/Q3

WACKER

Wacker Chemie AG

Interim Report
January – September 2010

/ WACKER achieves new sales record of €1.27 billion thanks to strong and sustained customer demand in Q3 2010

/ Earnings before interest, taxes, depreciation and amortization grow by 85 percent to €340 million in third quarter

/ Q3 net income rises to €156 million

/ Net cash flow of €192 million more than double the prior-year figure

/ Consolidated sales for 2010 expected to be well above €4.6 billion, with EBITDA to exceed €1.1 billion

/ **Cover:** Producing VINNEX® polymeric binders at WACKER's Burghausen site.

WACKER at a Glance

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
Sales	1,269.5	986.5	28.7	3,538.5	2,784.5	27.1
EBITDA[1]	340.0	184.0	84.8	902.3	511.9	76.3
EBITDA margin[2] (%)	26.8	18.7	43.3	25.5	18.4	38.6
EBIT[3]	234.3	82.9	>100	592.7	87.4	>100
EBIT margin[2] (%)	18.5	8.4	>100	16.8	3.1	>100
Financial result	−11.7	−6.6	77.3	−24.0	−20.0	20.0
Income before taxes	222.6	76.3	>100	568.7	67.4	>100
Net income for the period	155.8	35.9	>100	397.1	−33.1	n. a.
Earnings per share (€)	3.13	0.68	>100	7.98	−0.62	n. a.
Investments (including financial assets)	215.5	171.8	25.4	454.7	542.9	−16.2
Of which investments in acquisitions	66.1	–	n. a.	66.1	–	n. a.
Net cash flow[4]	192.4	92.7	>100	302.5	53.4	>100

€ million	Sept. 30, 2010	Sept. 30, 2009	Dec. 31, 2009
Equity	2,341.6	1,984.7	1,942.4
Financial liabilities	470.1	517.9	439.7
Net financial liabilities[5]	−152.0	50.2	76.1
Total assets	5,233.0	4,734.4	4,541.9
Employees (number at end of period)	16,184	15,685	15,618

[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 and noncurrent investment activities
[5] Sum of liquidity and noncurrent and current financial liabilities

Interim Report
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Plastics from renewable raw materials are on the rise. Unlike traditional polymers based on crude oil, renewable raw materials are potentially available in unlimited quantities, making them particularly sustainable. And as they are biodegradable materials, they are good for the environment. However, certain unsatisfactory material properties of biopolymers have so far limited their widespread use. But now, by adding VINNEX® as binder, WACKER developers have succeeded in creating blends with qualities similar to conventional fossil-based thermoplastics.

Biopolymers: From Grain to Plastics

Year after year, Mother Nature provides us with some 170 billion metric tons of plant biomass in the form of starch, sugar, cellulose, fats and oils. These natural products already make up some 10 percent of the chemical industry's raw material base – and that figure is rising. What makes polymers from renewable raw materials so attractive is that they are not based on crude oil. They have been synthesized by Nature – in a process optimized over millions of years of evolution.

A major challenge facing the chemical industry in the decades ahead is how to become more independent of dwindling and increasingly expensive oil supplies. In many cases, polymers based on renewable resources may represent a sustainable alternative to petrochemicals, while at the same time helping to reduce industry's carbon dioxide emissions. Some 270 million metric tons of conventional plastics were manufactured in 2008 according to a study by the Copernicus Institute for Sustainable Development and Innovation at the University of Utrecht. Its authors Li Shen, Juliane Haufe and Martin K. Patel estimate that 90 percent of this amount can be substituted by bio-based plastics in the long term.

Mixing VINNEX® with cereal flour or starch produces a bio-based polymer in a quality comparable to conventional fossil-based plastics.

But if biopolymers are to compete with conventional hydrocarbon-based products, they must have comparable handling and processing characteristics. This has so far been a major problem. While there are no fundamental difficulties in processing pure starch into film, the latter has been poorly received by the market because of its inferior quality. "Virtually no pure biopolymers have processing characteristics comparable to standard thermoplastics," says Karl Weber, WACKER's global market manager for biopolymers. "They are fairly sensitive and processors must keep rigorously to a narrow temperature window. That can greatly reduce processing speed."

An elegant solution to the problem is provided by so-called “polymer blends,” with renewable raw material (at least 65 percent) as the main component. To this is added WACKER’s vinyl-acetate-based binder VINNEX® – typically in an amount between 5 and 30 percent. These mixtures can then be processed like conventional thermoplastics – by injection molding, extrusion, vacuum forming, thermoforming or calendering.

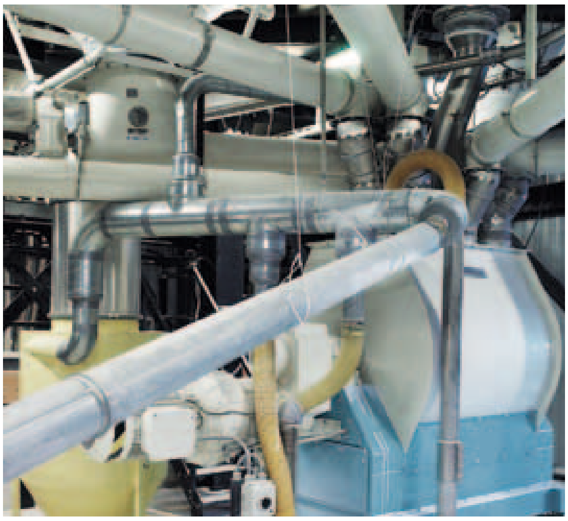
Lab tests reveal the material and processing properties of different polymer blends. Karl Weber, global market manager for biopolymers, is in charge of marketing VINNEX® in innovative polymer systems.

“Polymer blends are a unique class of materials,” points out WACKER expert Karl Weber. “Their properties can be fine tuned and made to resemble various synthetic polymers as required. Moreover, polymer blends can also be formulated for processing on conventional thermoplastic equipment.” That is particularly good news for plastics processors, since they don’t have to retool their existing machinery.

Blends of renewable raw materials and synthetic polymers are a growth market. WACKER expects strong, double-digit annual increases here because the new biopolymers are not only advantageous for industry, but also for end users and the environment. They are biodegradable. Studies have shown that VINNEX®, in these blends, will break down within 180 days under industrial composting conditions.

Application fields are varied. The first tangible biopolymer projects for which WACKER is marketing its VINNEX® binder include injection moldings and thermoformed parts (such as plant pots or clips to hold up tomato plants), adhesives and greenhouse coatings. “Greenhouses are shaded in summer by applying a milky coating, which is then washed off at the end of the season. It must be biodegradable and compatible with the soil,” explains Weber.

The biological raw material starch is manufactured from flour, from which proteins and fats have already been removed in an earlier process step. “We wanted to find out whether we could use flour unmodified, without converting it to starch,” says Robert Tangelder, Business Development manager at WACKER. But it was not possible to produce a material with satisfactory properties by combining flour and polylactic acid (PLA) on their own. The use of VINNEX®, in contrast, yielded a polymer with an excellent property profile. “Flour is also a better material in terms of its carbon footprint, because the manufacturing process has fewer steps and therefore uses less energy,” adds Tangelder.

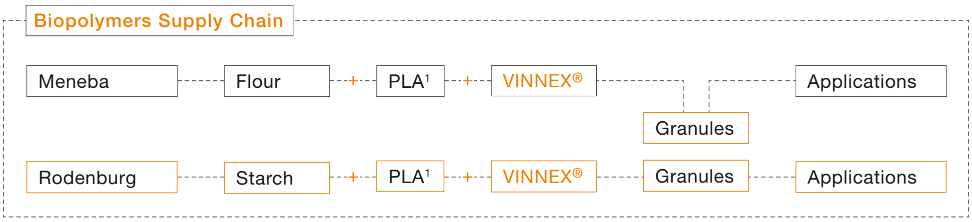


Headquartered in Oosterhout (Netherlands), Rodenburg Biopolymers manufactures granules based on starch and flour. The company’s founder, Aaik Rodenburg, has spent the last twelve years devising a way to allow biopolymers to be processed by thermoplastic techniques.

“The idea of using flour as a raw material for biopolymers is new and innovative,” says Arthur van der Meijden, Business Development manager at Meneba. The Rotterdam-based company is a grain specialist whose reputation extends beyond the Netherlands. Meneba produces a total of 1.3 million metric tons per year, and was looking for alternative application areas for its natural product. “We were pleasantly surprised to learn that a product consisting primarily of flour, when combined with VINNEX® and PLA, results in a functional system with a considerably more sustainable carbon footprint than either starch or PLA materials,” says van der Meijden. He also notes that the resulting products are less brittle than PLA-based polymers. Researchers from WACKER and Meneba have submitted a joint patent application for polymer blends based on VINNEX® and flour. WACKER holds its own separate patents for starch-modified polymers.

German-Dutch collaboration did not end with the development of a flour-polymer blend. As a grain specialist, Meneba does not have its own compounding facilities, which meant cooperating with Rodenburg Biopolymers, a Dutch manufacturer of starch-based polymers. Meneba has now developed a FlourPlast® premix – a modular system consisting of a soft and a hard component.

Customers can vary the premix-to-PLA blending ratio to tailor the properties of their bio-based polymers themselves. These blends are available as granules suitable for processing by most conventional thermoplastic methods, such as film blowing, injection molding, thermoforming and extrusion.



[1] Polylactic acid

Starch and flour will not be in competition, however. On the contrary, starch and flour have been found to result in two complementary systems: starch, for instance, is relatively difficult to process, but is odorless and light in color, whereas flour products have a slight authentic grain-based odor and are off-white in color. “We’re currently running tests with our clients. The first products to come out of this are shopping bags for consumers and disposable plastic trays for the catering industry,” says van der Meijden.

Rodenburg Biopolymers, in turn, has a history with bio-based plastics: the company began working with Wageningen University back in 1998 to study the possibility of adding components to starch-based polymers to allow them to be processed by thermoplastic techniques. “We studied a variety of materials, but didn’t come up with any satisfying solutions,” recalls Aaik Rodenburg, CEO and founder of Oosterhout-based Rodenburg Biopolymers. “With materials from WACKER, it suddenly worked.” Rodenburg Biopolymers has already begun compounding granules based on starch and flour. It also manufactures products by injection molding and thermoforming, and has launched starch-based granules under the trade name Solanyl®. Certain properties are quite similar to those of polystyrene, says the Rodenburg CEO. “VINNEX® was the breakthrough.”

Polymer granules can be used, for example, to make biodegradable clips to hold up tomato plants.

Report on the 3rd Quarter of 2010

July to September 2010

Dear Shareholders,

The WACKER Group has shaken off the effects of the world economic and financial crisis much faster than anticipated at the start of the year. In Q3 2010, business continued to expand significantly. Both sales and earnings reached new peaks.

Three main factors supported this growth. Polysilicon production capacities soared above last year's level. Robust summer demand defied the usual seasonal slowdown, particularly at our silicones and polymers businesses. And our semiconductors business, Siltronic, achieved higher prices.

WACKER's divisions profited from the economic rebound and from accelerating demand for our products and services in every major market. Our strong Q3 figures were also supported by our efforts throughout the crisis to enhance our operational performance and competitiveness. We began investing in high-growth markets and products early on, and pursued this strategy during the crisis. We expanded our capacities, optimized our structures, and aligned our processes even more closely with customer needs. Today, our strategy is paying off.

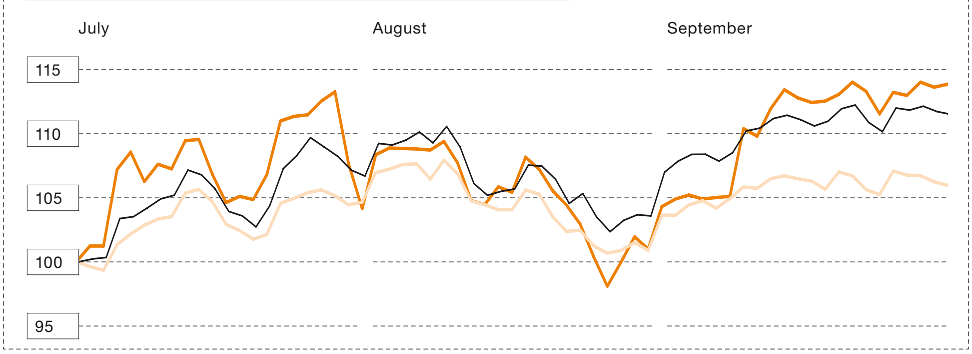
There is no doubt that 2010 will be the best year in the company's history. It is not yet clear, though, how much the world economy will expand next year. Currently, we see no signs of an economic downturn ahead that could hold back our operations. But we will continue to observe the market closely, especially raw-material and energy prices. Next year, we will keep WACKER on its steady course.

Munich, November 4, 2010
Wacker Chemie AG's Executive Board

WACKER Stock

At the beginning of 2010, Greece's sovereign debt crisis and concerns about the euro's stability negatively impacted stock markets. The general downward trend of the first two months was reflected in WACKER's share price. From €121.40 at the start of the year, it dropped to €87.47 by the end of February. At the beginning of Q2, however, it made clear gains in line with the general market trend. Interrupted in mid-May by a brief consolidation phase, its upward trend continued in the third quarter. With its final September 30 quote of €135.35, WACKER's share price outperformed the German DAX and MDAX indices in Q3 2010.

WACKER Share Performance in Q3 2010 (indexed to 100)[1]



WACKER[1] DAX30 MDAX [1] 100 = €117.95 (opening price on July 1, 2010)

Along with the general market recovery, the July-through-September share-price increase was mainly the result of the Group's good performance. On June 30, 2010, WACKER had reported a new Q2 sales record, and much stronger earnings compared to the year-earlier period and the preceding quarter of 2010. This growth – which continued in Q3 – was primarily driven by a sharp rise in sales volumes. Customer demand remained robust, particularly in construction (a key WACKER market), and the photovoltaics market also developed better than the experts had anticipated at the start of the year. Hyperpure polysilicon for solar cells was in strong demand. As a result, market prices not only remained stable, but actually edged up during the first nine months of the year.

Facts & Figures on WACKER Stock

€	Q3 2010	9M 2010
High	135.55	135.55
Low	115.55	87.47
Closing price (Sept. 30, 2010)	135.35	135.35
Average daily trading volume in shares/day (XETRA)	167,398	214,949
Market capitalization at the start of the reporting period (billion) (based on shares outstanding)	5.9	6.0
Market capitalization at the end of the reporting period (billion) (based on shares outstanding)	6.7	6.7
Earnings per share	3.13	7.98

Please refer to the 2009 Annual Report (pages 43 to 48) and the internet (www.wacker.com/investor-relations) for more details about WACKER's stock (e. g. shareholder structure, brokers and investment firms that monitor and rate WACKER, and investor and analyst events held or attended by WACKER).

Interim Group Management Report

Overall Economic Situation:
World Economy Remains on Growth Course but Is Losing Momentum

In the second half of 2010, the world economy has continued on its growth course. After the dynamic pace of previous months, though, the upswing is slowing. The growth drivers in developing and emerging economies remain strong. Advanced economies, however, are experiencing rather subdued growth. These regional differences are likely to continue beyond the turn of the year (2010/2011).

In its current forecast, the International Monetary Fund (IMF) expects global economic output to expand by 4.8 percent in 2010 and 4.2 percent in 2011.[1] In 2010's first half, global growth exceeded 5 percent according to the IMF. Full-year IMF world projections foresee emerging and developing countries expanding at rates of 7.1 percent (2010) and 6.4 percent (2011). In advanced economies, it anticipates 2.7 percent (2010) and 2.2 percent (2011).

Asia continues to lead the global economic upturn. The IMF's expectations for this region are 7.9 percent GDP growth in 2010 and 6.7 percent in 2011.[1] China is profiting from its particularly buoyant domestic market. According to IMF projections, China's economy will expand by 10.5 percent in 2010 and 9.6 percent in 2011. The forecast for India is similarly upbeat with GDP growth of 9.7 percent (2010) and 8.4 percent (2011). Japan's positive trend, in contrast, is largely export led. The IMF projects real GDP growth there at 2.8 percent in 2010 and 1.5 percent in 2011.

In the USA, sluggish private consumption has meant that expansion is slackening. According to the IMF, GDP there grew 1.7 percent in Q2 2010 – a slower pace than the 3.7 percent rate seen in the first quarter. For full-year 2010, the IMF expects the US economy to expand 2.6 percent, with 2.3 percent forecast for 2011.[1]

South America's economy is recovering at a faster pace than anticipated, with the IMF now projecting growth of 5.7 percent this year and 4 percent next year.[1] Expansion in Brazil is likely to be above average at 7.5 percent (2010) and 4.1 percent (2011).

In the eurozone, the IMF expects a moderate pace of recovery. Eurozone GDP is projected to grow at 1.7 percent this year and 1.5 percent in 2011.[1] Germany's leading economic research institutes are slightly more cautious. In their autumn forecast, they anticipate eurozone growth of 1.6 percent in 2010 and 1.3 percent in 2011.[2] How much the European recovery slows depends on a combination of positive and negative factors, according to the Organisation for Economic Co-Operation and Development (OECD). Uncertainty about the labor market, for example, may constrain private consumption growth. By contrast, robust corporate profits may lead to an increase in investment.[3]

[1] International Monetary Fund, World Economic Outlook, October 2010: Recovery, Risk, and Rebalancing, Washington, October 2010
[2] Joint Economic Forecast Project Group ("Projektgruppe Gemeinschaftsdiagnose"): "Economic Upswing in Germany – Major Decisions Facing Economic Policy," Joint Economic Forecast Autumn 2010, Munich, October 12/14, 2010
[3] OECD: "What is the economic outlook for OECD countries?" An interim assessment, Paris, September 9, 2010

European growth is led by Germany. According to the latest IMF projections, German economic output will expand by 3.3 percent this year and 2.0 percent in 2011.[1] These IMF estimates broadly concur with Germany's economic research institutes, whose autumn forecast predicts growth of 3.5 percent (2010) and 2.0 percent (2011).[2] Unlike last year, the expansion is no longer driven by exports alone, but by domestic consumption, too. Although the autumn forecast says many leading indicators point to slower growth, it adds that sustained increases in new orders and upward labor-market trends suggest industry expects expansion to continue.

According to the German Chemical Industry Association (VCI), Q2 2010 saw Germany's chemical sector achieving further volume and sales growth.[3] As a result, industry plant utilization has returned to normal levels – over 85 percent. After production rose 14 percent year over year in Q2, the VCI expects some loss of momentum during the rest of the year. For the full-year, though, the VCI has not changed its projections of 11 percent growth for output and 2.5 percent for prices, compared to 2009. Chemical sales are expected to increase by 18 percent in Germany. International sales, according to the VCI, will develop better than domestic business, primarily due to strong demand in Asia and South America. The European Chemical Industry Council (CEFIC) also sees the industry on an upward path.[4] In its latest Trends Report, CEFIC says that production at European chemical companies grew by 13.2 percent in the first seven months of 2010 compared with the same period last year. Furthermore, sales in the first half of 2010 were 18.3 percent higher than in the first six months of 2009. The chemical industry's upturn is reflected in WACKER's higher plant-utilization rates. In line with this trend, WACKER posted volume and sales growth in every region.

Global demand for silicon wafers continues to develop positively reports Gartner Dataquest, the market research institute.[5] Silicon-wafer sales (by surface area sold) rose some 7 percent in Q2 2010 compared to the preceding first quarter and are expected to grow by nearly 2 percent in Q3 2010. Although Gartner expects demand to be weaker in Q4 (–3.5 percent) than in Q3, it anticipates growth of almost 39 percent for the full year compared to 2009. Gartner's analysts basically concur with SEMI (the semiconductor industry association), which forecasts sales volume growth of 39 percent for 2010.[6] Both 300 mm and 200 mm wafers will benefit from the positive climate. For 2011, Gartner Dataquest estimates volume growth at a moderate 3.2 percent and SEMI at 6 percent. The semiconductor upturn boosted Siltronic's performance in Q3 2010. Its sales revenues increased and its prices for small and medium-diameter wafers were rising.

[1] International Monetary Fund, World Economic Outlook, October 2010: Recovery, Risk, and Rebalancing, Washington, October 2010
[2] Joint Economic Forecast Project Group ("Projektgruppe Gemeinschaftsdiagnose"): "Economic Upswing in Germany – Major Decisions Facing Economic Policy," Joint Economic Forecast Autumn 2010, Munich, October 12/14, 2010
[3] VCI (German Chemical Industry Association), "Bericht zur wirtschaftlichen Lage der chemischen Industrie im 2. Quartal 2010," Frankfurt, September 2, 2010
[4] CEFIC, Chemical Trends Report, September 2010, Brussels, September 29, 2010
[5] Gartner Dataquest Market Statistics, Forecast: Semiconductor Silicon Wafers, Worldwide, 3Q10 Update, September 2010
[6] SEMI, SEMI Announces Silicon Wafer Shipment Forecast, San Jose (USA), October 6, 2010

According to UBS, the investment bank, the solar sector will expand by over 130 percent this year.[1] In its Global Solar Update, UBS estimates that newly installed PV capacity will amount to over 16 gigawatts worldwide in 2010, with Germany alone accounting for about 10 gigawatts of this total. In 2011, newly installed global PV capacity is expected to increase by a good 17 percent to over 19 gigawatts, with prices for solar wafers, cells and modules edging down (by a low one-digit percentage) for the rest of the current year. The analysts attribute the decline to the coming 13-percent reduction of feed-in tariffs in Germany, effective as of January 1, 2011. In line with the industry trend, WACKER POLYSILICON benefited from strong solar demand. During the reporting period, the division concluded a series of multi-year contracts involving advance payments by customers. It has already sold virtually all the output planned until the end of 2012.

Sales and Earnings for the WACKER Group: WACKER Achieves New Sales and Earnings Records

In Q3 2010, WACKER continued on its dynamic growth path. The Group posted record sales of €1,269.5 million in the three months from July to September, a rise of 29 percent compared to a year ago (Q3 2009: €986.5 million) and 6 percent higher than Q2 2010 (€1,202.0 million). This increase was particularly notable because third-quarter business is usually slower during the summer vacation period. But clearly not this year. In the nine months from January to September 2010, the Group's sales totaled €3,538.5 million, 27 percent above the comparable period last year (9M 2009: €2,784.5 million).

The main reason for WACKER's strong performance was the dynamic market environment and strong customer demand, which benefited every division. Sales growth primarily stemmed from higher volumes and product-mix effects (+22 percent). In all of WACKER's key markets, demand remained high during the summer months. As a result, the Group sold greater volumes than anticipated, especially of silicones and dispersible polymer powders. Hyperpure polysilicon volumes also exceeded expectations. As a whole, prices were stable, staying at the prior-year level. While silicon-wafer prices edged up year over year, average polysilicon sales revenues did not quite match the third quarter of 2009.

The euro was another positive factor. At 1.29 US dollars in Q3 2010, the average euro/dollar exchange was weaker than a year ago (Q3 2009: 1.43), which supported sales (+6 percent). WACKER invoiced approximately 33 percent (Q3 2009: 30 percent) of its consolidated sales in dollars in Q3 2010. Compared to the US dollar, other foreign currencies play a subordinate role in the Group's activities.

[1] UBS Investment Research, Global Solar Update 2010, Volume 27, September 23, 2010

Thanks to the robust demand for WACKER's products, third-quarter plant utilization remained high, especially in the chemical segments and polysilicon facilities. WACKER SILICONES' production plants were running at full capacity and WACKER POLYMERS' at almost 80 percent in Q3. WACKER's polysilicon facilities are producing at full capacity and record levels. As for Siltronic, the current equipment utilization rate averages nearly 80 percent across all wafer diameters.

Price trends for raw materials and energy diverged in the reporting period. Ethylene and methanol cost much more than last year, though they were basically stable compared with Q2 2010. Silicon metal cost less than a year ago (thanks to favorable contracts), but was more expensive than in the preceding quarter. Third-quarter electricity prices were lower year over year, while natural-gas prices appreciated considerably during the previous 12 months. Overall, WACKER spent about 10 percent more on raw materials in Q3 2010 compared to a year ago, largely due to higher production volumes.

For more information about cost-of-goods sold and other functional costs, please refer to the comments about the statement of income on pages 27 to 29 of this quarterly report.

Growth at WACKER SILICONES again at Record Level
Siltronic Boosts Quarterly Sales by 61 Percent

WACKER SILICONES generated further growth in Q3 2010. The division reported total sales of €421.3 million in the three months from July to September. This was 23 percent higher than in Q3 2009 (€343.9 million) and almost 4 percent above the record set in Q2 2010 (€406.5 million). Thanks to strong customer demand, sales volumes increased by an average of about 20 percent compared to the prior-year period. For certain products, volumes rose far more sharply, in some cases by as much as 50 percent year over year. Silicones were in equally high demand for applications in the construction, electronics, mechanical-engineering and automotive sectors. As for pyrogenic silica, the division reported new records for both sales volumes and revenues. Given these figures, third-quarter demand grew at a much faster pace than initially expected. In the first nine months of 2010, WACKER SILICONES' sales revenues totaled €1,194.8 million –31 percent above the prior-year period (9M 2009: €913.7 million).

WACKER POLYMERS increased its total third-quarter sales to €225.8 million, surpassing last year's figure by about 13 percent (Q3 2009: €200.2 million) and advancing slightly on its performance in Q2 2010 (€224.6 million). The increase was mainly fueled by higher volumes for dispersible polymer powders and dispersions. Depending on the specific product group, sales volumes rose by about 5 to 15 percent. For January through September 2010, WACKER POLYMERS posted aggregate sales of €621.1 million, over 7 percent higher than a year ago (9M 2009: €579.0 million).

In Q3 2010, WACKER BIOSOLUTIONS expanded its total sales by almost 14 percent year over year to €37.0 million (Q3 2009: €32.6 million). It did not quite reach the preceding quarter's figure, though (Q2 2010: €38.3 million). In its gumbase business, sales volumes climbed about 11 percent compared to the prior-year period. The division reported strong sales growth for cysteine, cyclodextrins and pharmaceutical proteins. In the first nine months of 2010, sales exceeded the €100 million mark. At €109.7 million, sales were 44 percent above the comparable period last year (9M 2009: €76.3 million). The decisive factor behind this development was that gumbase had still been reported within WACKER POLYMERS until the end of the first half of 2009.

At WACKER POLYSILICON, production output, sales volumes and sales revenues reached new record levels in Q3 2010. Burghausen's new Poly 8 facility (at full nominal capacity since the preceding quarter) played a crucial role in boosting volumes above the prior-year period. In Q3 2010, the division generated total sales of €349.5 million –30 percent higher than a year earlier (€268.6 million) and almost 9 percent above Q2 2010 (€321.5 million). In September, WACKER POLYSILICON revised its original production target for full-year 2010 from over 24,000 metric tons to roughly 29,000 metric tons today, some 60 percent above last year's output (18,100 metric tons). Technological improvements have enabled plant-productivity increases. Aggregate sales in the first nine months of the year amounted to €994.9 million, a rise of nearly 17 percent (9M 2009: €852.7 million).

Strong polysilicon demand and rising prices currently favor the conclusion of multi-year contracts involving advance payments by customers. At the end of Q3 2010, the entire production volume planned for the current and next two years was virtually sold out. In addition, the bulk of the output planned for 2013 is already contractually accounted for, including the volumes from the facility currently under construction at Nünchritz.

Siltronic strengthened its positive business trend during the July-through-September quarter. Total sales soared 61 percent to €280.4 million (Q3 2009: €174.0 million). So far, 2010's quarterly sales have shown a steady upward trend, climbing to the present level from €219.1 million in Q1 and €255.8 million in Q2. Third-quarter sales volumes were about 30 percent higher than the prior-year period. The overall price trend remains upbeat, too. There were particularly strong price increases for smaller diameters, above all for epitaxial wafers. Favorable exchange rates also supported sales growth. At €755.3 million, aggregate sales for the first nine months of 2010 rose 67 percent (9M 2009: €453.1 million).

Double-Digit Sales Growth in Every Region
Asia Remains WACKER's Largest Market

The global economic rebound has boosted activity in all regions, albeit to varying degrees. As a result, WACKER has benefited from stronger demand for its products. The Group posted robust double-digit growth in all of its key markets during the third quarter of 2010.

Asia (including Japan) reinforced its position as WACKER's largest market. In July through September, sales there rose to €466.6 million, up 32 percent (Q3 2009: €354.4 million). WACKER generated about 37 percent of its third-quarter sales in Asia, compared to 36 percent a year ago. In the nine months from January to September 2010, Asian sales surpassed the billion-euro mark, climbing to €1,262.3 million (9M 2009: €946.5 million).

WACKER posted strong Q3 sales growth in Germany and the rest of Europe. In Germany, consolidated sales for all five divisions reached €228.9 million, up 27 percent on Q3 2009 (€180.4 million). This increase was primarily fueled by strong customer demand across every industrial sector amid the economic rebound. In the other European countries, WACKER generated about 26 percent growth, with sales climbing to €319.8 million (Q3 2009: €253.8 million). In the first nine months of 2010, consolidated sales in Germany totaled €665.8 million (9M 2009: €593.8 million) and in the rest of Europe €877.7 million (€686.0 million).

In the Americas, WACKER increased its third-quarter sales by 34 percent to €218.2 million (Q3 2009: €162.7 million). Growth there was supported not only by greater customer demand, but also by the US dollar's strength compared to a year earlier. In January through September 2010, aggregate sales amounted to €617.3 million (9M 2009: €473.7 million). Currently, the Americas account for 17 percent of consolidated sales, compared to 16 percent in the prior-year period.

In the other regions, third-quarter sales grew 2 percent to €36.0 million (Q3 2009: €35.2 million). January-through-September sales amounted to €115.4 million (9M 2009: €84.5 million).

Overall, WACKER generated 82 percent (Q3 2009: 82 percent) of its third-quarter sales with customers outside Germany.

Regional Breakdown of WACKER Group Sales

Group Sales by Region

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %	% of Group sales
Asia	466.6	354.4	32	1,262.3	946.5	33	37
Europe excluding Germany	319.8	253.8	26	877.7	686.0	28	25
Germany	228.9	180.4	27	665.8	593.8	12	18
Americas	218.2	162.7	34	617.3	473.7	30	17
Other regions	36.0	35.2	2	115.4	84.5	37	3
Total sales	1,269.5	986.5	29	3,538.5	2,784.5	27	100

For WACKER's products, the most important region in terms of growth and business potential is Asia. The region's dynamic emerging economies increasingly need the high-quality products that WACKER supplies. Adjusted for exchange-rate effects, WACKER's third-quarter Asian sales showed the strongest overall gains, thanks to the combination of pent-up demand and robust growth in the region's economies. Asia is by far WACKER's largest market for semiconductor wafers and solar-grade polysilicon, too. Within the region, China (including Taiwan) is especially important to WACKER. In Q3 2010, Greater China accounted for about 60 percent of WACKER's Asian sales (Q3 2009: 60 percent). The Group has built up extensive production capacities in China for its silicone and polymer products. As a result, it can respond faster and more effectively to the needs of its Chinese customers, and strengthen and expand its market presence.

The advanced economies of Europe and North America, in contrast, are mature markets. WACKER's continued expansion there is largely in line with overall economic trends. In such markets, WACKER is generating additional business for its products by entering new, innovative applications, such as biopolymers based on renewable raw materials and areas where its silicones and polymer products, due to their superior properties, are substituting conventional materials – as is the case with silicone high-voltage insulators.

In its major business fields, WACKER is among the top three suppliers worldwide. Please refer to WACKER's 2009 Annual Report (pages 57 and 58) for more detailed information on the Group's sales markets and competitive positions. There were no material changes in this respect during the first nine months of 2010.

Earnings Grow due to Enhanced Plant Utilization
Group EBITDA Margin Reaches 26.8 Percent in Third Quarter

The sustained momentum of WACKER's operations meant that Q3 earnings again clearly outperformed sales. In July through September 2010, the Group increased earnings before interest, taxes, depreciation and amortization (EBITDA) to €340.0 million, a rise of 85 percent compared to Q3 2009 (€184.0 million). This was WACKER's best result for any quarter so far. EBITDA rose over 10 percent against Q2 2010 (€308.6 million). Earnings growth was largely the result not only of higher sales volumes and revenues, but also of increased plant utilization, which benefited specific production costs, as was the case in the second quarter, too. For the first nine months of 2010, aggregate EBITDA amounted to €902.3 million, 76 percent higher than the comparable period last year (9M 2009: €511.9 million). 2009's nine-month EBITDA had been impacted by provisions totaling some €67 million for restructuring measures and for investment expenses due to exiting the WACKER SCHOTT Solar joint venture.

In July through September 2010, the Group's EBITDA margin continued its upward path, climbing to 26.8 percent. In Q3 2009, it had been 18.7 percent and, in Q2 2010, 25.7 percent. The EBITDA margin for the first nine months of 2010 was 25.5 percent (9M 2009: 18.4 percent).

Group earnings before interest and taxes (EBIT) increased to €234.3 million in Q3 2010, compared to €82.9 million a year earlier and €204.7 million in Q2 2010. The EBIT margin correspondingly rose to 18.5 percent, compared to 8.4 percent in Q3 2009 and 17.0 percent in Q2 2010. Added together, the results for the first three quarters of 2010 produce EBIT of €592.7 million (9M 2009: €87.4 million) and an EBIT margin of 16.8 percent (9M 2009: 3.1 percent). In addition to provisions and investment expenses, 2009's nine-month EBIT had been held back by impairments on fixed assets of €125.6 million.

WACKER POLYSILICON Continues to Lead Group Earnings
WACKER SILICONES and Siltronic with Much Higher Margins

In Q3 2010, WACKER SILICONES once again enhanced its performance. The division's EBITDA climbed by over 12 percent to €77.9 million (Q3 2009: €69.4 million), yielding an EBITDA margin of 18.5 percent (Q3 2009: 20.2 percent). Although earnings growth primarily stemmed from higher business volumes, positive price and exchange-rate effects also played a role. WACKER SILICONES surpassed Q2's EBITDA of €73.3 million by 6 percent. For the first nine months of 2010, WACKER SILICONES reported EBITDA of €213.3 million, an increase of 59 percent compared to last year (9M 2009: €134.3 million). Accordingly, the nine-month EBITDA margin increased to 17.9 percent (9M 2009: 14.7 percent).

Despite higher sales volumes and stable prices, WACKER POLYMERS' third-quarter EBITDA of €39.7 million was nearly 7 percent below last year's figure (Q3 2009: €42.6 million). The division, however, achieved 5 percent EBITDA growth against the preceding quarter (Q2 2010: €37.8 million). Q3's EBITDA margin was 17.6 percent, compared to the prior-year quarter's 21.3 percent. In Q3 2010, earnings were held back by the higher cost of ethylene, which was much more expensive than a year earlier. For January through September 2010, EBITDA totaled €97.6 million, 9 percent lower than last year (9M 2009: €107.0 million). The EBITDA margin for the first nine months of 2010 was 15.7 percent (9M 2009: 18.5 percent).

WACKER BIOSOLUTIONS generated third-quarter EBITDA of €5.5 million (Q3 2009: €4.0 million). It did not, however, quite match its strong second-quarter performance (€7.8 million). The EBITDA margin for July through September was 14.9 percent compared to 12.3 percent a year earlier. WACKER BIOSOLUTIONS' aggregate EBITDA for the first nine months of 2010 was €18.1 million (9M 2009: €9.2 million) and the EBITDA margin 16.5 percent (9M 2009: 12.1 percent). The decisive factor behind this earnings growth was that gumbase had still been reported within WACKER POLYMERS until the end of the first half of 2009.

WACKER POLYSILICON reported very strong EBITDA growth in the third quarter of 2010. At €189.9 million, EBITDA was more than double last year's Q3 figure (€86.5 million) and about 9 percent above Q2 2010 (€174.6 million). The division's earnings performance was supported by high sales volumes, low production costs and rising prices. As for the EBITDA margin, it stayed at the very high level of 54.3 percent in the third quarter, compared with 32.2 percent last year and 54.3 percent in Q2 2010. A year ago, WACKER POLYSILICON's earnings had been reduced by non-recurring charges of €51.9 million from exiting the WACKER SCHOTT joint venture. In the first nine months of 2010, aggregate EBITDA amounted to €522.0 million (9M 2009: €390.6 million), yielding an EBITDA margin of 52.5 percent (9M 2009: 45.8 percent).

In the third quarter of 2010, Siltronic strengthened its positive earnings and posted EBITDA of €31.6 million (Q3 2009: €–21.6 million). In contrast, Siltronic had recognized losses in the comparable quarter last year, with positive EBITDA in Q1 2010 marking the turnaround. The EBITDA margin reached 11.3 percent in the period under review, compared with –12.4 percent in Q3 2009 and 7.0 percent in Q2 2010. Siltronic's EBITDA for the first nine months of 2010 amounted to €50.8 million (9M 2009: €–139.8 million). This equates to an EBITDA margin of 6.7 percent for January through September (9M 2009: –30.9 percent).

Price Adjustments due to Higher Raw-Material and Energy Costs

In September 2010, WACKER published price increases for several products and product groups to compensate for climbing raw-material and energy prices. WACKER POLYMERS announced that it would increase its prices for VINNAPAS® and VINNOL® dispersions in Europe by up to €50 and €100 per metric ton, current customer contracts permitting. The rises took effect on October 15, 2010. On the same date, WACKER SILICONES raised its pyrogenic silica (HDK®) prices by up to 10 percent. As of November 1, 2010, WACKER POLYMERS also raised its prices for VINNAPAS® dispersible polymer powder by between 5 and 7 percent.

Earnings per Share Climb to €3.13 in Q3

Sales volumes for WACKER products soared amid high and sustained customer demand. Consequently, plant utilization was very good, which, in turn, led to low specific production costs. This positively impacted WACKER's earnings performance in July through September 2010. Net income for the third-quarter of 2010 amounted to €155.8 million (Q3 2009: €35.9 million). As a result, earnings per share reached €3.13 (Q3 2009: €0.68). In the first nine months of 2010, net income totaled €397.1 million (9M 2010: €–33.1 million) and earnings per share amounted to €7.98 (9M 2010: €–0.62).

Q3 Business Trends Better than Initially Expected

Over the year, WACKER's business has developed very dynamically. Due to the strength of WACKER's markets, the Group's expectations have been surpassed in recent quarters – in some cases quite considerably. Initially, the Executive Board had anticipated that third-quarter sales and EBITDA would stay at their second-quarter levels. However, there was no seasonal weakness this summer, as is normally the case. The Group exceeded its targets amid both strong customer demand (especially in its chemical divisions) and the positive price situation for semiconductors, chemicals and polysilicon. Overall, July-through-September sales and EBITDA were substantially above the figures anticipated at the start of the reporting period.

Strategic Investments Strengthen Supply Security and Market Presence

In Q3 2010, WACKER invested €215.5 million in plant, property and equipment, and financial assets (Q3 2009: €171.8 million). About three-quarters of total Q3 investments went to WACKER SILICONES (€90.9 million) and WACKER POLYSILICON (€74.8 million). WACKER SILICONES' investment focus was on the acquisition of a silicon-metal site at Holla in Norway. WACKER POLYSILICON concentrated spending on the ongoing construction of a polysilicon plant at Nünchritz (Germany). The project is progressing as planned. Nünchritz is expected to start producing polysilicon before the end of next year. On September 15, 2010, the EU Commission announced that it had authorized a regional investment grant of €97.5 million for the Nünchritz polysilicon facility. WACKER will use these funds in stages, in line with the investment project's progress. During the reporting period, WACKER also allocated investment funds to debottlenecking measures at its divisions' production plants. In the nine months from January to September 2010, WACKER's investments totaled €454.7 million, compared to €542.9 million a year earlier.

As already explained in the Q2 2010 report, WACKER took over the FESIL Group's silicon-metal production site in Holla at the start of June 2010. Following the approval of both companies' supervisory boards and the antitrust authorities, the transaction was concluded on July 1, 2010. For a purchase price of €66.5 million, WACKER acquired all of FESIL's production facilities at the Norwegian site, including the related real estate. Through this strategic acquisition, WACKER has taken an important step to cover its silicon-metal needs in the years ahead. This acquisition makes the company more independent of raw-material price fluctuations and increases its supply security during peak-demand periods.

In China, WACKER began selling its locally manufactured vinyl acetate/ethylene copolymer dispersions (VAE dispersions) at the start of July. Its fully integrated Nanjing site makes the entire product range – from VAE copolymer dispersions to dispersible polymer powders. These products are used in the construction, coatings and adhesives industries, for example. Currently, Nanjing's dispersions capacity is roughly 50,000 metric tons per year. WACKER is now able to serve the local markets in Asia even more effectively from Nanjing and has improved its position as a supplier of high-grade binders and polymeric additives in China.

To strengthen its market presence and supply chain in the expanding Asian market, WACKER acquired the South Korean Lucky-Silicone brand from Henkel Technologies (Korea) Ltd. in October, after the reporting period had ended. As part of the acquisition, WACKER is taking over both the rights to the Lucky-Silicone brand and the production plant in Jincheon, including the associated real estate for a purchase price of about €7 million. Additionally, WACKER will assume all the related inventories and receivables, expected to amount to roughly €8 million. The site's existing workforce of some 40 employees will be kept on. The transaction's closing, which still requires antitrust approval, is expected in Q4 2010. The Lucky-Silicone brand mainly comprises silicone sealants, manufactured and marketed for use in construction and other industries. Last year, Henkel Technologies Korea generated sales of roughly €20 million with Lucky-Silicone products.

Also in October, WACKER inaugurated a new silicone-polymer plant at Zhangjiagang (China). The plant manufactures not only intermediates, but also downstream silicone products, including fluids. The plant, which completes WACKER's supply chain in China, is an integral part of Zhangjiagang's silicone production system, and represents an investment of some €30 million.

Strong Operational Business and Advance Payments by Customers Boost Net Cash Flow

Although investments in Q3 2010 were much higher than a year ago, WACKER's third-quarter net cash flow more than doubled to €192.4 million (Q3 2009: €92.7 million). The increase was primarily due to two factors. First, WACKER's operational business remained strong in Q3, resulting in high gross cash flow. Cash inflow from operating activities rose 57 percent to €441.3 million (Q3 2009: €281.8 million). Second, this figure included advance payments from customers for future polysilicon deliveries. Amounting to €88.7 million (Q3 2009: €28.4 million), these payments likewise boosted gross cash flow. Overall, WACKER increased its balance of advance payments received by €60.7 million in Q3. For the nine months from January to the end of September 2010, net cash flow totaled €302.5 million (9M 2009: €53.4 million). For more information on cash flow during the first nine months of the year, please refer to the comments about the statement of cash flows on pages 33 to 34 of this report.

Current R&D Activities

At €40.1 million, WACKER's third-quarter R&D expenses remained at roughly the prior-year level (Q3 2009: €39.0 million). R&D spending focused both on the divisions' decentralized R&D activities and on ongoing projects at the Group's central research facility, the "Consortium für elektrochemische Industrie." In the first nine months of the year, the Group's R&D expenses totaled €122.2 million (9M 2009: €116.6 million).

WACKER's divisions conduct application-driven R&D, focusing on semiconductor technology, silicone chemistry, polymer chemistry and biotechnology, as well as on innovative processes for hyperpure polysilicon.

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

The research fields of WACKER's divisions and Corporate R&D are described in detail on pages 94 to 96 of the 2009 Annual Report. The fields and projects mentioned there remain the focus of WACKER's R&D activities. There were no major changes to the goals and priorities during Q3 2010.

In early July, WACKER bestowed this year's Alexander Wacker Innovation Award on two Siltronic employees for developing a novel grinding process for semiconductor wafers. Called "Planetary Pad Grinding," their innovation will allow ultra-flat silicon wafers to be manufactured for future generations of electronic components. This opens up new possibilities for producing silicon wafers – in the required quality, in high yields and at competitive prices – for even more powerful electronic components. Since 2006, the €10,000 Alexander Wacker Innovation Award (named after the company's founder) has been presented for pioneering work – alternating between the categories of product innovation, process innovation and basic research.

Important Product Launches from January through September 2010

Product	Description	Application	Industry
ELASTOSIL® 76540	Silicone adhesive	Bonding of plastic oil pans for engines	Automotive industry
ELASTOSIL® LR 3040/40	Fast-curing silicone elastomer with high tensile strength	Membranes, valves, pacifiers, teething rings	Baby care, automotive, household and leisure industries
ELASTOSIL® LR 3092/65 ELASTOSIL® R *plus* 4060	Silicone elastomers with low compression set	Intercoolers, spark plug boots	Automotive industry
ELASTOSIL® R 770	Flame-resistant silicone elastomer	Door and wall profiles, acoustic insulation mats	Ship, transport and aircraft industries
ELASTOSIL® R *plus* 4366 ELASTOSIL® R *plus* 4066 SILPURAN® 8630/60	Solid silicone rubber with lubricious surface	Catheters, drainage, dispensing and connecting tubes	Medical technology, food industry
ELASTOSIL® R *plus* 4370 ELASTOSIL® R *plus* 4070/60	Self-adhesive solid silicone rubber grades	Production of hard/soft combinations	Plastics industry
ELASTOSIL® R101	Highly elastic silicone elastomer	Damping of engine mounts	Automotive industry
GENIOPERL® P52	New core-shell particles	Impact modifiers for epoxy resin	Resin manufacturers
POWERSIL® Fluid TR 20	Insulating fluid	Cooling and insulating transformers	Energy
SilGel® 613 UV	New UV-activatable silicone gel	Encapsulation of electronic components	Automotive, solar-cell, electrical and electronic industries
SILPURAN® 2149 UV	High-purity UV-activatable silicone rubber	Wound dressings	Medical and bandage industry
VINNAPAS® EP 1400 VINNAPAS® EP 441	Polymer binder (VAE copolymer dispersion)	Enhancer for adhesives	Adhesives industry/ paper and packaging industry
VINNAPAS® XD 05	Polymer binder (VAE copolymer dispersion)	Enhancer for adhesives, especially for food packaging	Adhesives industry/ paper and packaging industry
VINNEX®	Polymer binder (powder)	Biodegradable polymers	Plastics industry

Employee Numbers Rise as Business Prospers

As of September 30, 2010, WACKER had 16,184 employees worldwide (June 30, 2010: 15,901).

The payroll increase primarily stems from higher staffing needs due to the dynamic business trend, high plant utilization rates and newly added production capacities. WACKER's acquisition of the production site at Holla (Norway) increased the payroll by 129.

On September 30, 2010, WACKER had 12,188 employees in Germany (June 30, 2010: 12,105) and 3,996 at its international sites (June 30, 2010: 3,796).

Condensed Statement of Income/Earnings Position

January 1 through September 30, 2010

Condensed Statement of Income/Earnings Position

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
Sales	1,269.5	986.5	28.7	3,538.5	2,784.5	27.1
Gross profit from sales	402.8	261.5	54.0	1,045.9	700.4	49.3
Selling, R&D and general administrative expenses	–132.9	–119.6	11.1	–399.5	–356.3	12.1
Other operating income and expenses	–20.9	1.5	n. a.	–13.4	–139.0	–90.4
Operating result	249.0	143.4	73.6	633.0	205.1	>100
Result from investments in joint ventures and associates	–14.7	–60.5	–75.7	–40.3	–117.7	–65.8
EBIT	234.3	82.9	>100	592.7	87.4	>100
Financial result	–11.7	–6.6	77.3	–24.0	–20.0	20.0
Income before taxes	222.6	76.3	>100	568.7	67.4	>100
Income taxes	–66.8	–40.4	65.3	–171.6	–100.5	70.7
Net income for the period	155.8	35.9	>100	397.1	–33.1	n. a.
Of which						
Attributable to Wacker Chemie AG shareholders	155.4	33.7	>100	396.5	–30.8	n. a.
Attributable to non-controlling interests	0.4	2.2	–81.8	0.6	–2.3	n. a.
Earnings per share (€) (basic/diluted)	3.13	0.68	>100	7.98	–0.62	n. a.
Average number of shares outstanding (weighted)	49,677,983	49,677,983	–	49,677,983	49,677,983	–
Reconciliation to EBITDA						
EBIT	234.3	82.9	>100	592.7	87.4	>100
Amortization/appreciation of noncurrent assets	105.7	101.1	4.5	309.6	424.5	–27.1
EBITDA	340.0	184.0	84.8	902.3	511.9	76.3

The positive earnings trend in Q3 2010 reflects continuing strength in virtually all divisions from July through September 2010. Net income more than quadrupled to €155.8 million in the quarter under review (Q3 2009: €35.9 million). There are several reasons for the substantial rise. As in Q2 2010, WACKER's profitability was again supported by continuing high demand and low specific production costs from July through September 2010. By contrast, Q3 2009 had still been dominated by the effects of the worldwide recession and by non-recurring expenses. Net income totaled €397.1 million for the nine months from January to September 2010 (9M 2009: €–33.1 million). In the prior-year period, provisions, negative investment results and impairments on fixed assets had reduced net income by €192.5 million overall.

Third-quarter sales reached €1,269.5 million, up from Q3 2009's €986.5 million. That corresponds to a rise of 29 percent and marks the highest sales for any single quarter in the history of the Group. This growth was mainly due to an even stronger rise in demand than in Q2 2010 across almost every division. WACKER SILICONES' and WACKER POLYSILICON's robust performance especially fueled the Group's record-breaking sales. The entire additional polysilicon volumes from Burghausen's new Poly 8 facility found a ready market.

WACKER's plant utilization rates were much higher in Q3 2010 than a year earlier, enhancing fixed-cost coverage. This, in turn, benefited specific production costs, which rose by only €141.7 million or 20 percent in the third quarter. As a result, Q3's cost-of-sales ratio was 68 percent (Q3 2009: 73 percent). In Q2 2010, it had been 71 percent. For July through September 2010, raw-material costs on average remained stable at the preceding quarter's level.

In Q3 2010, gross profit from sales rose year over year by €141.3 million to €402.8 million – up 54 percent (Q3 2009: €261.5 million). Compared with the preceding quarter, gross profit from sales increased €49.0 million or 14 percent. The gross margin climbed to 32 percent in Q3 2010 (Q3 2009: 27 percent).

In the first nine months of the year, sales grew €754.0 million to €3,538.5 million (9M 2009: €2,784.5 million) – a rise of 27 percent. The cost-of-sales ratio for January through September 2010 was 70 percent (9M 2009: 75 percent). Gross profit from sales in the first nine months of 2010 increased 49 percent to €1,045.9 million (9M 2009: €700.4 million), yielding a gross margin of 30 percent (9M 2009: 25 percent).

At €132.9 million, other functional costs went up by 11 percent on the prior-year quarter (Q3 2009: €119.6 million). Higher selling and general administrative expenses were the main factor in this development. R&D expenses stayed virtually constant compared with Q3 2009. For the nine-month period, functional costs grew 12 percent to €399.5 million (9M 2009: €356.3 million). This line item includes, for instance, expenses for bonuses, which were much higher in the first nine months of 2010 than a year ago.

In Q3 2010, other operating income and expenses amounted to €–20.9 million (Q3 2009: €1.5 million). The net foreign currency loss was €–9.3 million (Q3 2009: €–0.7 million). In the first nine months of 2010, the balance of other operating income and expenses was €–13.4 million (9M 2009: €–139.0 million). The prior-year figure included impairment losses on property, plant and equipment of €125.6 million, comprising €121.3 million in impairments on Siltronic's fixed assets and €4.3 million from the shutdown of a minor production facility in China. Prior-year operating expenses also included provisions of €15.0 million for personnel measures. Exchange-rate effects over the nine months from January to September 2010 diminished other operating income and expenses by €–10.3 million (9M 2009: €–29.3 million).

The third-quarter result from investments in joint ventures and associates climbed 76 percent to €–14.7 million (Q3 2009: €–60.5 million). In the prior-year quarter, WACKER had transferred its stake in the WACKER SCHOTT Solar joint venture to SCHOTT Solar AG. In this context, a final capital contribution and ongoing losses totaling €51.9 million had been recognized as an expense in Q3 2009's investment result. For the nine months from January to September 2010, the investment result amounted to €–40.3 million (9M 2009: €–117.7 million). This year's negative investment result is largely attributable to losses at joint ventures in Asia. These losses are partially related to start-up processes.

Q3's financial result was €–11.7 million (Q3 2009: €–6.6 million). The aggregate financial result for the first nine months of 2010 was €–24.0 million, compared to €–20.0 million a year earlier. This line item mainly comprises interest-bearing elements from accrued interest on pension obligations totaling €17.1 million (9M 2009: €17.8 million), and exchange-rate effects on financial assets. Over the nine months from January to September 2010, WACKER capitalized construction-related borrowing costs of €10.7 million (9M 2009: €9.3 million), lowering interest cost by an equal amount.

The tax rate for the WACKER Group for the first nine months of 2010 was 30.2 percent. A year earlier it had been over 100 percent due to non-offsettable losses incurred by some Group subsidiaries. Income taxes mostly reflect current taxes on the Group's positive pre-tax result, which came in at €568.7 million in January through September 2010 (9M 2009: €67.4 million).

Condensed Statement of Financial Position/Assets Position

As of September 30, 2010

Assets

€ million	Sept. 30, 2010	Sept. 30, 2009	Change in %	Dec. 31, 2009	Change in %
Intangible assets, property, plant and equipment, and investment property	2,946.1	2,766.0	6.5	2,802.2	5.1
Investment in associates accounted for using the equity method	111.2	137.3	−19.0	140.2	−20.7
Other noncurrent assets	227.1	192.4	18.0	177.8	27.7
Noncurrent assets	3,284.4	3,095.7	6.1	3,120.2	5.3
Inventories	512.8	440.2	16.5	441.2	16.2
Trade receivables	628.0	506.0	24.1	466.8	34.5
Other current assets	807.8	616.2	31.1	513.7	57.3
Current assets	1,948.6	1,562.4	24.7	1,421.7	37.1
Noncurrent assets held for sale, and disposal groups[1]	–	76.3	–	–	–
Total assets	5,233.0	4,734.4	10.5	4,541.9	15.2

Equity and Liabilities

€ million	Sept. 30, 2010	Sept. 30, 2009	Change in %	Dec. 31, 2009	Change in %
Equity	2,341.6	1,984.7	18.0	1,942.4	20.6
Noncurrent provisions	778.3	636.0	22.4	727.0	7.1
Financial liabilities	313.9	354.5	−11.5	363.8	13.7
Other noncurrent liabilities	812.6	824.7	−1.5	776.6	4.6
Of which advance payments received	777.5	731.0	6.4	761.8	2.1
Noncurrent liabilities	1,904.8	1,815.2	4.9	1,867.4	2.0
Financial liabilities	156.2	163.4	−4.4	75.9	>100
Trade payables	283.3	223.7	26.6	217.9	30.0
Other current provisions and liabilities	547.1	478.7	14.3	438.3	24.8
Current liabilities	986.6	865.8	13.9	732.1	34.8
Liabilities in connection with assets held for sale, and disposal groups[1]	–	68.7	–	–	–
Liabilities	2,891.4	2,749.7	5.2	2,599.5	11.2
Total equity and liabilities	5,233.0	4,734.4	10.5	4,541.9	15.2

[1] Comprises assets and liabilities relating to the disposal of shares in the former WACKER SCHOTT Solar joint venture

Total assets rose to €5.23 billion, compared to €4.54 billion on December 31, 2009. This 15 percent rise was largely due to the much higher business volumes in the reporting period, and to the high investment level. Compared to September 30, 2009, total assets increased by 10 percent.

Mainly as a result of the Group's investment activities, noncurrent assets climbed from €3,120.2 million on December 31, 2009 to €3,284.4 million – up 5 percent. As of September 30, 2010, noncurrent assets accounted for 63 percent of total assets. New investments in intangible assets, property, plant and equipment, and investment property amounted to €431.7 million in the period under review. The addition of fixed assets at the Holla production facility, which was consolidated for the first time on July 1, 2010, accounted for €46.1 million of the total. Depreciation reduced the net carrying amounts by €310.3 million. The euro has appreciated against the US dollar since June 30, 2010. Its movement roughly halved the exchange-rate effects on fixed assets compared to the first-half reporting date (€90.2 million). These effects totaled €44.9 million as of September 30, 2010.

Investments in associates accounted for under the at-equity method fell from €140.2 million on December 31, 2009 to €111.2 million. Investment losses by joint ventures in Asia reduced the carrying amount by €40.4 million as of September 30, 2010. By contrast, exchange-rate effects increased the carrying amount by €15.5 million.

Compared to year-end 2009, other noncurrent assets rose €49.3 million to €227.1 million (Dec. 31, 2009: €177.8 million). Loans to associates accounted for under the at-equity method climbed by €10.0 million to €72.9 million, due mainly to shifts in exchange rates. As of September 30, 2010, WACKER's statement of financial position shows derivative financial instruments for currency hedging with maturities of more than one year and a market value of €28.0 million (Dec. 31, 2009: €4.2 million). The strength of the euro since the acquisition of these financial derivatives is the reason for the higher reported value.

Current assets rose by €526.9 million to €1,948.6 million (Dec. 31, 2009: €1,421.7 million). This 37 percent increase is attributable to strong operating activities in the first nine months of 2010. Trade receivables increased €161.2 million to €628.0 million (Dec. 31, 2009: €466.8 million) because of high sales volumes. For the same reason, inventories went up €71.6 million to €512.8 million. Overall, inventories and trade receivables rose 26 percent compared to December 31, 2009. On September 30, 2010, these line items accounted for 22 percent of total assets.

Other current assets mainly comprise cash and cash equivalents, current marketable securities and derivative financial instruments with a positive market value. Overall, other current assets climbed to €807.8 million at the reporting date, compared to €513.7 million on December 31, 2009. Cash reported as liquidity and current marketable securities rose to €622.1 million mainly as a result of strong operating activities in the period under review (Dec. 31, 2009: €363.6 million). On September 30, 2010, liquidity represented 12 percent of total assets.

Group equity rose €399.2 million to €2,341.6 million, yielding an equity ratio of 44.7 percent on the reporting date, as against 42.8 percent at year-end 2009. The increase is mainly due to the first nine months' net income of €397.1 million. Additionally, other equity components amounting to €60.9 million contributed toward equity growth. These components comprise market-value changes to derivative financial instruments from hedge accounting and exchange-rate effects from consolidation measures. In contrast, the dividend payout for 2009 diminished equity by €59.6 million.

Noncurrent liabilities were only slightly higher than at year-end 2009, edging up €37.4 million to €1,904.8 million. A sum of €25.6 million was added to pension obligations, which amounted to €470.7 million on September 30, 2010. Personnel provisions rose by €8.6 million because they were bolstered for phased early retirement and working-life accounts. Overall, noncurrent provisions accounted for 15 percent of total assets. At the end of the reporting period, noncurrent advance payments received climbed €15.7 million to €777.5 million – 15 percent of total assets. This growth was mainly driven by new customer contracts concluded in Q3 2010.

Noncurrent financial liabilities fell by €49.9 million compared with year-end 2009. Two opposing trends were at work here. WACKER raised long-term loans in China in Q3 2010. At the same time, loans that were originally noncurrent were reclassified as current.

Current liabilities climbed €254.5 million to €986.6 million (Dec. 31, 2009: €732.1 million), a 35 percent increase. Higher business volumes meant that trade liabilities grew by €65.4 million to €283.3 million. The positive net income for the period and the resulting current tax expenses caused current tax provisions to rise by €21.3 million compared with December 31, 2009. Other current liabilities rose on balance by €77.5 million to €375.0 million. Current advance payments received increased by €13.7 million to €152.3 million. Current personnel liabilities rose overall by €53.2 million compared with December 31, 2009. This was mainly due to higher liabilities for unused vacation leave, for flexitime accounts and for performance-related pay components.

As of September 30, 2010, current financial liabilities rose to €156.2 million (Dec. 31, 2009: €75.9 million). In Q2 2010, WACKER had reclassified some of its noncurrent promissory notes (Schuldscheine) as current. Overall, financial liabilities grew to €470.1 million (Dec. 31, 2009: €439.7 million) – 9 percent of total assets. Because liquidity simultaneously increased to €622.1 million (Dec. 31, 2009: €363.6 million), net financial liabilities fell considerably. On balance, liquidity exceeded financial liabilities by €152.0 million on the reporting date. By contrast, WACKER had reported net financial liabilities of €76.1 million on December 31, 2009. Consequently, net financial liabilities improved by €228.1 million compared to year-end 2009.

Condensed Statement of Cash Flows/Financial Position

January 1 through September 30, 2010

Condensed Statement of Cash Flows/Financial Position

€ million	9M 2010	9M 2009	Change in %
Net income for the period	397.1	–33.1	n. a.
Amortization/appreciation of noncurrent assets	309.6	424.5	–27.1
Changes in inventories	–36.3	56.2	n. a.
Changes in trade receivables	–129.7	–45.7	>100
Changes in other assets	–12.4	54.2	n. a.
Change in advance payments made and received	29.5	65.7	–55.1
Non-cash changes from equity accounting	41.1	117.8	–65.1
Other non-cash expenses, income and other items	182.3	16.6	>100
Cash flow from operating activities (gross cash flow)	781.2	656.2	19.0
Investments in acquisitions	–66.1	–	n. a.
Payments for investments	–412.6	–602.8	–31.6
Cash flow from noncurrent investment activities	–478.7	–602.8	–20.6
Acquisition/disposal of current securities	–40.8	101.1	n. a.
Cash flow from investment activities	–519.5	–501.7	3.5
Capital increases	–	11.3	–100.0
Distribution of profit from prior-year net income	–60.3	–90.1	–33.1
Changes in financial liabilities	10.5	189.4	–94.5
Cash flow from financing activities	–49.8	110.6	n. a.
Changes due to exchange-rate fluctuations	5.8	–1.6	n. a.
Changes in cash and cash equivalents	217.7	263.5	–17.4
At the beginning of the year	363.6	204.2	78.1
At the end of the period	581.3	467.7	24.3
Additional information			
Cash flow from operating activities (gross cash flow)	781.2	656.2	19.0
Cash flow from noncurrent investment activities	–478.7	–602.8	–20.6
Net cash flow	302.5	53.4	>100

In the first nine months of 2010, cash flow from operating activities totaled €781.2 million – a rise of 19 percent (9M 2009: €656.2 million). This increase stemmed from the high net income for January through September 2010 and from the build-up of trade payables and personnel liabilities. The first three quarter's net income of €397.1 million (9M 2009: €–33.1 million) contrasts with depreciation of €309.6 million (9M 2009: €424.5 million). Depreciation for the prior-year period included the non-recurring effect of impairments on items of property, plant and equipment amounting to €125.6 million.

Inventories grew over the reporting period, reducing gross cash flow by €36.3 million. Trade receivables also rose sharply compared to the start of 2010, lowering gross cash flow by €129.7 million. The growth of inventories and trade receivables reflected the good business trend over the nine months from January to September 2010. By contrast, WACKER had scaled back its inventories in the prior-year period, mainly because production facilities had been under-utilized due to slow customer demand.

In the first three quarters of 2010, new advance payments received for future polysilicon shipments to customers expanded gross cash flow. The increase in these advance payments was €29.5 million higher than their reduction. In contrast, the reduction of these payments had, in the first half of 2010, still been €31.2 million more than their growth through new customer contracts. The trade liabilities reported under other items likewise had a positive influence of €61.9 million on operating cash flow. Furthermore, WACKER added €81.2 million to its provisions, mainly to cover pensions and taxes. This, too, improved the operating cash flow.

Cash flow from noncurrent investment activities reflected WACKER's intense and ongoing efforts to expand its production facilities and its acquisition of a Norwegian production site in Holla. The total for the period under review was €478.7 million – €124.1 million down on the prior-year period (9M 2009: €602.8 million), due to project-specific reasons. The acquisition of the Holla site resulted in a net cash outflow of €66.1 million. As part of this transaction, WACKER acquired €0.4 million in liquid assets. The bulk of the remaining investment spending was for the ongoing development of the Nünchritz polysilicon facility and its related infrastructure. In the prior-year period, WACKER's investment focus had been on Burghausen's Poly 8 facility.

The cash flow from investment activities also included €40.8 million in financial investments, comprising current commercial papers and fixed-term deposits with a maturity period of more than three months.

The net cash flow as the balance of cash flow from operating activities and cash flow from noncurrent investment activities amounted to €302.5 million in the first nine months of 2010 (9M 2009: €53.4 million).

The cash flow from financing activities largely reflects the dividend payment of €59.6 million for 2009. Financial liabilities rose by only a marginal €10.5 million in the reporting period (9M 2009: €189.4 million). In the previous year, WACKER took out promissory notes (Schuldscheine) totaling €180.0 million.

Compared to December 31, 2009, cash and cash equivalents grew by €217.7 million to €581.3 million.

Division Results

January 1 through September 30, 2010

Sales

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
WACKER SILICONES	421.3	343.9	22.5	1,194.8	913.7	30.8
WACKER POLYMERS	225.8	200.2	12.8	621.1	579.0	7.3
WACKER BIOSOLUTIONS	37.0	32.6	13.5	109.7	76.3	43.8
WACKER POLYSILICON	349.5	268.6	30.1	994.9	852.7	16.7
SILTRONIC	280.4	174.0	61.2	755.3	453.1	66.7
Corporate functions/Other	39.6	37.9	4.5	109.0	148.1	–26.4
Consolidation	–84.1	–70.7	19.0	–246.3	–238.4	3.3
Group sales	1,269.5	986.5	28.7	3,538.5	2,784.5	27.1

EBIT

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
WACKER SILICONES	59.7	46.1	29.5	160.4	65.9	>100
WACKER POLYMERS	30.0	29.9	0.3	69.7	76.5	–8.9
WACKER BIOSOLUTIONS	3.8	2.6	46.2	12.9	5.9	>100
WACKER POLYSILICON	153.3	58.7	>100	414.4	317.5	30.5
SILTRONIC	8.0	–44.9	n. a.	–17.6	–351.0	–95.0
Corporate functions/Other	–22.3	–12.3	81.3	–46.6	–30.9	50.8
Consolidation	1.8	2.8	–35.7	–0.5	3.5	n. a.
Group EBIT	234.3	82.9	>100	592.7	87.4	>100

EBITDA

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
WACKER SILICONES	77.9	69.4	12.2	213.3	134.3	58.8
WACKER POLYMERS	39.7	42.6	–6.8	97.6	107.0	–8.8
WACKER BIOSOLUTIONS	5.5	4.0	37.5	18.1	9.2	96.7
WACKER POLYSILICON	189.9	86.5	>100	522.0	390.6	33.6
SILTRONIC	31.6	–21.6	n. a.	50.8	–139.8	n. a.
Corporate functions/Other	–6.4	0.3	n. a.	1.0	7.1	–85.9
Consolidation	1.8	2.8	–35.7	–0.5	3.5	n. a.
Group EBITDA	340.0	184.0	84.8	902.3	511.9	76.3

Reconciliation with Segment Results

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
EBIT of reporting segments	254.8	92.4	>100	639.8	114.8	>100
Corporate functions/Other	–22.3	–12.3	81.3	–46.6	–30.9	50.8
Consolidation	1.8	2.8	–35.7	–0.5	3.5	n. a.
Group EBIT	234.3	82.9	>100	592.7	87.4	>100
Financial result	–11.7	–6.6	77.3	–24.0	–20.0	20.0
Income before taxes	222.6	76.3	>100	568.7	67.4	>100

WACKER SILICONES

WACKER SILICONES

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
Sales						
External sales	416.3	338.8	22.9	1,181.4	900.0	31.3
Internal sales	5.0	5.1	–2.0	13.4	13.7	–2.2
Total sales	421.3	343.9	22.5	1,194.8	913.7	30.8
EBIT	59.7	46.1	29.5	160.4	65.9	>100
EBIT margin (%)	14.2	13.4	5.7	13.4	7.2	86.1
Depreciation/amortization	18.2	23.3	–21.9	52.9	68.4	–22.7
EBITDA	77.9	69.4	12.2	213.3	134.3	58.8
EBITDA margin (%)	18.5	20.2	–8.4	17.9	14.7	21.8
Investments	90.9	31.9	>100	133.6	59.5	>100
As of	Sept. 30, 2010	June 30, 2010		Sept. 30, 2010	Dec. 31, 2009	
Number of employees	3,848	3,650	5.4	3,848	3,873	–0.6

From July through September 2010, WACKER SILICONES improved on its record sales from Q2 2010, posting total third-quarter sales of €421.3 million. This marks a 23 percent increase on the prior-year quarter (Q3 2009: €343.9 million) and nearly 4 percent on the preceding quarter (Q2 2010: €406.5 million). WACKER SILICONES' aggregate sales for the nine months from January to September amounted to €1,194.8 million, 31 percent more than in the previous year (9M 2009: €913.7 million).

Customer demand was very buoyant in Q3 2010. The high inflow of orders from the construction, electronics, mechanical-engineering and automotive sectors kept demand for silicones at a very high level during the summer, when business usually slackens off. The division also posted new records for pyrogenic-silica sales volumes and revenues. On average, third-quarter sales volumes were up some 20 percent on the previous year. For certain products, volumes rose far more sharply, in some cases by as much as 50 percent. This meant that the division clearly surpassed initial Q3 volume expectations. Its facilities are operating at maximum capacity, with growth being driven by all regions worldwide.

For the third quarter, WACKER SILICONES posted earnings before interest, taxes, depreciation and amortization (EBITDA) of €77.9 million – over 12 percent higher than a year ago (Q3 2009: €69.4 million). The corresponding EBITDA margin was 18.5 percent (Q3 2009: 20.2 percent). WACKER SILICONES' third-quarter EBITDA benefited particularly from volume increases and low specific production costs. It was also supported by favorable exchange rates. Higher prices for methanol (a raw material) slowed earnings. By contrast, silicon metal was slightly cheaper than in the previous year. Added together, the results for the first nine months of 2010 produced EBITDA of €213.3 million (9M 2009: €134.3 million) and an EBITDA margin of 17.9 percent (9M 2009: 14.7 percent). In response to rising raw-material costs and high demand, WACKER SILICONES increased its pyrogenic silica (HDK®) prices by up to 10 percent, effective October 15, 2010.

WACKER SILICONES' third-quarter investments amounted to €90.9 million (Q3 2009: €31.9 million) – a figure that includes the €66.5 million purchase price for acquiring the Holla silicon-metal plant from Norway's FESIL Group. The transaction (already described in the Q2 2010 report) was completed on July 1, 2010. As a result, WACKER SILICONES' payroll grew by 129. The site's integration into the division made good progress in the quarter under review. Investments for the first nine months of the current year totaled €133.6 million (9M 2009: €59.5 million).

To strengthen its market presence and supply chain in the expanding Asian market, WACKER acquired the South Korean Lucky-Silicone brand from Henkel Technologies (Korea) Ltd. for about €7 million in October, after the reporting period had ended. As part of the acquisition, WACKER is taking over both the rights to the Lucky-Silicone brand and the production plant in Jincheon, including the associated real estate. Additionally, WACKER will assume all the inventories and receivables related to this business, the value of which is expected to be about €8 million. The site's existing workforce of around 40 employees will be kept on. The transaction's closing, which still requires antitrust approval, is expected in Q4 2010. The Lucky-Silicone brand mainly comprises silicone sealants, manufactured and marketed for use in construction and other industries. Last year, Henkel Technologies Korea generated sales of roughly €20 million with Lucky-Silicone products.

Also in October, WACKER inaugurated its new silicone-polymer plant at Zhangjiagang (China). The plant manufactures not only intermediates, but also downstream silicone products, including fluids. Completing WACKER's supply chain in China, the plant is an integral part of Zhangjiagang's silicone production system and represents an investment of some €30 million.

As of September 30, 2010, WACKER SILICONES had 3,848 employees (June 30, 2010: 3,650).

WACKER POLYMERS

WACKER POLYMERS

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
Sales						
External sales	220.4	196.1	12.4	605.3	571.5	5.9
Internal sales	5.4	4.1	30.9	15.8	7.5	>100
Total sales	225.8	200.2	12.8	621.1	579.0	7.3
EBIT	30.0	29.9	0.3	69.7	76.5	−8.9
EBIT margin (%)	13.3	14.9	−10.7	11.2	13.2	−15.1
Depreciation/amortization	9.7	12.7	−23.6	27.9	30.5	−8.5
EBITDA	39.7	42.6	−6.8	97.6	107.0	−8.8
EBITDA margin (%)	17.6	21.3	−17.4	15.7	18.5	−15.0
Investments	3.1	5.0	−38.0	8.1	31.6	−74.4
As of	Sept. 30, 2010	June 30, 2010		Sept. 30, 2010	Dec. 31, 2009	
Number of employees	1,371	1,361	0.7	1,371	1,362	0.7

WACKER POLYMERS generated total Q3 2010 sales of €225.8 million, surpassing last year's figure by around 13 percent (Q3 2009: €200.2 million) and advancing slightly on its performance in Q2 2010 (€224.6 million). Sales growth stemmed mainly from volume increases for dispersible polymer powders and dispersions. Depending on the specific product group, sales volumes rose by some 5 to 15 percent on the prior-year figures. WACKER POLYMERS, too, did not experience the usual seasonal slackness this summer. Demand from the construction industry – the division's pivotal market – remained strong. Asia yielded the highest growth rates. For the nine months from January to September 2010, aggregate sales reached €621.1 million (9M 2009: €579.0 million), more than 7 percent up on the previous year.

Despite higher sales volumes and stable prices, WACKER POLYMERS' third-quarter EBITDA of €39.7 million was almost 7 percent lower than in Q3 2009 (€42.6 million). Nonetheless, the division increased its EBITDA by 5 percent against Q2 2010 (€37.8 million). The EBITDA margin for the quarter under review was 17.6 percent (Q3 2009: 21.3 percent). Much higher ethylene prices compared with a year ago held back WACKER POLYMERS' earnings performance. Aggregate EBITDA totaled €97.6 million for the nine months from January to September 2010 (9M 2009: €107.0 million), down 9 percent on the previous year. The EBITDA margin for the nine-month period is 15.7 percent (9M 2009: 18.5 percent).

To compensate for rising raw-material costs, WACKER POLYMERS increased its prices for VINNAPAS® and VINNOL® dispersions in Europe by up to €50 and €100 per metric ton, current customer contracts permitting. The rises took effect as of October 15, 2010. The division also raised its prices for VINNAPAS® polymer powders by between 5 and 7 percent, effective November 1, 2010.

In Q3 2010, WACKER POLYMERS' investments amounted to €3.1 million (Q3 2009: €5.0 million). Aggregate investments in the first nine months of the year came in at €8.1 million (9M 2009: €31.6 million).

In China, WACKER began selling its locally manufactured vinyl acetate/ethylene copolymer dispersions (VAE dispersions) at the start of July. Its fully integrated Nanjing site makes the entire product range, from VAE copolymer dispersions to dispersible polymer powders. These products are used, for example, in the construction, coatings and adhesives sectors. Currently, Nanjing's dispersions capacity is roughly 50,000 metric tons per year. WACKER is now able to serve the local markets in Asia even more effectively from Nanjing and has bolstered its position as a supplier of high-grade binders and polymeric additives in China.

WACKER POLYMERS had 1,371 employees as of September 30, 2010 (June 30, 2010: 1,361).

WACKER BIOSOLUTIONS

WACKER BIOSOLUTIONS

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
Sales						
External sales	35.4	31.8	11.5	106.0	72.6	46.0
Internal sales	1.6	0.8	100	3.7	3.7	0.3
Total sales	37.0	32.6	13.5	109.7	76.3	43.8
EBIT	3.8	2.6	46.2	12.9	5.9	>100
EBIT margin (%)	10.3	8.0	28.7	11.8	7.7	52.1
Depreciation/amortization	1.7	1.4	21.4	5.2	3.3	57.6
EBITDA	5.5	4.0	37.5	18.1	9.2	96.7
EBITDA margin (%)	14.9	12.3	21.1	16.5	12.1	36.8
Investments	1.3	1.9	–31.6	5.2	8.5	–38.8
As of	Sept. 30, 2010	June 30, 2010		Sept. 30, 2010	Dec. 31, 2009	
Number of employees	352	355	–0.8	352	344	2.3

Thanks to high demand in all product segments, WACKER BIOSOLUTIONS increased its total sales to €37.0 million – up almost 14 percent on the prior-year quarter (Q3 2009: €32.6 million). The division had posted sales of €38.3 million in Q2 2010. In the first nine months of the year, WACKER BIOSOLUTIONS' sales crossed the €100 million threshold for the first time ever. Reaching €109.7 million at the end of September (9M 2009: €76.3 million), this was 44 percent above the corresponding figure for 2009. The decisive factor behind this development was that gumbase had still been reported within WACKER POLYMERS until the end of the first half of 2009.

Sales volumes for gumbase increased by around 11 percent compared to a year ago. Prices for acetylacetone were well up on the previous year. As expected, WACKER BIOSOLUTIONS also reported strong sales growth for cysteine, cyclodextrins and pharmaceutical proteins.

WACKER BIOSOLUTIONS generated third-quarter EBITDA of €5.5 million (Q3 2009: €4.0 million). As a result, the division improved its EBITDA margin from the prior-year period's 12.3 percent to 14.9 percent. Aggregate EBITDA for the nine months from January to September 2010 was €18.1 million (9M 2009: €9.2 million) and the EBITDA margin 16.5 percent (9M 2009: 12.1 percent). Here, too, the increase against the prior-year period was primarily due to the fact that gumbase had still been reported within WACKER POLYMERS until the end of the first half of 2009.

WACKER BIOSOLUTIONS' investments amounted to €1.3 million in the period under review (Q3 2009: €1.9 million). Aggregate investments over the current nine-month period were €5.2 million (9M 2009: €8.5 million).

As of September 30, 2010, WACKER BIOSOLUTIONS had 352 employees (June 30, 2010: 355).

WACKER POLYSILICON

WACKER POLYSILICON

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
Sales						
External sales	303.4	230.2	31.8	852.1	741.2	15.0
Internal sales	46.1	38.4	20.0	142.8	111.5	28.0
Total sales	349.5	268.6	30.1	994.9	852.7	16.7
EBIT	153.3	58.7	>100	414.4	317.5	30.5
EBIT margin (%)	43.9	21.9	>100	41.7	37.2	11.9
Depreciation/amortization	36.6	27.8	31.7	107.6	73.1	47.2
EBITDA	189.9	86.5	>100	522.0	390.6	33.6
EBITDA margin (%)	54.3	32.2	68.7	52.5	45.8	14.5
Investments	74.8	105.7	–29.2	198.8	341.1	–41.7
As of	Sept. 30, 2010	June 30, 2010		Sept. 30, 2010	Dec. 31, 2009	
Number of employees	1,766	1,698	4.0	1,766	1,600	10.4

At WACKER POLYSILICON, sales volumes, sales revenues and earnings remained at record levels in Q3 2010. Compared to last year, the division boosted its sales revenues by 30 percent to €349.5 million (Q3 2009: €268.6 million). At the same time, it outperformed the preceding quarter's sales figure by nearly 9 percent (Q2 2010: €321.5 million). In the nine months from January to September 2010, the division posted sales of €994.9 million, almost 17 percent higher than a year ago (9M 2009: €852.7 million).

In Q3 2010, WACKER POLYSILICON's production output rose by over 50 percent compared to the prior-year period. Most of this increase was due to the new Poly 8 facility (which reached full nominal capacity in the preceding quarter). Further volume gains came from technological improvements. With output much higher, the division raised its production target for full-year 2010 in September – from the original 24,000-plus metric tons of hyperpure polysilicon to roughly 29,000 metric tons today. All the division's facilities are currently operating at full capacity. Demand for polysilicon remains very high in both the photovoltaic and semiconductor markets. Compared to Q2 2010, market prices for polysilicon edged up in the quarter under review.

WACKER POLYSILICON more than doubled its third-quarter EBITDA compared to last year. At €189.9 million, EBITDA was 120 percent up on Q3 2009 (€86.5 million). It also grew about 9 percent compared to Q2 2010 (€174.6 million). As for the EBITDA margin, it stayed at a very high level. The margin was 54.3 percent in the third quarter, compared with 32.2 percent in Q3 2009 and 54.3 percent in Q2 2010. A year ago, WACKER POLYSILICON's earnings had been reduced by non-recurring charges of €51.9 million from exiting the WACKER SCHOTT joint venture. In the first nine months of the year, aggregate EBITDA amounted to €522.0 million (9M 2009: €390.6 million), yielding an EBITDA margin of 52.5 percent (9M 2009: 45.8 percent).

Strong polysilicon demand and rising prices currently favor the conclusion of multi-year contracts involving advance payments by customers. At the end of Q3 2010, the entire production volume planned for the current and next two years was virtually sold out. In addition, the bulk of the output planned for 2013 is already contractually accounted for, including the volumes from the facility currently under construction at Nünchritz (Germany).

In Q3 2010, the division's investments focused on the construction of the new Poly 9 facility at Nünchritz, which is progressing as planned. WACKER POLYSILICON expects the facility to come on stream before the end of next year. Investments during the current quarter amounted to €74.8 million (Q3 2009: €105.7 million), cumulatively reaching €198.8 million for the first nine months (9M 2009: €341.1 million). On September 15, 2010, the EU Commission announced that it had authorized a regional investment grant of €97.5 million for the polysilicon facility at Nünchritz. These funds will be used in stages, in line with the investment project's progress.

As of September 30, 2010, WACKER POLYSILICON had 1,766 employees (June 30, 2010: 1,698).

SILTRONIC

SILTRONIC						
€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
Sales						
External sales	278.5	173.1	60.9	750.9	450.9	66.5
Internal sales	1.9	0.9	>100	4.4	2.2	>100
Total sales	280.4	174.0	61.2	755.3	453.1	66.7
EBIT	8.0	–44.9	n. a.	–17.6	–351.0	–95.0
EBIT margin (%)	2.9	–25.8	n. a.	–2.3	–77.5	–97.0
Depreciation/amortization	23.6	23.3	1.3	68.4	211.2	–67.6
EBITDA	31.6	–21.6	n. a.	50.8	–139.8	n. a.
EBITDA margin (%)	11.3	–12.4	n. a.	6.7	–30.9	n. a.
Investments	14.0	12.7	10.2	37.8	53.3	–29.1
As of	Sept. 30, 2010	June 30, 2010		Sept. 30, 2010	Dec. 31, 2009	
Number of employees	4,985	5,026	–0.8	4,985	5,096	–2.2

Siltronic continued its positive sales and earnings performance in Q3 2010. Total sales soared 61 percent to €280.4 million (Q3 2009: €174.0 million). So far, 2010's quarterly sales have shown a steady upward trend, climbing to the present level from €219.1 million in Q1 and €255.8 million in Q2. Aggregate sales for the first three quarters of 2010 amounted to €755.3 million, a rise of 67 percent (9M 2009: €453.1 million).

Siltronic's Q3 sales volumes were around 30 percent higher than the prior-year figure. The division's current equipment utilization rate is nearly 80 percent. Moreover, third-quarter prices were generally above the year-earlier level. There were particularly strong price increases for smaller diameters, above all epitaxial wafers. Favorable exchange-rate effects provided a further boost to business. Siltronic generated substantial sales growth in every region, with Asia delivering the highest growth rates. Currently, Siltronic generates around 60 percent of its sales in the Asia-Pacific region, including Japan.

In Q3 2010, Siltronic strengthened its earnings uptrend and posted EBITDA of €31.6 million (Q3 2009: €–21.6 million). In contrast, Siltronic had recognized losses in the comparable quarter last year, with positive EBITDA in Q1 2010 marking the turnaround. For the first time in seven quarters, Siltronic also posted positive EBIT of €8.0 million. This represents an important milestone on its path to higher earnings. Siltronic's third-quarter EBITDA margin was 11.3 percent, compared with –12.4 percent in Q3 2009 and 7.0 percent in Q2 2010. Its EBITDA for the nine months from January to September 2010 was €50.8 million (9M 2009: €–139.8 million). This corresponds to an EBITDA margin of 6.7 percent for the first three quarters of the year (9M 2009: –30.9 percent).

Siltronic's third-quarter investments amounted to €14.0 million (Q3 2009: €12.7 million). The aggregate total for the nine-month period from January to September 2010 was €37.8 million (9M 2009: €53.3 million). These funds were principally used for upgrading wafer production to keep pace with technological progress in the semiconductor industry.

As of September 30, 2010, Siltronic had 4,985 employees (June 30, 2010: 5,026).

Other

Third-quarter sales recognized under “Other” reached €39.6 million (Q3 2009: €37.9 million). Other EBITDA for Q3 2010 was €–6.4 million (Q3 2009: €0.3 million). For the nine months from January to September 2010, the WACKER Group posted aggregate sales of €109.0 million (9M 2009: €148.1 million) and EBITDA of €1.0 million (9M 2009: €7.1 million) for “Other.”

Risks and Opportunities

WACKER Has Shaken off the Effects of the World Economic Crisis and Can now Utilize its Growth Opportunities

In Q3 2010, all of WACKER's market regions and divisions benefited from the global recovery, which led to very strong demand for WACKER products and good plant utilization rates. As a result, specific production costs remained at a low level, strengthening the Group's profitability.

Sustained and strong customer demand for WACKER products offers a good basis for introducing price increases on the market, especially at the Group's chemical segments – insofar as existing contracts allow. WACKER announced price adjustments for several products and product groups as early as September 2010, and began implementing them in mid-October. WACKER POLYMERS, in particular, is trying to counter the ethylene-price increases of the past few months by raising its prices. At WACKER SILICONES, order books continued to grow during the third quarter.

Strong polysilicon demand and rising prices at WACKER POLYSILICON currently favor the conclusion of multi-year contracts involving advance payments by customers. As a result, the division was able to sell virtually all the production quantities planned for 2010 and the next two years by the end of Q3. Moreover, it has also contractually fixed the sale of a large part of the production planned for 2013, including the volumes from the Nünchritz facility currently under construction.

Whether Siltronic will continue profiting from rising product prices in Q4 2010 hinges mainly on how demand develops. Gartner Dataquest, the market research institute, currently expects fourth-quarter global wafer sales (by surface area sold) to drop by 3.5 percent compared to the preceding quarter.

WACKER's regional growth opportunities primarily lie in Asia. To utilize this potential, WACKER acquired a silicone-sealant plant in Jincheon (South Korea) in October. The plant, which was acquired from Henkel Technologies, mainly supplies products for construction applications. This October, WACKER also started up a silicone polymers and fluids plant at Zhangjiagang (China). The additional product quantities from this plant will enable WACKER to meet the needs of its Chinese customers.

On the procurement side, the risk of an above-average increase in raw-material prices in 2010 appears to be limited. In subsequent years, price rises seem likely, especially for energy and silicon metal. WACKER expects prices to remain more or less constant at current levels until the end of the year.

With its acquisition of a silicon-metal plant in Holla from Norway's FESIL Group, WACKER has seized the opportunity to make itself more independent of raw-material price fluctuations and to improve supply security for a key raw material in times of peak demand. With a production capacity of some 50,000 metric tons per year, the plant covers about a third of WACKER's annual silicon-metal needs. In mid-November, the second expansion stage of a siloxane facility is due to start up at Zhangjiagang (China). WACKER will then have additional, locally manufactured siloxane for producing silicones. It operates this facility as a joint venture with Dow Corning.

To ensure the financing of its growth strategy, WACKER has sufficiently large unused credit lines and continuous cash inflows from operations. Moreover, the Group is in very good financial shape. In terms of net financial liabilities (the balance of liquidity and current and noncurrent financial liabilities), WACKER reported a credit balance of €152 million as per September 30, 2010. The financial risks that the company is exposed to are listed in detail on pages 118 to 120 of the 2009 Annual Report.

Over past weeks, the euro has again strengthened appreciably against the dollar. Currently, the exchange rate is clearly above Q3's average dollar/euro rate of 1.29. WACKER expects that the euro's present strength will continue to the end of 2010 and beyond. The company took this trend into account when implementing measures to extend its operations-related currency hedging to 2011 and 2012. WACKER does not anticipate any substantial deviations in its 2010 sales and earnings trend due to the altered exchange-rate levels.

Even if the economic recovery slows down somewhat over the next few months, upward momentum remains intact and market conditions are still favorable. The unstable situation on financial and capital markets, though, still poses economic uncertainties and risks. Moreover, continued sovereign-debt concerns and the current political discussion about exchange-rate parities could dampen the global economic trend.

The specific risks facing individual divisions, market segments and sales regions – and WACKER's measures to counter these risks – are described in detail on pages 113 to 123 of the current 2009 Annual Report.

The Executive Board has not detected any individual or aggregate risks that could substantially endanger the Group as a going concern. Over the past few months, WACKER has implemented targeted measures to improve its long-term cost structures, to boost its divisions' flexibility and customer orientation and to expand its capacities in dynamic-growth markets and product segments. This is why the company continues to see itself as strategically and financially well positioned to seize any opportunities that arise.

Events after the Balance Sheet Date

To further reinforce its market presence and supply chain in the expanding Asian market, WACKER acquired the South Korean Lucky-Silicone brand from Henkel Technologies (Korea) Ltd. in October, after the reporting period had ended. As part of the acquisition, WACKER is taking over both the rights to the Lucky-Silicone brand and the production plant in Jincheon, including the associated real estate, for about €7 million. Additionally, WACKER will assume all the inventories and receivables related to this business. They are expected to be worth some €8 million. The site's existing workforce of some 40 employees will be kept on. The transaction's closing, which still requires antitrust approval, is expected in Q4 2010. The Lucky-Silicone brand mainly comprises silicone sealants, manufactured and marketed for use in construction and other industries. Last year, Henkel Technologies Korea generated sales of roughly €20 million with Lucky-Silicone products.

On October 5, 2010, WACKER prematurely terminated promissory notes (Schuldscheine) totaling €136 million with effect from the next interest due date in December 2010. By doing so, the Group is optimizing the balance between liquidity and financing.

Outlook and Forecast

The Global Economy Remains on a Moderate Growth Path

Following some strong growth impulses in the first half of 2010, the world economy will become more subdued toward the end of the year and beyond. The global recovery is losing speed, yet growth momentum remains intact.

The International Monetary Fund (IMF) expects the world economy to expand by 4.8 percent in full-year 2010 and 4.2 percent in 2011.[1] The momentum contributed by developing and emerging countries, according to the IMF, will reach 7.1 percent growth in 2010 and 6.4 percent in 2011. Advanced economies, for their part, are expected to expand by 2.7 percent in 2010 and 2.2 percent in 2011. In the USA, the IMF predicts growth of 2.6 percent this year and 2.2 percent next year. IMF projections for China are 10.5 percent growth in 2010 and 9.6 percent in 2011.

In their autumn forecast, Germany's leading economic research institutes expect global production to increase 3.7 percent this year and 2.8 percent next year.[2] Global trade is likely to rise by 6.8 percent in 2011, in line with its average of the past two decades. For the eurozone, the institutes anticipate GDP expansion of 1.6 percent in 2010 and 1.3 percent in 2011, with Germany as the growth leader. Projections for Germany are 3.5 percent in 2010 and 2.0 percent in 2011.

The moderate growth trend will be reflected in WACKER's markets, such as chemicals, construction, semiconductors and the solar sector. According to Germany's Chemical Industry Association (VCI), the country's chemical sector will increase sales by 18 percent this year.[3] The VCI has yet to issue a forecast for 2011. Global demand for silicon wafers will continue to develop positively, reports Gartner Dataquest (the market research institute) – up over 38 percent in 2010 and 3.2 percent in 2011.[4] In its Global Solar Update, UBS estimates that newly installed PV capacity will exceed 16 gigawatts worldwide in 2010 and grow more than 17 percent to over 19 gigawatts in 2011.[5]

WACKER's Upbeat Performance Will Continue at a High Level

Given the current economic trends and forecasts, WACKER expects customer demand and sales to remain strong and stable at all its divisions. Healthy order books point to good plant utilization rates through the turn of the year 2010/2011 and beyond. If customer demand stays high, prices for WACKER products are likely to develop well overall. Although we anticipate, as in the past, that Q4's sales and earnings will not reach Q3's level due to the usual seasonality of business (which affects construction, for example), this will not appreciably dampen the generally positive market trend in our opinion.

[1] International Monetary Fund, World Economic Outlook, October 2010: Recovery, Risk, and Rebalancing, Washington, October 2010
[2] Joint Economic Forecast Project Group ("Projektgruppe Gemeinschaftsdiagnose") / Ifo Institute for Economic Research in Munich, Joint Economic Forecast Autumn 2010: "Economic Upswing in Germany – Major Decisions Facing Economic Policy," Munich, October 14, 2010
[3] VCI (German Chemical Industry Association), "Bericht zur wirtschaftlichen Lage der chemischen Industrie im 2. Quartal 2010," Frankfurt, September 2, 2010
[4] Gartner Dataquest Market Statistics, Forecast: Silicon Wafers 2008-2014, Worldwide, 3Q10 Update, September 9, 2010
[5] UBS Investment Research, Global Solar Update 2010, Volume 27, September 23, 2010

The essential factors driving future developments at our segments were already addressed in the Risks and Opportunities section. In addition to customer demand and price trends (for polysilicon, chemicals and semiconductors), a particularly crucial factor for 2011 is whether Germany's reduction of feed-in tariffs for solar power – effective January 1, 2011 – will hold back demand for photovoltaic modules there. At the moment, we assume that next year's newly installed photovoltaic capacity in Germany will remain high and that additional demand in this segment will mostly come from international markets.

If global growth remains strong, raw-material and energy prices are likely to increase. This, in turn, might hold back the Group's earnings performance next year. Should the euro return to an average exchange rate of over 1.40 dollars in 2011, this would reduce sales and earnings for transactions invoiced in dollars. WACKER covers this risk through currency hedging.

On September 15, 2010, the EU Commission announced that it had authorized a regional investment grant of €97.5 million for our polysilicon facility in Nünchritz, Germany. These funds, which will be used in stages (in line with the project's progress), have not yet been fully included in the current-year investment budget. Another budget-related factor is that WACKER has improved its expenditure flows for several smaller-scale investment projects. For these reasons, investments in full-year 2010 will be lower than planned. Initially some €750 million, the figure will now be in the region of €700 million instead. The main investment focus for both this year and the next is expanding hyperpure polysilicon capacity. The polysilicon plant currently under construction at Nünchritz is scheduled to start production before year-end 2011. From today's viewpoint, investments in 2011 will be slightly above 2010's level. As in previous years, the Group will primarily finance investments out of its own cash flow. Moreover, WACKER has access to sufficiently large unused credit lines should external financing be necessary.

WACKER's international business will steadily become more important due to macroeconomic trends in the different regions of the world, with disproportionately high growth in developing and emerging economies – particularly in Asia. The Group will continue focusing investments and marketing activities on strengthening its presence and competitiveness in dynamic-growth markets and product segments worldwide. We chiefly see growth opportunities in China, where we now have extensive local capacities to produce silicone and polymer products.

In 2011, WACKER will continue working on the R&D activities described in the 2009 Annual Report (pages 94 to 96) and this quarterly report. Important fields for the future, in our opinion, are alternative energy production and electricity storage batteries. WACKER sees opportunities to tap into the growth expected here with both its established and newly developed products.

We do not envisage any major changes in the business policies, entrepreneurial goals and organizational orientation of the WACKER Group at the moment. Our 2009 Annual Report (pages 51 to 66) provides detailed explanations on the individual aspects of the Group's structure, activities, organization, management, aims and strategies, as well as on the individual divisions' financing and control of operational processes and strategies.

The dividend proposal for 2010, to be made at the Annual Shareholders' Meeting in May 2011, will be jointly determined by the Executive and Supervisory Boards after the conclusion of the current fiscal year. As in previous years, they will give appropriate and balanced consideration to the Group's financial situation, its 2010 results and its investment needs. There have been no changes to our stated dividend policy target, which is to distribute about 25 percent of Group profits to shareholders.

Overall Corporate Performance Expectations

Following WACKER's very good performance in Q3 2010, we expect to report new sales and EBITDA records for the full year. We see a good chance of surpassing our earlier €4.5 billion sales estimate for 2010 by well over €100 million. Similarly, we expect EBITDA to exceed 2008's record of €1.06 billion. Currently, we assume EBITDA will be over €1.1 billion.

At the moment, we cannot issue a precise forecast for 2011. Provided that the experts' expectations prove correct and the global economy advances as anticipated, we see a good chance of further increasing sales in 2011. Earnings next year will depend on raw-material and energy costs, for example, and the price trend for our products.

Munich, November 4, 2010
Wacker Chemie AG's Executive Board

Consolidated Statement of Income

January 1 through September 30, 2010

Consolidated Statement of Income

€ million	Q3 2010	Q3 2009	Change in %	9M 2010	9M 2009	Change in %
Sales	1,269.5	986.5	28.7	3,538.5	2,784.5	27.1
Cost of goods sold	–866.7	–725.0	19.5	–2,492.6	–2,084.1	19.6
Gross profit from sales	402.8	261.5	54.0	1,045.9	700.4	49.3
Selling expenses	–66.8	–59.1	13.0	–199.1	–176.3	12.9
R&D expenses	–40.1	–39.0	2.8	–122.2	–116.6	4.8
General administrative expenses	–26.0	–21.5	20.9	–78.2	–63.4	23.3
Other operating income	28.6	33.3	–14.1	149.6	159.0	–5.9
Other operating expenses	–49.5	–31.8	55.7	–163.0	–298.0	–45.3
Operating result	249.0	143.4	73.6	633.0	205.1	>100
Result from investments in joint ventures and associates	–14.8	–60.6	–75.6	–40.4	–117.8	–65.7
Other investment result	0.1	0.1	–	0.1	0.1	–
EBIT (earnings before interest and taxes)	234.3	82.9	>100	592.7	87.4	>100
Net interest income	0.2	1.2	–83.3	1.2	3.4	–64.7
Other financial result	–11.9	–7.8	52.6	–25.2	–23.4	7.7
Income before taxes	222.6	76.3	>100	568.7	67.4	>100
Income taxes	–66.8	–40.4	65.3	–171.6	–100.5	70.7
Net income for the period	155.8	35.9	>100	397.1	–33.1	n. a.
Of which						
Attributable to Wacker Chemie AG shareholders	155.4	33.7	>100	396.5	–30.8	n. a.
Attributable to non-controlling interests	0.4	2.2	–81.8	0.6	–2.3	n. a.
Earnings per share in € (basic/diluted)	3.13	0.68	>100	7.98	–0.62	n. a.
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, 2010

January – September

€ million	2010			2009		
	Before taxes	Deferred taxes		Before taxes	Deferred taxes	
Net income for the period			397.1			−33.1
Changes in foreign currency translation adjustments	43.1	–	43.1	−13.4	–	−13.4
Cash flow hedge	30.5	−8.6	21.9	35.9	−10.1	25.8
Of which included in profit and loss	14.8	−4.2	10.6	25.1	−7.1	18.0
Pro rata cash flow hedge at companies accounted for using the equity method	−4.1	–	−4.1	2.5	–	2.5
Non-controlling interests	1.5	–	1.5	−1.1	–	−1.1
Income and expenses recognized in equity	71.0	−8.6	62.4	23.9	−10.1	13.8
Total income and expenses reported			459.5			−19.3
Of which						
Attributable to Wacker Chemie AG shareholders			457.4			−15.9
Attributable to non-controlling interests			2.1			−3.4

July – September

€ million	2010			2009		
	Before taxes	Deferred taxes		Before taxes	Deferred taxes	
Net income for the period			155.8			35.9
Changes in foreign currency translation adjustments	−41.8	–	−41.8	−11.3	–	−11.3
Cash flow hedge	83.1	−23.4	59.7	13.0	−3.7	9.3
Of which included in profit and loss	9.1	−2.6	6.5	2.0	−0.5	1.5
Pro rata cash flow hedge at companies accounted for using the equity method	1.1	–	1.1	−3.6	–	−3.6
Non-controlling interests	−1.5	–	−1.5	−0.5	–	−0.5
Income and expenses recognized in equity	40.9	−23.4	17.5	−2.4	−3.7	−6.1
Total income and expenses reported			173.3			29.8
Of which						
Attributable to Wacker Chemie AG shareholders			174.4			28.1
Attributable to non-controlling interests			−1.1			1.7

Consolidated Statement of Financial Position

As of September 30, 2010

Assets

€ million	Sept. 30, 2010	Sept. 30, 2009	Change in %	Dec. 31, 2009	Change in %
Intangible assets	28.8	21.2	35.8	22.0	30.9
Property, plant and equipment, and investment property	2,917.3	2,744.8	6.3	2,780.2	4.9
Investment in associates accounted for using the equity method	111.2	137.3	−19.0	140.2	−20.7
Financial assets	86.0	72.6	18.5	75.1	14.5
Other assets	123.1	95.7	28.6	93.5	31.7
Deferred tax assets	18.0	24.1	−25.3	9.2	95.7
Noncurrent assets	3,284.4	3,095.7	6.1	3,120.2	5.3
Inventories	512.8	440.2	16.5	441.2	16.2
Trade receivables	628.0	506.0	24.1	466.8	34.5
Other assets	185.7	148.5	25.1	150.1	23.7
Liquidity	622.1	467.7	33.0	363.6	71.1
Current assets	1,948.6	1,562.4	24.7	1,421.7	37.1
Noncurrent assets held for sale, and disposal groups[1]	–	76.3	–	–	–
Total assets	5,233.0	4,734.4	10.5	4,541.9	15.2

Equity and Liabilities

€ million	Sept. 30, 2010	Sept. 30, 2009	Change in %	Dec. 31, 2009	Change in %
Subscribed capital	260.8	260.8	–	260.8	–
Capital reserves	157.4	157.4	–	157.4	–
Treasury shares	−45.1	−45.1	–	−45.1	–
Other equity items	1,950.2	1,590.0	22.7	1,552.4	25.6
Equity attributable to Wacker Chemie AG shareholders	2,323.3	1,963.1	18.3	1,925.5	20.7
Non-controlling interests	18.3	21.6	−15.3	16.9	8.3
Equity	2,341.6	1,984.7	18.0	1,942.4	20.6
Provisions for pensions	470.7	394.9	19.2	445.1	5.8
Other provisions	307.6	241.1	27.6	281.9	9.1
Deferred tax liabilities	34.2	52.4	−34.7	13.6	>100
Financial liabilities	313.9	354.5	−11.5	363.8	−13.7
Other liabilities	778.4	772.3	0.8	763.0	2.0
Noncurrent liabilities	1,904.8	1,815.2	4.9	1,867.4	2.0
Other provisions	172.1	171.8	0.2	140.8	22.2
Financial liabilities	156.2	163.4	−4.4	75.9	>100
Trade payables	283.3	223.7	26.6	217.9	30.0
Other liabilities	375.0	306.9	22.2	297.5	26.1
Current liabilities	986.6	865.8	14.0	732.1	34.8
Liabilities in connection with assets held for sale, and disposal groups[1]	–	68.7	–	–	–
Liabilities	2,891.4	2,749.7	5.2	2,599.5	11.2
Total equity and liabilities	5,233.0	4,734.4	10.5	4,541.9	15.2

[1] Comprises assets and liabilities relating to the disposal of shares in the former WACKER SCHOTT Solar joint venture

Consolidated Statement of Cash Flows

January 1 through September 30, 2010

Consolidated Statement of Cash Flows

€ million	9M 2010	9M 2009	Change in %
Net income for the period	397.1	–33.1	n. a.
Amortization/appreciation of noncurrent assets	309.6	424.5	–27.1
Changes in provisions	81.2	92.0	–11.7
Changes in deferred taxes	4.1	–2.1	n. a.
Changes in inventories	–36.3	56.2	n. a.
Changes in trade receivables	–129.7	–45.7	>100
Changes in other assets	–12.4	54.2	n. a.
Change in advance payments made and received	29.5	65.7	–55.1
Changes in liabilities	117.3	–68.0	n. a.
Non-cash changes from equity accounting	41.1	117.8	–65.1
Other non-cash expenses and income	–20.3	–5.3	>100
Cash flow from operating activities (gross cash flow)	781.2	656.2	19.0
Investment in noncurrent assets	–415.6	–606.8	–31.5
Proceeds from the disposal of noncurrent assets	3.0	4.0	–25.0
Investments in acquisitions	–66.1	–	n. a.
Cash flow from noncurrent investment activities	–478.7	–602.8	–20.6
Acquisition/disposal of current securities	–40.8	101.1	n. a.
Cash flow from investment activities	–519.5	–501.7	3.5
Capital increases	–	11.3	–100.0
Distribution of profit from prior-year net income	–60.3	–90.1	–33.1
Changes in financial liabilities	10.5	189.4	–94.5
Cash flow from financing activities	–49.8	110.6	n. a.
Changes due to exchange-rate fluctuations	5.8	–1.6	n. a.
Changes in cash and cash equivalents	217.7	263.5	–17.4
At the beginning of the year	363.6	204.2	78.1
At the end of the period	581.3	467.7	24.3
Additional information			
Cash flow from operating activities (gross cash flow)	781.2	656.2	19.0
Cash flow from noncurrent investment activities	–478.7	–602.8	–20.6
Net cash flow	302.5	53.4	>100

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

January 1 through September 30, 2010

Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Treasury shares	Retained earnings	Other equity items	Total	Non-controlling interests	Total
Jan. 1, 2009	260.8	157.4	–45.1	1,751.9	–56.6	2,068.4	14.4	2,082.8
Net income for the period	–	–	–	–30.8	–	–30.8	–2.3	–33.1
Income and expenses recognized in equity	–	–	–	–	14.9	14.9	–1.1	13.8
Total	–	–	–	–30.8	14.9	–15.9	–3.4	–19.3
Dividends paid	–	–	–	–89.4	–	–89.4	–0.7	–90.1
Capital contributions	–	–	–	–	–	–	11.3	11.3
Sept. 30, 2009	260.8	157.4	–45.1	1,631.7	–41.7	1,963.1	21.6	1,984.7
Jan. 1, 2010	260.8	157.4	–45.1	1,591.7	–39.3	1,925.5	16.9	1,942.4
Net income for the period	–	–	–	396.5	–	396.5	0.6	397.1
Income and expenses recognized in equity	–	–	–	–	60.9	60.9	1.5	62.4
Total	–	–	–	396.5	60.9	457.4	2.1	459.5
Dividends paid	–	–	–	–59.6	–	–59.6	–0.7	–60.3
Sept. 30, 2010	260.8	157.4	–45.1	1,928.6	21.6	2,323.3	18.3	2,341.6

Reconciliation of Other Equity Items

€ million	Changes in market values of securities available for sale	Foreign currency translation adjustments	Cash flow hedge	Total (excl. non-controlling interests)
Jan. 1, 2009	0.4	–44.1	–12.9	–56.6
Changes	–	–13.4	28.3	14.9
Sept. 30, 2009	0.4	–57.5	15.4	–41.7
Jan. 1, 2010	0.6	–50.9	11.0	–39.3
Changes	–	43.1	17.8	60.9
Sept. 30, 2010	0.6	–7.8	28.8	21.6

Notes

January 1 through September 30, 2010

Accounting and Valuation Methods

The interim consolidated financial statements of Wacker Chemie AG as of September 30, 2010 have, pursuant to § 37x WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"), been prepared in accordance with the rules of International Accounting Standard (IAS) 34 as applicable in the European Union, in condensed form and maintaining unchanged the accounting and valuation methods applied in fiscal 2009.

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 reporting date. Taxes are determined by calculating the actual tax expenses as of the interim reporting date. The option pursuant to IAS 34 of making an estimate is not exercised.

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 the IFRSs are explained in detail there.
We refer to the Notes as of December 31, 2009 for further explanations.

As of September 30, 2010, there were no material changes in the Group's organizational and legal structure as described in the 2009 Annual Report.

The Group's parent company, Wacker Chemie AG, is a listed company with headquarters in Munich, Germany. Its address is Wacker Chemie AG, Hanns-Seidel-Platz 4, 81737 München, Germany. It is registered at the Munich District Court (Amtsgericht) under HRB 159705.

Seasonal Influences

Sales of dispersions and other products to the construction industry are subject to seasonal fluctuations over the year. Because of the weather, sales 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 sales. Sales revenue for WACKER POLYMERS is 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, 2009 regarding the disclosures on other financial obligations. There were no material changes in the interim period.

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 2010:

Standard/Interpretation		Mandatory from	Endorsed by EU	Impact on WACKER
IFRS 1	Additional Exemptions for First-time Adopters	Jan. 1, 2010	Yes	None
IFRS 1	First-Time Adoption of the International Financial Reporting Standards	Jan. 1, 2010	Yes	None
IFRS 2	Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions	Jan. 1, 2010	Yes	None
IFRS 3/ IAS 27	Business Combinations/Consolidated and Separate Financial Statements	Jan. 1, 2010	Yes	Fundamentally significant: changed accounting for business combinations
IAS 39	Exposures Qualifying for Hedge Accounting	Jan. 1, 2010	Yes	None
	Improvements to IFRSs	Jan. 1, 2010	Yes	Insignificant
IFRIC 17	Distributions of Non-Cash Assets to Owners	Jan. 1, 2010	Yes	None
IFRIC 18	Transfers of Assets from Customers	Jan. 1, 2010	Yes	None

The following standards have been approved by the IASB in 2010, but their application is not yet mandatory for the period under review:

Standard/Interpretation		Publication by IASB	Mandatory from	Endorsed by EU	Anticipated impact on WACKER
IFRS 1	Exemption from Comparative IFRS 7 Disclosures	Jan. 28, 2010	Jan. 1, 2011	Yes	None
	Improvements to IFRSs 2008–2010	May 6, 2010	Jan. 1, 2011	Pending	Insignificant
Conceptual Framework Phase A	Aims and Quality Requirements	Sept. 28, 2010	Immediately	Pending	None

Changes in the Scope of Consolidation

As of September 30, 2010, the scope of consolidation comprises 58 companies, including Wacker Chemie AG, of which 52 have been fully consolidated in the interim financial statements. The scope of consolidation has changed as follows compared with December 31, 2009:

Wacker Silicones Technology (Shanghai) Co. Ltd., Shanghai, was wound up on March 31, 2010. The company had not been active since July 2008.

A Norwegian shell company was acquired by Wacker Chemicals Finance B.V. (Netherlands) on June 4, 2010. This company was renamed Wacker Chemicals Norway AS. It manages the activities of the silicon-metal production site in Holla. First-time consolidation of the company was as of June 30, 2010.

Reorganization measures led to two mergers in China. First, Wacker Polymer Materials (Shanghai) Co. Ltd., Shanghai, was merged with Wacker Chemicals China Co. Ltd., Shanghai. Second, Wacker Polymer Systems (Zhangjiagang) Co. Ltd., Zhangjiagang, was amalgamated with Wacker Chemicals (Zhangjiagang) Co. Ltd., Zhangjiagang. The aim of the reorganization is to simplify our corporate structure in China.

Disclosures on Consolidating the Holla Metall Acquisition of July 1, 2010 as per IFRS 3

Wacker Chemie AG successfully concluded its acquisition of the silicon-metal production site in Holla, near Trondheim (Norway), from the FESIL Group (Norway) on July 1, 2010. This strategic investment secures WACKER's long-term supply of silicon metal and makes it more independent of fluctuating raw-material prices. Holla Metall's production capacity is around 50,000 metric tons of silicon metal per year, which corresponds to about one third of WACKER's current annual needs. The purchase price was €66.5 million and was fully paid in cash during Q3 2010. There are no contingent considerations or outstanding purchase-price installments.

Silicon metal is one of WACKER's key raw materials. It is mainly used for producing silicones and hyperpure polysilicon. The silicon-metal market is volatile. This is because there are roughly ten silicon-metal manufacturers worldwide and their plant-utilization levels vary. The Holla site is able to supply a very pure grade of silicon metal that meets WACKER's requirements.

By way of an asset deal dated July 1, 2010, WACKER acquired all of FESIL's production facilities in Holla, including the related real estate and working capital. WACKER has taken on the 129 employees at Holla. The purchase price allocation has been carried out in accordance with IFRS 3 because the acquisition of the site meets IFRS 3 criteria. The transaction was consolidated for the first time as of July 1, 2010.

The values determined at the time of acquisition and the fair values of the assets and debts acquired pursuant to IFRS 3 are as follows:

€ million	Value determined on July 1, 2010	Purchase price allocation (PPA)	Fair value
Other intangible assets	–	10.7	10.7
Land, buildings	3.1	3.1	6.2
Property, plant and equipment	15.9	15.9	31.8
Inventories	13.0	–	13.0
Trade receivables	14.2	–	14.2
Other current financial assets	0.1	–	0.1
Cash and cash equivalents	0.4	–	0.4
Total assets acquired	46.7	29.7	76.4
Provisions for pensions and similar obligations	0.5	–	0.5
Finance lease obligations	2.3	–	2.3
Trade payables	3.5	–	3.5
Other current financial liabilities	2.5	–	2.5
Other provisions and non-financial obligations	1.1	–	1.1
Total obligations taken on	9.9	–	9.9
Total net assets acquired	36.8	29.7	66.5

The intangible assets reported in the purchase price allocation mainly consist of the acquired technological expertise and acquired order books from existing supply contracts. There is a minor negative difference of €24,000 from acquiring the Holla production facilities because, during the negotiations, the silicon-metal market was still held back by the effects of the economic crisis. This difference has been reported under other operating income. There were no contingent liabilities or contingent assets. Trade receivables were measured at fair value at the time of acquisition. No impairments were applied to the contractual receivables. The transaction costs attributable to the acquisition totaled €0.3 million and were reported in the statement of income.

Since their acquisition, the Holla production facilities have contributed €–0.5 million toward Group EBIT. The Holla site posted sales to outside third parties of €12.9 million for the period July 1 through September 30, 2010. If the transaction had taken place as of January 1, 2010, consolidated sales would have been around €24 million higher and consolidated EBIT would have increased by about €3 million.

Segment Reporting

Please refer to the interim management report for information on segment reporting. Following its shift in focus toward biochemistry, the division formerly operating as WACKER FINE CHEMICALS changed its name to WACKER BIOSOLUTIONS as of January 1, 2010. In the context of this repositioning, the polyvinyl acetate solid resins business (for gumbase) has been reported under WACKER BIOSOLUTIONS since the start of Q3 2009. The changes to internal management and reporting included separating the gumbase business from WACKER POLYMERS. Between January 1 and September 30, 2010, gumbase sales posted by WACKER BIOSOLUTIONS reached €37.5 million, making a positive contribution to earnings.

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 major shareholders and its Executive and Supervisory Board members.

Provision of services between Wacker Chemie AG and its majority shareholder Dr. Alexander Wacker Familiengesellschaft mbH is of subordinate importance. Furthermore, WACKER Group companies did not conduct any significant transactions whatsoever with members of Wacker Chemie AG's Executive or Supervisory Board or with any other key management personnel or with companies of which these persons are members of executive or supervisory bodies. The same applies to close relatives of the aforementioned persons.

In addition, trade is conducted between some Group companies and associated companies/joint ventures in the normal course of business. Business transactions are conducted at arm's length. The sales from these transactions are of no material significance in WACKER's opinion. The WACKER Group was not involved in any atypical transactions of material significance for itself or for related parties. The scope of financial receivables and liabilities in respect of related parties is insignificant.

Please refer to the consolidated financial statements of Wacker Chemie AG as of December 31, 2009 for further information.

Exchange Rates

During the reporting period and the previous year, the following euro/US dollar exchange rates were used for translating foreign currency items and for the financial statements of companies of which the functional currency is the US dollar:

	Exchange rate as of		Average exchange rate	
	Sept. 30, 2010	Sept. 30, 2009	**Q3 2010**	Q3 2009
USD	**1.36**	1.46	**1.29**	1.43

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.

Given the strong sales gains in the reporting period, WACKER increased its strategic currency hedging of future USD sales during Q2 and Q3 2010. The time horizon for strategic hedging was, in addition, extended in Q2 2010 in view of the currently favorable USD exchange rate. The hedging volume has consequently more than doubled since the end of 2009.

On July 22, 2010, WACKER prematurely canceled a syndicated credit line of €150 million and with an original maturity of three years. It was replaced by a new syndicated credit line concluded on arm's length terms. This new committed credit line is for €200 million and will run for five years.

Events after the Balance Sheet Date

Wacker Chemicals Korea Inc., a subsidiary of Wacker Chemie AG, acquired the Korean Lucky-Silicone brand from Henkel Technologies (Korea) Ltd. by way of an asset deal. The contract was signed by both companies on October 11, 2010. The purchase price, which is being paid in cash, is expected to be some €15 million for the acquired plant, brands and working capital. The transaction still requires antitrust approval. The local supervisory bodies of both companies must also give their assent to the deal. For further information on this acquisition, please refer to the interim management report on page 48.

The transaction's closing is expected before year-end 2010. Purchase price allocation will largely comprise the Lucky-Silicone brand and the acquired customer base.

Details of the amounts to be recognized in Q4 2010 with regard to the assets and debts acquired cannot currently be disclosed because the measurement process has not yet taken place. We will provide further information in the 2010 Annual Report.

On October 5, 2010, Wacker Chemie AG prematurely terminated promissory notes (Schuldscheine) totaling €136 million with effect from the next interest due date in December 2010. The transaction aims to optimize the balance between liquidity and financing.

Munich, November 4, 2010
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 assets, liabilities, financial position and profit or loss, 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, November 4, 2010
Wacker Chemie AG's Executive Board

Rudolf Staudigl Wilhelm Sittenthaler

Joachim Rauhut Auguste Willems

Upcoming Dates/ Investor Relations

Upcoming Dates

March 16, 2011
Publication of the 2010
Annual Report

May 4, 2011
Interim Report on the
1st Quarter of 2011

May 18, 2011
Annual Shareholders' Meeting

May 31, 2011
Capital Markets Day

August 2, 2011
Interim Report on the
2nd Quarter of 2011

October 28, 2011
Interim Report on the
3rd Quarter of 2011

Investor Relations

Head of Investor Relations
Joerg Hoffmann
Tel. +49 89 6279-1633
Fax +49 89 6279-2933
joerg.hoffmann@wacker.com

Judith Distelrath
Tel. +49 89 6279-1560
Fax +49 89 6279-2381
judith.distelrath@wacker.com

Manuela Ellmerer
Tel. +49 89 6279-2769
Fax +49 89 6279-2369
manuela.ellmerer@wacker.com

Wacker Chemie AG

Hanns-Seidel-Platz 4
81737 München, Germany
Tel. +49 89 6279-0
Fax +49 89 6279-1770
www.wacker.com