at Siltronic ranged from 70 to 90 percent, depending on wafer diameter. At the Siltronic Samsung Wafer joint venture, which manufactures 300 mm wafers in Singapore, plant utilization was high. As part of its capacity consolidation for smaller-diameter wafers, Siltronic closed down the 150 mm wafer production line at Portland in the third quarter, as announced. The 200 mm wafer plant at Hikari (Japan) had already been shut down in the preceding quarter. The consolidation measures benefited capacity utilization at the remaining plants for these wafer diameters.

Siltronic's Third-Quarter EBITDA Again Positive

At €9.9 million, Siltronic's third-quarter EBITDA was positive, as in the prior-year quarter (€33.6 million) and the preceding quarter of 2012 (€13.0 million). Siltronic's EBITDA had still been negative at €25.7 million in Q1 2012. This figure had included non-recurring expenses of around €15 million, mainly connected with the closure of the 150 mm production line in Portland. The third-quarter EBITDA margin was 4.2 percent (Q3 2011:

13.2 percent). For the nine months from January through September 2012, aggregate EBITDA amounted to € –2.8 million (9M 2011: €107.7 million). The corresponding EBITDA margin was –0.4 percent (9M 2011: 13.3 percent).

Siltronic's third-quarter investments amounted to €32.9 million (Q3 2011: €34.6 million). Capital expenditures were primarily used for upgrading wafer production in line with technological progress within the semiconductor industry. During the first nine months of 2012, investments totaled €75.4 million (9M 2011: €81.1 million).

Siltronic had 4,079 employees on September 30, 2012 (June 30, 2012: 4,427).

Other

In Q3 2012, sales posted under "Other" totaled €41.1 million (Q3 2011: €45.2 million). Aggregate January-through-September sales came in at €128.1 million (9M 2011: €130.5 million).

"Other" EBITDA for the quarter was €2.8 million (Q3 2011: €12.5 million). For the first nine months of 2012, aggregate EBITDA was € –5.7 million, compared with €14.3 million in the same period last year.

As of September 30, 2012, the "Other" segment had 4,313 employees (June 30, 2012: 4,342). This number includes, for example, site management and infrastructure-unit employees at Burghausen and Nünchritz (Germany).

Risks and Opportunities

Risks to Global Economy Have Intensified

Uncertainty about global economic developments increased during the quarter. Despite various actions and interventions by national governments and supranational institutions, there is no sign of a permanent solution to the European banking and sovereign-debt crisis. The decisions and measures of the past few months have not been able to calm global markets in a lasting manner. More and more indicators are pointing to a further slowdown of economic growth, especially in Europe. Additionally, economic momentum has weakened in China and other emerging economies. These unfavorable macroeconomic conditions, coupled with sector-specific challenges, especially in the solar and semiconductor industries, are leaving their mark on WACKER's performance.

WACKER monitors business developments in every major sales market very carefully. If there are clear signs of demand and volumes weakening in individual segments, we swiftly act to flexibly adjust production capacities, resources and inventories to the market situation, as required. The same applies to any significant price and volume pressures facing our products. We counter this risk by actively controlling plant utilization and output, by practicing structured price management and by optimizing our processes. During the quarter, for example, we temporarily aligned the production and personnel capacities of our polysilicon operations to match declining customer demand. Additionally, we intend to significantly reduce costs at WACKER POLYSILICON. In response to the present difficulties in the solar market and to global polysilicon overcapacities, WACKER has decided to reschedule the completion of the new production site at Charleston. We currently anticipate starting production at Charleston by mid-2015, which is some 18 months later than originally planned.

At our chemical divisions, customer demand in numerous product segments continued to show a positive trend during the third quarter of 2012. In these segments, WACKER benefits from its diverse product portfolio and its broad presence across the world's key economic regions. Additional demand in the USA and Asia is helping us to compensate for the slower business trend in Europe. Our polymer business, for example, profits especially in the USA from the carpet and paper-coating industries' increasing shift away from styrene-butadiene toward ethylene-based dispersions. In Asia, the buoyant construction sector is strengthening demand for WACKER's dispersible polymer powders. WACKER uses targeted capacity expansion, such as for VAE dispersions in China and South Korea, to enhance its regional market presence and delivery capabilities. There are opportunities for further silicones-business growth, above all due to increased demand in emerging economies such as Brazil, China and India, where rising living standards are reflected in greater demand for higher-quality products. Thanks to their flexibly modified properties, silicones are replacing conventional carbon-based plastics in more and more application fields, such as light-emitting diodes and potting compounds for electronic devices. Our bioengineered cyclodextrins benefit, for example, from the increasing demand for health-oriented dietary supplements.

In semiconductors, we counter demand fluctuations and price risks by optimizing Siltronic's global production network. We have continued to firmly implement our decision to consolidate capacities for 150 mm and 200 mm silicon wafers. By doing so, we are strengthening plant utilization and reducing production costs at our remaining sites. As of 2013, we expect these measures to have a positive impact on earnings of about €60 million per year. Earnings have already benefited proportionally from this impact during the current year.

In photovoltaics, the ongoing consolidation process that started last fall continues. Due to overcapacity and inventory reductions, price pressure persists along the entire supply chain. In this tougher competitive environment, European and US producers of solar wafers, cells and modules are increasingly being edged out by their Asian competitors. At the same time, debt levels at many solar companies have increased substantially.

Due to solar-sector consolidation and reduced margins, WACKER POLYSILICON faces an increased overall risk that individual customers could default on payments and that overcapacity and high inventories in the supply chain could dampen sales volumes. In the European Union, an anti-dumping investigation is in progress, which could lead to import duties on Chinese-made solar modules. In mid-May, the USA already started imposing provisional duties on imports from Chinese solar manufacturers. In the meantime, the US Department of Commerce has passed a ruling on the level of the duties, with the amounts ranging from between roughly 30 percent to around 250 percent, depending on the company. Should a trade war ensue between China on the one hand and the USA and the European Union on the other, it could hold back solar-system sales and, in turn, not only reduce WACKER's opportunities for growing polysilicon sales volumes, but also dampen returns on its investments in this segment.

Conversely, falling photovoltaic-system prices are strengthening the competitiveness and appeal of solar power within the energy mix. This, in turn, creates greater opportunities for photovoltaic applications in non-European countries with high-growth potential. In Japan, for example, the government introduced a solar-power incentive program with attractive feed-in tariffs in early July 2012. In China, plans for solar-power expansion have been upwardly revised several times over the past few months. According to official data, China's target for 2015 is to have 20 gigawatts of photovoltaic capacity installed by then. Unofficial sources are already talking of 40 gigawatts or more. Additional momentum is fueled by the efforts of numerous solar manufacturers to enhance their modules' electricity yields, given the continued cost pressures. To increase yields, a higher-quality polysilicon is increasingly being used – such as the kind made by WACKER. Moreover we are planning, and expect, substantial cost savings at WACKER POLYSILICON due to productivity increases. Overall, we view the Group as a cost and quality leader in polysilicon manufacturing. So, despite the possibility of short-term market distortions, we are in a good position to capitalize on market consolidation in the medium and long term.

Key factors influencing WACKER's profitability remain price trends for raw materials and energy, and the euro-US dollar exchange rate. In terms of raw-material prices, the phase of strong price increases seems to be over for now. The situation on procurement markets has eased – albeit inconsistently and at a high level. In addition, the euro-US dollar exchange rate has become more favorable to WACKER. The Group hedges part of its business conducted in US dollars and Japanese yen. Consequently, we do not expect any substantial deviation in 2012 from our earnings targets due to negative exchange-rate effects.

Evaluation of Overall Risk

Risk management is an integral part of corporate management at WACKER. As a globally active specialty-chemical and semiconductor company, WACKER is exposed to numerous risks directly attributable to our operational activities. Taking a defined risk strategy as their basis, the Executive Board and management focus on identifying, evaluating, managing and monitoring risks as part of a transparent risk management and control system for all company processes. All corporate areas are actively integrated into this system.

The specific risks facing individual divisions, corporate functions, market segments and sales regions, our assessment of their probability and the measures we take to counter these risks are described in detail in the "Risk Report" section of our current Annual Report 2011, on pages 129 to 143. The assessments we made there did not change substantially, except for the risks mentioned above relating to economic trends and the solar business.

On the whole, WACKER's Executive Board and management do not currently discern any individual or aggregate risks that could substantially endanger the Group as a going concern. Due to uncertainty about the world economy and financial policies, the overall risk situation has further intensified. But we believe we are still well positioned operationally, strategically and financially to seize opportunities for safeguarding our growth and for enhancing our competitiveness.

Munich, October 24, 2012
Wacker Chemie AG 's Executive Board

Events after the Balance Sheet Date of September 30, 2012

No material events occurred between the balance sheet date and the publication of this Interim Report.

Outlook and Forecast

Overall and Sector-Specific Economic Framework

Global Growth Remains Only Moderate in 2013

Economic and Political Uncertainties Persist

The slowdown in global growth rates and the ongoing risks posed by the European financial and debt crisis will remain the primary factors governing future developments in the world economy in the coming months. A significant upturn in the economic trend is not expected until the second half of 2013 at the earliest. In its most recent analysis, the International Monetary Fund (IMF) has revised downward its growth outlook for 2013 by 0.3 percentage points. In its new projection for next year, the IMF forecasts a growth rate of 3.6 percent (2012: 3.3 percent). The advanced economies are expected to grow by 1.5 percent (2012: 1.3 percent), while economic output in the developing and emerging economies is projected to increase by 5.6 percent (2012: 5.3 percent).[1]

Asia will continue to be the driving force in the global economy in the year ahead. The IMF analysts are forecasting China and India to grow by 8.2 percent and 6.0 percent, respectively, in 2013. It is worth noting, however, that growth has slowed noticeably in both countries in recent months. The momentum in the Japanese economy is expected to lessen somewhat, with GDP set to rise by 1.2 percent next year (2012: 2.2 percent).[1]

For the USA, the IMF predicts 2013 will be another year of economic growth, albeit at a moderate level. A relatively weak labor market and restrained consumer spending are the main factors impeding stronger growth. The analysts at the IMF expect the US economy to grow by 2.1 percent overall (2012: 2.2 percent).[1]

After a mild recession this year, economic output in the eurozone is expected to hardly grow at all in 2013. The IMF's most recent analysis forecasts an increase of 0.2 percent (2012: – 0.4 percent). Economic output in the crisis-stricken countries of Southern Europe is expected to decline further in the coming year. Germany, on the other hand, is likely to see growth of 0.9 percent in 2013 (2012: 0.9 percent), according to the IMF.[1]

Similarly, Germany's leading economic institutes believe that the country's gross domestic product will grow in 2013. Their joint forecast published on October 11 anticipates an increase of 1.0 percent. The institutes' researchers predict that economic momentum will be only slight as the year begins, but that it will pick up in the second half, driven primarily by consumer spending. Growth in exports and corporate spending, though, will initially be rather subdued.[2]

[1] International Monetary Fund, World Economic Outlook October 2012, Coping with High Debt and Sluggish Growth, Washington, D.C., October 9, 2012
[2] Joint Economic Forecast Project Group, Joint Economic Forecast Autumn 2012, Euro Crisis Curbs Economic Activity – Risks to Stability Remain High, Kiel, October 9/11, 2012

After a weak 2012, the chemical industry in Europe anticipates an increase in production output next year, in the range of 2 percent.[1] The German Chemical Industry Association (VCI) similarly expects production at Germany's chemical companies to eventually return to growth, but not before the end of 2012.[2]

In the semiconductor industry, the Gartner Group believes that 2013 will see silicon-wafer volumes rising by 7.2 percent in terms of surface area sold, with the 300 mm segment expected to perform even better, growing by as much as 10.2 percent. The Gartner analysts predict growth of 10.5 percent in worldwide revenues for semiconductor wafers in 2013.[3]

In the solar industry, investment bank UBS expects new photovoltaic capacity worldwide to climb to over 34 gigawatts worldwide in 2013. The markets of China, the USA and Japan will be the main sources of this growth. For established photovoltaic countries such as Germany and Italy, UBS believes that newly installed photovoltaic capacity next year will fall well short of the figures achieved in 2012.[4]

All of the analyses and forecasts refer to the high degree of uncertainty and unpredictability associated with both future global economic growth and the markets in the individual regions and industries.

Economic Environment Remains Challenging

WACKER believes that the economic situation will continue to be challenging and highly unpredictable in the months ahead. The extent to which the world economy will slow remains uncertain. No one can be sure whether the temporary calm in markets shaken by the effects of the European financial and debt crisis will endure. Nevertheless, we do see some growth prospects, particularly for our chemical business, in certain regions and industries.

In our polysilicon business, we are facing particular challenges and risks arising from the ongoing consolidation process in the solar industry and from the unpredictable political climate. Participants in the market are unsettled by the current dispute between the USA and China regarding the anti-dumping duties imposed on Chinese solar panels and by ongoing investigations within the European Union along similar lines. Should this issue escalate into a trade war, it could curb further growth in the solar industry and have a noticeably negative impact on our polysilicon business.

We expect that new photovoltaic capacity will exceed 30 gigawatts this year, and that this upward trend will continue next year toward 40 gigawatts. Inventory levels are very high at every stage of the supply chain, however. We expect these inventories will have to be reduced in the near term, which is likely to affect the solar industry's demand for polysilicon. In addition, many solar businesses are currently facing a tough financial situation. These factors limit our sales-volume potential and affect the market price of polysilicon. Lower volumes and lower prices will keep full-year revenues for the WACKER POLYSILICON division below the levels of the previous year, in line with the trend reported for the first nine months. We have flexibly realigned our polysilicon-plant utilization to match customer demand and, as of early October, have introduced short-time work in certain plants at our Burghausen site. Additionally, we intend to significantly reduce costs at WACKER POLYSILICON.

[1] The European Chemical Industry Council, EU debt crisis drags down EU chemicals production more than expected, Brussels, June 14, 2012
[2] VCI (German Chemical Industry Association), Report on the business situation of the German chemical industry in the 2nd quarter 2012, Frankfurt, September 5, 2012
[3] Gartner Market Statistics, Forecast: Semiconductor Silicon Wafers, Worldwide, 3Q12 Update, Stamford (USA), September 2012
[4] UBS Investment Research, Global Solar Industry Update, Stamford, September 11, 2012

Regarding the completion and start-up of the polysilicon plant currently under construction at Charleston, Tennessee (USA), WACKER is in a position to respond to the currently unsatisfactory market situation with a certain degree of timing flexibility. Following the present difficulties in the solar market and global polysilicon overcapacities, WACKER has decided to reschedule the project. We currently anticipate starting production at Charleston by mid-2015, around 18 months later than originally planned. This decision also optimizes our investment spending and eases next year's budget by a euro amount in the three-digit-million range.

In the semiconductor industry, the prospects for the coming months have deteriorated. Important customers have in recent weeks reduced their own outlooks through the end of the year. Supply-chain inventories are high, and weak demand is further pushing down silicon-wafer prices. At Siltronic, this is expected to result in a significant downturn in wafer sales volumes in Q4 2012, with revenues also substantially lower during the remainder of 2012 than in the third quarter.

The future of wafer business lies in the 300 mm segment and in Asia. Siltronic is optimizing its global manufacturing network accordingly. It is adjusting production capacity to match reduced market demand for silicon wafers with smaller diameters. The closure of the 200 mm plant at Hikari, Japan, in Q2 2012 was followed by that of the 150 mm line at Portland, USA. At the Burghausen site in Germany, the workforce at the facilities making 150 mm wafers is being reduced in line with falling demand for this diameter. These measures enhance capacity utilization at the remaining plants, improve Siltronic's fixed-cost structure and, from next year on, are expected to add about €60 million to earnings each year. Some of these restructuring measures have already helped improve results this year.

In our chemical divisions, we see good opportunities for further growth in the remaining months of 2012 and beyond, even though raw-material and energy costs remain relatively high. Rising living standards, particularly in Asia, are fueling demand for high-quality products containing silicones. In its polymer business, WACKER anticipates higher sales volumes for full-year 2012, with growth for construction applications driven by the markets of Asia and South America. Dispersions are experiencing additional demand, especially from the carpeting and packaging industries in the USA. At WACKER BIOSOLUTIONS, too, sales are expected to rise this year. WACKER intends to continue strengthening this division's market leadership in polyvinyl acetate solid resins for use in gumbase.

In order to continue improving its sales efficiency and competitive position in its various markets, WACKER regularly reviews its sales and distribution structures, amending them where necessary. New distribution partnerships – like those initiated by the WACKER BIOSOLUTIONS division in the quarter under review – will help us leverage synergies and deliver even better service to users of WACKER products.

Please refer to pages 158 to 164 of WACKER's 2011 Annual Report for detailed comments on future products and services, R&D, production, procurement and logistics, sales and marketing, employees, financing, and our expected liquidity and financial position. The targets, strategies and processes presented there did not change substantially in Q3 2012.

We do not envisage any major changes in the business policies, corporate goals and organizational orientation of the WACKER Group at the moment.

Our 2011 Annual Report (pages 49 to 64) provides detailed explanatory notes on the individual aspects of the Group's structure and its activities, organization and decision-making, as well as on corporate goals, strategy, financing, control of operational processes, and the strategies of the five individual WACKER divisions.

Overall Corporate Performance Expectations

Given the extremely adverse conditions in some markets, WACKER's divisions performed respectably in Q3 2012. Positive business development at the chemical divisions to a certain degree helped compensate for the less satisfactory sales and earnings performance of WACKER POLYSILICON and Siltronic. Overall, our production facilities continue to be well utilized, even though fixed-cost coverage declined in some segments.

We will continue to adapt our investment strategy in line with market developments and demand. By the end of 2012, capital expenditures will total around €1.1 billion, most of which will have been spent on the construction of the new polysilicon production capacities at Charleston, Tennessee. Another investment focus is the expansion of VAE dispersion plants in Asia. Depreciation of noncurrent assets for full-year 2012 is anticipated at about €540 million – an amount substantially lower than our total investment spending. Given our high capital expenditures, net cash flow for 2012 as a whole will be clearly negative, as was the case last year. Net financial liabilities will continue to increase as planned.

For full-year 2012, we expect to generate Group sales of between €4.6 and €4.7 billion. Earnings performance will be affected especially by the lower prices obtained for deliveries of solar silicon. As a result, the Group's earnings before interest, taxes, depreciation and amortization in 2012 will fall well short of the 2011 figure and, from today's perspective, are estimated to come in at €750 million.

Munich, October 24, 2012
Wacker Chemie AG's Executive Board

Consolidated Statement of Income

January 1 through September 30, 2012

T 3.1 Consolidated Statement of Income

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Sales	1,200.9	1,280.6	–6.2	3,617.7	3,898.1	–7.2
Cost of goods sold	–992.6	–979.7	1.3	–2,953.2	–2,836.2	4.1
Gross profit from sales	208.3	300.9	–30.8	664.5	1,061.9	–37.4
Selling expenses	–68.1	–67.8	0.4	–205.4	–207.2	–0.9
Research and development expenses	–42.2	–41.4	1.9	–129.4	–127.3	1.6
General administrative expenses	–26.7	–29.7	–10.1	–86.8	–88.8	–2.3
Other operating income	59.6	68.3	–12.7	223.5	144.8	54.4
Other operating expenses	–60.5	–35.0	72.9	–198.2	–112.6	76.0
Operating result	70.4	195.3	–64.0	268.2	670.8	–60.0
Result from investments in joint ventures and associates	0.3	1.9	–84.2	–4.9	–12.6	–61.1
Other investment income	–	–	n.a.	0.1	–	n.a.
EBIT (earnings before interest and taxes)	70.7	197.2	–64.1	263.4	658.2	–60.0
Interest income	3.5	4.0	–12.5	11.3	12.4	–8.9
Interest expenses	–5.7	–4.7	21.3	–15.4	–9.1	69.2
Other financial result	–13.1	–8.6	52.3	–40.4	–30.2	33.8
Financial result	–15.3	–9.3	64.5	–44.5	–26.9	65.4
Income before taxes	55.4	187.9	–70.5	218.9	631.3	–65.3
Income taxes	–28.5	–63.0	–54.8	–91.4	–195.7	–53.3
Net income for the period	26.9	124.9	–78.5	127.5	435.6	–70.7
Of which						
Attributable to Wacker Chemie AG shareholders	24.9	124.2	–80.0	125.2	435.1	–71.2
Attributable to non-controlling interests	2.0	0.7	>100	2.3	0.5	>100
Earnings per share (basic/diluted) (€)	0.50	2.50	–80.0	2.52	8.76	–71.2
Average number of shares outstanding (weighted)	49,677,983	49,677,983	–	49,677,983	49,677,983	–

Consolidated Statement of Comprehensive Income

January 1 through September 30, 2012

T 3.2 January to September

€ million	2012			2011		
	Before taxes	Deferred taxes		Before taxes	Deferred taxes	
Net income for the period			127.5			435.6
Difference from foreign currency translation adjustments	4.3	–	4.3	–13.7	–	–13.7
Changes in market values of the securities available for sale	1.0	–0.3	0.7	0.2	–	0.2
Changes in market values of derivative financial instruments (cash flow hedge)	–2.7	0.6	–2.1	–8.1	2.4	–5.7
Of which recognized in profit and loss	–3.6	0.8	–2.8	–28.9	7.9	–21.0
Share of cash flow hedge in associates accounted for using the equity method	2.1	–	2.1	–3.1	–	–3.1
Non-controlling interests	–	–	–	–1.1	–	–1.1
Income and expenses recognized in equity	4.7	0.3	5.0	–25.8	2.4	–23.4
Total income and expenses reported			132.5			412.2
Of which						
Attributable to Wacker Chemie AG shareholders			130.2			412.8
Attributable to non-controlling interests			2.3			–0.6

T 3.3 July to September

€ million	2012			2011		
	Before taxes	Deferred taxes		Before taxes	Deferred taxes	
Net income for the period			26.9			124.9
Difference from foreign currency translation adjustments	–18.7	–	–18.7	19.3	–	19.3
Changes in market values of the securities available for sale	0.6	–0.2	0.4	0.1	–	0.1
Changes in market values of derivative financial instruments (cash flow hedge)	14.5	–4.1	10.4	–54.8	14.9	–39.9
Of which recognized in profit and loss	2.9	–1.0	1.9	–13.5	3.7	–9.8
Share of cash flow hedge in associates accounted for using the equity method	1.9	–	1.9	–4.7	–	–4.7
Non-controlling interests	0.2	–	0.2	0.6	–	0.6
Income and expenses recognized in equity	–1.5	–4.3	–5.8	–39.5	14.9	–24.6
Total income and expenses reported			21.1			100.3
Of which						
Attributable to Wacker Chemie AG shareholders			18.9			99.0
Attributable to non-controlling interests			2.2			1.3

Consolidated Statement of Financial Position

As of September 30, 2012

T 3.4 Assets

€ million	Sept. 30, 2012	Sept. 30, 2011	Change in %	Dec. 31, 2011	Change in %
Intangible assets	26.6	29.2	−8.9	30.2	−11.9
Property, plant and equipment	3,802.8	3,328.7	14.2	3,500.5	8.6
Investment property	1.5	1.5	–	1.5	–
Investments in joint ventures and associates accounted for using the equity method	121.2	93.6	29.5	124.5	−2.7
Financial assets	180.8	118.7	52.3	141.0	28.2
Noncurrent securities	95.6	136.4	−29.9	162.5	−41.2
Other assets	13.4	21.7	−38.2	13.3	0.8
Tax receivables	21.3	11.0	93.6	10.9	95.4
Deferred tax assets	13.4	15.6	−14.1	11.6	15.5
Noncurrent assets	4,276.6	3,756.4	13.8	3,996.0	7.0
Inventories	756.9	659.0	14.9	713.7	6.1
Trade receivables	672.1	689.9	−2.6	566.1	18.7
Other assets	130.3	154.3	−15.6	132.8	−1.9
Tax assets	57.0	45.4	25.6	117.3	−51.4
Current securities	201.7	208.9	−3.4	237.2	−15.0
Cash and cash equivalents	468.8	611.8	−23.4	473.9	−1.1
Current assets	2,286.8	2,369.3	−3.5	2,241.0	2.0
Total assets	6,563.4	6,125.7	7.1	6,237.0	5.2

T 3.5 Equity and Liabilities

€ million	Sept. 30, 2012	Sept. 30, 2011	Change in %	Dec. 31, 2011	Change in %
Subscribed capital of Wacker Chemie AG	260.8	260.8	–	260.8	–
Capital reserves of Wacker Chemie AG	157.4	157.4	–	157.4	–
Treasury shares	–45.1	–45.1	–	–45.1	–
Retained earnings	2,232.3	2,298.9	–2.9	2,216.4	0.7
Other equity items	18.9	3.9	>100	13.9	36.0
Equity attributable to Wacker Chemie AG shareholders	2,624.3	2,675.9	–1.9	2,603.4	0.8
Non-controlling interests	27.2	23.0	18.3	26.3	3.4
Equity	2,651.5	2,698.9	–1.8	2,629.7	0.8
Provisions for pensions	558.6	507.8	10.0	527.1	6.0
Other provisions	217.2	184.7	17.6	193.9	12.0
Tax provisions	68.8	58.6	17.4	61.3	12.2
Deferred tax liabilities	19.9	39.0	–49.0	33.8	–41.1
Financial liabilities	911.2	441.7	>100	662.1	37.6
Other liabilities	874.7	1,067.8	–18.1	1,007.8	–13.2
Noncurrent liabilities	2,650.4	2,299.6	15.3	2,486.0	6.6
Other provisions	149.1	150.5	–0.9	114.7	30.0
Tax provisions	23.7	21.5	10.2	7.2	>100
Tax liabilities	16.8	15.2	10.5	22.7	–26.0
Financial liabilities	266.2	151.4	75.8	115.8	>100
Trade payables	401.8	380.4	5.6	402.6	–0.2
Other liabilities	403.9	408.2	–1.1	458.3	–11.9
Current liabilities	1,261.5	1,127.2	11.9	1,121.3	12.5
Liabilities	3,911.9	3,426.8	14.2	3,607.3	8.4
Total equity and liabilities	6,563.4	6,125.7	7.1	6,237.0	5.2

Consolidated Statement of Cash Flows

January 1 through September 30, 2012

T 3.6 Consolidated Statement of Cash Flows

€ million	Q3 2012	Q3 2011	Change in %	9M 2012	9M 2011	Change in %
Net income for the period	26.9	124.9	–78.5	127.5	435.6	–70.7
Depreciation/appreciation of noncurrent assets	133.6	120.4	11.0	393.2	335.2	17.3
Changes in provisions	14.3	17.4	–17.8	117.7	41.8	>100
Changes in deferred taxes	2.6	2.4	8.3	–14.9	3.1	n.a.
Changes in inventories	–20.3	–45.8	–55.7	–55.2	–136.6	–59.6
Changes in trade receivables	2.5	7.4	–66.2	–118.8	–87.0	36.6
Changes in other assets	3.6	21.8	–83.5	37.8	43.7	–13.5
Changes in advance payments made and received	–7.2	11.3	n.a.	–73.2	226.6	n.a.
Changes in other liabilities	–0.9	49.5	n.a.	–69.3	20.8	n.a.
Changes from equity accounting	1.0	–1.4	n.a.	7.6	14.2	–46.5
Other non-cash expenses, income and other items	2.3	–11.0	n.a.	14.7	–12.1	n.a.
Cash flow from operating activities (gross cash flow)	158.4	296.9	–46.6	367.1	885.3	–58.5
Cash receipts and payments for investments	–266.2	–237.5	12.1	–755.4	–592.0	27.6
Proceeds from the disposal of noncurrent assets	1.8	0.4	>100	3.8	1.1	>100
Cash flow from noncurrent investment activities before securities	–264.4	–237.1	11.5	–751.6	–590.9	27.2
Payments for acquisitions/disposal of securities	–1.3	–11.7	–88.9	88.2	–93.1	n.a.
Cash flow from investment activities	–265.7	–248.8	6.8	–663.4	–684.0	–3.0
Distribution of profit from prior-year net income	0.0	–1.1	–100.0	–110.7	–160.1	–30.9
Changes in financial liabilities	74.8	–2.1	n.a.	401.1	23.9	>100
Cash flow from financing activities	74.8	–3.2	n.a.	290.4	–136.2	n.a.
Changes due to exchange-rate fluctuations	–0.8	4.8	n.a.	0.8	1.5	–46.7
Changes in cash and cash equivalents	–33.3	49.7	n.a.	–5.1	66.6	n.a.
At the beginning of the period	502.1	562.1	–10.7	473.9	545.2	–13.1
At the end of the period	468.8	611.8	–23.4	468.8	611.8	–23.4
Additional information						
Additions from finance leases	–	–25.3	–100.0	–	–26.7	–100.0

Consolidated Statement of Changes in Equity & Reconciliation of Other Equity Items

January 1 through September 30, 2012

T 3.7 Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Treasury shares	Retained earnings	Other equity items	Total	Non-controlling interests	Total
Jan. 1, 2011	260.8	157.4	−45.1	2,022.8	26.2	2,422.1	24.7	2,446.8
Net income for the period	–	–	–	435.1	–	435.1	0.5	435.6
Dividends paid	–	–	–	−159.0	–	−159.0	−1.1	−160.1
Income and expenses recognized in equity	–	–	–	–	−22.3	−22.3	−1.1	−23.4
Sept. 30, 2011	260.8	157.4	−45.1	2,298.9	3.9	2,675.9	23.0	2,698.9
Jan. 1, 2012	260.8	157.4	−45.1	2,216.4	13.9	2,603.4	26.3	2,629.7
Net income for the period	–	–	–	125.2	–	125.2	2.3	127.5
Dividends paid	–	–	–	−109.3	–	−109.3	−1.4	−110.7
Income and expenses recognized in equity	–	–	–	–	5.0	5.0	–	5.0
Sept. 30, 2012	260.8	157.4	−45.1	2,232.3	18.9	2,624.3	27.2	2,651.5

T 3.8 Reconciliation of Other Equity Items

€ million	Changes in market values of securities available for sale	Difference from foreign currency translation adjustments	Changes in market values of derivative financial instruments (cash flow hedge)	Total (excluding non-controlling interests)
Jan. 1, 2011	0.5	7.5	18.2	26.2
Additions	0.2	–	−4.6	−4.4
Other changes	–	–	16.8	16.8
Reclassification in the statement of income	–	–	−21.0	−21.0
Changes in exchange rates	–	−13.7	–	−13.7
Sept. 30, 2011	0.7	−6.2	9.4	3.9
Jan. 1, 2012	0.9	16.8	−3.8	13.9
Additions	0.7	–	3.6	4.3
Other changes	–	–	−0.8	−0.8
Reclassification in the statement of income	–	–	−2.8	−2.8
Changes in exchange rates	–	4.3	–	4.3
Sept. 30, 2012	1.6	21.1	−3.8	18.9

Notes

January 1 through September 30, 2012

Accounting and Valuation Methods

The interim consolidated financial statements of Wacker Chemie AG as of September 30, 2012 have been prepared in accordance with Section 37x WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act") and with the rules of International Accounting Standard (IAS) 34 as applicable in the European Union, and are presented in condensed form, maintaining unchanged the accounting and valuation methods applied in fiscal 2011. The interim Group management report has been prepared in compliance with the applicable requirements of the WpHG. New accounting standards were introduced in 2012, but they had no substantial impact on WACKER's accounting and valuation methods.

The preparation of the interim financial statements necessitates assumptions and estimates affecting the amounts and the reporting of the recognized assets and debts, income and expenses, and contingencies. All assumptions and estimates are based on projections that were valid on the reporting date. The actual values may differ from the assumptions and estimates made if the economic conditions referred to do not develop in line with the expectations as per the reporting date. Taxes are calculated using the same methods as at year-end, by determining the tax expenses as of the interim reporting date. The option pursuant to IAS 34 of making an estimate is not exercised.

At the beginning of fiscal 2012, WACKER shortened the useful lives of polysilicon-plant infrastructure and technical facilities due to the altered polysilicon-market situation. Owing to that market situation, future technological developments will necessitate a new set-up for existing structures. In accounting terms, this concerns a change in estimates that do not necessitate modification of preceding years. In the period from January through September, shorter useful lives led to an increase in depreciation of €21 million. For the years to follow, WACKER expects additional depreciation of some €28 million annually on currently operational production-facility plant and equipment.

As an information tool, interim financial reporting builds on the consolidated financial statements at year-end. The accounting, valuation and consolidation methods used and the exercising of options envisaged in IFRS are explained in detail there. We refer to the Notes as of December 31, 2011 for further explanations.

As of September 30, 2012, there were no changes in the legal corporate and organizational structures as portrayed in the 2011 Annual Report. There were no disclosure obligations in the interim period in respect of any misinterpretations in previous reporting periods.

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. It is registered at the Munich District Court (Amtsgericht) under HRB 159705.

Seasonal Influences

Sales of polymer and silicone products to the construction industry are subject to seasonal fluctuations over the year. Because of the weather, volumes are higher in the summer months than in the winter, when the construction industry's order books are low. This effect can be cushioned by overseas business. Sales, particularly for the WACKER POLYMERS segment, are usually lower in Q1 and Q4 than in Q2 and Q3. Another area of business that is exposed to seasonal variation is road salt, which depends very much on the severity of winter weather in the first and fourth quarters.

Other Financial Obligations

We refer to the consolidated financial statements as of December 31, 2011, with regard to the disclosures on other financial obligations.

WACKER secured its long-term supply of ethylene – a raw material – via a further long-term supply contract in Q1 2012. The contract starts in 2015 and follows up on existing contracts. It contains commitments to purchase minimum quantities amounting to some €100 million per year.

In Q2 2012, WACKER provided a guarantee of €47.7 million until December 1, 2013, for a bank liability for its joint venture with Samsung.

New Accounting Standards

The following standards and interpretations of the IASB are to be applied for the first time in the first nine months of 2012:

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

The following standards were approved by the IASB between 2009 and 2012, but their application was not yet mandatory for the period under review.

Standard/Interpretation		Publication by IASB	Mandatory from	Endorsed by EU	Anticipated Impact on WACKER
IFRS 9	Financial Instruments	Nov. 12, 2009	Jan. 1, 2015	Postponed	In the future, financial assets will be measured either at amortized cost or at fair value, depending on the business model of the company in question. At the moment, WACKER cannot conclusively assess what impacts the first-time application of this standard will have, should it be endorsed by the EU in its current form.
IFRS 10	Consolidated Financial Statements	May 12, 2011	Jan. 1, 2013	Expected in Q4 2012[1]	IFRS 10 changes the definition of "control" so that the same criteria are applied to all companies in determining control. The standard replaces the consolidation guidelines in the previous IAS 27 and SIC 12. The new rules may lead to major changes in the scope of consolidation compared with the previous determination of the Group pursuant to IAS 27. WACKER is currently of the opinion that application of the revised standard will have no influence on the current determination of the scope of consolidation.

[1] EU expected to postpone first-time application until Jan. 1, 2014.

Standard/Interpretation		Publication by IASB	Mandatory from	Endorsed by EU	Anticipated Impact on WACKER
IFRS 11	Joint Arrangements	May 12, 2011	Jan. 1, 2013	Expected in Q4 2012[1]	IFRS 11 regulates the accounting of arrangements where a company exercises joint control over a joint venture or a joint operation. The standard replaces IAS 31. In the future, joint ventures will be accounted for by exclusively using the equity method. The option of proportionate consolidation has been abolished. The abolition of proportionate consolidation has no impact on WACKER's earnings, net assets and financial position because WACKER already accounts for joint ventures using the equity method. WACKER is currently investigating the other effects of IFRS 11, including in respect of joint operations.
IFRS 12	Disclosure of Interests in Other Entities	May 12, 2011	Jan. 1, 2013	Expected in Q4 2012[1]	IFRS 12 regulates the disclosures in the consolidated financial statements that enable users to assess the nature, risk and financial effects of the entity's involvement in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Application of the revised standard will lead to a substantial broadening of the disclosures in WACKER's consolidated financial statements.
IFRS 13	Fair Value Measurement	May 12, 2011	Jan. 1, 2013	Expected in Q4 2012	IFRS 13 describes how fair value is to be measured and extends the disclosures on fair value. Application of the new method of determining fair value will be relevant to all areas of WACKER's consolidated financial statements in which fair values are determined. WACKER does not expect the new approach to have any substantial impact on its earnings, net assets and financial position. The disclosure obligations in the consolidated financial statements will increase.
IAS 27	Separate Financial Statements	May 12, 2011	Jan. 1, 2013	Expected in Q4 2012[1]	In the future, IAS 27 will deal only with separate financial statements. The existing guidelines for separate financial statements remain unchanged. The application of the revised standard will have no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
IAS 28	Investments in Associates	May 12, 2011	Jan. 1, 2013	Expected in Q4 2012[1]	IAS 28 now also regulates the accounting of joint ventures using the equity method. The application of the revised standard will have no substantial impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
Amendments to IFRS 1 for First-time Adopters	Severe Hyperinflation and Removal of Fixed Dates	Dec. 20, 2010	July 1, 2011	Expected in Q4 2012	The amendment replaces the existing references to the date of January 1, 2004, with a reference to the timing of the transition to IFRS. This amendment also includes rules for those cases in which hyperinflation makes it impossible for an entity to comply with all IFRS stipulations. Its application will have no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	Dec. 20, 2010	Jan. 1, 2012	Expected in Q4 2012	The amendment contains a partial clarification on the treatment of temporary taxable differences from IAS 40's fair value model. Investment property often makes it difficult to assess whether existing differences are recovered as part of continuing use or in the wake of a sale. The amendment therefore generally makes it necessary to presume recovery due to a sale. Its application will have no substantial impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements. WACKER measures its investment property exclusively at amortized cost.
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	June 16, 2011	July 1, 2012	June 5, 2012	The application of the revised standard will have no impact on WACKER's earnings, net assets and financial position. The presentation in WACKER's financial statements of items of other comprehensive income will be enhanced.

[1] EU expected to postpone first-time application until Jan. 1, 2014.

Standard/Interpretation		Publication by IASB	Mandatory from	Endorsed by EU	Anticipated Impact on WACKER
Amendments to IAS 19	Employee Benefits	June 16, 2011	Jan. 1, 2013	June 5, 2012	The amendments to IAS 19 will affect the recognition and measurement of the expense for defined benefit pension plans and termination benefits. They will also result in wider disclosure requirements regarding employee benefits. The option of accounting for actuarial gains and losses using the corridor method is eliminated. In the future, these impacts will be recognized immediately in "other comprehensive income." Additionally, the return on plan assets is no longer to be recognized based on the expected interest rate but on the discount rate. Because WACKER currently applies the corridor method, this change is expected to result in a substantial increase in pension provisions when adopted for the first time, which in turn will reduce the Group's equity. Such recognition within other comprehensive income of variations in actuarial gains and losses will lead to more volatility in equity in the future.
Amendments to IFRS 7	Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2013	Expected in Q4 2012	These amendments to IFRS 7 extend the disclosure requirements regarding the netting of financial assets and financial liabilities. The added disclosure requirements will have an impact on the presentation of the financial statements.
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Dec. 16, 2011	Jan. 1, 2015	Postponed	The amendments postpone the effective date of IFRS 9 and provide for additional disclosure requirements. Because WACKER cannot yet assess what impacts the first-time application of IFRS 9 will have, it is also not yet possible to evaluate the potential impact of these amendments to IFRS 9 and IFRS 7.
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Expected in Q4 2012	This amendment to IAS 32 clarifies requirements for offsetting of financial instruments. Application of the revised standard will have no substantial impact on WACKER's earnings, net assets and financial position.
Amendments to IFRS 1 for First-time Adopters	Government Loans	March 13, 2012	Jan. 1, 2013	Expected in Q1 2013	This change provides first-time IFRS adopters with the same relief in terms of the accounting of government loans as for existing adopters. Its application will have no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Oct. 19, 2011	Jan. 1, 2013	Expected in Q4 2012	IFRIC 20 regulates the accounting treatment of the cost of removing waste from a surface mine. In the absence of relevant circumstances, the interpretation has no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
Improvements to IFRS (2009–2011)		May 17, 2012	Jan. 1, 2013	Expected in Q1 2013	Amendments affect IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34; the changes have no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.
Transition Guidance	Amendments to IFRS 10, IFRS 11 and IFRS 12	June 28, 2012	Jan. 1, 2013	Expected in Q1 2013	The purpose of the amendments is to clarify the transition guidelines in IFRS 10. Additionally, the changes facilitate the transition to IFRS 10, IFRS 11 and IFRS 12. Application of the changes will have no impact on WACKER's earnings, net assets and financial position, or on the presentation of its financial statements.

Changes in the Scope of Consolidation

As of September 30, 2012, the scope of consolidation comprises 55 companies, including Wacker Chemie AG, and a special-purpose entity, of which 50 have been fully consolidated in the interim financial statements. Effective June 30, 2012, one small company is not recognized using the equity method any more, but as an investment as per IAS 39, since WACKER no longer exercises significant influence. This positively impacted WACKER's earnings, net assets and financial position by €2.5 million.

Segment Reporting

Please refer to the interim management report for information required on segment reporting.

Related Party Disclosures

IAS 24 stipulates that parties which control, or are controlled by, Wacker Chemie AG must be disclosed unless they are already included in Wacker Chemie AG's consolidated financial statements as a consolidated company. Control in this sense is held to apply when a shareholder has more than half of the voting rights in Wacker Chemie AG or, by virtue of the Articles of Association or contractual arrangements, has the possibility of controlling the financial and business policy of the WACKER Group's Executive Board.

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

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

Provision of services between Wacker Chemie AG and its majority shareholder Dr. Alexander Wacker Familiengesellschaft mbH, as well as with the shareholders of Dr. Alexander Wacker Familiengesellschaft mbH and their close family members, is of subordinate importance, 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.

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 property on which it stands, from a subsidiary of Pensionskasse der Wacker Chemie VVaG. Overall, expenditures in the first nine months of 2012 amounted to €29.3 million (9M 2011: €18.5 million). As of September 30, 2012, WACKER had outstanding receivables from the pension fund of €9.2 million (Dec. 31, 2011: €35.2 million).

Furthermore, WACKER Group companies have not conducted any significant transactions whatsoever 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.

On March 21, 2012, BlackRock Hodco 2, Inc. (Wilmington, DE, USA) and BlackRock Financial Management, Inc. (New York, USA) announced that their holdings of Wacker Chemie AG shares with voting rights slightly exceeded the 3-percent threshold on March 15, 2012.

On April 3, 2012, BlackRock, Inc. (New York, USA), BlackRock Financial Management, Inc. (New York, USA) and BlackRock Hodco 2, Inc. (Wilmington, DE, USA) announced that their holdings of Wacker Chemie AG shares with voting rights dropped to just under the 3-percent threshold on March 27, 2012. Further detailed information has been published in the German register of companies (www.unternehmensregister.de).

Business with non-consolidated subsidiaries, the pension fund and joint ventures and associated companies is carried out on conditions that are customary between outside third parties. For joint-venture and associated-company product shipments, contractually agreed transfer-price formulas have been defined that include, for instance, start-up costs and financing elements.

The following table shows the volume of trade receivables with the above-mentioned related parties:

T 4.1 Related Party Disclosures

€ million				2012				2011
	9M 2012		Sept. 30, 2012		9M 2011		Dec. 31, 2011	
	Income	Expenses	Receivables	Liabilities	Income	Expenses	Receivables	Liabilities
Associated companies	3.5	89.9	4.8	20.3	2.3	73.4	16.5	6.0
Joint ventures	67.9	43.9	22.8	5.2	51.1	30.2	14.9	5.2
Other	–	–	–	0.1	–	–	–	0.3

In addition, €167.2 million was loaned to associated companies and joint ventures (Dec. 31, 2011: €130.0 million). The loans contain capitalized interest income for the fiscal year of €4.0 million (Dec. 31, 2011: €3.7 million). For further information, please refer to the consolidated financial statements of Wacker Chemie AG as of December 31, 2011.

Exchange Rates

During the reporting period and the previous year, the following euro/us dollar, euro/Japanese yen, euro/Singapore dollar and euro/Chinese renminbi exchange rates were used for translating foreign currency items and for the financial statements of companies that have the above currencies as their functional currency:

T 4.2 Exchange Rates

	Exchange rate as of			Average exchange rate	
	Sept. 30, 2012	Sept. 30, 2011	Dec. 31, 2011	**Q3 2012**	Q3 2011
USD	**1.29**	1.35	1.29	**1.25**	1.41
JPY	**100.30**	103.73	100.30	**98.23**	109.77
SGD	**1.58**	1.75	1.68	**1.56**	1.73
CNY	**8.13**	8.64	8.13	**7.94**	9.06

Major Events during the Reporting Period

Events during the reporting period that are considered significant in terms of impact, nature and frequency are described in the interim management report.

Events after the Balance Sheet Date

No material events occurred between the balance sheet date and the publication of this Interim Report.

Munich, October 24, 2012
Wacker Chemie AG's Executive Board

Rudolf Staudigl **Wilhelm Sittenthaler**

Joachim Rauhut **Auguste Willems**

Responsibility Statement

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

Munich, October 24, 2012
Wacker Chemie AG's Executive Board

Rudolf Staudigl **Wilhelm Sittenthaler**

Joachim Rauhut **Auguste Willems**

List of Tables and Figures

WACKER Stock

Interim Group Management Report

Condensed Interim Financial Statements

Notes

2013 Financial Calendar

March 14
Publication of the 2012 Annual Report

April 30
Interim Report on the 1st Quarter of 2013

May 8
Annual Shareholders' Meeting

July 30
Interim Report on the 2nd Quarter of 2013

Oct. 31
Interim Report on the 3rd Quarter of 2013

Contacts

Investor Relations
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Due to rounding, numbers presented throughout this and other reports may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

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