

# / 2009

The background is a vibrant orange gradient. Overlaid on this are several dark orange, slightly blurred lines that radiate from the bottom left towards the top right. At the end of each of these lines is a bright, glowing yellow sphere, creating a sense of depth and movement.

**WACKER**

Wacker Chemie AG  
Annual Report 2009

Paths to Productivity

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COVER PHOTO:  
GENIOMER® THERMOPLASTIC  
SILICONE ELASTOMERS FROM OUR  
WACKER SILICONES DIVISION

WACKER SILICONES is one of the largest  
silicone manufacturers worldwide with over  
3,000 highly specialized and innovative  
products. GENIOMER® grades are used in  
optical applications, for example.

**WACKER at a Glance**

€ million	2009	2008	Change in %
<b>Results/Return</b>			
Sales .....	3,719.3	4,298.1	-13.5
EBITDA .....	606.7	1,055.2	-42.5
EBIT .....	26.8	647.9	-95.9
Net result for the year .....	-74.5	438.3	> 100
Earnings per common share (€) .....	-1.43	8.84	> 100
ROCE (%) .....	0.9	25.7	-96.5
<b>Statement of Financial Position/Statement of Cash Flows</b>			
Total assets .....	4,541.9	4,625.1	-1.8
Equity .....	1,942.4	2,082.8	-6.7
Equity ratio (%) .....	42.8	45.0	-4.9
Capital expenditures (including financial assets) .....	740.1	916.3	-19.2
Depreciation (including financial assets) .....	579.9	407.3	42.4
Net cash flow .....	-32.9	21.7	> 100
<b>Research and Development</b>			
Research and development expenses .....	164.0	163.2	0.5
<b>Employees</b>			
Personnel expenses .....	1,090.3	1,086.1	0.4
Employees (December 31, number) .....	15,618	15,922	-1.9

#### **Mission**

WACKER is a leader in the chemical and semiconductor sectors, pushing ahead with technical innovations and the development of new products for the world's key industries. In this way, the company helps improve people's lives. WACKER is organized as a group of independently operating units with extensive responsibility under one strong roof – this provides the necessary flexibility and resolve. Everything we do is conducive to global networking and cultural integration.

#### **Vision**

The chemical industry makes a vital, long-term contribution to global progress and sustainable development. Future social and economic success will rest more than ever on worldwide collaboration and interconnected competencies. Thus, the best way of mastering today's and tomorrow's challenges is through flexible and specialized units that can also profit from the opportunities.

How does a company permanently reduce costs while simultaneously improving quality?

When it comes to productivity, we set high standards for ourselves. In short, WACKER acts according to the principle “There’s always room for improvement.”

Moreover, this does not require an economic crisis of the kind that we had all over the world in the 2009 fiscal year. We are convinced that a company will remain successful in the long term only if it reduces its costs while simultaneously improving quality.

In order to establish this principle firmly and lastingly throughout the company, we launched our own program in 2004: the “Wacker Operating System,” or wos for short. At first, wos concentrated on production. In the meantime, other corporate units have also been integrated into the wos program. These include logistics and the service units in Site Management and Engineering.

wos is not a one-time program, but rather a process that begins with the question: Are we doing things right? Its objective is to make what is good even better. In the process, we scrutinize all of the operational workflows.

How does that work? By setting ourselves ambitious goals. We want to increase our productivity by 10% each year. This requires the help of our employees. We have established and trained “productivity managers” throughout the company. Together with the heads of the various units, they define sensible objectives and, in conjunction with the employees, seek innovative ways of fine-tuning the processes. To this end, they develop new methods and also have access to tools that have already been put to effective use. Systematic process optimization is a key element of our success. It is equally important, however, that the employees themselves have the ambition and enthusiasm to strive for improvement every single day. This is the culture which ultimately spells success.

This Annual Report describes four of WACKER's paths to productivity.





/ 1 Dr. Hans-Peter Bortner, Pages 6 – 11

How can a global cost and quality leader get even better?



/ 2 Bernhard Horner, Pages 12 – 17

How do trainees come to grips with day-to-day work demands more quickly?



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How can logistics adapt to changes in ordering behavior, new product ranges, and a wide variety of transport options?



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How does a company increase production several times over while simultaneously reducing energy consumption and CO<sub>2</sub> emissions?

# / 1 How can a global cost and quality leader get even better?

/ In the recirculating gas system, by-products and auxiliaries from polysilicon production are processed and fed back into the production process.





## WACKER POLYSILICON repeatedly scrutinizes all of the stages in its processes, thereby improving itself step by step.

Dr. Bortner, you are already operating in the polysilicon market with the lowest costs and the highest quality. Couldn't you just sit back and take it easy?

What does that mean for your day-to-day work?

Does economy function in mechanical processing as well?

How do you find out exactly where you can optimize something?

No, absolutely not. The reason we are so good is that we are constantly improving our processes – from the chemical processes to the deposition of the polysilicon and, finally, the mechanical processing. We try to fine-tune wherever possible without losing sight of the big picture.

We continuously increase the yield of our chemical reactions. We do this by experimenting with the chemical starting materials required for the process by changing their quantities and composition. Parallel to that, we optimize individual parameters such as temperatures or throughput, thereby influencing process flows. Apart from that, we benefit from the integrated silicon production system that WACKER has established here in Burghausen. We return by-products to the processes or use them in other production lines. This way, we reduce waste to a minimum. In addition, we optimize energy consumption by re-using the waste heat generated in some processes at other stages of production.

Yes, and this is precisely where all of our employees have to play their part. In our processing plant, which crushes, classifies, and packages the silicon in a fully automated process, chunks of silicon, for example, often fail to make it through the sorting process. However, we can sell these chunks as a high-quality product. One of our employees noticed this. Working together with our engineers, the employee found a solution. At the end of the processing line, we set up a simple device with which we collect sizeable chunks. All in all, this enabled us to produce half a percent more polysilicon. With a current annual capacity of approximately 20,000 metric tons, that makes a huge difference.

By taking a very close look. In the plant, we gather and analyze an enormous amount of data. This information provides us with indications of further potential improvements. In addition, our key figures and target agreements help us to set ambitious goals and, of course, to achieve them as well. If, on the basis of this information, we get an idea of where exactly we can intervene in our chemical processes, we simulate these processes on a computer. We proceed in a similar way with the mechanical processing of the polysilicon. We analyzed an existing facility and used the findings to optimize a new one. This enabled us to improve cycle times considerably and to increase output by 10%, without losing sight of employee safety, product quality, and process dependability.



/ Dr. Hans-Peter Bortner is head of production at WACKER POLYSILICON in Burghausen. The 52-year-old has been employed by the company for 25 years. He began his career as a developer, and, later, he was the head of various production areas at the WACKER subsidiary Siltronic AG.

Your mention of process dependability also encompasses plant downtime, which costs a lot of money. How can you reduce these costs?

We must ensure maximum quality when the plants and facilities are being built. For example, the individual pipes for hydrogen, chlorosilane, and nitrogen that we need for the polysilicon deposition process have to be clean and dry before they are assembled. After a facility has started up, any impurity would be carried by the process gas into the reactor and, therefore, end up in the downstream product, the silicon rods. We have made enormous progress in all of these areas in recent years, including our cooperation with suppliers and our partner companies.

Can the results be quantified?

Of course. Previously, several warm-up runs were necessary to break in new production facilities. Now, we need considerably fewer runs to achieve high product quality. However, after a plant or facility has come into operation, we also have to load and unload it after every process and prepare it for the next production run. In 2009, we managed to reduce this downtime by 10%. This, of course, increases output, especially in periods of high demand.

Speaking of demand, the global market price for polysilicon was over us\$400 per kilogram just a few years ago. Now, with production capacities having increased enormously, it is less than us\$100. How do you deal with this?

The high price was caused by silicon scarcity. In the meantime, supply and demand have moved more into line with each other. During the peak period, many customers were not selective, as high-quality silicon was not available on the market in sufficient quantities. We have focused on quality throughout our processes, however, and steadily improved our expertise as a result. Now, we are reaping the fruits of our labor. Customers' requirements are becoming more stringent while we have simultaneously optimized our costs and improved our competitive edge.



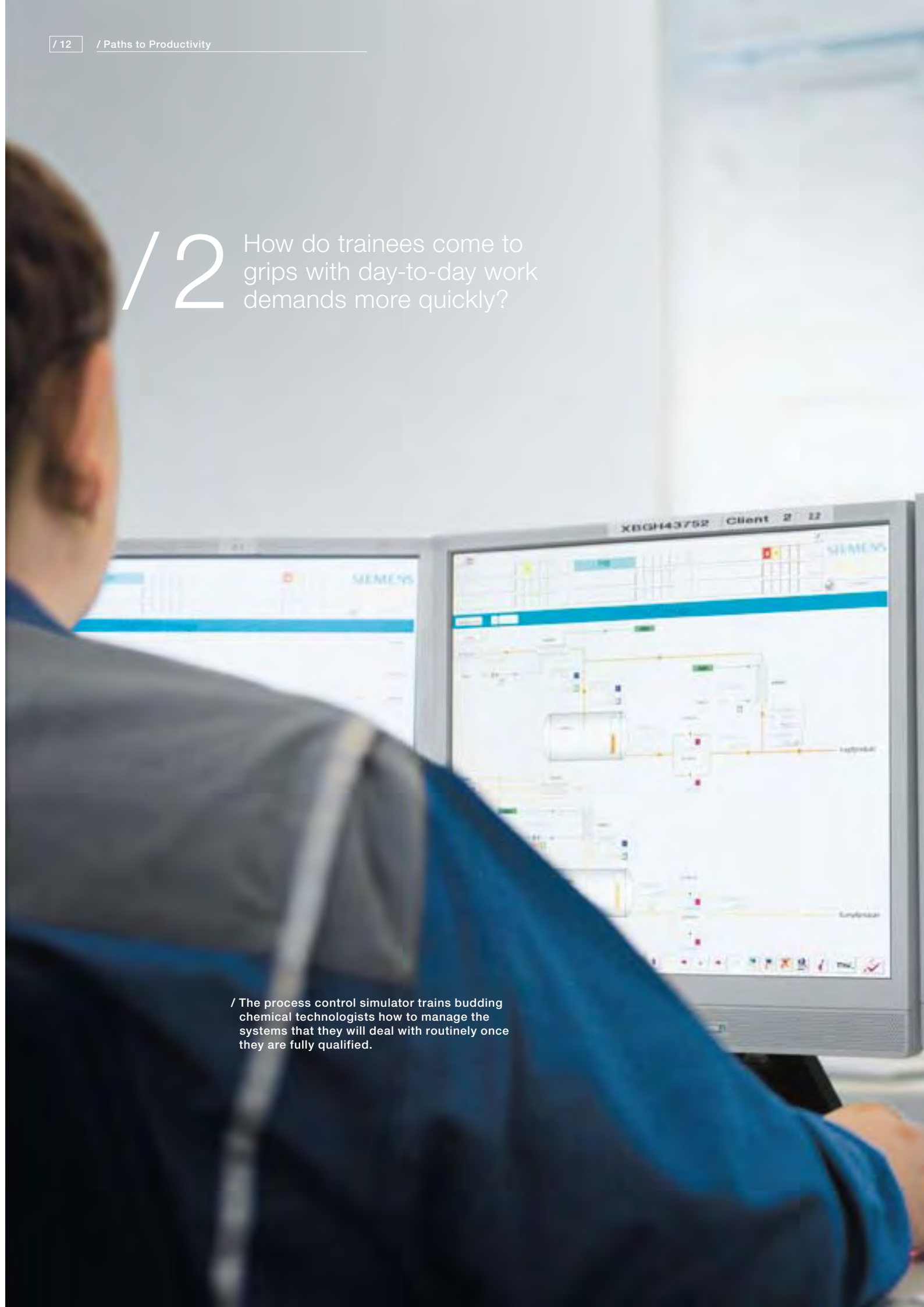
Since 2007, the number of employees at WACKER POLYSILICON has increased from 1,000 to 1,600, and sales from €450 million to over €1 billion. A further expansion stage is currently being ramped up at the Burghausen plant. At the moment, WACKER POLYSILICON'S share of the global market is around 20%.

/1 A rod made from hyperpure polycrystalline silicon – rods like this are converted into monocrystals by the float-zone method and then processed into semiconductor wafers.

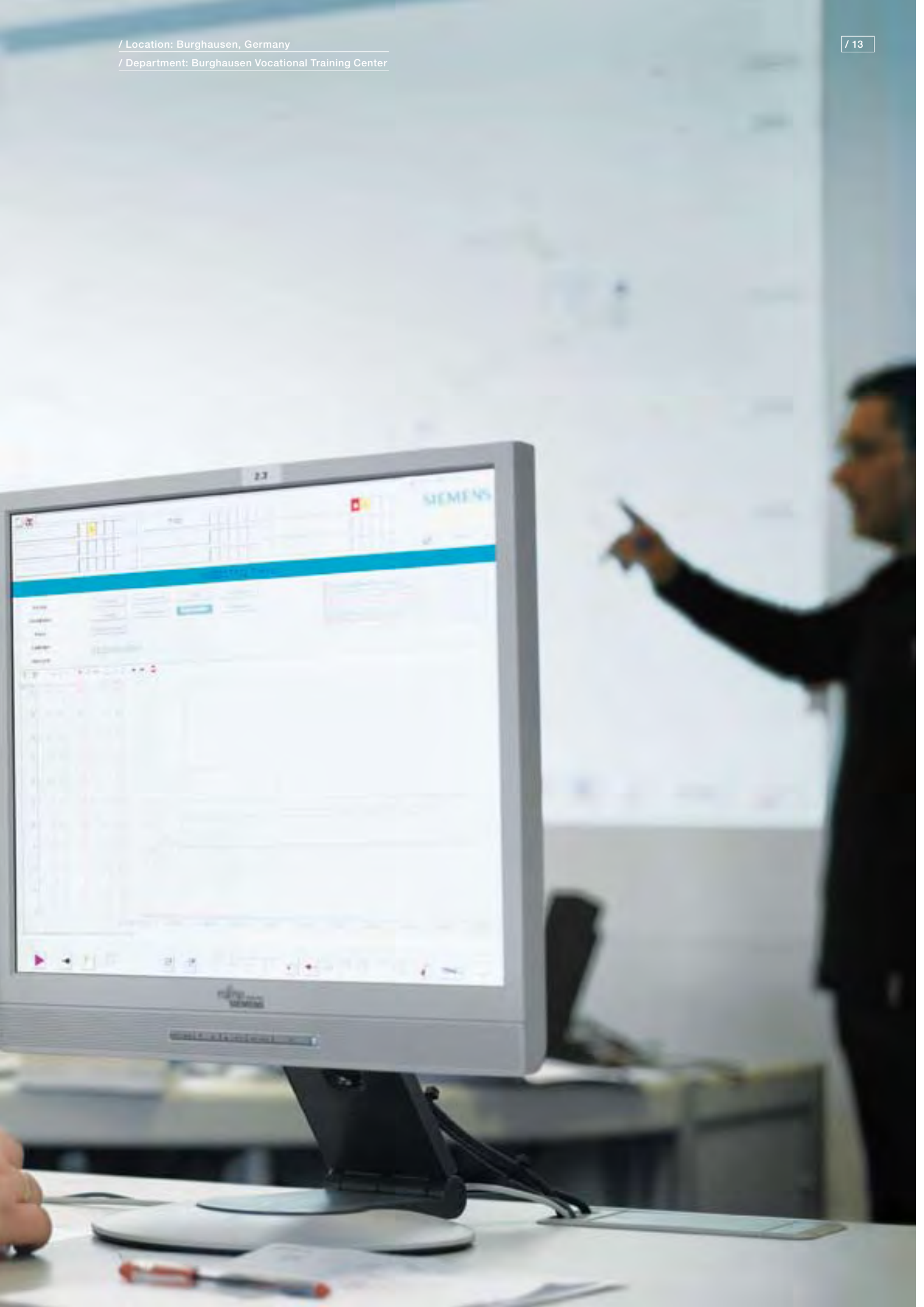
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How do trainees come to grips with day-to-day work demands more quickly?

/ The process control simulator trains budding chemical technologists how to manage the systems that they will deal with routinely once they are fully qualified.







The trainees at WACKER experience real and highly complex processes in virtual plants.



/ Bernhard Horner trained as a chemical technician at WACKER in 1977, before working in production and as a deputy foreman for six years. Subsequently, he acquired his foreman's qualification. Today, he is a training supervisor for chemistry and physics at WACKER's Burghausen Vocational Training Center, where he helped to set up the process control simulator.

Bernhard Horner looks over his computer screens to the six young people sitting across from him. Each one of them is almost hidden behind their own three monitors, their faces reflecting the monitors' bluish glow. "What would happen if an alarm were set off at this point?" asks the dark-haired and athletic 47-year-old chemistry and physics instructor as he stands in front of the room furnished with tables and chairs. He points his finger at a longish container from a distillation column that can be seen in the projected image on the wall behind him.

The young people, who are just starting their second year of training at WACKER, are looking at complex circuit diagrams. They hesitate for a few seconds until one of them says: "The filling valve would open and feed in the vinyl acetate and acetic acid." Horner nods with satisfaction. Problem solved.

Recognizing malfunctions, changing pressures, reducing fan speeds: complex everyday operational tasks that WACKER's trainees can experience, analyze, and handle virtually on their computers. "Our process control simulator, which came into operation in 2008, makes training more vivid and realistic," explains Horner, as he attentively observes the trainees. "The trainees understand process interrelations better, they gain an impression of our process control systems – which they can work on just as in real-life operations, and, above all, they can carry out all the steps repeatedly and reflect on them in detail." Each year, 44 chemical technologists start their training at Wacker Chemie AG. In total, there are 176 chemical technologists in training at the 47 WACKER production facilities that take on trainees. They interpret trend curves that show and document the course of production over long periods of time, adjust control unit parameters optimally, use online functional specifications, and can start up or shut down facilities virtually.

Just like the real thing – the process control simulator introduced in 2008 makes the training course for chemical technologists vivid and lifelike.

Horner reports with great enthusiasm on the latest tool in which he, along with almost a dozen colleagues from WACKER's in-house Engineering department and the Vocational Training Center, has invested a lot of energy since 2005. The team developed a software solution that links the process control system used in the plants with the simulator. "With the process control simulator, we can depict nearly 100 measuring instruments in a distillation facility and operate them virtually with sensors and hand valves. To do this, the simulator solves 20,000 equations with 47,000 variables," describes Horner, detailing the operating mode of the simulator, which is part of a practice facility in the training lab.

There, a clear liquid bubbles away in a number of glass distillation columns connected with pipes, tubes, and power cables. This small-scale production setup separates alcohol from water. Bernhard Horner carefully moves his right hand closer to one of the 78 degree Celsius columns in which the processes can be seen; these are usually concealed behind steel. "This is exactly how we introduce the trainees to the production facilities," he demonstrates. "They have to feel and develop a respect for the heat, while at the same time learning to understand and control the functions."

Learning with all of the senses – holistic training is a priority at WACKER.

This holistic approach to the learning process is being accorded ever greater significance in the training activities at WACKER. "We ran a pilot program from 1996 to 2000, and its result was clear. The trainees must learn with all of their senses, gathering and



storing tactile, visual, and acoustic experiences for themselves,” affirms Horner. In the future, sounds, images, and videos originating from the large production facility at the Burghausen site should also be seen and heard in the simulator.

Incidentally, Horner wants to use the virtual facility not only in the initial training program. “Other employees, for example those switching from one production plant to another within the Group, can also use the simulator to adapt themselves to their new work areas,” notes the training supervisor. “Where else can the employees get so close to reality with a safety net and a harness?”



/2



/3



/4



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**/1** The lab-scale distillation facility separates alcohol from water. The glass distillation columns show the processes which take place in the industrial-scale facilities at the plant.

**/2** Chemical technologists' main tasks include the monitoring, supervising, influencing, and documenting of processes.

**/3** In the training lab, apprentices can operate industrial plants from the control stations.

**/4** Bernhard Horner supervises and assesses how the participants operate the system during process simulation.

**/5** Sharing and discussing experiences during process simulation is an important part of the training course.

## / 3

How can logistics adapt to changes in ordering behavior, new product ranges, and a wide variety of transport options?

/ An insight into the modern logistics and distribution center. It has space for approximately 23,000 pallets. The integrated fire prevention system reduces the amount of oxygen in the air and ensures that there is no chance of a fire starting.



## WACKER has devised its new logistics and distribution center as a highly efficient and flexible system.

It seems a little like the computer game Tetris in which players have to place differently-shaped blocks in such a way that unbroken rows are created. In the new logistics and distribution center (complementing an existing center) on the edge of the WACKER site in Burghausen, the employees fit pallets loaded with beige drums, compact pails, and brilliant white sacks into shipping containers and cargo trailers with absolute precision. They even out varying heights with chipboards, prop up the products with empty pallets, lash down the goods, and insert air cushions for protection. Although this takes a lot of time and effort, Dr. Thomas Bronnert can make a good case for it. “We regard logistics as a part of product quality,” explains the tall logistics manager, who joined the company 12 years ago. “First and foremost, the goods must arrive safely and in undamaged condition, but they must also make a good visual impression on the customer. When the pallet comes out of the container, this is often the customer’s first contact with our product.”

First impressions count – as well as arriving undamaged, the goods should look appealing for the customers.

The art of packaging is an everyday priority in the modern logistics and distribution center, which was expanded in 2008. “A chemical production site that evolved over a long period has become a logistics hub for the chemical industry,” declares Bronnert, who is proud of this achievement and the work of the approximately 250 logistics employees. The new momentum can be read from two simple figures. The rate of turnover, in other words the frequency with which the entire warehouse stock turns around, increased from 12 to 18 over the year. “The logistics and distribution center is faster and can adapt itself better to market developments.”

Burghausen: a logistics hub. Throughput has increased considerably in recent years.

The major modernization program was planned before the turn of the millennium. That was when the then CEO and present-day Chairman of the Supervisory Board, Dr. Peter-Alexander Wacker, had the idea of optimizing the processes in the plant. The company switched entirely to SAP and re-examined all of its processes. For the logistics area, this meant improving in-house and external transport. Since then, WACKER has increasingly shifted transportation within the plant from rail to road. “The tracks were very narrow, a lot of shunting had to be done, and it all took quite a long time,” remembers Bronnert as he looks from his unpretentious office’s large window onto the in-plant railroad line. In addition, the logistics specialists coordinated the in-plant inbound and outbound deliveries. In the old warehouse, the containers and trucks passed through the same gates. Today, the goods come from various parts of the plant by swap body, arriving at the new warehouse at 20 gates, from where they are consigned to the high-bay shelves by forklift.

In a second area, the goods are ready for delivery. On the one side, huge trucks pull in at 18 gates. At the 12 gates on the other side, you’ll find the shipping containers that WACKER transports by train to the seaports in Bremerhaven and Hamburg once per working day. “This means that we have become substantially more effective,” confirms Bronnert as he observes a truck that the shipping company’s driver and a WACKER employee are in the process of loading. “We integrate the shipping companies into our work for safety reasons. This makes the collaboration more efficient,” Bronnert comments. “The throughput time of a truck from the time it enters the plant to the time it leaves, with loading in between, has been shortened considerably thanks to modern handling at the gates and process optimization in the warehouse. Today, we achieve throughput times of well under an hour.”





/ Dr. Thomas Bronnert is head of logistics at WACKER in Burghausen. The 43-year-old father of two joined WACKER as a chemist immediately after acquiring his doctorate.



/1



/2



/3

**/1** The finished products are packaged in a wide range of different shipping containers. Intermediate bulk containers hold 1,000 liters and are increasingly replacing pallets holding four 200-liter drums. This means that a larger quantity of product can be shipped on the same load unit.

**/2** The large block storage area is located between the loading areas for trucks and containers. This layout keeps distances short for maximum efficiency.

**/3** Every year, gantry cranes and reach stackers handle over 10,000 loaded containers in the terminal area.

The changed product range and the company's robust growth also strongly influenced the logistics. Just a decade ago, WACKER was also transporting bulk freight such as caustic soda and salts for its (now sold) PVC operations in large tankers. The focus is now on specialty chemicals which are considerably smaller in volume. Despite this, WACKER – with over 700,000 metric tons in 2008 – almost reached the transport volume it had achieved in 2000.

Most of the new products are stored on pallets in the high-bay warehouse, which is 3,000 square meters in area and 32 meters in height. These products have the advantage of being highly suitable for transportation in containers. This is why the company relies a great deal on rail transportation outside of the plant. It is more environmentally sound, more efficient, and – last but not least – more reliable. “We must have transferred an average of 18,000 truck journeys per year to rail,” mentions Bronnert while just 30 meters away, a locomotive is connecting to some freight cars. “We are loading around three times as many containers as we did in 1999 and are, thereby, ensuring one of the highest capacity-utilization rates on freight trains in Germany.”

Environmentally friendly, cost-effective, and reliable – WACKER makes great use of railroad transportation.

One-third of all WACKER products are loaded and unloaded in the two logistics centers at the Burghausen site with their 75 employees. Another third is shipped by road or rail directly from the site's 42 production facilities, and the rest is bulk freight that goes to customers by tanker. This three-way division helped the logistics specialists determine the size of the logistics and distribution center in close cooperation with the individual WACKER plants on the site. Although every plant tries to accumulate as little warehouse stock as possible, it is impossible to operate with none at all. “For production-related reasons, we can operate some plants optimally only if their capacity is utilized to the full, for example with 100 metric tons of product,” clarifies Bronnert. “If a customer orders only 20 metric tons, the rest will go into the warehouse.” Similarly, the setting-up times of particular plants in the event of product changes make it necessary to stock products for short-notice orders.

The logistics are planned with great flexibility as far as shifts, work load, and possible throughputs are concerned. Bronnert and his colleagues are, therefore, coping even with the current economic crisis, which is causing much shorter lead times for dispatch. “There was a time when several weeks were standard, but now many customers order at short notice according to requirements so that they don't tie up so much capital,” Bronnert affirms. At the same time, this increases the number of orders, meaning added complexity for WACKER's logistics staff.

Flexibility is the key. As orders are placed at increasingly short notice, logistics become more and more complex.

The logistics specialists at WACKER are well equipped for the future. Particularly since another major step is imminent. There are plans to construct a public container terminal in 2012. This new terminal will be opening up further possibilities of shifting traffic from road to rail – for WACKER as well as for local companies from the chemical industry and other branches.

# / 4

How does a company increase production several times over while simultaneously reducing energy consumption and CO<sub>2</sub> emissions?

/ Work continues around the clock at the Nünchritz plant. WACKER has invested more than €600 million here over the last ten years and transformed Nünchritz into one of the world's largest and most state-of-the-art silicone sites.





WACKER utilizes waste heat and hot exhaust gases as useful heat for producing steam, saves energy by using several heat-integration systems, and employs a technically mature energy management system.

/ Johann Eibl, 53, is head of the technical department and deputy manager of WACKER's site in Nünchritz. He has been employed by the Group for twenty-five years now, ten of them at the Nünchritz site. His employees' particular strengths? "Open-mindedness, reliability, and inventiveness."



A fresh wind is blowing over the site of the WACKER plant. Johann Eibl, a wiry man of medium build, pulls his collar up, adjusts his yellow protective helmet, and looks toward the sky.

The silver-colored distillation columns that rise towards the clouds like enormous cigars reflect the sun's rays. A truck drives past, and a forklift follows. Somewhere there's knocking, and an echo of men's voices. This is the soundtrack of chemical production in the small municipality of Nünchritz.

Nünchritz, located in the middle of Saxony, is the most important WACKER site for siloxane production after Burghausen. Production is going at full speed. The plant is growing – “and it's more energy-efficient than ever,” affirms Johann Eibl with the deep voice and slightly rolling “r” that are typical for a Bavarian born near Regensburg. The head of the technical department and deputy site manager straightens his glasses and leads the way back to his office to explain in detail how the following can work: substantially higher production while keeping energy costs under control at a time of sharply increasing energy prices, and simultaneously conserving the environment and resources.

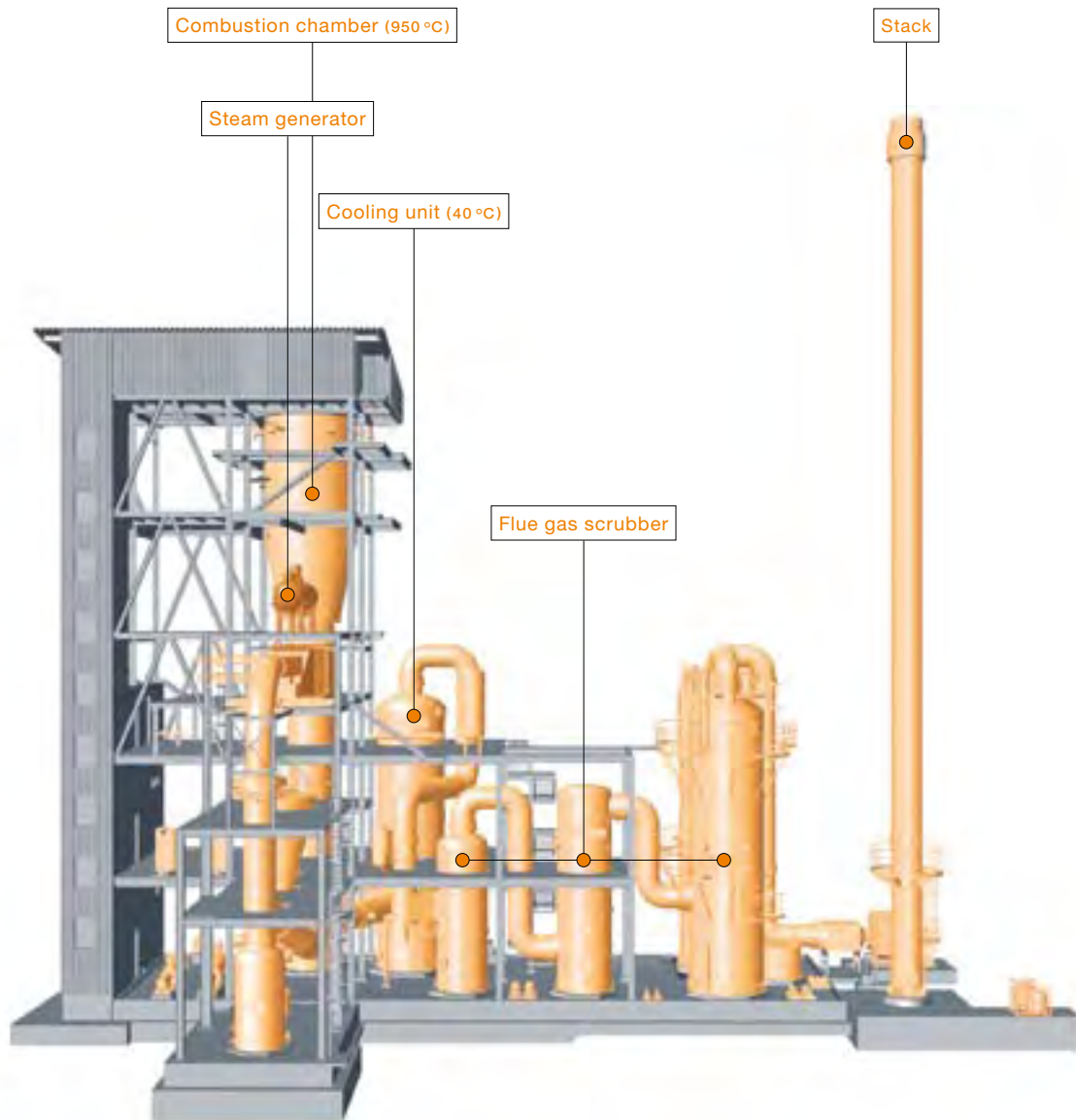
Keeping energy demand under control – in addition to cutting costs, energy-efficient production protects the environment and conserves resources.

The Nünchritz plant produces up to 135,000 metric tons of siloxane per year by successively evaporating and condensing a mixture of liquid silanes in the distillation columns. To do this, WACKER requires, for example, heat energy from the burning of natural gas to produce the steam for the distillation. To cool and liquefy the various substances, electricity for the fans that provide the air cooling is also necessary.

Although the plant now produces around seven times more siloxane than it did ten years ago when WACKER acquired the site, it does not consume seven times the energy. Its steam requirements are lower in absolute terms than they were ten years ago. The plant has become both leaner and more productive, and that's what makes it special. “Energy efficiency was an important topic for us from the start,” mentions Johann Eibl, who studied process and environmental engineering many years ago in Berlin. An important contribution to this was made by the POWER PLUS program. With its help, WACKER has been cutting its energy consumption throughout the Group by 10% annually since the beginning of 2007. In Nünchritz, there were, and remain, many starting points for this strategy. The most prominent are the distillation columns, the plant's landmark that can be seen from miles around. They are operated as a heat-integration system where it makes sense and is feasible. Previously, each column was supplied with energy individually and autonomously to get the distillation process started. Today, the energy-rich gaseous distillate in one column heats the process of the following column – like playing dominoes with heat energy.

An ambitious goal – with its POWER PLUS program, the WACKER Group is reducing energy consumption by 10% annually.

“We are probably the first company anywhere in the world to use this process in silane chemistry,” notes Johann Eibl. The Group has filed a patent for the process. The result – each year, WACKER saves 200,000 metric tons of heating steam and 500 megawatt hours of electrical energy in distillation. “The generation of heating steam with natural gas costs us around €30 per metric ton. The heat-integration system saves us around €6 million per year.” The principle is catching on. The Burghausen site is also scheduled to use it in the future.



/ A three-dimensional model of the residue incinerator at the Nünchritz site with a sophisticated heat recovery system. The incinerator disposes of the gaseous and liquid production residues from the entire site. Per year, it produces approximately 80,000 metric tons of heating steam and saves approximately 4.8 million cubic meters of cooling water.



In the area of waste gases, WACKER is also increasing energy efficiency. A disposal facility in the production process burns these residues, which are around 950 degrees Celsius when they leave the combustion chamber. The flue gas must be cooled to 40 degrees before it can be scrubbed. Previously, WACKER used cooling water for this entire drop in temperature. Today, the plant in Nünchritz performs an intermediate step. In a steam generator, the hot waste gas turns water into steam, and is itself cooled down to 270 degrees in the process. This way, 80,000 metric tons of heating steam per year is generated for other production steps in the plant. At the same time, WACKER saves 4.8 million cubic meters of cooling water and over €3 million, as it doesn't have to buy as much natural gas or treat as much cooling water.

However, smaller improvements also contribute to a reduction in energy costs in Nünchritz. In 2007, 150 employees, primarily shift workers and skilled laborers, participated in an energy-saving campaign which is part of the plant's employee suggestions system. The resultant overall benefit is savings of €200,000. "When it comes to energy-related topics, our employees are particularly imaginative and motivated," Johann Eibl confirms.

Small steps can have a great effect. An energy-saving campaign as part of the plant's employee suggestions system saved a total of €200,000.

The energy savings achieved in the plant as a whole are impressive. The specific consumption of steam fell by around 70% over the past ten years, while power consumption per metric ton of product also fell by around 70%. The energy-saving measures are now helping to prevent the emission of over 60,000 metric tons of CO<sub>2</sub> – this represents a decrease of over 80% in CO<sub>2</sub> emissions. The plant has its energy costs under control, even though natural gas prices have risen 50% since 2005, and electricity costs have more than doubled since 2004. "We have spent almost €8 million on the energy-saving measures, and, since 2008, we have been saving around €12 million per year," concludes Johann Eibl.

What does the future hold? "Energy efficiency will continue to be an important topic in the future," the WACKER manager remarks, indicating to his left. He looks out the window to a large construction site: cranes, trucks, workers, bare brickwork, soil, structural elements, hustle and bustle. In Nünchritz, WACKER is building a new production facility for polysilicon which also features complex heat-integration systems. Approximately €800 million is being invested, and 450 new jobs are being created. The new plant is scheduled to start production in 2011. Until then, it will be probably the biggest construction site in Saxony. "I think that's great," adds Johann Eibl with a smile. He likes construction sites, even though the office trembles sometimes. It's good when things are on the move.

Energy efficiency is a permanent priority. As the Nünchritz plant is extended, using energy wisely remains a key issue in the future.

WACKER will keep on endeavoring to improve a little each day. Over the next few years, wos will be established firmly in all parts of our company. We will continue to work on this at every level. In the WOS ACADEMY, established in 2009, the workforce is being prepared and trained for this task.

As quality and cost leader in many of our fields of business, we are sure of one thing: improvement is a process that is never-ending.

# For Our Shareholders

# / 1



For Our Shareholders

**WACKER FINE CHEMICALS**

uses advanced chemical and biotech processes to manufacture innovative, tailored biotech and catalog products in the fine chemicals sector. Its products include pharmaceutical proteins, cyclodextrins, cysteine, organic intermediates and acetylacetone. The division focuses on developing customized solutions for growth sectors such as pharmaceutical actives, cosmetics and food additives.





Despite the difficult global economic situation, WACKER produced a stable performance in the 2009 fiscal year. We too, however, did not emerge entirely unscathed from the world's most significant economic downturn for decades. Our sales, for example, did not grow for the first time in five years. They decreased by 13.5% to €3.72 billion. EBITDA decreased by 42.5% to €606.7 million. In the result for the year, we even recorded a loss of €74.5 million.

These figures, however, fail to fully reflect the robust operating performance that we produced in 2009. Apart from Siltronic's totally unsatisfying result, we generated operationally positive EBITDA in all of the other divisions. WACKER POLYSILICON generated sales of over €1 billion for the first time and, despite persistent pressure on prices, achieved an operating EBITDA margin of 51.1%. The two largest chemical divisions at WACKER achieved higher EBITDA margins than in the record year of 2008.

The operating result is overlaid by non-recurring effects which have negatively influenced the development of earnings. These include, among others, the withdrawal from the joint venture WACKER SCHOTT Solar and provisions for personnel measures and pension provisions at Siltronic and provisions for phased early retirement as well as extraordinary pension provisions at WACKER SILICONES. All in all, these measures have reduced EBITDA by €160 million. Under earnings before interest and taxes (EBIT), we have additionally recognized impairments on fixed assets at Siltronic and WACKER SILICONES amounting to around €176 million.

The areas of investments, finance, and products show how well we have coped with the crisis. Our investments remained at a high level in 2009. The investment ratio is about 20% of sales. We have invested €740 million, primarily in the expansion of our polysilicon production and the development of our Chinese sites in Nanjing and Zhangjiagang. Even more remarkable is the fact that we have financed these substantial investments almost entirely out of our gross operating cash flow. Thanks to rigorous liquidity management, WACKER's financial liabilities are low. This means that, conversely, the company's financial condition remains excellent.

The 2009 fiscal year has shown that we have a sophisticated and diverse product portfolio which enables us to absorb weaknesses in individual divisions. This, of course, has helped us.

A second success factor can be found in the operational and structural measures that we initiated at an early stage across a broad front. Thanks to our prompt action, we have been able to reduce our costs considerably. As for the necessary structural measures in some of our divisions, we have achieved the first positive results and

made some important decisions. The withdrawal from the joint venture WACKER SCHOTT Solar has been completed, as has the restructuring in the WACKER SILICONES business division. The decision has been made to shut down the silicone plant in Duncan (USA) and the pyrogenic silica site in Kempten (Germany) within the next 18 months.

A third success factor is that we secured our financing at an early stage and for the medium term, thereby giving ourselves sufficient leeway to pursue our further growth plans. WACKER has at its disposal utilized and unutilized credit lines amounting to €1.3 billion.

As a company, WACKER has always been characterized by the great importance that it attaches to a prudent and forward-looking financial policy. Consequently, in 2009, we made an extraordinary addition to pension provisions of €47.9 million, and formed provisions for phased-early-retirement plans as well as the introduction of working-life accounts. This way, we are taking precautions for likely developments which might constitute a burden for us over the next few years.

Our employees have made a significant contribution to coping with the difficult economic situation. Their great flexibility and unreserved readiness to take on the particular challenges that we faced has helped us enormously. I would like to give our explicit thanks to our employees on behalf of the entire Executive Board.

When we take a look at the situation at the beginning of the year and compare it with the result at the end, we can state that WACKER has done well. The Executive Board and the Supervisory Board will, therefore, propose at the Annual Shareholders' Meeting in May 2010 that a dividend of €1.20 should be distributed for the 2009 fiscal year. We are interested in pursuing a dividend policy which is characterized by continuity and gives appropriate consideration to the company's economic condition.

Even though the recession has already bottomed out and the global economy is slowly growing again, we have another demanding year ahead of us. The crucial question is still whether this will be a self-supporting upturn or sustained recovery in demand. In the first few weeks of the new fiscal year, we can at least see that the upward trend from the second half of 2009 persists, and we are generating increases in volume.

Despite this development, we will still keep a close eye on costs in all of our divisions. We shall continue as before with the structural measures at Siltronic in 2010 as we are dissatisfied with its income position. We are planning to cut its costs by €50 million per year up to 2011. We are going to pursue this objective systematically.

Further growth will be achieved by the “BRIC” countries, particularly India and China. This represents a continuation of what we have been observing for some time: the main momentum for growth is coming from Asia. This means that the economic power relations among the most important economic regions are going to shift further. WACKER is well prepared for that. This year, in conjunction with our partner Dow Corning, we are going to put the world’s largest siloxane plant into operation in Zhangjiagang. This strong presence is going to open up new business potential for us in the future. WACKER is now an acknowledged local business partner which is aware of the local customers’ needs. In the future, we will intensify our development of products and solutions which are tailored to the requirements of these customers.

All in all, WACKER is entering the 2010 fiscal year from a position of strength and is confident about the future. The megatrends from which we benefit remain unchanged. Our financial condition is extremely good. WACKER has low financial liabilities, possesses a sufficient credit scope to finance its further growth, and displays a healthy equity base. Our comprehensive production and plant management expertise, our quality and cost leadership with many products, and our long-term customer relationships are further trump cards for success.

We are confident that we will again increase our sales in 2010, thereby generating substantially positive net income for the year.

The foundation upon which commercial success grows is trusting and reliable cooperation within and outside of the company. My Executive Board colleagues and I would like to sincerely thank our shareholders, customers and suppliers for the trust that they have placed in us. This is our incentive to do everything we can to keep WACKER successful as a company in the long term.

Munich, Germany, March 2010



Dr. Rudolf Staudigl  
President & CEO of Wacker Chemie AG

# Executive Board





**Dr. Wilhelm Sittenthaler**

SILTRONIC

Human Resources (Personnel Director)  
Regions: India, Asia / Pacific

**Dr. Joachim Rauhut**

WACKER POLYSILICON

Corporate Accounting  
Corporate Controlling  
Corporate Finance  
Information Technology  
Raw Materials Procurement  
Technical Procurement & Logistics  
Tax  
Region: The Americas

**Dr. Rudolf Staudigl**

President & CEO

WACKER SILICONES

Executive Personnel  
Corporate Development  
Corporate Communications  
Investor Relations  
Corporate Auditing  
Legal & Insurance  
Corporate R&D  
Intellectual Property

**Auguste Willems**

WACKER POLYMERS  
WACKER FINE CHEMICALS

Corporate Engineering  
Sales & Distribution  
Corporate Security  
Site Management  
Environment, Health, Safety  
Product Stewardship  
Regions: Europe, Middle East

# Report of the Supervisory Board



/ Dr. Peter-Alexander Wacker

## Dear Shareholders,

2009 was not a standard fiscal year as it was shaped significantly by the consequences of the global economic crisis. For all of our employees, the Executive Board, the employee representatives and the Supervisory Board, this situation demanded special measures and efforts for coping with the effects of the crisis. Despite these difficult general conditions, WACKER can look back on a successful 2009 fiscal year. There are several reasons for this.

Securing the future of the company and making the strategic decisions that this necessitates are an important part of the WACKER Supervisory Board's work. Undaunted by the economic crisis, WACKER remained true to the strategic course which was adopted by the Supervisory Board in agreement with the Executive Board in 2008 and which opens up further growth opportunities for the company. The expansion of polysilicon production at the Nünchritz site progressed according to plan in 2009. By acquiring land in the US state of Tennessee, we are taking the first step toward establishing an integrated polysilicon site in America. In this way, we are sending an important signal that we remain convinced of the photovoltaic market's positive development and intend to keep growing along with that market.

For this reason, WACKER again made substantial investments in the 2009 fiscal year. The company financed the bulk of these investments out of its net gross operating cash flow. This is outstanding performance. Taking advantage of growth opportunities while simultaneously adjusting cost structures to the general economic conditions was a demanding balancing act that the company performed with great skill. The Executive Board, in conjunction with the Supervisory Board, has in a timely manner implemented measures to further reduce costs.

Despite the high investment volume, the company's financial condition remains good. The company has a highly sound equity base and no sizeable financial liabilities. Long-range financing was secured in good time. WACKER has always been keen to pursue a conservative financial policy and keep the company financially strong. This has always been one of WACKER's strengths. For this reason, the company took precautions for pensions and working-life accounts in its statement of financial position in the 2009 fiscal year.

#### Continuous Dialog with the Executive Board

In the 2009 fiscal year, the Supervisory Board performed the duties incumbent upon it under the law, the Articles of Association, and the internal rules of procedure with great diligence. The Supervisory Board was involved in every decision of fundamental significance for the company at an early stage.

In both written and verbal reports, the Executive Board regularly provided us with timely and comprehensive information on corporate planning, strategic development, business operations, and the current state of Wacker Chemie AG and the Group, including the risk situation. In view of the difficult global economic situation, we, along with the Executive Board, observed the company's position very closely and in detail. Outside of the scheduled Supervisory Board meetings, the Chairman of the Supervisory Board also remained in regular contact with the Executive Board, especially with the CEO, and was kept informed about the current business situation and key business transactions. Any deviations from business plans and targets were explained to us in detail. Wherever required by statutory provisions and the Articles of Association, the Supervisory Board voted on the reports and proposals of the Executive Board after detailed examination and discussion.

Against the backdrop of the global economic crisis, we paid particularly close attention to the cost reduction measures that were initiated, the restructuring measures, the investment projects, the current earnings situation, including the risk position and risk management, and the company's liquidity and financial position in the reporting year.

The Supervisory Board held four meetings in 2009, two in the first half of the year and two in the second. Between meetings, the Executive Board immediately informed us in detail by means of written reports about all projects and plans of particular importance to the Group. At its full meetings and in its committees, the Supervisory Board discussed in detail business transactions important to the company on the basis of the reports submitted by the Executive Board.

### The Supervisory Board's Main Areas of Deliberation

The development of sales, earnings, and employment in the Group and its individual segments were the subject of our regular deliberations in the full meetings. At each meeting, the Supervisory Board evaluated the Executive Board's performance – on the basis of Executive Board reports – and discussed strategic development opportunities and other key topics with the Executive Board. There was no need for additional monitoring measures, such as inspection of corporate documents or appointing expert counsels from outside. The full meetings were prepared by shareholder and employee representatives in their own separate sessions. In the period under review, every Supervisory Board member attended at least half of the meetings held during their period in office.

Major areas of deliberation dealt with by the Supervisory Board were

- / The effects of the global economic crisis on the company's development, and particularly on the Group's strategic investment plans, the development of liquidity, and financing
- / The restructuring measures at Siltronic AG and the new lead-site strategy
- / The withdrawal from the joint venture WACKER SCHOTT Solar GmbH
- / The modified strategy in the WACKER SILICONES division and the new market orientation of the WACKER FINE CHEMICALS division
- / The expansion of our production capacities in Burghausen, Nünchritz, Jena, Nanjing, Zhangjiagang and Singapore.

The Supervisory Board discussed the WACKER Group's plans for the 2010 fiscal year at its meeting held on December 10, 2009. At this meeting, the Supervisory Board also dealt with the medium-term corporate plans up until 2013. Both sets of plans were adopted by the Supervisory Board. It also approved the capital expenditure budget for 2010.

### Work in the Committees

The Supervisory Board is assisted in its work by the committees which it has constituted. WACKER's Supervisory Board has set up three committees – an Audit Committee, an Executive Committee, and a Mediation Committee – in accordance with Section 27 (3), German Codetermination Act (MitbestG). With the exception of the Audit Committee, which is chaired by Dr. Bernd W. Voss, the Chairman of the Supervisory Board chairs the committees.

The Audit Committee met four times in the 2009 fiscal year. Key aspects of its work included the meticulous audit of the financial statements of Wacker Chemie AG and the Group for the 2008 fiscal year and of the consolidated interim financial statements for the first half-year, and discussion of the consolidated quarterly reports as well as risk management and compliance issues. The Audit Committee additionally awarded the audit assignment to the chosen auditors and submitted a proposal for the choice of auditor for the 2009 fiscal year to the Supervisory Board's full meeting.

The Executive Committee met twice in 2009. At its meetings, it dealt with personnel issues relating to the Executive Board.

The Mediation Committee did not need to be convened in 2009.

The Supervisory Board was regularly informed about the committees' work.

### Corporate Governance

The Supervisory Board dealt intensively with the company's corporate governance in the 2009 fiscal year. A prominent part in these deliberations was played by the alterations to the Code implemented by the Government Commission on the German Corporate Governance Code as of June 18, 2009. At its meeting held on December 10, 2009, the Supervisory Board adopted the annual Declaration of Conformity that must be submitted jointly by the Executive and Supervisory Boards in accordance with Section 161 of the German Stock Corporation Act (AktG). Shareholders can find the Declaration of Conformity on the company's website.

In its Corporate Governance Report, the Executive Board reports on corporate governance at WACKER also in the name of the Supervisory Board in accordance with Item 3.10 of the German Corporate Governance Code. This is part of the Declaration on Corporate Governance starting on page 215

At its meeting in December 2009, the Supervisory Board also reviewed the efficiency of its own activities – and arrived at a positive conclusion.

### Audit of the Annual Financial Statements of Wacker Chemie AG and the WACKER Group

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, audited the annual financial statements for the 2009 fiscal year (reporting date December 31, 2009), along with the management report of Wacker Chemie AG, the consolidated financial statements, and the Group management report (reporting date December 31, 2009), which were prepared by the Executive Board, including the accounting, and awarded them an unqualified audit certificate. The audit assignment had been awarded by the Supervisory Board's Audit Committee in line with the resolution of the Annual Shareholders' Meeting of May 8, 2009.

The auditors also examined the Group's risk management system in accordance with Section 91 of the German Stock Corporation Act (AktG). The audit verified that the risk management system meets the legal requirements. No risks endangering the continued existence of the company were identified. The financial statement documents (including the auditor's report, the management reports, and the Executive Board's proposal for the distribution of profits) were submitted to all the Supervisory Board members in good time.

At its meeting on March 8, 2010, the Audit Committee closely examined the aforementioned financial statements and reports, as well as the audit reports submitted by the auditors of the company and consolidated financial statements, and discussed and examined them in detail with the auditors before reporting to the full Supervisory

Board. At its meeting on March 17, 2010, the full Supervisory Board discussed and examined the relevant financial statements and reports intensively, taking account of the reports submitted by the Audit Committee and the auditors. At both meetings, the auditors took part in the deliberations. They reported on the main results of the audit and were available to the Audit Committee and the full Supervisory Board to answer questions and provide supplementary information.

After concluding our own examination, we found no grounds for objecting to the financial statements and management reports of either Wacker Chemie AG or the Group, or to the auditor's report.

Accordingly, we concur with the audit's result and approve the financial statements of both Wacker Chemie AG and the WACKER Group submitted by the Executive Board as of December 31, 2009. The annual financial statements of Wacker Chemie AG are hereby adopted. We approve the Executive Board's proposal for the distribution of retained profits.

#### **Changes in the Composition of the Supervisory and Executive Boards**

In the 2009 fiscal year, there were no changes in the composition of the Executive Board or the Supervisory Board. The appointment of Dr. Joachim Rauhut, who has been a member of the Executive Board at Wacker Chemie AG since May 2001, was extended for another five years up to 2015 by the Supervisory Board at its meeting on December 10, 2009.

The allocation of regional responsibilities in the Executive Board was adjusted at the Supervisory Board's meetings in March and September.

The work of the Executive Board, the employee representatives, and all of the employees in the 2009 fiscal year deserves a great deal of credit. The Supervisory Board of Wacker Chemie AG would like to take this opportunity to thank them.

Munich, Germany, March 17, 2010  
Supervisory Board



Dr. Peter-Alexander Wacker  
Chairman

## WACKER Stock

WACKER's stock performance in 2009 was influenced by the financial crisis and its economic ramifications. The continued downward trend was particularly noticeable in the first quarter of 2009. Share prices, including WACKER's, visibly suffered from the impact. In March 2009, WACKER's share price dropped to €46.60, its low for the year. WACKER stock rebounded significantly as the economy slowly started to recover at the start of the second quarter. On December 30, 2009, the WACKER Group's final quote of €122.12 reflected a better performance than the DAX and MDAX index averages.

### Improved Post-Q1 Operating Performance Positively Impacts WACKER's Share Price

At the beginning of 2009, WACKER's share price dropped to well under the low final quote of December 31, 2008. This was due to the ongoing global demand slump in almost all markets and product segments, to profit warnings from major chemical companies and to uncertainty about the global economic outlook. Chemical-industry capacity utilization ranged from 50% to 80% in the first three months of the year. The semiconductor sector was particularly hard hit by the crisis. Gartner Dataquest, the market research institute, predicted that silicon-wafer sales (by surface area sold) would decline 35% in 2009. The downturn was also seen in business at WACKER subsidiary Siltronic, where capacity utilization started the year at under 50%.

WACKER decided on measures as early as 2008 to prepare for the crisis. These included restructuring, closing down production facilities, not renewing temp-agency contracts, and introducing short-time work at German sites. During the second quarter, the global economy stabilized at a low level and demand for WACKER products grew slightly once again. This was due to government stimulus and incentive programs in key industrial nations, such as the USA, China, Japan and Germany. In China, for example, WACKER profited from incentive programs for environmentally-friendly construction methods. This led to robust demand for dispersions and dispersible polymer powder. Plus, German government support in the automotive sector (via its version of the "cash for clunkers" program) propped up demand in an area where WACKER products are well represented.

Continuing into the third quarter, the upward trend fueled WACKER's share price rise. The capital market responded well to our key financial indicators and our Capital Market Day in London. September 18's quote of €104.00 was the first time in 2009 that our share price surpassed the 100-euro mark again. At the end of September, it showed a renewed upward trend, which was nevertheless constrained by Dubai's financial problems in late November.

Photovoltaic-market developments also caused WACKER stock to fluctuate. Negative news about declining polysilicon and solar-wafer spot prices led to a slide in German solar stocks in February and again in October. The capital market was also unsettled by news that planned changes to the German “EEG” Renewable Energy Act entailed cuts in the country’s incentive program. The photovoltaic market nevertheless continued to grow despite the economic crisis, price pressure and incentive-price discussions.

Overall, WACKER stock rose 56% during 2009, outpacing Germany’s two major index averages. Over the same period, the MDAX was up 33% and the DAX 20%. The WACKER stock’s high for the year was €122.64 and its low €46.60.

#### Facts & Figures on Wacker Chemie AG’s Stock

€	
High for the year (on December 29, 2009) .....	122.64
Low for the year (on March 6, 2009) .....	46.60
Starting price .....	78.32
Year-end closing price .....	122.12
Performance for the year (without dividend) (%) .....	56
Year-end market capitalization (shares outstanding; 2008: 3.7) (billion) .....	6.1
Average daily trading volume (2008: 28.4) (million) .....	17.2
Earnings per share .....	- 1.43
Dividend per share (proposal) .....	1.20
Dividend yield <sup>1</sup> (%) .....	1.4

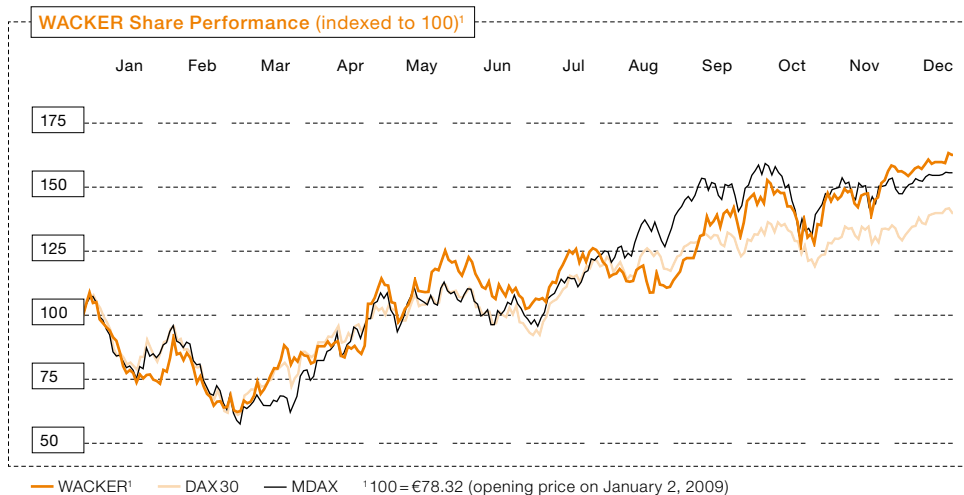
<sup>1</sup> Dividend proposal based on 2009’s average share-price weighting of €83.99

All share-related data based on Xetra trading.

#### Earnings per Share of €-1.43

Earnings per share (EPS) is calculated by dividing net income allocable to Wacker Chemie AG shareholders by the weighted average of all shares in circulation during the year. In 2009, the number of shares in circulation was 49,677,983. On this basis, the EPS is €-1.43.





**Useful Information on WACKER Stock**

ISIN .....	DE000WCH8881 .....
Ticker, security identification number (WKN) .....	WCH888 .....
Frankfurt Stock Exchange .....	WCH .....
Bloomberg .....	CHM/WCK.GR .....
Reuters .....	CHE/WCHG.DE .....
Capital stock .....	€ 260,763,000 .....
Number of shares (as of December 31, 2009) .....	52,152,600 .....

**Dividend Payment of € 1.80 per Share**

At the Annual Shareholders' Meeting of May 8, 2009, it was decided to pay out a total dividend sum of €89.4 million (2007: €149.0 million) from 2008's profits of €576.9 million (2007: €1.09 billion). The dividend per share entitled to dividends for 2008 was, therefore, €1.80 (2007: €2.25 + a special bonus of €0.75). The dividend was distributed to shareholders on May 11, 2009.

At a volume-weighted average share price of €119.0 in 2008, this produced a dividend yield of 1.5%. Based on the net Group income allocable to Wacker Chemie AG's shareholders, the dividend yield was 20.3%.

**Increase in Analysts' Coverage**

In 2009, the average daily trading volume for WACKER stock was some 206,000 shares (Xetra) – thus below 2008's figure of around 230,000 shares (Xetra). The number of financial analysts regularly monitoring and assessing the company increased slightly, even though the financial crisis prompted some banks to dispose of their research teams and many others to adjust staffing levels.

During the fiscal year, the analysts' consensus price target rose substantially, reflecting the general trend. Whereas the average Q1 estimate had WACKER's share price at €74.42 (18 estimates)<sup>1</sup>, the fair-value price target increased to €106.81 (16 estimates)<sup>1</sup> by year-end.

On our website, we regularly report on the consensus of analysts' expectations for the current year. Moreover, our website offers extensive information on WACKER stock. In addition to financial reports, presentations, publications and a Fact Book (viewable online or downloadable), you'll find all our key financial-market dates, as well as contact information there. You can also view videos of our annual press conference, analysts' conference and other events online or listen to an audio stream. [www.wacker.com](http://www.wacker.com)

**The Following Banks and Investment Firms Monitor and Assess WACKER**

B. Metzler seel. Sohn & Co. ....	Independent Research GmbH .....
Bankhaus Lampe .....	JPMorgan .....
Barclays Capital .....	Kepler Capital Markets .....
BHF-Bank AG .....	Landesbank Baden-Württemberg .....
CA Cheuvreux .....	Macquarie Securities .....
Citigroup .....	MainFirst Bank AG .....
Commerzbank .....	Merrill Lynch .....
Credit Suisse .....	Morgan Stanley .....
Deutsche Bank .....	Norddeutsche Landesbank Girozentrale .....
DZ Bank .....	Reuschel & Co. Privatbankiers .....
equinet .....	Sal. Oppenheim .....
Exane BNP Paribas .....	Soleil Securities .....
fairesearch GmbH & Co. ....	UBS .....
Friedman, Billings, Ramsey & Co. ....	UniCredit .....
HSBC Trinkaus .....	WestLB .....

As per December 2009

With the publication of our 2009 Online Annual Report, we underscore our services for analysts and investors. The new easy-to-navigate online version of the report facilitates information access – and interactive options (such as key-indicator comparisons and a toolbox) enable readers to work directly with the figures.

<sup>1</sup> = Consensus figures from VARA Research (Q1 = March 9, 2009 / Q4 = December 10, 2009)

### **Strong Gain in Market Capitalization and MDAX/GEX Weightings (Weightings as per December 30, 2009)**

The performance of WACKER stock boosted its market capitalization to €6.1 billion by year-end (total stock without treasury shares). WACKER'S MDAX market capitalization was €1.83 billion and determined exclusively according to the free float, including treasury shares. Thus, WACKER had an MDAX weighting of 3.09% – ranking tenth among the 50 companies listed there.

WACKER'S GEX weighting was 10.13%. Deutsche Börse's GEX mid-cap index (introduced in January 2005) comprises owner-dominated companies listed on the Frankfurt Stock Exchange (Prime Standard) for no more than ten years. In 2009, WACKER ranked second in that index.

### **Enhanced Capital-Market Presence Boosts the Company's Name Recognition**

Our company's strategic focus on growth and sustainably high margins is reinforced by continual and open communications with institutional/private investors and analysts. In 2009, we increasingly approached national and international investors and analysts to explain our business strategy, key financial indicators and future outlook. On many occasions, Executive Board members attended in person to answer questions from capital-market participants.

Our event calendar included 33 roadshows with a total of 35 roadshow days in Germany, other European countries and the USA. We also held about 400 one-on-one talks and some 40 group discussions, and participated in various international conferences.

WACKER gave presentations at, for example:

- / HSBC Small/Mid Cap SRI Conference in Frankfurt
- / Piper Jaffray Annual Solar and CleanTech Investor Conference in New York
- / LBBW Photovoltaics Conference in Zurich
- / UBS Global Renewable Energy Conference in London
- / Kepler Alternative Energies Conference in Paris
- / EPIA International Conference on Solar Photovoltaic Investments in Frankfurt
- / Sal. Oppenheim Chemicals Conference in Zurich
- / DZ-Bank Sustainable Technologies Conference in Zurich
- / Deutsche Bank German and Austrian Corporate Conference 2009 in Frankfurt,  
Deutsche Bank Corporate Conference in Tokyo
- / PVSEC in Hamburg
- / UniCredit German Investment Conference in Munich
- / Credit Suisse Solar Technology Day in Frankfurt
- / UBS Global Solar One-on-One Conference and Piper Jaffray Solar Symposium  
at Solar Power International in Anaheim
- / Merrill Lynch European Chemicals Conference in London
- / Macquarie Wind & Solar Conference in London
- / Metzler Environment Day in Frankfurt

In 2009, WACKER held its third successful Capital Market Day in London. Some 50 analysts and investors took part, either in person or via a webcast. There, they were able to gain an up-to-date overview of our company, technologies, products and innovations.

In 2009, Wacker Chemie AG also engaged in ongoing dialog with private investors, presenting the Group and its markets at various forums. For example, we attended the shareholder forums organized by the dsw (German association of small investors) in Frankfurt, Cologne, Hamburg and Stuttgart, as well as the corporate presentation held by the SdK shareholder association in Kaiserslautern.

#### Shareholder Numbers Grow Strongly in Europe and Canada

The latest analysis shows that our regional shareholder structure has shifted. The number of shareholders and their level of shares rose in Europe and Canada. In contrast, the number of us-held shares continued to drop, with American investors accounting for just under 30% of WACKER shares. The number of shares owned by European investors (excluding Germany, Switzerland and the UK) increased. They now account for 14% of shares held (2008: 9%). Share ownership also rose in the UK year over year – from 15% to 20%. In Germany, the percentage climbed from 12% to 19%. As a result of investor marketing and discussions, share ownership in Canada grew to 6% (2008: > 1%).

Wacker Chemie AG's largest shareholder is still Dr. Alexander Wacker Familiengesellschaft mbH, Munich. It holds over 50% of the voting shares in Wacker Chemie AG (2008: over 50%).

In 2009, Blue Elephant Holding GmbH (Pöcking, Germany) once again did not have any voting-share changes to report, which means it still holds over 10% (2008: over 10%) of Wacker Chemie AG.

Following a voting-rights announcement in July 2009, Artisan Partners Limited Partnership, Milwaukee (Wisconsin, USA) now owns just under 3% of the voting shares in Wacker Chemie AG (2008: over 5%).

Management Report  
Business Environment

/ 2

Solar Industry

**WACKER POLYSILICON**

is a world-leading producer of hyperpure polysilicon. Its product portfolio also includes pyrogenic silicas, chlorosilanes and salt. Its polysilicon is used throughout the semiconductor industry and in the growing photovoltaics sector. Reflecting customers' application needs, the division's polysilicon meets extraordinarily rigorous quality standards.



## Business Environment

### Group Structure and Operations

WACKER is a globally active company with state-of-the-art specialty chemical products found in countless everyday items. Ranging from cosmetic powders to solar cells, our products are used, for example, as starting materials for non-naturally occurring actives. They also permit new production processes or make existing ones more environmentally friendly and cost-effective. Often, WACKER products are additives that, even in trace amounts, impart novel or improved properties to well-known materials. Our portfolio includes over 3,500 products supplied to more than 3,500 customers in over 100 countries.

WACKER'S Key  
Figures: Over 3,500  
Products, More Than  
3,500 Customers,  
Active in Over 100  
Countries

Most of our products are based on inorganic starting materials. Silicon-based products account for 80% of WACKER sales, and products that are primarily ethylene-related for 20%. Our customers range from the consumer goods, food, pharmaceutical, textile, solar, electrical/electronic and basic-chemical sectors, to medical technology, biotech and mechanical engineering. As a manufacturer of silicones and polymers, WACKER is particularly well represented in the automotive and construction sectors. Plus, we are a key supplier of silicon wafers to the semiconductor industry. As one of the largest producers of polycrystalline silicon, WACKER is also a major raw-material supplier to the solar industry.

At WACKER, global is normal. To be near our customers, we reinforced our global-market presence in 2009. Our market penetration is getting steadily stronger, especially in the world's growth regions – with our technical centers paving the way. They enable customers to learn about WACKER's product portfolio, to discuss their specific requirements with specialists, to test different solutions and to use the labs for their own development projects. In 2009, we opened technical centers in Mumbai, India (our 19th) and Allentown, USA (the 20th). Plus, we expanded our Dubai and Shanghai centers. In Shanghai, WACKER now has over ten labs to develop and test silicones and polymer products.

Two New Technical  
Competence Centers  
Open in Mumbai  
(India) and Allentown  
(USA)

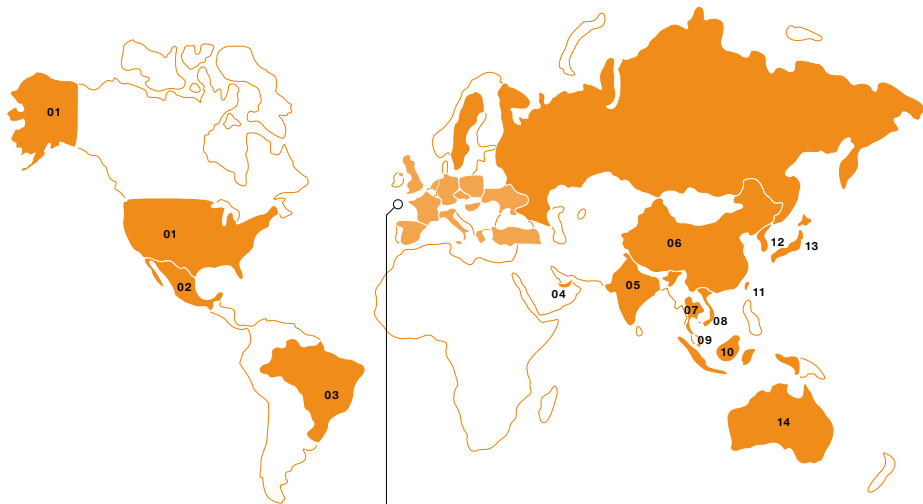
Our production operations are equally global. WACKER has a presence in all key regions – with a total of 26 production sites in Europe (eight), the Americas (nine) and Asia (nine). Due to our exit from solar wafers, the number of European production sites has dropped from nine to eight.

### Technical Competence Centers

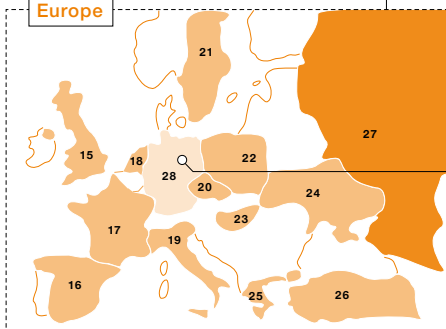
Site	Business Division	Select Industries
<b>The Americas</b>		
Adrian, Michigan	WACKER SILICONES	Construction, automotive, medical technology, electronics, chemicals, cosmetics, textiles, paper
Allentown, Pennsylvania	WACKER POLYMERS	Adhesives, construction, paints and surface coatings
Portland, Oregon	SILTRONIC	Computers, telecommunications, consumer electronics
Jandira, São Paulo	WACKER SILICONES, WACKER POLYMERS	Construction, chemicals, cosmetics, textiles, paper
<b>Asia</b>		
Dubai	WACKER SILICONES, WACKER POLYMERS	Construction
Kolkata	WACKER SILICONES	Chemicals, cosmetics, textiles, paper
Mumbai	WACKER SILICONES, WACKER POLYMERS	Construction, chemicals, plastics
Beijing	WACKER POLYMERS	Construction
Shanghai	WACKER SILICONES, WACKER POLYMERS	Construction, automotive, medical technology, electronics, chemicals, cosmetics, paper, paints and surface coatings
Shunde	WACKER SILICONES	Textiles
Singapore	WACKER SILICONES, WACKER POLYMERS	Construction, automotive, medical technology, electronics, chemicals, cosmetics, textiles
	SILTRONIC	Computers, telecommunications, consumer electronics
Hsinchu	SILTRONIC	Computers, telecommunications, consumer electronics
Suwon	WACKER POLYMERS	Construction
Akeno	WACKER SILICONES	Automotive, electronics, moldmaking, chemicals, cosmetics, textiles, paper
Hikari	SILTRONIC	Computers, telecommunications, consumer electronics
Melbourne	WACKER POLYMERS	Construction
<b>Europe</b>		
Moscow	WACKER SILICONES, WACKER POLYMERS	Construction
<b>Germany</b>		
Burghausen	WACKER SILICONES, WACKER POLYMERS	Construction, automotive, medical technology, electronics, chemicals, cosmetics, textiles, paper, adhesives, paints and surface coatings
	SILTRONIC	Computers, telecommunications, consumer electronics
Freiberg, Saxony	SILTRONIC	Computers, telecommunications, consumer electronics
Nünchritz	WACKER SILICONES	Construction



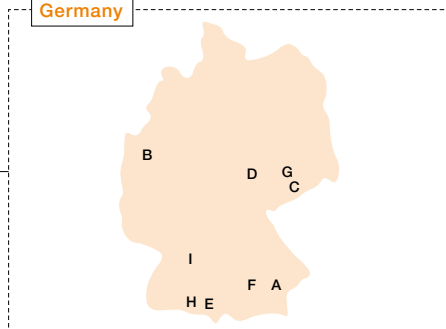
**WACKER Sales and Production Sites<sup>1</sup>**



**Europe**



**Germany**



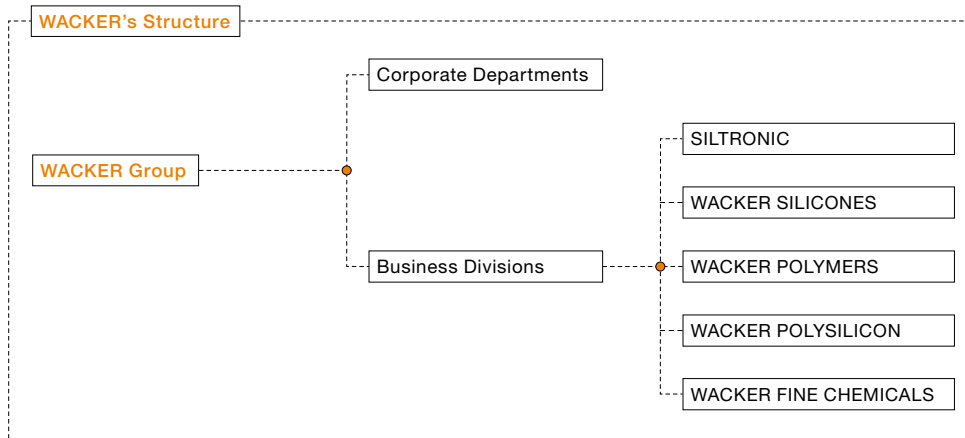
<b>01 USA</b> .....	<b>06 China</b> .....	<b>13 Japan</b> .....	<b>22 Poland</b> .....
Adrian, Michigan	Beijing	Akeno	Warsaw
Allentown, Pennsylvania	Guangzhou	Hikari	
Calvert City, Kentucky	Hong Kong	Osaka	<b>23 Hungary</b> .....
Chino, California	Nanjing	Tokyo	Budapest
Duncan, South Carolina	Shanghai		<b>24 Ukraine</b> .....
Eddyville, Iowa	Shunde		Kiev
North Canton, Ohio	Wuxi	<b>14 Australia</b> .....	<b>25 Greece</b> .....
Portland, Oregon	Zhangjiagang	Melbourne, Victoria	Athens
<b>02 Mexico</b> .....	<b>07 Thailand</b> .....	<b>15 Great Britain</b> .....	<b>26 Turkey</b> .....
Mexico City	Bangkok	Chertsey	Istanbul
<b>03 Brazil</b> .....	<b>08 Vietnam</b> .....	<b>16 Spain</b> .....	<b>27 Russia</b> .....
Jandira, São Paulo	Ho Chi Minh City	Barcelona	Moscow
<b>04 United Arab Emirates</b> .....	<b>09 Singapore</b> .....	<b>17 France</b> .....	<b>28 Germany</b> .....
Dubai	Singapore	Lyon	A Burghausen
<b>05 India</b> .....	<b>10 Indonesia</b> .....	<b>18 Netherlands</b> .....	B Cologne
Bangalore	Jakarta	Krommenie	C Freiberg, Saxony
Kolkata, West Bengal	<b>11 Taiwan</b> .....	<b>19 Italy</b> .....	D Jena
Mumbai	Hsinchu	Milan	E Kempten
New Delhi	Taipeh	<b>20 Czech Republic</b> .....	F Munich
	<b>12 South Korea</b> .....	Plzeň	G Nünchritz
	Seoul	Prague	H Stetten
	Ulsan	<b>21 Sweden</b> .....	I Stuttgart
		Solna	

<sup>1</sup> Only majority-owned subsidiaries

### Organization and Legal Structure

The WACKER Group has five business divisions offering a broad range of innovative and highly-developed products and services. WACKER is based on a matrix organization with clearly defined functions. Our five divisions have global responsibility for their own products, manufacturing facilities, markets, customers and results. Regional organizations are responsible for all business activities in their areas. Aside from the divisions, WACKER maintains corporate departments. Although they primarily provide services groupwide, some also have production-related functions. No organizational changes to this structure are planned.

In November 2005, WACKER became a stock corporation (AG) under German law. Headquartered in Munich, Wacker Chemie AG holds a direct or indirect stake in 60 companies belonging to the WACKER Group. Our financial statements include 54 companies that have been fully consolidated and 6 accounted for using the equity method.



### Accounting

WACKER prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) valid on the reporting date; with interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union; and with the supplementary rules in Section 315 a, Subsection 1 of the German Commercial Code (HGB). See further details starting on page 85

For the Declaration on Corporate Management and Corporate Governance, as well as the Compensation Report, see the relevant section of this Annual Report starting on page 215, or visit [www.wacker.com/corporate-governance](http://www.wacker.com/corporate-governance)

### Management and Supervision

In compliance with the German Stock Corporation Act (AktG), Wacker Chemie AG has a dual management system, comprising the Executive Board – in charge of running the company – and the Supervisory Board – which oversees the Executive Board. Wacker Chemie AG's Executive Board consists of four members. Assisted by WACKER's corporate departments, the Executive Board coordinates the Group's strategies, resources, infrastructure and organization. Wacker Chemie AG is the parent company and thus determines the Group's strategy, overall management, resource allocation, funding, and communications with key target groups, especially the capital market and shareholders.

Following 2008's change of Group CEO, 2009 saw no changes to the Executive Board. Its members' responsibilities were essentially unchanged. Only regional responsibilities were slightly modified.

No Changes to  
Wacker Chemie AG's  
Executive or  
Supervisory Boards

Similarly, there were no changes in 2009 to Wacker Chemie AG's Supervisory Board, which has been headed by Dr. Peter-Alexander Wacker since the Annual Shareholders' Meeting of May 2008. It comprises 16 members, of whom eight are employee representatives. For further details on Wacker Chemie AG's governing bodies, Group management and supervisory structures, see page 212 and the Compensation Report starting on page 221

#### Executive Board Responsibilities

Dr. Rudolf Staudigl

##### President & CEO

WACKER SILICONES  
Executive Personnel, Corporate Development, Corporate Communications, Investor Relations, Corporate Auditing, Legal & Insurance, Corporate R&D, Intellectual Property

Dr. Joachim Rauhut

##### WACKER POLYSILICON

Corporate Accounting, Corporate Controlling, Corporate Finance, Information Technology, Raw Materials Procurement, Technical Procurement & Logistics, Tax  
Region: The Americas

Dr. Wilhelm Sittenthaler

##### SILTRONIC

Human Resources (Personnel Director)  
Regions: India, Asia/Pacific

Auguste Willems

##### WACKER POLYMERS

##### WACKER FINE CHEMICALS

Corporate Engineering, Sales & Distribution, Corporate Security, Site Management; Environment, Health, Safety; Product Stewardship  
Regions: Europe, Middle East

### Key Products, Services and Business Processes

We expanded the Group's product portfolio in 2009 and launched numerous new products onto the market. The divisions' overall range of products and services remained unchanged. See further details starting on page 94

Our Siltronic division produces silicon wafers for leading semiconductor manufacturers. These wafers form the fundamental basis for virtually all semiconductor products – whether for discrete semiconductor components (e.g. transistors and rectifiers) or microchips (e.g. microprocessors and memory chips).

Our WACKER SILICONES division provides customers with our broadest offering of over 3,000 products – ranging from silicone-based fluids, emulsions, resins, elastomers and sealants, to silanes and pyrogenic silica. The division manufactures not only specialty products tailored to customers' specific needs, but also standard products primarily used as starting materials in the production of silicones.

The WACKER POLYMERS division focuses on manufacturing state-of-the-art binders and polymeric additives, such as dispersible polymer powders and dispersions. These are used in diverse industrial applications or as base chemicals in the automotive, construction-chemical, paper and adhesive sectors, as well as in the production of coatings and printing inks. The construction industry is the main customer for polymeric binders – used as an additive in tile adhesives, exterior insulation and finish systems (EIFS), dry-mix mortars and self-leveling flooring compounds.

WACKER POLYSILICON is the Group's fastest-growing division. It produces hyperpure polysilicon for the semiconductor and electronics industries, and increasingly for the solar sector. While much of its polysilicon is sent to external customers, the division also supplies both our Siltronic division and Siltronic Samsung Wafer joint venture.

WACKER FINE CHEMICALS, our smallest division, supplies customized biotech and catalog products. These include pharmaceutical proteins, cyclodextrins and cysteine, as well as organic intermediates and acetylacetone. This division focuses on customer-specific solutions for growth areas, including pharmaceutical actives, cosmetics and food additives. Since July 1, 2009, WACKER FINE CHEMICALS has been in charge of global production, marketing, sales and application support for polyvinyl acetate solid resins (for chewing gum base). This business was previously part of WACKER POLYMERS. The reorganization has strengthened WACKER FINE CHEMICALS' food-additive segment.

Effective July 1, 2009,  
WACKER FINE CHEMICALS  
Takes Charge of  
Polyvinyl Acetate  
Solid Resins for  
Chewing Gum Base

### Major Markets and Competitive Positions

Compared to the prior year, the competitive position of WACKER's five divisions remained virtually unchanged despite the international economic crisis. We generate most of our sales in markets where we rank among the world's top three suppliers. And we are the global market leader for some products. Key sales markets continue to be Europe, the Americas and Asia – with Asian expansion, particularly in China, being the top priority.

### Market Positions of WACKER's Divisions

Siltronic is the world's third-largest manufacturer of silicon wafers and other products for the semiconductor industry. The division supplies all major global semiconductor companies, which account for over 80% of its sales.

WACKER's Competitive Positions			
	Number 1	Number 2	Number 3
SILTRONIC .....	Shin-Etsu .....	Sumco .....	<b>SILTRONIC</b> .....
WACKER SILICONES .....	Dow Corning .....	Momentive .....	<b>WACKER</b> .....
WACKER POLYMERS .....	<b>WACKER</b> .....	Akzo (Elotex) .....	Dairen .....
	(dispersible polymer powders/dispersions)	(dispersible polymer powders)/Celanese (dispersions)	(dispersible polymer powders/dispersions)
WACKER POLYSILICON .....	Hemlock .....	<b>WACKER</b> .....	MEMC .....

In the silicones market, WACKER SILICONES also ranks number 3 – and is the global leader in the masonry protection segment. WACKER holds a leading position in Europe, where we generated €671.3 million of our silicones sales in 2009. The silicones market is characterized by great product diversity. Due to their many useful properties, our silicones have seen demand rise steadily over the years. The largest growth potential lies in Asia, where higher living standards are boosting demand for silicone products. This is why WACKER is investing in Asian market expansion – particularly in China.

WACKER POLYMERS is the world's largest producer of dispersions and dispersible polymer powders on a vinyl acetate/ethylene basis. Indeed, we are the only company in the market to offer a complete supply chain for dispersions and powders in Europe, the Americas and Asia. Once again, the largest growth potential lies in Asia, where we started up an integrated production site for dispersions and polymer powders (annual capacity: 30,000 metric tons) at Nanjing. Although our main customers are in the construction industry, we also supply the textile, adhesive, paint and surface-coating sectors.

Growth at WACKER POLYSILICON is primarily driven by the solar industry's increasing demand for polysilicon. Thanks to production capacity expansion, we have solidified our position as the second-largest manufacturer of hyperpure polycrystalline silicon for electronic and solar applications. Production of hyperpure silicon rose by 6,200 metric tons in 2009, reaching 18,100 metric tons.

WACKER FINE CHEMICALS is the global market leader in cyclodextrins and cysteine, as well as polyvinyl acetate solid resins for chewing gum base. In the field of bacterial pharmaceutical protein production, we hold promising market positions, which we intend to expand.

The WACKER Group's key competitive advantages include our highly integrated material loops at major production sites in Burghausen, Nünchritz and Zhangjiagang. Integrated production consists in using the byproducts from one production stage as starting materials for making other products and recycling the required auxiliaries, such as silanes, in a closed loop. Similarly, waste heat from one production process is utilized in other chemical processes. The result is lower specific production costs compared to open production processes. At the same time, integrated production cuts energy and resource consumption – thereby lowering the environmental impact.

WACKER's integrated production sites also have other benefits, including outstanding infrastructure, well-trained personnel and a more secure raw-materials supply. Moreover, the Burghausen site's location on the Alz canal allows it to run its own hydroelectric power plant. This plant and a highly efficient gas-and-steam power plant mean the site can produce some of its power itself. Our Nünchritz site, too, has a captive cogeneration power (CHP) plant and a heat-integration system.

#### **Economic and Legislative Factors**

In 2009, the broad economic environment was clearly burdened by the international financial crisis. Three of our five divisions posted lower sales and earnings. Thanks to our product portfolio, however, we were able to partially mitigate this trend via strong growth at WACKER POLYSILICON. In 2009, we kept an eye firmly on volume trends, raw-material and energy-price shifts, and personnel and material costs. See further details on page 74

Our business is influenced by currency fluctuations against the euro. We use currency hedging to secure half of our us-dollar sales. The hedging ratio is around 50%. A one cent increase in the euro against the dollar lowers EBITDA by some €3 million.

Since June 2007, we have been obligated to register all substances on the European market – and classify them by property – if annual quantities reach one metric ton or more. Registration is governed by the EU-wide REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemical Substances). We began registering products in accordance with REACH in 2009, when we submitted a total of 45 registration dossiers (primarily for phase-in substances) to the European Chemicals Agency (ECHA). We still expect REACH implementation to cost some €3 million per year.

2009 Sees WACKER Starting to Register Products as per REACH

In January 2009, the European Regulation on Classification, Labeling and Packaging of Substances and Mixtures (CLP) took effect. It marked the EU Commission's introduction of the United Nations' new Globally Harmonized System of Classification and Labeling of Chemicals (GHS) to Europe. At WACKER, this involves checking, reclassifying and – where appropriate – relabeling all our products. Every substance in the EU must be reclassified by the end of 2010; the same goes for all mixtures by mid-2015.

GHS is all about globally harmonizing the classification and labeling of hazardous substances. It is up to each country to decide whether to sign up and which system modules to adopt, and when. This means considerable costs for the chemical industry. The switchover to GHS will cost WACKER some €3 million.

#### GHS Introduction

Country/Economic Region	Change of Material Safety Data Sheets	Change of Labels	Substances/Mixtures
Japan	January 2011	December 2006	100 special substances
	January 2011	December 2008	Further substances
New Zealand	July 2008	January 2011	
Taiwan	January 2009	January 2009	
South Korea	July 2010	July 2010	Substances
	July 2013	July 2013	Mixtures
Europe	December 2010	December 2010	Substances
	June 2015	June 2015	Mixtures
Singapore	January 2011	January 2011	Substances
	January 2013	January 2013	Mixtures

Overall, the legislative framework for Wacker Chemie AG did not change substantially in 2009. As a result, no additional conditions were imposed on our business operations.

## Corporate Decision-Making, Targets and Strategy

At WACKER, we focus on sustainably increasing our company's value in the long term. This is why value-based management is an integral part of our corporate policies. Under the EAGLE acronym (Eye At Growing a Longterm Enterprise), WACKER has been consolidating value-based management groupwide since 2002. Value management and strategic planning complement each other. Consequently, we must coordinate the strategic positioning of a business entity and its contribution to boosting the company's value. Coordination is part of annual planning and involves fundamental decisions on investments, innovation plans, new markets and a variety of other projects.

	2009	2008
<b>Cost of Capital</b>		
Riskless interest rate (%)	3.5	5.0
Market premium (%)	4.5	3.0
Beta coefficient	1.5	1.5
<b>Post-tax cost of equity (%)</b>	<b>10.3</b>	<b>9.5</b>
Tax rate (%)	30.0	35.0
Pre-tax cost of equity (%)	14.6	14.6
Pre-tax borrowing costs (%)	5.0	5.0
Tax shield (30%)	1.5	1.7
<b>Borrowing costs after taxes (%)</b>	<b>3.5</b>	<b>3.3</b>
Share of equity capital (%)	90.0	90.0
Share of borrowed capital (%)	10.0	10.0
<b>Post-tax cost of capital (%)</b>	<b>9.6</b>	<b>8.9</b>
<b>Pre-tax cost of capital (%)</b>	<b>13.7</b>	<b>13.7</b>

WACKER's key performance indicators to assess corporate value trends are: BVC (business value contribution), EBITDA (earnings before interest, taxes, depreciation and amortization), cash flow and ROCE (return on capital employed). The cost of capital employed is calculated as a weighted cost average of equity and debt. The various business segments are evaluated differently, depending on their specific risks. The company's ROCE shows us whether we have employed our capital successfully. CE (capital employed) is set in relation to EBIT. If CE generates a higher interest return than the cost of capital employed, WACKER has a positive BVC. BVC is a company-specific financial indicator, in which EBIT (adjusted for potential special factors) is set in relation to CE.

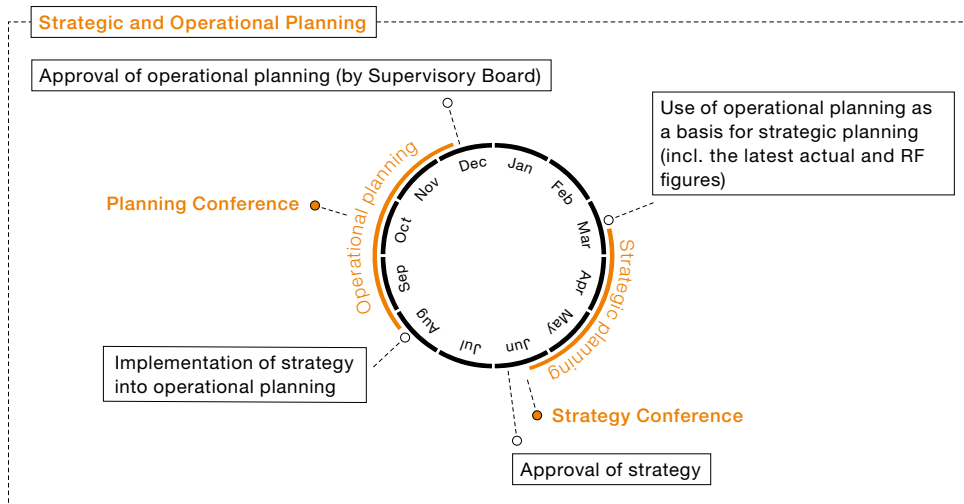
ROCE fell to 0.9% in 2009. Consequently, it was below the minimum target of 14%, which corresponds to the cost of capital.



ROCE		
€ million	2009	2008
EBIT	26.8	647.9
Capital employed	2,878.4	2,520.6
ROCE (%)	0.9	25.7
Pre-tax cost of capital (%)	14.0	13.7
Pre-tax business value contribution	-365.1	303.2

Strategic planning shows us how we can meet value-related and corporate goals. It is divided into two steps. First, our divisions identify their market and competitive positions, as well as their value-related strength. The results are integrated into a proposal for each division's strategic positioning and planned steps. This information – including innovation and investment projects – is consolidated on a Group level. Strategic plans are then passed at a Strategy Conference.

Subsequently, strategic planning decisions are included in operational planning, which takes place in the second half of the year. The Executive and Supervisory Boards jointly approve the annual plan. Monthly comparisons of planned and actual figures show us whether we are meeting our targets. Our general planning framework is based on a four-year, medium-term plan.



### Financial Strategy

In terms of capital requirements and cover, the prime goal of WACKER's financial strategy is to balance conflicting demands, such as profitability, liquidity, security and independence. WACKER strives to finance corporate growth without outside help to the greatest possible extent. Sustaining a positive net cash flow is as important as generating a positive contribution to earnings. We cover our capital requirements from net cash flow, and from short-term and long-term financing. [See further details on page 82](#)

We ensure the Group's permanent solvency via rolling cash-flow management, and adequate credit lines guaranteed in writing. Financing requirements are calculated for the entire Group, with funding usually being granted at Group level. Project-specific or regional funding is available, too, in special cases.

In 2009, WACKER concluded a series of important financing measures and secured medium and long-term funding at good conditions. In total, we renegotiated financing of some €900 million. As of December 31, 2009, we had access to credit lines of some €1.3 billion. The measures concluded contain standard market credit terms and net debt/EBITDA as the only financial covenants. [See further details on page 193](#)

Financing of  
approx. €900 Million  
Renegotiated

#### Financing Measures in 2009

Loans	Volume in € million	Term until
Syndicated loan .....	150 .....	2012 .....
Bilateral loans .....	115 .....	2012+ .....
Promissory note bonds .....	180 .....	2011+2013 .....
Loan from the European Investment Bank .....	400 .....	2016 .....
Syndicated loans in China .....	89 .....	2013–2016 .....

In addition to the above-mentioned financing instruments, WACKER expects to be able to tap the bond markets, if necessary. Our aim is to maintain our corporate financial structures such that the company's credit rating remains – at a minimum – in the investment-grade range.

WACKER collaborates with a number of banks (core-bank principle). These banks must have an investment-grade credit rating and a long-term business model. To minimize counterparty and concentration risks, a bank's stake in the credit lines promised to WACKER must not exceed 20%. These rules do not apply to our credit line from the European Investment Bank.

### Operational Control Instruments

WACKER controls operational processes with the help of an integrated management system (IMS) that stipulates uniform standards for issues including quality and environment, health and safety. By 2011, we aim to have the WACKER Group certified to ISO 9001 (quality) and ISO 14001 (environmental protection), thereby replacing individual certification for business divisions and corporate departments. An exception here is WACKER's Siltronic subsidiary, whose sites are all certified to ISO/TS 16949 (quality) and to ISO 14001 due to the company's specific processes and customer requirements.

To advance Group certification, we managed to integrate the following locations into one cross-site certificate in 2009 – our German sites at Burghausen, Munich, Nünchritz, Kempten and Cologne; our us sites at Eddyville (Iowa), Calvert City (Kentucky), and Allentown (Pennsylvania); our Plzeň site in the Czech Republic; and Ulsan in South Korea. Certification also included our technical competence centers in Dubai, Moscow and Shanghai.

Our objectives are to keep customers fully satisfied, meet our social responsibilities, and maintain our competitiveness with sustainable and efficient business practices. How we do this depends on the specific division and site involved. As an overarching program, the "Wacker Operating System" (WOS) spans every division and helps us continuously improve plant and process productivity.

### WACKER's Strategy

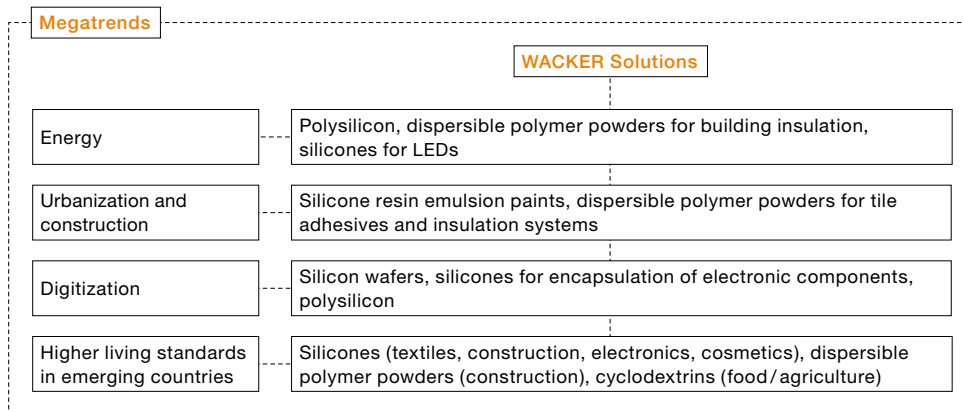
Despite the difficult economic environment, WACKER maintained its overarching strategy in 2009. We have set our sights on continued profitable growth and on securing a leading competitive position in most of our business fields. In addition to our established markets and activities, we focus on product segments and regions with above-average growth, including Asia (especially China and India) and South America. To reach our targets, we are expanding our presence in these markets and gaining new customers.

This strategy is based on the Group's existing technological and entrepreneurial strengths. We strive to ensure that WACKER products and services are the preferred choice of customers. Consequently, we make products that satisfy highly rigorous demands and, when used, directly contribute to added value for our customers.

As we chart our strategic course, we realize how vital it is that WACKER's aims are reflected in each employee's goals and that success is rewarded.

Our vision is to make an indispensable contribution to global progress and sustainable development. Sustainable management is the basis of the Group's long-term business success.

To realize our vision, we look to key megatrends. Our products are ideally suited to serving such megatrends as energy efficiency, urbanization/construction and digitization, and the rising prosperity in newly industrialized countries.

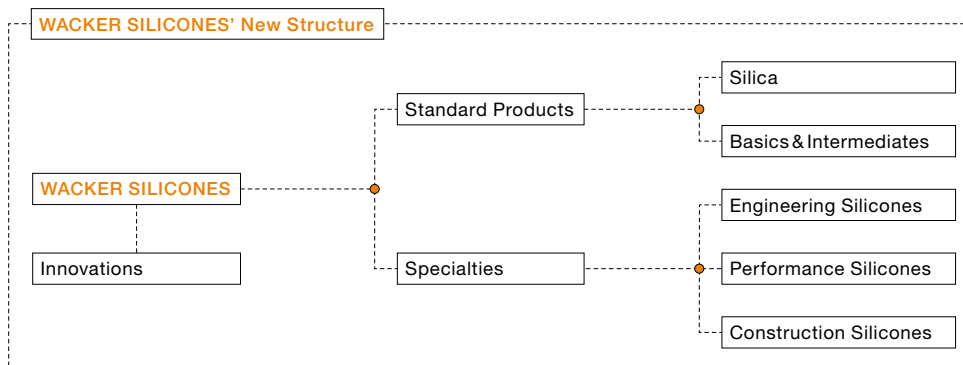


### Divisional Strategies

In 2009, we optimized and realigned our strategies at WACKER SILICONES, WACKER FINE CHEMICALS and Siltronic.

WACKER SILICONES adapted its strategy to market trends, focusing on profitable growth, on using cost-saving potentials more efficiently, and on enhancing market and customer-oriented flexibility. In the future, the division will supply standard and specialty products via various business models specifically tailored to customer needs. WACKER SILICONES will still have five business units, which supply customers by focusing firmly on markets.

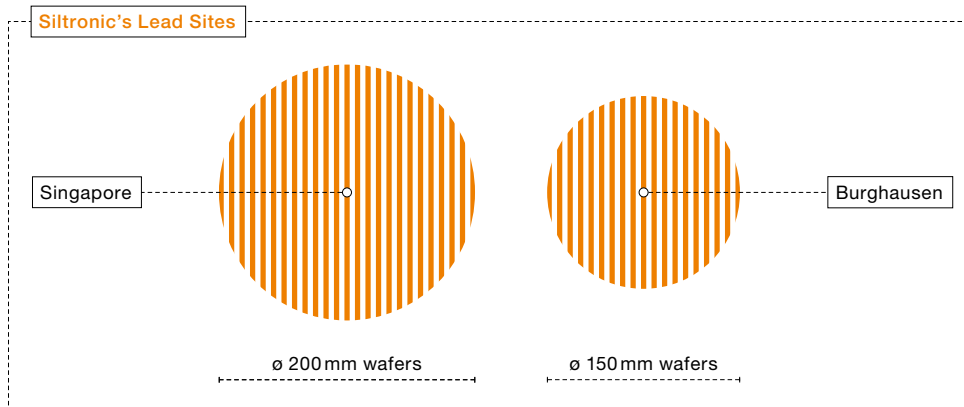
WACKER SILICONES  
Enhances Its  
Divisional Strategy



Product Management's task is to ensure high capacity-utilization rates by adopting market-relevant price strategies. Research and Development, formerly positioned at the business-field level, has been consolidated at a divisional level. Each national entity now has more responsibility for operational aspects, such as pricing. As a result, the division will be able to react faster and more flexibly when responding to market demands and special circumstances. As in the past, a strategic priority is the expansion of the division's integrated production system in key markets. In 2010, WACKER and Dow Corning plan to start up their joint-venture siloxane facility at Zhangjiagang in China, a highly promising market.

WACKER has introduced a new site strategy to further optimize Siltronic's integrated production system and make it more flexible. In the future, production of each silicon wafer diameter will be focused on a lead site. This will boost capacity utilization, improve cost structures, and concentrate wafer-specific production expertise at the corresponding sites. Together with customers, Siltronic is currently qualifying the individual sites so that it can ensure an uninterrupted supply of each wafer diameter from the designated fabs.

Siltronic Launches  
New Site Strategy



To maintain its technological leadership, Siltronic will continue to invest in product developments, quality-enhancing measures and 300 mm technology, so that it can meet the latest design-rule requirements.

Thanks to the acquisition of Air Products Polymers' business in 2008, WACKER POLYMERS has become more broadly positioned. Beside the construction industry, WACKER serves sectors such as textiles, paints/coatings and adhesives. Having commissioned our Nanjing production site in November 2009, we are now the only company in the market offering a complete supply chain for dispersions and dispersible polymer powders in Europe, the Americas and Asia. WACKER POLYMERS intends to continue growing by maintaining close proximity to customers and by supplying products specifically tailored to local needs. A key strategic component is expansion of our technical competence centers, where we develop individualized product solutions on-site together with customers.

WACKER's exit from the solar-wafer business means we can fully focus on the production of hyperpure polycrystalline silicon in the future. WACKER POLYSILICON's strategic aim is to uphold its quality and cost leadership in this business and to expand production capacities in line with market growth. A new production facility in Nünchritz (Saxony) is already under construction with a nominal capacity of 10,000 metric tons per year. It is set to come on stream by the end of 2011 – further solidifying our market position. In the medium term, we intend to build a new production plant for hyperpure polycrystalline silicon in the USA. To this end, we purchased a large plot of land in the state of Tennessee in January 2009.

WACKER POLYSILICON  
with Renewed Focus  
on Producing  
Hyperpure  
Polycrystalline  
Silicon

WACKER FINE CHEMICALS has restructured its product portfolio and now concentrates on the pharmaceutical, agricultural and food sectors. In coming years, we plan to press on with biotechnology expansion, aiming at annual double-digit growth. To do this, we are intensifying the division's market focus and, effective January 1, 2010, have realigned its organizational structure accordingly. See further details on page 130

Management Report  
Business Development

/ 3



**WACKER POLYMERS**  
is a leading producer of state-of-the-art binders and polymeric additives in the form of dispersible polymer powders and dispersions, polyvinyl acetates, surface coating resins and polyvinyl alcohol solutions. They are used in construction chemicals, paints and surface coatings, adhesives, plasters and nonwovens, and as binders in polymeric materials based on renewable resources.

## Management Report Business Development

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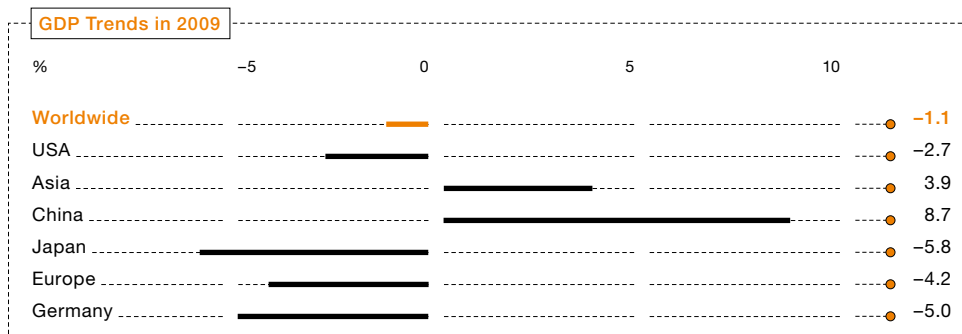
# Overview of Business Development

## Economic Trends

The global downturn persisted into the first half of 2009, resulting in a demand slump in key sales sectors, especially in the first quarter. From mid-2009, the recession began to bottom out and signs of a slow economic recovery became visible. The world's main economies have stabilized at a low level and leading economic institutes have upwardly revised their forecasts for 2009 and 2010. According to International Monetary Fund (IMF) estimates, though, the global economy still shrank by 1.1% in 2009 (2008: +3.0%).

Global Economy Shrinks in First Half of 2009 with Slow Recovery in Second Half

According to the IMF, GDP in the USA dropped 2.7% in 2009 (2008: +0.4%). High unemployment and declining property prices were mainly responsible for the lack of growth in the highly consumer-spending-driven American economy. The downward trend leveled out in the second half of the year.



Sources – worldwide: IMF; USA: IMF; Asia: ADB; China: Chinese government; Japan: ADB; Europe: IMF; Germany: Federal Statistics Office

The global recession also slowed growth in Asia. The Asian Development Bank (ADB) estimates that the region's economy grew 3.9% (2008: 6.1%). Contrary to the general trend, Chinese growth remained at a high level – fueled by an economic stimulus program totaling us\$580 billion. According to the Chinese government, 2009 growth amounted to 8.7% (2008: 9.0%). Japan was hard hit by the global economic crisis. The ADB estimates that the Japanese economy dropped 5.8% (2008: -0.7%). The main factor here was a massive slump in exports.

The scale of the eurozone downturn was similar. According to IMF data, GDP fell 4.2% due to lower exports and investments (2008: +0.7%).

As an export-based country, Germany was particularly affected by the global economic crisis. The slump in exports caused GDP to drop by 5.0% in 2009 (2008: +1.2%). Although there was a slow recovery in the second half of the year, it was not enough to compensate for the first half.

### General Sector-Specific Conditions

We supply products to a wide range of industrial sectors. Our main customers are in the semiconductor, solar, chemical, construction, energy and electronics industries.

The semiconductor market was extremely difficult in 2009. As one of the three largest producers of silicon wafers, WACKER definitely felt the effects. In the first quarter, pricing and demand pressures were particularly strong, mainly impacting plant utilization and earnings. Primarily in the second and third quarters, global demand for semiconductors and thus silicon wafers rebounded. Gartner, a market research institute, estimated demand for silicon wafers in 2009 at 6,480 million square inches (MSI). That is a decline of almost 23% year over year.

Semiconductor  
Market Extremely  
Difficult in 2009

#### Installation of New PV Capacity in 2008 and 2009

	Installation of New PV Capacity (MW)		CAGR <sup>1</sup> 08 – 09
	2009	2008	%
Germany .....	2,500	1,500	67
Spain .....	375	2,511	-85
Other European countries .....	1,427	492	190
USA .....	1,200	342	251
Japan .....	500	230	117
Asia .....	400	359	11
Other regions .....	400	126	217
<b>Total</b> .....	<b>6,802</b>	<b>5,560</b>	<b>22</b>

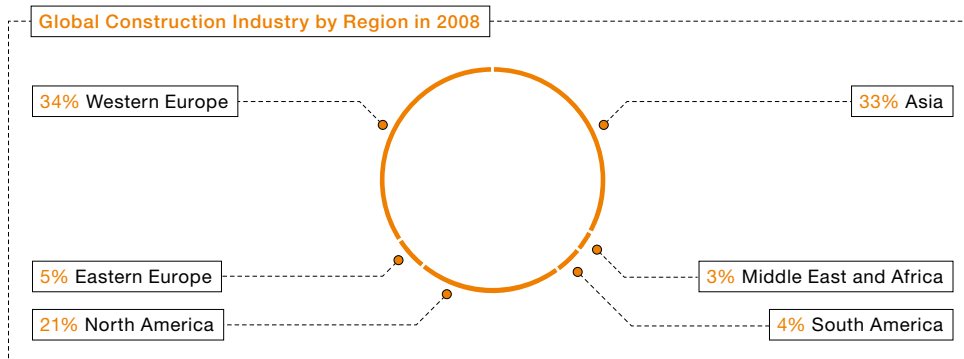
Sources: European Photovoltaic Industry Association (EPIA), Global Market Outlook for Photovoltaics until 2013.  
<sup>1</sup> CAGR: compound annual growth rate

After a sluggish start, the photovoltaics (PV) market gained growth momentum in the second half of 2009. A series of negative factors subdued the market in the first half. First and foremost, Spain (the largest PV market) limited newly installed gigawatt (GW) capacity to 0.5 GW. The PV market was also negatively impacted by production cost pressures for solar wafers, cells and modules, by a reluctance to finance major solar projects, by discussions on feed-in tariffs and by lower prices for traditional energy sources. Thanks to stronger demand for solar arrays in the second half of the year, newly installed photovoltaic capacity rose by 1.2 GW to 6.8 GW. According to the EPIA (European Photovoltaic Industry Association), over a third of this capacity was installed in Germany. As a cost and quality leader for the production of crystalline polysilicon (the key raw material for photovoltaic systems), WACKER continued its growth in this business. Our entire output was sold on the market, which meant that WACKER POLYSILICON's sales rose significantly. Overall, the production volumes of our facilities increased year over year by 6,200 to 18,100 metric tons.

Photovoltaic Market  
Continues to Grow

Global chemical production declined in 2009. Following a sharp downturn in the first quarter, demand stabilized at a low level for the rest of the year. The German Chemical Industry Association (vci) estimates that the global chemical industry generated sales of €2.5 trillion with chemicals and services in 2008. In Germany, the chemical industry experienced one of its toughest years ever as production declined by 10% and capacity utilization reached only 77%. With every chemical segment affected by these trends, German chemical sales dropped 12.5% to €154.4 billion. WACKER's chemical segments were not immune to the decline either. At WACKER SILICONES, sales dropped 12.1% and at WACKER POLYMERS 14.3%.

The global construction industry also suffered from the effects of the economic crisis. According to calculations from Global Insight, a market research institute, the industry posted a decline of 4.9% to US\$5.4 trillion. That is the sharpest drop in the past 20 years. Residential construction was the hardest hit, down by over 23%. Commercial property saw a decline of almost 9%. Infrastructure projects, supported by economic stimulus programs, remained stable. Regionally speaking, only Asia saw increased spending on construction, with activity declining in all other regions.



Source: Global Insight

WACKER POLYMERS saw its sales volumes decrease in the USA, eastern Europe, Spain and the Middle East. In western Europe, and particularly in Germany, demand was relatively stable. Sales volumes only fell at a single-digit percentage rate. In contrast, demand grew in Brazil, India and China. On the applications front, too, trends varied. While the tile-adhesive business showed a marked decline, WACKER POLYMERS increased its sales volumes in the field of energy-efficient and sustainable construction – a key megatrend. Stimulus packages around the world helped here by promoting “green building.”

The global electrical and electronic goods market faced weaker demand in the year under review, having generated sales of some €2.6 trillion in 2008. Yet it remains the largest product market. In Germany, production fell by around 20% (adjusted for prices) in 2009. The slump had a particularly negative impact on WACKER SILICONES and Siltronic in the first half of the year. In the second half, orders began to increase again.

#### Overall Statement on Underlying Conditions

During the first half of 2009, the global economy continued to decline, although stabilizing at a low level, especially in the second half. Particularly hard hit by the recession was the semiconductor industry, including Siltronic, where plant-utilization rates were below 50% at times. As for our WACKER SILICONES and WACKER POLYMERS chemical segments, they were also unable to match their prior-year sales levels. Raw-material and energy prices were lower compared to 2008 and had a positive effect on our cost structure, as did strict cost management in the area of personnel and material expenses. Contrary to the general trend, our polysilicon business continued to develop well, once again achieving double-digit percentage gains in sales and earnings in 2009.

The greatest signs of recovery were in Asia, particularly China, even though sales were slightly below the prior-year levels. Overall, Asia's share of total sales continued to rise. Europe remains the second most important market for WACKER products. Sales in the USA were clearly down on the prior year. [See further details on page 93](#)

#### Key Events Affecting Business Performance

##### Impairments, and Structural and Personnel Measures

To take account of Siltronic's new site strategy and the expected semiconductor trend, WACKER has recognized impairments on fixed assets of €139.2 million. At WACKER SILICONES, we have additionally recognized impairments on fixed assets totaling €36.8 million, due to planned site closures and weaker market prices. For personnel-related measures, WACKER established provisions of €20.5 million. An additional €39.6 million were set aside for phased early retirement and for working-life accounts.

WACKER increased the addition to pension provisions by €47.9 million to take account of the higher life expectancy of the Group's pension-fund beneficiaries.

### Divestitures

Effective September 30, 2009, WACKER exited the solar-wafer business. Our 50% share in the WACKER SCHOTT Solar (WSS) joint venture was transferred to former partner SCHOTT Solar AG. The reason for this move was our decision to focus our solar activities exclusively on producing hyperpure polycrystalline silicon. As a result, income before taxes was impacted by a non-recurring charge of €51.9 million. Net cash flow fell by €64.0 million due to our withdrawal.

WACKER Exits Solar-Wafer Business

### Investments

WACKER kept to its investment plans in 2009. Construction work on the new polysilicon production facility ("Expansion Stage 9") at Nünchritz progressed on schedule. With a nominal capacity of 10,000 metric tons, "Expansion Stage 8" in Burghausen is currently at the ramp-up phase. We brought the expanded cyclodextrin production facility in Eddyville (USA) on stream, as well as a new integrated plant for dispersions and dispersible polymer powders in Nanjing (China).

### Comparing Actual with Forecast Performance

In 2009, WACKER – and the entire chemical sector – had to cope with the impact of the international financial and economic crisis. Back in mid-2008, we decided on and implemented policies to improve cost structures, profitability and flexibility in all areas. Numerous individual measures enabled us to cut costs and to calculate and control the economic effects. At the same time, we secured the company's long-term financing at good conditions. Due to the highly unpredictable situation, we did not provide a forecast for 2009. We generally estimated that sales and EBITDA would be markedly below the prior-year figures. Despite this development, WACKER did well last year. With the help of our strong product portfolio, we were able to partially mitigate sales declines in several divisions through substantial growth at WACKER POLYSILICON.

#### Comparing Actual with Forecast Performance

€ million	Results in 2008	Forecast	Results in 2009
Sales .....	4,298.1	Clearly down on 2008	3,719.3
EBITDA .....	1,055.2	Clearly down on 2008	606.7
Investments (in property, plant, and equipment) .....	916.3	Remain at high level	740.1

2009's sales revenue was €3.72 billion – down 13.5%, and thus well below the prior-year level. We posted lower sales at three of our five divisions. As expected, though, WACKER POLYSILICON grew significantly.

**EBITDA** also showed a clear and expected decline. At year-end 2009, EBITDA was €606.7 million, 42.5% lower than the previous year. Earnings were influenced by non-recurring items relating to our exit from solar wafers and by an extraordinary addition to pension provisions due to a mortality-table realignment and other personnel-related measures.

At the 2010 Annual Shareholders' Meeting, the Executive and Supervisory Boards' **dividend proposal** is to be €1.20 per share.

Adjusted for acquisitions, **investments** were set to remain at a high level in 2009. Overall, investment spending reached €740.1 million. Most funds flowed into the ongoing expansion of our polysilicon production facilities.

Investments Remain  
High in 2009

**R&D** expenditures remained stable. At €164.0 million, they were up 0.5% against the prior year.

**WACKER** was able to lower **personnel costs** by €75 million in 2009. This was achieved by reducing temporary-staff numbers, by not renewing short-term contracts, by introducing short-time work at German sites and by cutting variable salary components. Employee numbers fell from 15,922 to 15,618 in 2009, primarily due to reductions in short-term contracts and the use of natural fluctuation.

Our earnings performance was positively impacted by **raw-material** and **energy costs**. They fell significantly amid the economic slump. The prices of our four key raw materials – silicon, ethylene, vinyl acetate monomer and methanol – were down 18% on average compared to the prior year. Energy prices (electricity and gas) were also lower, decreasing 8% from 2008.

### Management Review of Business Development

The international financial and economic crisis impacted **WACKER's** operating performance. Although we reacted to the difficult situation at an early stage and initiated operational and structural measures, sales and EBITDA both fell significantly in 2009 – after having risen for five consecutive years.

Result Impacted  
by Impairments  
and Restructuring  
Measures

Furthermore, earnings were impacted by impairments at Siltronic and by restructuring-related expenditures. We completely exited the solar-wafer business due to the changed competitive environment and strong price pressures. Despite the tough situation, we kept to our polysilicon expansion plans. Almost two-thirds of the Group's total investments in 2009 were spent on **WACKER POLYSILICON**.

## Profitability

In 2009, WACKER's sales and earnings did not reach the prior-year levels although demand recovered noticeably starting April 2009. With the global economic crisis clearly impacting WACKER's business environment, our results also reflected several non-recurring charges.

Sales and EBITDA  
Down Year over Year

Sales amounted to €3.72 billion, down 13.5% from the previous year (2008: €4.30 billion), primarily due to weaker customer demand for our products in key target industries. Our performance was impeded not only by volume declines, but also by partially lower product prices. The volume drop amounted to €80.0 million and that of prices to €575.6 million. In contrast, exchange-rate fluctuations boosted sales by €76.8 million or 2.1%. The main contributor here was the improved us dollar exchange rate, which averaged \$1.39 per euro in 2009 (2008: \$1.47 per euro).

Siltronic reported the largest sales decrease. At €637.5 million, sales fell 53.2% (2008: €1.36 billion), reflecting the harsh semiconductor climate and solar-sector sales erosion through 2009. In comparison, WACKER SILICONES – our largest division – fared much better. It saw demand for silicone products stabilize during the year, but was unable to attain 2008's level in any product segment. It posted sales of €1.24 billion, 12.1% below the previous year (2008: €1.41 billion). In 2009, WACKER POLYMERS generated total sales of €743.8 million (2008: €867.9 million) – a drop of 14.3% against 2008. This was primarily due to lower full-year demand for dispersions and dispersible polymer powders.

At WACKER FINE CHEMICALS, sales rose to €104.9 million, up 7.4% compared to 2008 (€97.7 million). Growth was mainly driven by the transfer of chewing gum base from WACKER POLYMERS to WACKER FINE CHEMICALS, where this business has been controlled and accounted for since July 1, 2009. WACKER POLYSILICON continued to develop well – boosting total sales by 35.4% to €1.12 billion (2008: €828.1 million) amid higher volumes from newly-commissioned hyperpure-polysilicon production facilities. Solar-industry polysilicon demand remained robust despite the global economic crisis.

## External Sales by Division

€ million	2009	2008	2007	2006	2005
SILTRONIC .....	632.6	1,356.2	1,445.1	1,257.6	912.5
WACKER SILICONES .....	1,219.2	1,363.5	1,313.6	1,243.9	1,081.8
WACKER POLYMERS .....	732.7	860.4	623.7	548.9	473.0
WACKER POLYSILICON .....	968.1	567.0	243.8	132.7	132.5
WACKER FINE CHEMICALS .....	100.5	92.0	100.6	101.4	104.1
Other .....	66.2	59.0	54.5	52.4	51.8
<b>Group</b> .....	<b>3,719.3</b>	<b>4,298.1</b>	<b>3,781.3</b>	<b>3,336.9</b>	<b>2,755.7</b>

The WACKER Group generates by far the largest share of its sales outside Germany. In 2009, international sales reached €2.95 billion, or 79.2% of the consolidated amount. In 2008, the figure was €3.35 billion or 77.9% of the total. Asia clearly remains our biggest market. In 2009, WACKER reported Asian sales of €1.25 billion. Although this was 8.1% lower than a year earlier (2008: €1.36 billion), gains were made in the Greater China region (China including Taiwan), where sales reached €732.9 million, up 4.0% (2008: €704.8 million). In the Americas, sales amounted to €636.3 million (2008: €852.9 million) – a drop of 25.4% against 2008. In Germany, year-over-year sales declined by 18.3% to €774.6 million (2008: €948.6 million). At €944.1 million, sales in the rest of Europe were also below the prior-year level – down 6.4% (2008: €1.01 billion).

## Domestic and International Sales (by Customer Location)

€ million	2009	2008	2007	2006	2005
External sales .....	3,719.3	4,298.1	3,781.3	3,336.9	2,755.7
Of which domestic .....	774.6	948.6	723.5	657.6	572.3
Of which international .....	2,944.7	3,349.5	3,057.8	2,679.3	2,183.4

EBITDA (earnings before interest, taxes, depreciation and amortization) fell by €448.5 million to €606.7 million – a 42.5% decline (2008: €1.06 billion). As a result, the EBITDA margin dropped from 24.6% in 2008 to 16.3% in 2009. This was mainly because of the weak trend at our semiconductor segment, where EBITDA fell €519.7 million against the previous year. Additionally, non-recurring charges reduced 2009's EBITDA by a total of €159.9 million. These charges comprised the following items: €51.9 million in investment expenses due to our exit from the WACKER SCHOTT Solar joint venture; an addition of €47.9 million to pension provisions (shown in the "Other" segment) to take account of the higher average life expectancy of the Group's pension-fund beneficiaries; provisions of €39.6 million for additional phased-early-retirement quotas and working-life accounts; plus, further provisions of €20.5 million for personnel measures at WACKER SILICONES and Siltronic.

Non-Recurring  
Charges Reduce  
2009's EBITDA



Earnings before interest and taxes (EBIT) amounted to €26.8 million (2008: €647.9 million). In addition to the non-recurring charges already mentioned, EBIT was affected by impairments on fixed assets of €182.1 million, including €139.2 million at Siltronic and €36.8 million at WACKER SILICONES. Several production facilities were closed or written down in the USA, Germany and Asia amid diminished earnings prospects for their products.

Gross profit from sales declined €344.5 million to €843.5 million (2008: €1.19 billion). The ratio of cost-of-sales to sales was 77.3% (2008: 72.4%). Whereas additions to provisions weighed on gross profit, productivity gains and lower raw-material and energy costs had a positive effect.

We reported functional costs (selling, R&D, and general administrative expenses) of €505.9 million, 4.6% lower than 2008's €530.3 million. The main reduction was in general administrative expenses, which dropped 12.8% or €14.0 million compared to 2008. Contributory factors were lower performance-related compensation and structural improvements at WACKER POLYMERS, which merged several of its subsidiaries. The Group's R&D costs in 2009 remained constant at €164.0 million (2008: €163.2 million) and the operating result amounted to €154.1 million (2008: €681.3 million).

In 2009, the balance of other operating income and expenses was €-183.5 million (2008: €23.6 million). This figure includes impairments on property, plant, and equipment of €182.1 million. The balance of exchange-rate gains and losses totaled €-27.0 million for the year (2008: €23.5 million), mainly because of the us dollar's higher valuation in the first half, which stood in contrast to WACKER's unfavorable hedging position. Other operating income comprised retained advance payments of €19.7 million stemming from polysilicon contracts.

The investment result – the total income from investments in joint ventures and associates and other income from participations – was clearly negative at €-127.3 million (2008: €-33.4 million). The decline was caused by investment losses from our WACKER SCHOTT Solar (wss) joint venture totaling €74.8 million – mainly ongoing wss losses, plus a capital contribution that we made upon exiting the joint venture. The investment result also contains pro rata start-up losses at Asian joint ventures – namely our investments (accounted for using the equity method) in Siltronic Samsung Wafer and our joint venture (a siloxane production plant) with Dow Corning at Zhangjiagang (China).

The interest and other financial result amounted to €–23.5 million (2008: €–5.2 million). The following effects influenced this result: 2009's interest income from investment positions was appreciably lower than a year earlier and the interest cost from external financing rose because WACKER took out two long-term loans in June. 2009 was the first time (as per IAS 23) that external interest was recognized as borrowing costs during the construction period and capitalized – to the amount of €12.9 million – in property, plant, and equipment. This improved the interest result. The other financial result primarily contains expenses from accrued interest on pension provisions.

In 2009, tax expenses decreased to €77.8 million (2008: €203.5 million). This decline was mainly due to the Group's lower pre-tax result. Tax expenses were relatively high, though, compared to the pre-tax result because of high losses from companies accounted for using the equity method, losses at foreign companies, and non-tax-deductible expenses. Deferred tax assets were only partially recognized in line with their probability of realization. Adjusted for these effects, the tax rate was around 30%.

In total, the net result dropped by €512.8 million from 2008's €438.3 million to €–74.5 million in 2009.

#### Condensed Statement of Income

€ million	2009	2008
<b>Sales</b> .....	<b>3,719.3</b>	4,298.1
<b>Gross profit from sales</b> .....	<b>843.5</b>	1,188.0
Selling, R&D and general administrative expenses .....	<b>–505.9</b>	–530.3
Other operating income and expenses .....	<b>–183.5</b>	23.6
<b>Operating result</b> .....	<b>154.1</b>	681.3
Investment result (including joint ventures and associates) .....	<b>–127.3</b>	–33.4
<b>EBIT (earnings before interest and taxes)</b> .....	<b>26.8</b>	647.9
Financial result .....	<b>–23.5</b>	–6.1
<b>Income before taxes</b> .....	<b>3.3</b>	641.8
Income taxes .....	<b>–77.8</b>	–203.5
<b>Net result for the year</b> .....	<b>–74.5</b>	438.3
Of which attributable to Wacker Chemie AG shareholders (net result) .....	<b>–70.8</b>	439.4
Of which attributable to other shareholders .....	<b>–3.7</b>	–1.1
<b>Earnings per common share (€)</b> .....	<b>–1.43</b>	8.84
<b>EBITDA</b> .....	<b>606.7</b>	1,055.2
<b>ROCE (%)</b> .....	<b>0.9</b>	25.7

## Assets

### Financial-Position Trend: Assets

As per December 31, 2009, the WACKER Group's total assets were only slightly lower than at the end of 2008, dropping 1.8% to €4.54 billion (2008: €4.63 billion). The decline primarily affected current assets, though noncurrent assets decreased slightly, too.

Within noncurrent assets, there was a rise in fixed assets. This item climbed €65.8 million from €2.95 billion to €3.02 billion. On the one hand, WACKER invested €740.1 million (2008: €916.3 million) in 2009, with the focus on expanding WACKER POLYSILICON's production capacities. On the other, impairments of €182.1 million and depreciation of €397.8 million had the opposite effect, reducing fixed assets.

The carrying amount for investments in associates accounted for using the equity method contracted by 26.9% to €140.2 million at year-end (2008: €191.8 million). This was mainly because the pro rata net income from companies consolidated using the equity method reduced the carrying amounts by €83.7 million. Capital contributions to our siloxane-production joint venture with Dow Corning resulted in additions of €32.1 million. Other noncurrent assets showed a marked decline – down €103.5 million to €177.8 million (2008: €281.3 million). Advance payments received were €70.4 million lower because of our disposal of WACKER SCHOTT Solar Vertriebs GmbH. The value of derivatives within noncurrent assets dropped €15.9 million to €4.2 million, due to lower market values and notional amounts. In contrast, receivables from investments for phased-early-retirement credits rose €7.5 million to €38.2 million.

Current assets fell by 2.9% or €42.4 million compared to December 31, 2008. WACKER's inventories, in particular, decreased 12.6% or €63.7 million as production quantities were adjusted to demand and raw-material stocks were impaired. Trade receivables remained constant. Other current assets (including tax receivables and securities) were up 4.3% to €513.7 million (2008: €492.4 million) – mainly due to higher liquidity, which rose €58.3 million. In contrast, tax receivables decreased by €36.5 million. Plus, a reduced market valuation for derivative financial instruments resulted in a lower carrying amount of €18.5 million.

In 2009, WACKER sold securities (from current financial investments) of €101.1 million that had been shown under liquidity in 2008.

### Financial-Position Trend: Liabilities

Equity amounted to €1.94 billion as per December 31, 2009 (2008: €2.08 billion). This €140.4 million decline mainly stemmed from the net loss of €74.5 million and the 2008 dividend payout of €89.4 million. The equity ratio decreased slightly to 42.8% as per year-end 2009 (2008: 45.0%). Changes due to currency translation of foreign subsidiaries' financial statements and to currency-hedging measures increased equity on balance by €17.3 million. In particular, lower volumes and market-value fluctuations for hedge-accounting derivative financial instruments reduced income and expenses under equity. Non-controlling interests increased due to funds injected by Dow Corning (the minority shareholder) into our HDK® joint venture in China.

Continued Solid  
Equity Ratio

Noncurrent and current financial liabilities amounted to €439.7 million at year-end 2009 (2008: €272.4 million) – up 61.4% or €167.3 million because WACKER had taken out long-term loans of €180.0 million in mid-2009. Maturing in 2011 and 2013, these loans are largely subject to a floating interest rate. They help secure financing of the Group's future investments. Financial liabilities to companies consolidated using the equity method were repaid. Plus, liabilities from finance-lease obligations dropped by €11.8 million to €44.5 million due to ongoing leasing payments (2008: €56.3 million). Net financial liabilities (the balance of financial liabilities and liquid assets) rose year over year. On December 31, 2009, financial liabilities exceeded liquidity by €76.1 million. In 2008, there had been a liquidity surplus of €32.9 million.

Altogether, noncurrent liabilities rose 9.4% to €1.86 billion (2008: €1.70 billion). Pension provisions increased 18.3% to €445.1 million (2008: €376.1 million). In 2009, WACKER decided to raise its assumptions about the average life expectancy of pension beneficiaries. We immediately recognized the resultant €47.9 million charge in profit or loss, since the situation is not expected to change in the future.

Long-term advance payments received remained constant at €761.8 million (2008: €761.8 million). Other noncurrent provisions increased slightly to €281.9 million (2008: €261.0 million). Two effects were responsible for the rise: first, WACKER approved additional phased-early-retirement quotas and, second, created a framework for working-life accounts. In 2009, we reclassified noncurrent tax provisions as current provisions, since we expect to use them in 2010.

Current liabilities dropped 12.8% to €732.1 million (2008: €839.4 million). The main factor was trade payables, which fell by €78.8 million to €217.9 million. Other current liabilities diminished by €49.1 million to €297.5 million (2008: €346.6 million). Here, there was a decrease in obligations from both derivative financial instruments and profit-sharing bonuses. In addition, current advance payments received rose by €40.7 million to €138.5 million.

In 2009, WACKER did not sell or acquire any major corporate entities that would have significantly impacted assets.

### Unrecognized Assets

An important asset that does not appear on our financial position statement is the value of the WACKER brand and other Group trademarks. We consider the high profile and reputation of our trademarks to be a key factor influencing customer acceptance of our products and solutions. However, there are other intangible assets that are vital for success and positively impact our business – for example, long-standing customer relationships and customer trust in our product and solution-related expertise. Just as important are our employees' in-depth skills and experience, and our many years of expertise not only in R&D and project management, but also in production- and business-process structures.

Another key success factor is WACKER's sales network, which has evolved over many years and ensures customer proximity when we supply our range of products and services.

#### Condensed Statement of Financial Position as per December 31

€ million	2009	2008
<b>Assets</b>		
Intangible assets, property, plant and equipment, and investment property	2,802.2	2,687.9
Investments in associates accounted for using the equity method	140.2	191.8
Other noncurrent assets	177.8	281.3
<b>Noncurrent assets</b>	<b>3,120.2</b>	<b>3,161.0</b>
Inventories	441.2	504.9
Trade receivables	466.8	466.8
Other current assets	513.7	492.4
<b>Current assets</b>	<b>1,421.7</b>	<b>1,464.1</b>
<b>Total assets</b>	<b>4,541.9</b>	<b>4,625.1</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>1,942.4</b>	<b>2,082.8</b>
Noncurrent provisions	727.0	637.1
Financial liabilities	363.8	158.7
Other noncurrent liabilities	776.6	907.1
Of which advance payments received	761.8	836.2
<b>Noncurrent liabilities</b>	<b>1,867.4</b>	<b>1,702.9</b>
Financial liabilities	75.9	113.7
Trade payables	217.9	296.7
Other current provisions and liabilities	438.3	429.0
<b>Current liabilities</b>	<b>732.1</b>	<b>839.4</b>
<b>Liabilities</b>	<b>2,599.5</b>	<b>2,542.3</b>
<b>Total equity and liabilities</b>	<b>4,541.9</b>	<b>4,625.1</b>
<b>Capital employed</b>	<b>2,878.4</b>	<b>2,520.6</b>

## Financial Position

The primary aim of our financial policies is to bolster WACKER's financial strength. The focal task is to sufficiently cover the financial needs of our operational business and investment projects. Organized centrally, the Group's financial management experts are responsible for cash management and financing, as well as hedging against currency and interest-rate risks. A groupwide financial regulation sets out tasks and responsibilities.

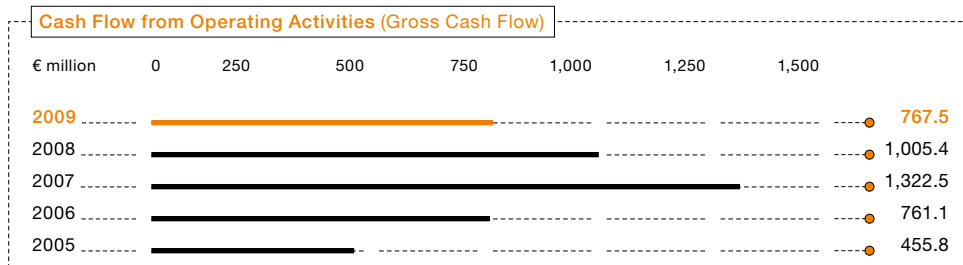
### Financial Analysis

As of December 31, 2009, financial liabilities rose by 61.4% or €167.3 million. Net financial liabilities were €76.1 million on the reporting date. Aside from the financial liabilities stated in our assets report, we have sufficient unused credit lines. WACKER has a commitment from the European Investment Bank (EIB) for a long-term investment loan of €400.0 million. As yet unused, this loan is earmarked for the construction of a polysilicon production plant at Nünchritz. In the year under review, long-term-maturity loans of €180.0 million were placed on the market. This helps us to continue financing our future investments. The Group does not use any off-balance-sheet financial instruments.

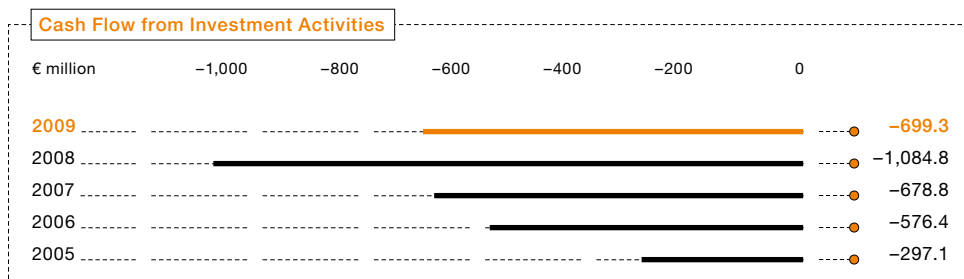
### Cash Flow

In 2009, the Group funded its investments almost entirely out of its own cash flow. At €767.5 million, cash inflow from operating activities was 23.7% lower than 2008 (€1.01 billion) due not only to a marked drop in the net result for the year, but also to lower customer advance payments for future polysilicon shipments compared to a year earlier. Cash inflows from advance payments were €36.9 million (2008: €197.7 million). Adjusted for non-cash expenses and income from provisions and depreciation, the net result declined by €241.4 million to €663.8 million, down 26.7% from 2008. Cash inflow benefited from inventories being lower than in 2008. Here, WACKER systematically adjusted inventories to match production quantities. Other liabilities declined in 2009 because profit-sharing was below 2008's level. As a result, gross cash flow decreased. WACKER's obligation to assume a share of the losses when exiting WACKER SCHOTT Solar and to repay pro rata the advance payments received led to a total cash outflow of €64.0 million.

Investments Funded almost Entirely out of Own Cash Flow

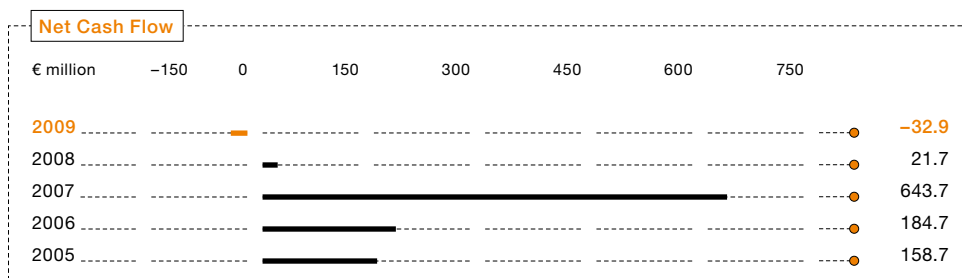


In 2009, liquidity outflows for investments in intangible assets, property, plant and equipment, and financial assets fell to €800.4 million (2008: €983.7 million). Funds primarily flowed into the expansion of our production facilities for polysilicon, siloxane and dispersible polymer powder. Spending on new production facilities amounted to €770.5 million. In addition, WACKER made capital contributions of €32.1 million to joint ventures. In the prior-year period, €171.2 million had been spent on the complete acquisition of shares in Air Products Polymers and Wacker Polymer Systems, our former joint ventures.



All of the German government securities (“Bundeswertpapiere”) acquired in 2008 were sold, which boosted our investment-activity cash flow by €101.1 million.

Net cash flow (the difference between cash inflow from operating activities and cash outflow due to noncurrent investment activities) amounted to €-32.9 million in 2009 – a decline of €54.6 million compared to 2008 (€21.7 million).



In 2009, cash inflow from financing activities totaled €92.5 million (2008: €-87.7 million). This includes minority shareholder Dow Corning’s capital contributions to a joint venture in China. The distribution of €90.1 million in dividends to shareholders (primarily €89.4 million to Wacker Chemie AG’s shareholders) reduced cash flow from financing activities. Increased bank liabilities resulted in a cash inflow of €215.7 million. Bank liabilities rose mainly because WACKER took out long-term loans amounting to €180.0 million.

Cash and cash equivalents resulting from cash flows and adjusted for exchange-rate fluctuations went up by €159.4 million to €363.6 million as of year-end 2009.

#### Proposal on Appropriation of Profits

In accordance with German Commercial Code accounting rules, Wacker Chemie AG posted a retained profit of €533.4 million in 2009. The Executive and Supervisory Boards will propose a dividend of €1.20 at the Annual Shareholders' Meeting. Based on the number of shares entitled to dividends as per December 31, 2009, the cash dividend corresponds to a payout of €59.6 million.

Calculated in relation to WACKER's average share price in 2009, the dividend yield is 1.4%.

At the Annual Shareholders' Meeting, the Executive and Supervisory Boards will propose treating the remaining amount as profit carried forward.

#### Rating

WACKER has sufficient unused credit lines available at banks and does not use financial instruments such as bonds and commercial paper. Consequently, WACKER has not published a credit rating so far.

#### General Overview of the Business Situation

Despite a significant sales and earnings decline and various special items (impairments, restructuring charges and provisions for personnel measures), WACKER navigated a steady course through 2009, a year marked by the global recession. Amid the economic challenges, WACKER still maintained a high investment level, with the focus on further polysilicon-production expansion. Geared to tapping additional growth opportunities, investments were almost exclusively financed from gross operating cash flow. Although we faced a series of non-recurring charges, WACKER remains on a very solid financial footing. Our debt level is low and the equity ratio is still good despite a slight decline. Long-term financing for tomorrow's investments and operations was secured in good time. Together, all these factors form a solid basis for 2010.



**Takeover Directive Implementation Act**

The following table contains information required by Section 315, Subsection 4 of the German Commercial Code (HGB):

Regulation	Topic	Details and references
§ 315 (4) 1	<b>Composition of subscribed capital</b>	Wacker Chemie AG's subscribed capital totals 52,152,600 non-par value voting shares. There are no differences in share category. The total number of shares currently includes 49,677,983 held by external shareholders and 2,474,617 held by Wacker Chemie AG itself. WACKER's treasury shares were acquired by repurchasing Wacker-Chemie GmbH shares in August 2005 when it was still a private limited company. The Executive Board can only use or sell these treasury shares under the following conditions: 782,300 shares require Supervisory Board approval and an appropriate resolution by the Annual Shareholders' Meeting. The remaining 1,692,317 shares are subject to Supervisory Board approval.
§ 315 (4) 2	<b>Restrictions on voting rights or on the transfer of shares</b>	There are no restrictions on voting rights or the transfer of shares.
§ 315 (4) 3	<b>Direct or indirect capital stakes</b>	Dr. Alexander Wacker Familiengesellschaft mbH, based in Munich, and Blue Elephant Holding GmbH, based in Pöcking, each hold over 10% of the subscribed capital.
§ 315 (4) 4	<b>Owners of shares entailing special rights</b>	Shareholders have not been given any special rights that bestow control powers. Insofar as employees hold shares in Wacker Chemie AG's capital, they exercise their resultant control rights directly.
§ 315 (4) 5	<b>Method of voting-right control in the case of employee participation</b>	
§ 315 (4) 6	<b>Legal stipulations and articles of incorporation (or association) principles regarding the appointment and dismissal of executive board members and amendments to said articles</b>	Provisions to appoint and dismiss Wacker Chemie AG's Executive Board members are based on Sections 84 et seq., of the German Stock Corporation Act (AktG). Wacker Chemie AG's Articles of Association do not contain any further provisions in this respect. Pursuant to Section 4 of the Articles of Association, the number of Executive Board members is fixed by the Supervisory Board, which also appoints an Executive Board member as President & CEO. Amendments to the Articles of Association are covered by Sections 133 and 179, AktG. In accordance with Section 179, Subsection 1, item 2, AktG, the Supervisory Board has been empowered to amend the Articles of Association if only the wording thereof is affected.

Regulation	Topic	Details and references
§ 315 (4) 7	<b>Authority of the executive board to issue or buy back shares</b>	In accordance with a resolution passed at the May 8, 2009 Annual Shareholders' Meeting, Wacker Chemie AG's Executive Board was authorized – in compliance with the legal provisions set out in Section 71, Subsection 1, No. 8 of the German Stock Corporation Act (AktG) – to acquire treasury shares totaling a maximum of 10% of capital stock. No capital has been authorized for the issue of new shares.
§ 315 (4) 8	<b>Major agreements associated with control changes due to a takeover bid</b>	Various agreements with joint-venture partners include "change of control" clauses. These clauses deal with what might happen if one of the joint-venture partners were taken over. These arrangements comply with the usual standards for such joint-venture agreements.
§ 315 (4) 9	<b>Severance agreements with the executive board or employees in the event of a takeover bid</b>	There are no severance agreements etc. with employees or with Executive Board members in the event of a takeover bid (please refer to the Compensation Report).

## Segments

### Siltronic

In 2009, Siltronic's sales were significantly down on the prior year. This was mainly due to not only weak semiconductor-sector demand for silicon wafers, but also lower sales of silicon monocrystals and other materials to the solar industry. Divisional sales fell 53.2% to €637.5 million (2008: €1.36 billion). Continued price pressure for all wafer diameters additionally impacted Siltronic's business.

Semiconductor-  
Industry Demand  
Fell in 2009

EBITDA amounted to €-162.4 million in 2009 (2008: €357.3 million). Siltronic's EBITDA margin was -25.5% (2008: 26.3%). As announced in early July 2009, Siltronic has introduced a lead site strategy to optimize production and make it more flexible. This strategy is complemented by numerous other measures to boost productivity and to cut and adjust costs. Siltronic is pushing ahead with customer qualification of the wafers produced at its designated lead sites, so that it can meet customer needs from these locations in the future.

In regional terms, Asia (including Japan) remains Siltronic's main sales market. Given Asia's significance, Siltronic is continuing to expand production capacities there. 300 mm wafer production at Siltronic Samsung Wafer (its joint venture with Samsung Electronics in Singapore) has now reached a monthly capacity of around 200,000 wafers.

During 2009, Siltronic invested €73.0 million (2008: €199.6 million). Funds were almost exclusively earmarked for technology-driven projects, including the capability to manufacture wafers that are used for semiconductor devices featuring smaller design rules.

Siltronic had 5,096 employees on December 31, 2009 (December 31, 2008: 5,469).

#### Key Data: Siltronic

€ million	2009	2008	2007	2006	2005
Total sales .....	637.5	1,360.8	1,451.6	1,263.1	925.0
EBITDA .....	-162.4	357.3	478.1	355.6	166.7
EBIT .....	-414.7	193.8	337.2	213.1	5.8
Capital expenditures .....	73.0	199.6	200.0	167.7	68.0
R&D expenses .....	62.9	67.7	63.9	63.2	65.4
Employees (December 31, number) .....	5,096	5,469	5,634	5,585	5,631

**WACKER SILICONES**

At WACKER SILICONES, total sales for 2009 were down on the prior-year level – dropping 12.1% to €1.24 billion (2008: €1.41 billion). After a weak start to 2009, sales began to rise from the second quarter onward. The gains, however, did not fully compensate for the considerable shortfall back in Q1. Demand weakness left some production capacities underutilized. While sales developed positively in the medical technology and power transmission/distribution sectors, demand declined in other markets, including the construction, automotive and electronics sectors. Regional sales performance varied. The division posted a slight sales increase in Asia, but a decline in Europe (including Germany). In the Americas, sales almost reached the prior-year level.

On the EBITDA front, the downtrend was less pronounced. At €157.9 million (2008: €167.9 million), EBITDA fell 6.0% against 2008. Earnings profited from cost savings and lower energy and raw-material costs, but were hampered by weaker sales volumes and increased price pressure. The EBITDA margin rose slightly to 12.7% (2008: 11.9%).

Higher EBITDA Margin  
despite Sales Decline

2009's investment focus was on expanding the Zhangjiagang site in China. Investments totaled €102.2 million, roughly matching the prior-year level (2008: €107.0 million). In October 2009, WACKER and Dow Corning started construction work on the second phase of their pyrogenic-silica production plant in Zhangjiagang. Additionally, WACKER DYMATIC Silicones (a joint venture between WACKER and China's DYMATIC Chemicals Inc.) started up a new silicone emulsions facility in July. With an annual capacity of 4,500 metric tons, the production plant (together with admin facilities) is located at the joint venture's new headquarters in the southern Chinese city of Shunde. The joint venture supplies China's textile, fiber, and leather industries with silicone emulsions.

WACKER SILICONES had 3,873 employees on December 31, 2009 (December 31, 2008: 3,927).

**Key Data: WACKER SILICONES**

€ million	2009	2008	2007	2006	2005
Total sales	1,238.8	1,408.6	1,361.0	1,286.9	1,119.3
EBITDA	157.9	167.9	226.9	231.9	211.0
EBIT	33.5	86.3	144.6	147.8	111.5
Capital expenditures	102.2	107.0	102.2	140.9	102.9
R&D expenses	26.9	31.5	35.9	34.4	33.4
Employees (December 31, number)	3,873	3,927	3,871	3,767	3,596

**WACKER POLYMERS**

In 2009, WACKER POLYMERS' total sales declined, too – down 14.3% to €743.8 million (2008: €867.9 million). As for sales volumes, dispersions and dispersible polymer powder dropped from the prior-year level. Regionally, the division generated sales gains in Asia but, elsewhere, reported sales declines of 10–30% compared to 2008's figures.

Despite the drop in total sales, WACKER POLYMERS improved its EBITDA by 7.6% year over year to €117.2 million (2008: €108.9 million). While earnings benefited from cost-savings and lower energy and raw-material costs, they were hampered by lower dispersion and polymer-powder prices. The EBITDA margin rose to 15.8% (2008: 12.5%).

Year-over-year investments in the form of asset additions dropped by €34.4 million to €40.0 million (2008: €74.4 million). The investment focus was on completing the Nanjing production site (China), setting up and expanding technical competence centers, and optimizing existing production facilities. In 2008, WACKER POLYMERS also spent €171.2 million on acquiring Air Products Polymers and Wacker Polymer Systems – our former joint ventures.

To broaden its international presence, the division expanded its Dubai technical competence center (for construction applications) and opened two new technical centers in 2009: one in Allentown (USA) and the other – together with WACKER SILICONES – in Mumbai (India). These centers support customers locally in the development of new, tailored products and, thus, help the division strengthen its market position. In September 2009, WACKER POLYMERS and the Vietnam Institute of Building Materials (VIBM) jointly opened a test center for dry-mix mortars in Hanoi, the Vietnamese capital. The center's objective is not only to promote the development and professional application of these products but also to certify them to local and international construction standards.

International  
Presence Expanded

Employee numbers decreased to 1,362 as per December 31, 2009 (December 31, 2008: 1,579).

**Key Data: WACKER POLYMERS**

€ million	2009	2008	2007	2006	2005
Total sales .....	<b>743.8</b>	867.9	632.8	559.6	473.8
EBITDA .....	<b>117.2</b>	108.9	107.0	106.6	99.1
EBIT .....	<b>77.8</b>	64.9	80.5	88.8	80.9
Capital expenditures .....	<b>40.0</b>	74.4	41.0	17.8	21.0
R&D expenses .....	<b>14.2</b>	15.0	7.6	7.1	7.9
Employees (December 31, number) .....	<b>1,362</b>	1,579	1,128	1,050	1,000

**WACKER POLYSILICON**

Once more, WACKER POLYSILICON generated sales gains in 2009. Up 35.4% to €1.12 billion (2008: €828.1 million), total sales crossed the billion-euro mark. This growth was fueled by additional Burghausen production volumes, which were successfully placed on the market. Polysilicon output rose over 50% against 2008, reaching 18,100 metric tons.

Sales Cross the  
€1 billion Mark for  
First Time

Although EBITDA did not perform quite as strongly as sales, it climbed substantially in 2009. At €520.8 million, it rose 23.4% (2008: €422.0 million). Divisional EBITDA was burdened by WACKER's exit from the WACKER SCHOTT Solar (wss) joint venture. The pro rata loss and exit-related expenses had a negative impact of €51.9 million on WACKER POLYSILICON's investment result. Additionally, lower polysilicon spot prices weighed on 2009's business. Moderate operating costs and high capacity utilization, however, bolstered the full-year earnings trend. The division's EBITDA margin was 46.5% (2008: 51.0%).

Investments fell slightly compared to 2008. Down 2.5% to €400.1 million (2008: €410.3 million), they mainly targeted ongoing polysilicon-capacity expansion at our Burghausen and Nünchritz production sites. Burghausen's "Poly 8" expansion ramp-up was well ahead of schedule, which means the facility will reach its nominal capacity of 10,000 metric tons per year by mid-2010, six months earlier than planned. Nünchritz's "Poly 9" facility is currently under construction and is expected to start production before the end of 2011.

Due to WACKER POLYSILICON's expansion program, employee numbers rose to 1,600 as of December 31, 2009 (December 31, 2008: 1,289).

**Key Data: WACKER POLYSILICON**

€ million	2009	2008	2007	2006	2005
Total sales	1,121.2	828.1	456.9	325.6	288.1
EBITDA	520.8	422.0	182.2	118.3	90.2
EBIT	414.1	349.8	135.0	88.8	66.2
Capital expenditures	400.1	410.3	259.5	148.5	67.6
R&D expenses	11.3	5.4	6.3	5.1	5.3
Employees (December 31, number)	1,600	1,289	1,003	875	832

**WACKER FINE CHEMICALS**

In 2009, WACKER FINE CHEMICALS increased total sales by 7.4% to €104.9 million (2008: €97.7 million). Growth was largely driven by our chewing gum base business, which was transferred from WACKER POLYMERS to WACKER FINE CHEMICALS effective July 1, 2009. The reorganization strengthens this division's food segment.

EBITDA rose by 7.6% to €9.9 million compared to the previous year (2008: €9.2 million). The EBITDA margin was 9.4% (2008: 9.4%). Earnings were affected positively by the chewing gum base consolidation, but negatively by the weak fine-chemicals trend.

In 2009, the division's capital expenditures amounted to €12.7 million (2008: €16.5 million). The funds were earmarked for ongoing expansion at Jena (Germany) and for the completion of the extended cyclodextrin facility at Eddyville (USA). In May 2009, new capacities came on stream at Eddyville. As a result, WACKER FINE CHEMICALS has boosted production volumes for both alpha and beta cyclodextrins by 50%, and doubled those for gamma cyclodextrins. This enables WACKER FINE CHEMICALS to manufacture up to 7,500 metric tons of cyclodextrins a year, thereby reinforcing its leading position in this growth market.

Production  
Ramped-Up for  
Cyclodextrins

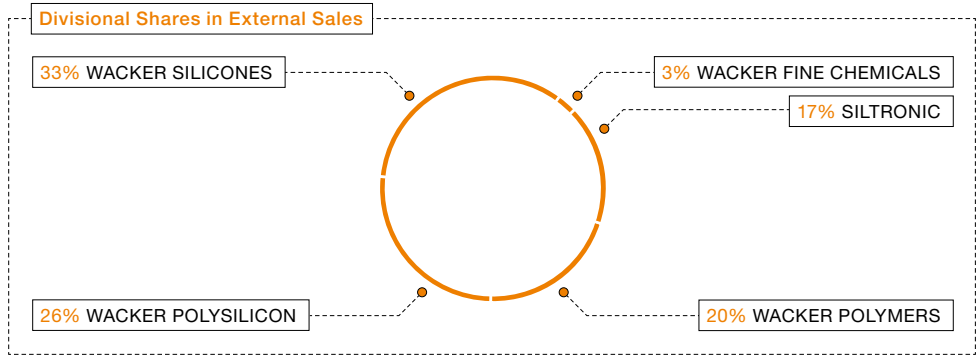
At WACKER FINE CHEMICALS, employee numbers rose to 344 as per December 31, 2009 (December 31, 2008: 259).

**Key Data: WACKER FINE CHEMICALS**

€ million	2009	2008	2007	2006	2005
Total sales .....	<b>104.9</b>	97.7	112.4	112.6	110.5
EBITDA .....	<b>9.9</b>	9.2	9.5	10.5	17.6
EBIT .....	<b>4.7</b>	6.0	-7.5	-4.5	10.1
Capital expenditures .....	<b>12.7</b>	16.5	7.5	4.0	13.2
R&D expenses .....	<b>4.4</b>	2.3	2.1	6.0	6.1
Employees (December 31, number) .....	<b>344</b>	259	245	300	321

**Other**

In 2009, sales posted under “Other” totaled €180.8 million (2008: €265.4 million). This decline was because there was less demand for in-house corporate services and because Group headquarters passed on lower energy costs to the business divisions. EBITDA from “Other” amounted to €-38.0 million (2008: €-8.9 million). This figure reflects the impact of an extraordinary addition to pension provisions of €47.9 million, which takes account of the higher life expectancy of the Group’s pension-fund beneficiaries.





## Regions

WACKER posted 2009 sales of €3.72 billion (2008: €4.30 billion), with 79.2% of this amount being generated abroad and 20.8% in Germany. Asia accounted for 33.7% of Group sales, once more making it WACKER's principal market. Asian sales amounted to €1.25 billion – a decline of 8.1% (2008: €1.36 billion). They rose, however, in the Greater China region (China including Taiwan), up 4.0% to €732.9 million (2008: €704.7 million).

Sales in China  
Continue to Rise

### External Sales by Customer Location

€ million	2009	2008	2007	2006	2005
Germany .....	774.6	948.6	723.5	657.6	572.3
Other European countries .....	944.1	1,008.2	1,034.7	960.8	840.0
Americas .....	636.3	852.9	642.6	659.2	615.3
Asia .....	1,252.9	1,362.8	1,267.1	961.4	639.3
Other regions .....	111.4	125.6	113.4	97.9	88.8
<b>Group</b> .....	<b>3,719.3</b>	<b>4,298.1</b>	<b>3,781.3</b>	<b>3,336.9</b>	<b>2,755.7</b>

Europe remained WACKER's second-largest sales region in 2009. In European countries excluding Germany, we generated sales of €944.1 million – a decline of 6.4% (2008: €1.01 billion). In Germany, sales amounted to €774.6 million, down 18.3% (2008: €948.6 million). As for the Americas, sales fell even further, decreasing 25.4% to €636.3 million (2008: €852.9 million). This drop was mainly due to a fall-off in orders from the semiconductor and construction industries.

### External Sales by Group Company Location

€ million	2009	2008	2007	2006	2005
Germany .....	3,272.0	3,746.8	3,341.0	2,886.7	2,359.8
Other European countries .....	23.5	29.4	26.6	23.0	28.2
Americas .....	599.2	736.4	659.1	700.8	647.5
Asia .....	491.4	546.3	480.2	418.9	305.3
Other regions .....	3.5	2.2	1.8	1.4	2.9
Consolidation .....	-670.3	-763.0	-727.4	-693.9	-588.0
<b>Group</b> .....	<b>3,719.3</b>	<b>4,298.1</b>	<b>3,781.3</b>	<b>3,336.9</b>	<b>2,755.7</b>

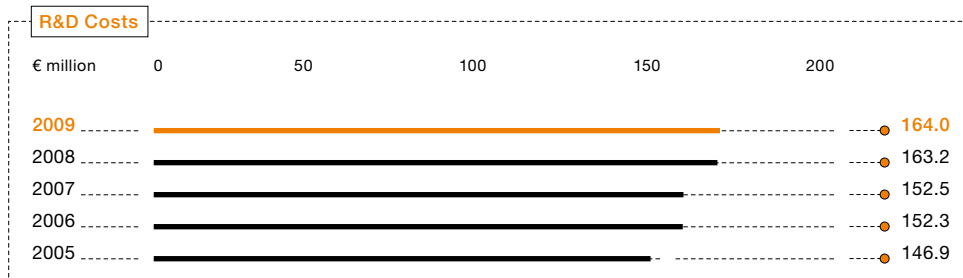
## Further Information on the WACKER Group

### Research and Development

WACKER focuses its R&D efforts on finding solutions for customers and for serving such global megatrends as: rising energy needs, climate change, ever-scarcer raw materials, urbanization, digitization and preventive healthcare.

WACKER is one of the most research-intensive chemical companies in the world. At €164.0 million, 2009's R&D expenditures reached the prior-year level (2008: €163.2 million). They were not cut despite the decline in sales. The R&D quota (research and development spending as a percentage of Group sales) rose – because of the sales decline – to 4.4% (2008: 3.8%). WACKER invested €10.2 million in R&D facilities in 2009 (2008: €15.3 million). We took in €3.4 million from licensing agreements (2008: €2.7 million).

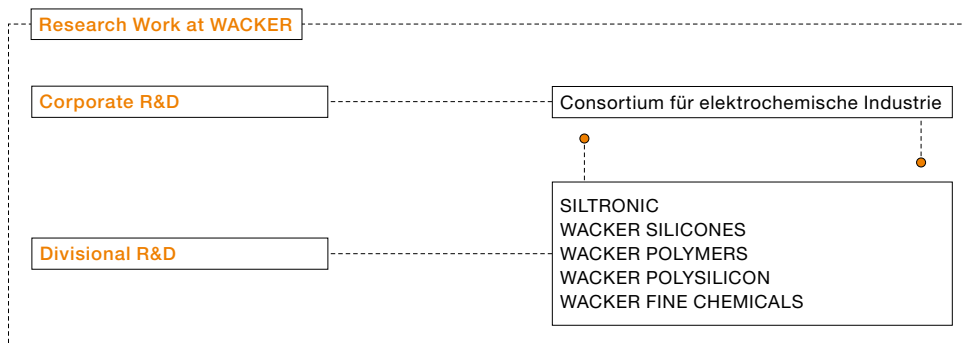
WACKER's innovative strength is reflected in the number of patents held and patent applications submitted. In 2009, we filed for patents for 150 inventions (2008: 119) and had an external-company innovation in-licensed. Our patent portfolio contains 4,355 patents.



WACKER conducts R&D at two levels – decentrally within our five divisions and centrally at our “Consortium für elektrochemische Industrie” research institute. Corporate R&D is responsible for coordinating divisional research activities with the basic-research projects at our central “Consortium” science campus. In 2009, Corporate R&D set up a Group portfolio-management function to ensure that research projects are even more effectively aligned with the Group's strategic orientation.

WACKER scientists are currently working on around 200 topics based on 40 technology platforms. A quarter of these topics are key strategic projects, which account for 34% of all project costs incurred.

Our divisions conduct application-driven R&D, focusing on semiconductor technology, silicone and polymer chemistry, and biotechnology, as well as on innovative processes for producing polycrystalline silicon. To achieve successful research results more quickly and efficiently, we collaborate with customers, scientific institutes and universities. WACKER has also created a network of 20 technical competence centers worldwide. They liaise between sales offices and local production sites. At these centers, WACKER specialists customize products to regional requirements, taking account of climatic conditions, national standards and local raw materials, for example.



As the center of WACKER's R&D activities, the Consortium 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.

Consortium Employees by Qualification	
	Number
Scientists and engineers .....	44
Lab staff and technicians .....	134
Other personnel .....	26
<b>Total</b> .....	<b>204</b>

WACKER operates in the highly promising fields of biotechnology, energy and construction. In biotechnology, our scientists are developing new processes to produce ethylene and acetic acid economically from renewable resources. Acetic acid and ethylene are base chemicals for vinyl acetate. WACKER POLYMERS processes this substance into dispersible polymer powders and polymeric binders. In 2009, we were able to manufacture industrial quantities of acetic acid from bioethanol via a highly selective process. In another project, we are working on producing acetic acid and ethylene from biomass (e.g. straw). This project is supported by the German Ministry of Education and Research as part of a nationwide "Bioindustrie 2021" program.

WACKER SILICONES and WACKER POLYMERS were able to significantly boost the selectivity and efficiency of production processes with new catalysts. In 2009, we launched a series of new products on the market. Light-emitting diodes (LEDs) represent the future of lighting. Despite high luminosity, they consume just a tiny fraction of the energy required by incandescent and energy-saving light bulbs. As LEDs become more powerful, the materials used – e.g. for lenses – must meet new challenges. The materials used up to now can turn yellow under intense light. The high-performance LEDs of the future will, therefore, primarily be made with heat- and light-resistant silicones. Our new LUMISIL® silicones enable optical lenses for LEDs to be produced for the first time directly on the light-emitting diode chip. We honored the developer of this innovation with the 2009 Alexander Wacker Innovation Award.

Heat-Resistant Silicones Allow Optical Lenses for LEDs to Be Produced Directly on LED Chips

In photovoltaics, we are strengthening our technological lead as a polysilicon producer. Beside erecting new production facilities, WACKER POLYSILICON focused on enhancing its existing processes in 2009. As ever, the goal is to maximize silicon purity at the lowest-possible cost.

Since 2009, WACKER has been supplying a new encapsulation material for the production of photovoltaic modules. Our TECTOSIL® silicone-based elastic polymer film optimally protects solar cells against mechanical and chemical stress. Because it is thermoplastic, the polymer can be processed quickly and inexpensively without the need for chemical reactions. This cuts cycle times and thus production costs.

Elastic Polymer Film  
Protects Solar Cells  
against Mechanical  
and Chemical Stress

Together with customers in China, WACKER POLYMERS was able to develop a vinyl acetate/ethylene dispersion for low-odor and environmentally-compatible interior paints. It was launched on the market as VINNAPAS® EF 718.

Leading semiconductor manufacturers continue to miniaturize components for micro-processors, data storage modules and digital signal processors. Siltronic has started to produce 300 mm silicon wafers for chip generations with design rules of 32 nanometers. It has also developed silicon wafers for devices with 22 nm design rules. Work on the next-generation devices with design rules of 16 nm has already commenced.

WACKER fosters the development of young scientific talent and close contacts with universities. In 2009, we enlisted students from over 30 universities to write final-year projects and theses. Additionally, only three years after the Institute of Silicon Chemistry was founded at the Technical University of Munich, students are currently writing some 20 dissertations on silicon chemistry.

## Key Product Launches in 2009

Product	Description	Application	Sector
ELASTOSIL® Solar 2120 UV	UV-active silicone elastomers	Encapsulation of electrical junction boxes (solar modules)	Solar and electronics
ELASTOSIL® Solar 3210	Two-component silicone elastomers	Optical elements for photovoltaic-cell concentrators	Solar and electronics
ETONIS®	Polymeric binders	Modification of shotcrete; better adhesion, waterproof, reduced rebound	Mining and tunnel-construction, road and special civil engineering
GENIOSIL® W	Self-leveling, silane-crosslinking hybrid formulations	Highly-elastic sealing membranes	Construction sealants
LUMISIL® 410 UV	UV-active silicone elastomers	Production of optical lenses for light-emitting diodes (LEDs)	Lighting
SILPURAN®	High-purity silicone elastomers	Applications in medical technology, orthopedics and wound care	Medicine
SILRES® IC 232	Alkoxy-functional silicone resin intermediates	Improved weather-resistance of organopolymers	Paints and surface coatings
SILRES® MP 50 E	Water-based silicone resin emulsions	Heat-resistant coatings for kitchen appliances, grills and exhaust systems	Paints and surface coatings
TECTOSIL®	Thermoplastic silicone film	Encapsulation of photovoltaic modules	Solar
VINNAPAS® EF 718	Aqueous VAE dispersions	Binders for low-odor wall paints for the Chinese market	Paints and surface coatings
VINNAPAS® DPX	Environmentally friendly PVAc dispersions	Formulation of waterproof and discoloration-free wood glues	Woodworking, flooring

### Procurement and Logistics

In 2009, WACKER's procurement volumes did not reach the prior year's figure due to the sales downturn. Volumes are broken down into raw materials, other services and investments. On the raw materials and services front, volumes amounted to €1.64 billion (2008: €1.89 billion). Volumes procured for investment purposes reached €652 million (2008: €767 million). Our procurement rate – the volumes purchased for raw materials, other services and investment purposes in relation to sales revenue – was 63% (2008: 61.8%). In 2009, we procured some 1,300 different raw materials and numerous technical goods and services for plant-engineering and maintenance-related purposes.

Procurement Volumes (including Procurement for Capital Expenditures)					
€ million	2009	2008	2007	2006	2005
Procurement volumes	2,342	2,660	2,291	1,977	1,474

WACKER's reorganization of procurement activities in 2008 has paid off. By creating a Raw Materials Procurement department, we have been able to improve purchasing terms, procurement reliability and supplier relations. One of Raw Materials Procurement's key tasks in 2009 was to renegotiate the terms of fixed-quantity supplier agreements (given our lower sales volumes) and, thus, reduce the committed volumes. This task was particularly dominant in the first half of 2009.

Lower Energy and Raw-Material Costs Positively Influence Earnings

The most positive effect for WACKER came, however, from the lower prices for our key raw materials. In some cases, market prices declined substantially. Plus, Raw Materials Procurement expanded its list of competing suppliers. In 2009, only silicon and electricity prices increased slightly against the previous year – because certain quantities were still subject to a higher price level agreed in 2008. Overall, 2009's price-adjusted procurement volumes for key raw materials and energy decreased by €136 million.

Other key issues for Raw Materials Procurement included: value-added strategies; securing quantities and prices in good time for select raw materials; and ensuring that additional raw materials suppliers meet WACKER quality requirements, thereby enabling us to influence pricing via increased competition and to boost supply security. In 2009, we also optimized contract management.

Our Technical Procurement & Logistics department (responsible for buying technical goods and services) renegotiated many of its framework agreements in response to the changed economic environment. Together with suppliers, we sought ways to find a mutually satisfactory solution despite lower order volumes. As a result of the economic crisis, WACKER profited from price reductions, especially for steel products, packaging and logistics.

In 2009, we increased our efforts in strategic procurement. This enabled us to expand the bidder pool per tender, generate more competition and boost our procurement success. In 2009, our technical goods and services purchasing team sent 12% more inquiries to suppliers. Our procurement success rose from 8.7% in 2008 to 16.9% in 2009.

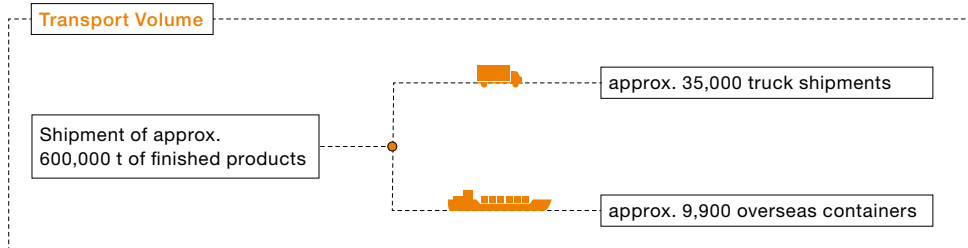
At the same time, we further optimized our purchasing processes. Starting 2009, suppliers have been able to self-register on WACKER's website. We also improved procedures for small orders, order approval, surety management, and complaints processing. To better guard against supplier defaults, we introduced a risk monitoring system, whose results will be depicted in SAP.

WACKER attaches great importance to collaborating with suppliers, especially when streamlining cooperative efforts, ensuring supply security, and exchanging information about future needs and new developments within the procurement process. At our 11th "Supplier Day" in Burghausen, we welcomed about 240 technical goods and services suppliers. Our "Supplier of the Year" award went to two companies: Bilfinger + Berger for outstanding project processing, and Elektro Kreuzpointer for top product quality and innovation. We also perform supplier evaluations – a further tool to assess and optimize our supplier relationships. In 2009, WACKER evaluated some 380 suppliers.

380 Suppliers  
Evaluated in 2009

Although the number of orders decreased in 2009, the percentage of electronically processed ones rose. Overall, around 340,000 orders were processed electronically (2008: 380,000), accounting for some 76% of all orders. Electronic processing accounted for around 35% of procurement transactions at Technical Procurement & Logistics. Our team employs channels such as ELEMICA (the chemical industry's e-commerce platform) and SAP's Supplier Self-Services feature, as well as over 80 different e-catalogs. We have our own "e-auctionhouse" platform to handle online auctions and requests for bids, and we use external platforms for purchasing logistics services. Standardized and automated data exchange has many advantages. It saves costs, enhances data quality and thus reduces errors. Plus, transactions are more accurate, faster and more reliable.

The economic crisis posed particular challenges for logistics in 2009. We realigned our logistics processes with the altered demand situation. For example, many of our customers were ordering smaller quantities than normal, which made order processing more complex, necessitating greater flexibility. We not only managed to streamline organizational structures in line with demand, but also optimized equipment usage, realigned shift work, and introduced temporary short-time work in some areas. In 2009, our logistics hub in Burghausen shipped out finished products totaling some 600,000 metric tons – equating to some 35,000 truck loads and 9,900 overseas containers.



To enhance the efficiency of transport management, we continuously analyze our logistics processes. In 2009, we pressed on with improvement projects – in part due to the economic downturn. For example, we introduced innovative work-time models, which will enable us to mitigate shipping fluctuations better in the future. Furthermore, we integrated our operational supply logistics (such as engineering warehouses and incoming goods centers) into our overall logistics structure.

As part of our dispersion and polymer-powder production ramp-up in Nanjing, we opened a new finished-product warehouse and implemented an integrated logistics strategy. In selecting our logistics partners, we have access to a portfolio of globally active companies and strong local partners, so that we can utilize each of their strengths in our various distribution regions.

Integrated Logistics Strategy Launched with Production Ramp-Up at Nanjing Site

### Production

WACKER's production operations faced a series of challenges in 2009. Amid the sharp sales downturn, capacity utilization rates averaged between 70 and 80% – clearly below the chemical industry's usual level of 85%. In the semiconductor industry, wafer fab utilization fell to under 50% in the first quarter but recovered steadily thereafter. WACKER SILICONES shut down 14 facilities completely for between 4 and 16 weeks. At WACKER POLYMERS, two reactors were switched off for around nine months and a dryer was entirely closed down.

Despite the economic slowdown, we continued to expand WACKER's production network, with our Corporate Engineering teams being responsible for project management. It is one of WACKER's great strengths to have in-house engineering specialists. First, investment projects require a great deal of technical and project-management know-how. Second, in-house Engineering secures our polysilicon-production expertise, for example. Due to our wealth of experience, we can repeatedly lower specific investment costs, reduce construction times and boost plant productivity. Investments in new production facilities amounted to about €708 million in 2009. Currently, our most important projects are setting up polysilicon production at Nünchritz and starting the second expansion stage for pyrogenic silica at Zhangjiagang.

Production Adjusted to Demand



2009 saw WACKER bringing several new production facilities on stream. But the South Brunswick (USA) site, acquired as part of our takeover of Air Products' shares, was closed, with the production of dispersions being transferred to Calvert City.

#### Key Start-Ups

Site	Project	New Capacity	Start-Up
Nanjing	Dispersible polymer powder	30,000 t/a	2009
Burghausen	Poly 8 expansion stage	10,000 t/a	2009
Eddyville	Cyclodextrin plant	7,500 t/a (total)	2009

WACKER enhances productivity along the entire supply chain via its "Wacker Operating System" (wos) program. 2009 was an unusual year for wos because of our low plant-utilization rates. Since the strategic approach of cutting specific (volume-related) production costs was not tenable, our aim was to significantly reduce overall costs.

To reinforce awareness for wos issues among our employees, we set up the wos ACADEMY in 2009. It offers various productivity-related training courses and is the central groupwide training unit for all employees. In real-life projects, participants get hands-on instruction at plants and can thus immediately use the methods learned. WOS ACADEMY instructors act as advisors, supporting participants during their projects. We have also established a wos Forum for exchanging ideas and experiences.

Wacker Operating System (wos) Receives Its Own Academy in 2009

#### Employees

Employee numbers at WACKER declined in 2009. As per the closing date (December 31, 2009), the Group had 15,618 employees worldwide (December 31, 2008: 15,922) – a drop of 1.9% compared to 2008. Short-time work and job cuts were necessary to counter the economic downturn. Employment contracts with temporary external staff were not extended, only some limited-term employees were kept on, and there were job cuts at Siltronic and WACKER SILICONES. Our measures included natural fluctuation and the relocation of employees to other parts of the company, such as WACKER POLYSILICON, where growth is dynamic. Moreover, we are increasingly offering employees phased early retirement.

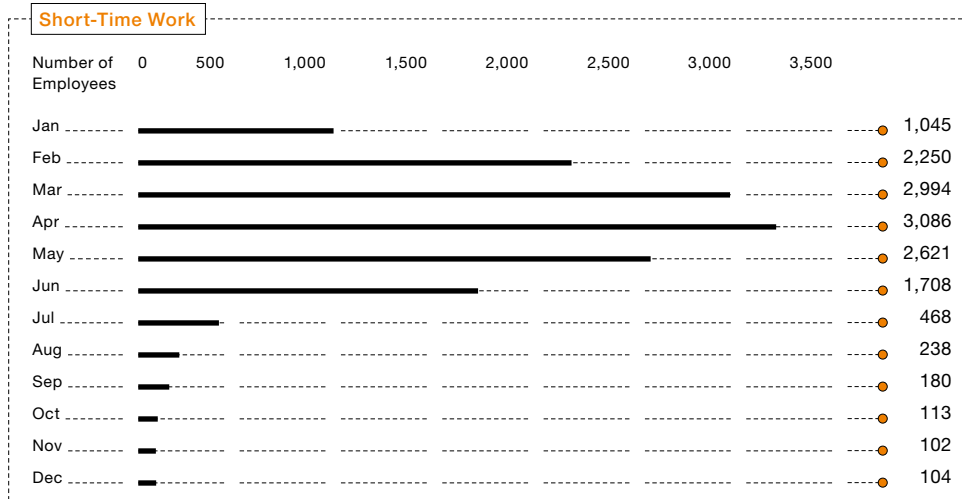
#### Personnel Expenses

€ million	2009	2008	2007	2006	2005
Group	1,090.3	1,086.1	1,014.9	962.4	867.8

Personnel expenses rose slightly to a total of €1.09 billion, up 0.4% year over year (2008: €1.09 billion). These expenses included outlays for social benefits and the company pension plan amounting to €236.3 million (2008: €220.8 million). Personnel expenses fell, however, when adjusted for non-recurring items of €108 million – comprising provisions for additional phased-early-retirement quotas and working-life accounts, as well as for other personnel measures and pensions (due to a mortality-table realignment).

Economic Downturn  
Countered via  
Short-Time Work  
and Job Cuts

In 2009, we also implemented a series of cost-saving measures. For example, we introduced short-time work at German sites for limited periods. Additionally, the Executive Board and employee representatives agreed on initially paying only 50% of 2008's profit-sharing amount to employees on the standard and above-standard pay scales, and only 50% of 2008's bonuses to the Executive Board and executive personnel. In the case of the Executive Board and upper management, regular compensation was temporarily reduced as of May 2009. Plus, WACKER did not give above-standard-pay-scale employees a planned 3.3% base salary increase that would have taken effect on July 1, 2009. As for executive personnel, a salary increase of 3.0% for value preservation purposes was suspended. Since business turned around during the year under review, WACKER paid out employees' retained compensation components in November 2009, with the exception of the 50% profit-sharing amount still due for 2008.



In addition to their fixed base salary (which includes vacation and Christmas bonuses), WACKER employees receive variable compensation – a voluntary payment to employees on the standard and above-standard pay scales. It consists of profit-sharing and a salary component based on personal performance. Due to the economic downturn, the Executive Board and employee representatives have agreed to suspend performance-based compensation components for 2009. Profit-sharing for 2009 has also been suspended. Since demand for chemical products began to rebound in April 2009, the company is granting its chemical-division employees a lump sum totaling 3.75% of their fixed annual salary.

In 2009, WACKER implemented phase 2 of the collective agreement concluded in April 2008 by Germany's chemical employer association and IG BCE industrial union. For this 12-month phase, we raised standard-pay-scale employees' salaries by 3.3% effective May 1, 2009.

11,925 WACKER employees (76.4%) work in Germany and 3,693 employees (23.6%) elsewhere in the world.

Number of Employees on December 31, 2009					
	2009	2008	2007	2006	2005
Germany .....	11,925	12,110	11,624	11,340	11,296
International .....	3,693	3,812	3,420	3,328	3,138
<b>Group .....</b>	<b>15,618</b>	<b>15,922</b>	<b>15,044</b>	<b>14,668</b>	<b>14,434</b>

As a manufacturing company, WACKER has a large contingent of industrial employees (56.0%) – about an eighth of whom are women (12.2%).

WACKER has always prioritized vocational training and, despite the financial crisis, we have kept youth training programs at a high level. In 2009, 201 young people began their training at WACKER or at the Burghausen Vocational Training Center (BBIW). In total, the company employed 665 trainees, 22 more than a year earlier (2008: 643). Of these, 575 are in scientific and technical disciplines and 90 in business-related fields. At 5.3%, the percentage of trainees (number of trainees to Group employees in Germany) remains high (2008: 5.0%). After graduating, trainees have a good chance of receiving a full-time position. Despite our extensive cost-savings program, we offered permanent jobs to most of our suitable and interested trainees. Other trainees received temporary positions for at least six months. In total, 159 were kept on. Established by WACKER as a public foundation, the BBIW also trains people from some 30 partner companies. In 2009, 57 trainees from these companies started courses at the BBIW.

Number of Trainees  
Grows Once Again

To recruit young management talent, WACKER runs a General Management Trainee Program for university graduates. In 2009, five graduates participated in the 18-month program. Due to the economic situation, Siltronic has suspended its trainee program. The eight Siltronic trainees who enrolled the previous year were given permanent positions within the WACKER Group.

It is important that WACKER employees continuously expand their expertise. So, tailored training is needed to promote strengths and provide skills for specialist jobs. At WACKER, training courses are geared to specific target groups and to developing specific strengths. At performance reviews, held at least once a year, employees and supervisors agree on development measures. This approach applies to every employee, all the way up to top management. In 2009, about 90,000 e-learning sessions were completed and more than 7,300 participants attended seminars, advanced training courses and conventions, or received individual instruction.

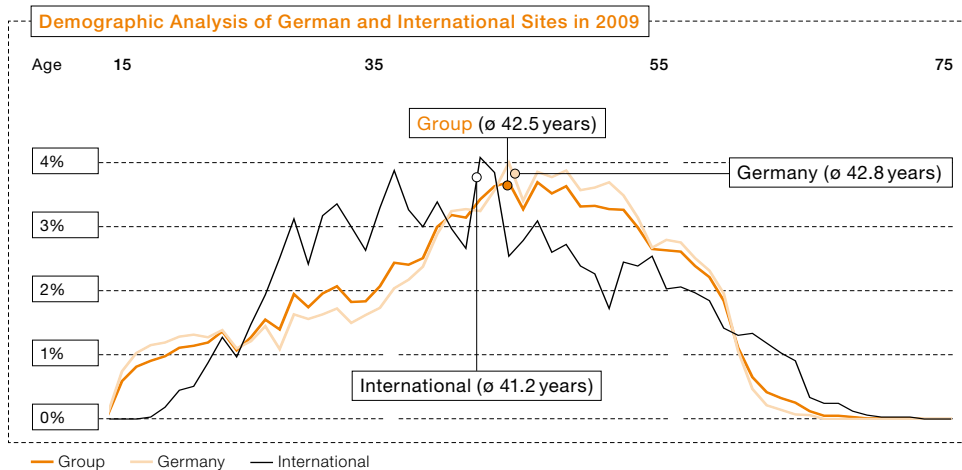
A key HR function is the identification and selection of young talent for managerial tasks. This is handled at WACKER by a uniform groupwide process. In 2009, 14 “high potentials” completed their management training. We also offer a development program (“Management Experts”) to middle-management personnel aged over 50. Our aim is to retain their high performance levels in the second half of their careers. This program won second place in the “Chief Learning Officer” competition held by a German trade journal called “wirtschaft + weiterbildung” (business and professional development). In total, WACKER invested €5.3 million (2008: €7.2 million) in personnel-development measures and advanced training in 2009.

Companies profit from their employees’ ideas and improvement suggestions, especially in a harsh economic climate. Following a record 2008, WACKER’s idea management in 2009 saw a slight decline in suggestions submitted and in calculable benefits. Overall, employees submitted 5,724 suggestions (2008: 5,808) – roughly 1.5% below the prior-year figure. The calculable benefits amounted to €11.2 million (2008: €13.5 million). The participation rate (number of submitters per 100 employees) was 28% (2008: 28%). The German Institute of Business Administration (“dib”) presented WACKER with the “dib-Förderpreis 2009” award for good idea-management progress over the past few years.

Idea Management		2009	2008	2007	2006	2005
Number of improvement suggestions	5,724	5,808	4,440	3,816	3,105	
Participation rate (%)	28	28	24	24	22	
Calculable benefit (€ million)	11.2	13.5	7.6	3.8	2.5	

A WACKER company pension is an important compensation component and is available at our major domestic and international sites – except for regions where legal provisions are inadequate or the statutory pension appears sufficient. In Germany, we offer employees an attractive company pension plan via our Wacker Chemie vvaG

pension fund, which was established in 1928. The fund has some 15,700 members and provides pension payments to some 6,900 retirees. The average pension paid was around €630 per month. WACKER matches employees' annual pension contributions, with the exact amount being determined by the type of agreement. In addition, employees have the opportunity to enlist in a private plan that minimizes their tax burden while saving for retirement.



WACKER has been addressing demographic change intensively for several years. The average age of the Group's workforce was 42.5 on the reporting date (permanent staff). Employees at non-German sites are younger (average age: 41.2) than in Germany (42.8). The age structure abroad varies greatly from region to region. Staff at Asian sites are comparatively young (average age: 35.1), while staff at us locations have an average age of 47.5. Age structure variations are not exclusive to WACKER; they reflect each continent's and country's age structure.

To maintain our long-term innovative and competitive strength, we have specified ten strategic goals, involving measures ranging from health programs to basic and advanced training aimed at career flexibility. To remain attractive to current and future employees and retain them long term, we offer exemplary social benefits, performance-oriented compensation and challenging tasks. The 2009 fluctuation rate was 2.3% groupwide (2008: 2.9%) and in Germany only 0.7% (2008: 0.9%). At non-German sites, it was 7.5% (2008: 9.3%). The average length of service in Germany was 17.1 years (2008: 16.8 years).

Fluctuation Rate					
%	2009	2008	2007	2006	2005 <sup>1</sup>
Germany .....	0.7	0.9	0.9	0.8	–
International .....	7.5	9.3	9.1	8.5	–
Group .....	2.3	2.9	2.8	2.6	–

<sup>1</sup> Fluctuation-rate tracking began as of 2006.

Our HR policies received recognition once again in 2009. In an annual analysis by Germany's Association of Chemical-Industry Executives (VAA), we advanced to second place (2008: third place). The VAA presented us with the 2009 Cologne Chemical-Industry Prize for the outstanding satisfaction grades awarded by our management employees. However, we are not resting on our laurels. As part of our personnel-marketing strategy, we aim to intensify our efforts to recruit specialists from fields vital to our success, such as engineers. Fifteen students from eight universities took part in our 2009 summer course devoted to process and chemical engineering.

WACKER'S HR Work  
Honored with 2009  
Cologne Chemical-  
Industry Prize

### Sustainability

At WACKER, sustainable management has been central to our production and business processes for many years, since it helps us to reduce risks, to enhance our existing activities, and to tap into new fields. We strive to balance economic, ecological and social factors in everything we do.

We have joined two global sustainability initiatives: Responsible Care® (the global chemical industry initiative) and the UN's Global Compact. We implement the Global Compact's ten principles on human rights and on social and environmental standards. WACKER's voluntary commitment to sustainability extends to our supplier management system and our annual evaluation of suppliers' compliance with WACKER standards.

Our company has grown considerably over the years and so has its international presence – as we continue to set up new production sites and expand existing ones. In 2009, we began realigning our sustainability-related structures to take account of ever-greater globalization. For example, we launched our “Global EHS & PS Excellence” project. Its aim is to help us globally standardize management and reporting policies on the environment, health, safety and product stewardship (EHS & PS) without losing sight of regional requirements. Overarching coordination of sustainability initiatives has been centralized at our Corporate Development department since 2009.

The export-control and hazardous-materials officers required under German law were elevated to WACKER Group coordinators in 2009. They specify groupwide standards in the form of goals and processes that must be implemented at every area and site.

Sustainability is increasingly important for a wide range of stakeholders. That is why we report in greater detail and at shorter intervals on sustainability issues. In 2009, WACKER published its Sustainability Report for 2007/2008. We have reduced the reporting period from four to two years and cover new subjects, such as stakeholder dialog and anticorruption efforts.

New Sustainability Report Published in 2009

### Environmental Protection

At WACKER, environmental protection is firmly anchored in all our processes. We place particular emphasis on integrated environmental protection. It begins as early as the product-development and plant-planning stages. In 2009, a good example of this was the expansion of our Eddyville (Iowa, USA) cyclodextrin facility – cyclodextrins (bio-tech sugar molecules) are used as stabilizers and carrier substances in the life-sciences, cosmetics, food and agricultural sectors. A considerable part of this US\$21 million investment was spent on a new byproduct-processing plant that lowers the entire facility's steam requirements by 35%. In 2009, WACKER spent €9.1 million on environmental investments. Environmental operating costs amounted to €65.2 million.

Expanded Cyclodextrin Facility at Eddyville (Iowa, USA) Cuts Steam Needs by 35%

At our Nünchritz site, preparations for a clean-up of contaminated groundwater started in 2009 and we have already finished preliminary remediation tests on groundwater springs. The groundwater is contaminated with solvents from production activities that predated WACKER's acquisition of the site.

Our environmental indicators showed divergent trends in 2009. On the one hand, emissions of non-methane volatile organic compounds (NMVOCs) and waste declined groupwide due to lower capacity utilization rates. Chemical oxygen demand (COD) also fell significantly due to the closure of our South Brunswick site (New Jersey, USA). On the other hand, consumption of cooling water rose because we brought the "Expansion Stage 8" polysilicon facilities on stream at Burghausen. Overall, our environmental figures showed a positive trend. WACKER continuously strives to close its material loops, recycle byproducts from other areas into production and, thus, prevent or reduce waste.

## Environmental Indicators in 2008 and 2009

		2009	2008
Air	CO <sub>2</sub> carbon dioxide	969,000 t	976,041 t
	NO <sub>x</sub> nitrogen oxides	963 t	997 t
	Non-methane volatile organic compounds (NMVOCs)	383 t	501 t
Water	Water consumption	264,532,000 m <sup>3</sup>	241,286,375 m <sup>3</sup>
	Chemical oxygen demand (COD)	2,730 t	4,782 t
	AOX halogenated organic hydrocarbons	6 t	7 t
Waste	Disposed of	80,860 t	87,293 t
	Recycled	63,430 t	74,327 t
	Hazardous	100,860 t	108,458 t
	Non-hazardous	43,430 t	53,161 t
Energy	Consumption	2.7 TWh	2.4 TWh
	Primary energy		
	Natural gas	5.4 TWh	5.4 TWh
	Heat (supplied by third parties) <sup>1</sup>	0.2 TWh	0.2 TWh
	Heating oil	0.01 TWh	0.01 TWh

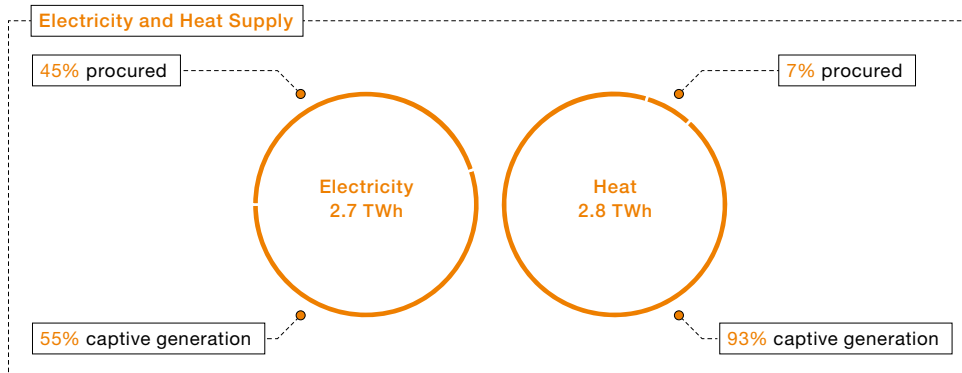
<sup>1</sup> Steam, district heating

### Energy Management

The chemical industry is one of the world's most energy-intensive sectors. We continually improve the energy efficiency of our processes with a view to remaining globally competitive and contributing to climate protection. When evaluating energy sources, we check on the suitability of renewable energies. They only become a permanent feature of our energy mix if they are competitive. For example, we generate hydroelectric power at our Burghausen site. Our primary source of energy, though, is climate-friendly natural gas. At WACKER's large Burghausen and Nünchritz sites, steam and electricity are produced in cogeneration systems. These combined heat and power (CHP) plants have more than 80% fuel efficiency, twice as high as that of conventional power-generation plants.

In 2009, WACKER's electricity consumption rose to 2.7 million MW<sub>h</sub> (2008: 2.4 million MW<sub>h</sub>), primarily due to expansion of polysilicon production. The Group's captive power plants – the hydroelectric and CHP (gas and steam turbine) generating stations in Burghausen and the CHP in Nünchritz – produced 1.5 million MW<sub>h</sub>. This means that WACKER covered roughly 55% of its total electricity needs. Groupwide, CO<sub>2</sub> emissions totaled 969,000 metric tons, of which 83% resulted from captive power plants that are subject to emissions trading rules.





In 2007, WACKER initiated its POWER PLUS energy-efficiency project for Burghausen and Nünchritz. The goal was a 10% reduction in specific energy consumption at the two sites by late 2009 (base year: 2006). In 2009, we extended the program to our Cologne site. Many production operations within the sites managed to reduce their energy consumption. Results varied, though, because of the different capacity utilization rates at individual plants. Compared to 2006, Nünchritz cut its energy consumption per metric ton of siloxane by over 30%. At Burghausen, specific energy consumption rose by 24%. The reasons lie in the product-mix shift toward electricity-intensive polysilicon production and in lower capacity utilization at many chemical-segment and Siltronic facilities. Groupwide, heat consumption remained unchanged at 2.8 TWh (2008: 2.8 TWh).

#### Workplace, Plant and Transport Safety

Workplace and plant safety is a key priority at WACKER. Our first concern is to protect our employees and neighbors, and prevent environmental damage and production downtimes. We analyze plant-related risks according to a two-stage system. In the first stage (danger-scope analysis), we simulate a potential damaging event, such as a fire or product spill. We then investigate possible causes and adopt preventive measures. In stage two, we examine particularly critical plant components for potential error sources and create a risk matrix. This matrix helps our experts assess and classify risks. Their risk classifications are then used to derive appropriate protective measures.

A cornerstone of WACKER's workplace safety strategy is advanced training for our safety experts worldwide. We provide regular training sessions on plant safety and explosion protection. We also offer interactive learning programs on our intranet to facilitate the training of new employees.

Our "Fresh Impetus for Work Safety" initiative (established in 2007) was expanded to include non-German sites last year. For example, executives in China completed a workplace-safety seminar.

In 2009, there were 4.0 workplace accidents groupwide (2008: 3.7) per 1 million hours worked. WACKER's performance is thus slightly above the global chemical-industry average here. The ICCA (the global chemical association) cites an average of 3.65 accidents per 1 million hours worked in 2008.

Reportable Accidents per 1 Million Hours Worked					
Accident rate:	2009	2008	2007	2006	2005
Reportable accidents	4.0	3.7	3.8	4.1	4.3

At WACKER, we also believe that it is our social responsibility to store products safely. We check hazardous-goods vehicles prior to loading and reject any that are non-compliant. To enhance transport safety, we agree on measures with our logistics providers and check on implementation systematically. Every two years, WACKER audits hazardous goods shippers. To evaluate them, we use internationally recognized systems, such as the Safety and Quality Assessment System (SQAS) operated by the European chemical association (CEFIC). Data is collected on, for example, driver training, vehicle equipment and accident response.

Fewer Transport Accidents in 2009

In 2009, we recorded five transport accidents. This number includes not only accidents involving the distribution of intermediates and products when we commissioned the transport, but also incidents that do not adversely impact people or the environment.

Transport Accidents		
Number of Accidents	2009	2008 <sup>1</sup>
Road	5	11
Rail	-	4
Sea	-	2
Inland waterways	-	-
Air	-	-

<sup>1</sup> In 2008, the criteria for recording and evaluating transport accidents were redefined. Consequently, no comparable data exist for 2006 and 2007.

### Product Stewardship

WACKER ensures that all its products, if used properly, pose no risk to humans or the environment. Product information is always up to date and any new findings are reflected in risk assessments. We compile material safety data sheets for all our sales products regardless of legal provisions. WACKER publishes over 54,000 material safety data sheets in up to 32 languages.

We continually strive to eliminate and reduce substances harmful to human health or the environment in our products and processes. We pursue this goal in different ways:

- / We seek to replace hazardous substances with alternatives
- / If no alternative substance is available, we supply products containing hazardous substances, as far as possible, only to commercial and industrial customers
- / We develop innovative alternatives to standard market products containing hazardous ingredients

REACH demands extensive information about the properties of chemical products. This necessitates an increase in mandatory animal testing. WACKER makes every effort to avoid such testing and only performs ECHA-required tests. Whenever possible, we use recognized alternative methods, such as in-vitro tests. We classify substances with the same modes of action into groups for testing, and we work within REACH consortia to utilize scientific data from other companies on identical substances.

### Social Commitment

Companies can only be successful if they have society's trust. Consequently, we take our social responsibilities seriously, especially toward communities near our sites. WACKER strongly supports scientific and technical education for young people. After all, we will need committed scientists in the future to maintain our competitiveness as a research-oriented company. In 2009, for example, we assumed sponsorship of the Dresden region's round of Saxony's state-wide "Young Scientist" competition.

The WACKER Silicone Award is one of silicon chemistry's most prestigious international accolades. 2009 was the thirteenth time this award had been presented. The €10,000 prize went to Prof. Ulrich Schubert from the Technical University of Vienna. His work concerning, for example, metal-silicon complexes, and his material sciences studies on the sol-gel process, are very important economically due to their practical relevance.

The second pillar of WACKER's social effort consists of projects to help children and young people. Since 2007, WACKER has supported a German religious charity, "Die Arche" (The Ark), which helps children from socially disadvantaged families in several German cities. This charity gives children what they lack at home – daily hot meals and tutoring, as well as games and outings. In 2009, WACKER once again donated €100,000 to this charity. The Munich branch of "Die Arche" now has the funds to address the problems of 12 to 19-year-olds, too. It expects at least 100 teenagers to come when its new extension opens in spring 2010.

Our disaster aid relief fund (WACKER HILFSFONDS) supported two projects in 2009. With a donation of €112,000, it helped finance reconstruction of an elementary school in Fujia Village (central China). The school was severely damaged by the devastating Sichuan earthquake in May 2008. Now earthquake-proof, the school building reopened for its 300 students in December 2009. In Sri Lanka, WACKER's relief fund has been helping tsunami victims since 2005. WACKER employees' donations have been used in Kosgoda to rebuild schoolhouses and to finance the instruction of four classes. Although the relief fund is assuming the costs until 2011, WACKER has already pledged to extend its support. The current goal is to fund students until they receive their diplomas. To do so, WACKER launched a donation campaign at its global sites in December 2009.

In 2007, a group of chemical companies (including WACKER) founded the ChemDelta Bavaria initiative. Their aim is to boost the southeast Bavarian chemical triangle's competitiveness. WACKER's largest site, Burghausen, is a cornerstone of this region. ChemDelta Bavaria is committed to improvements, such as better infrastructure – including the expansion of the railroad network and the A 94 (Munich – Passau) autobahn. In 2009, the initiative held an exhibition at the Bavarian Parliament to drum up political support for the chemical triangle.

# Risk Management Report

Description and Statement Relating  
to Internal Control and Risk Management

Risk management is a key part of corporate management at WACKER. Its goal is to identify risks as early as possible, to evaluate them and – if necessary – to eliminate them using appropriate measures. As a specialty-chemical and semiconductor company, we have a particular responsibility to ensure plant safety and to protect health and the environment. This is why all our production sites have coordinators who manage plant and workplace safety, alongside health and environmental protection. Our risk management complies with legal requirements and is a key component in all our decisions and business processes.

To make risks as manageable as possible, WACKER focuses on identifying, analyzing, evaluating, coordinating and monitoring them as part of a clear risk management and control system for all company processes. A defined risk strategy forms the backbone of our risk management system and is regularly reviewed and updated by the Executive Board. The focus is on groupwide processes for strategic planning and on our internal reporting system. The Executive Board regularly keeps the Supervisory Board's Audit Committee abreast of existing risks.

Risk management is a groupwide task that involves all corporate levels. It consists of three intermeshed aspects:

- / Division-specific risk management, including early-warning systems
- / Groupwide risk coverage
- / Groupwide risk mapping

## **Risk Management Structures and Tools**

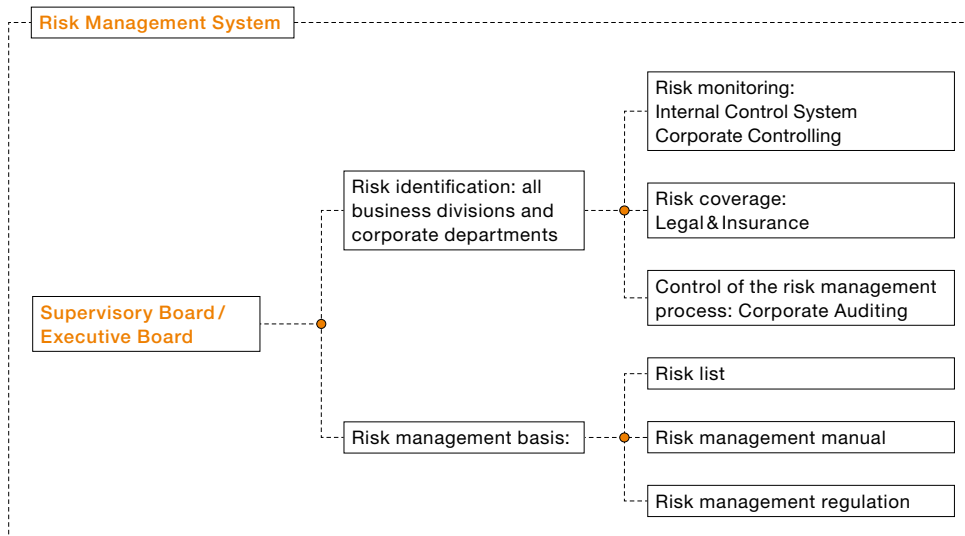
WACKER continually surveys both the overall economic situation and industry-specific developments to identify risks as early as possible. Our risk management manual contains the system's principles and processes. It explains reportable levels of risks and how risks are to be covered and mapped. The company's risk management regulation stipulates reporting requirements, including when a specific committee must be informed. WACKER updated this regulation in 2009.

We record each special corporate and divisional risk in a risk list. Our groupwide risk management system draws on existing organizational and reporting structures, supplemented by additional elements.

We analyze and assess each identified risk's probability of occurrence and potential affect on earnings. For early detection and identification, we use a variety of instruments. Corporate Controlling compiles a monthly report to inform the Executive Board of current and future business developments. Risks are evaluated and compared at regular meetings with the business divisions.

Corporate Controlling ensures the implementation of our risk management standards and continuously refines the risk management process. It not only records every substantial risk groupwide, but also evaluates them systematically according to uniform criteria. As the divisions are responsible for their own results, risk management is closely interwoven with the process of operational controlling. Consequently, operational risk management is firmly rooted in the divisions. Similarly, Corporate Finance, Raw Materials Procurement, Technical Procurement & Logistics and Legal & Insurance are integrated into risk controlling at the Group level.

Financial risks are managed at Corporate Finance, which is responsible for all measures relating to exchange-rate and interest-hedging transactions. Detailed specifications and regulations covering, for example, separation of trading and settlement functions, define WACKER's scope of action. Corporate Accounting monitors receivables management vis-à-vis customers and suppliers.



### Internal Control System (ICS)

Our Internal Control System (ICS) is an integral component of our risk management system. It is made up of systematically designed control measures, regulations and work instructions. In every key business process, we install control measures based on the principles of separation of duties, dual control, and (in specific areas) regular job rotation. Control measures serve to ensure:

- / Compliance with laws and regulations
- / Business-process functionality and efficiency
- / Prevention of possible financial losses due to the intentional or inadvertent conduct of WACKER employees or third parties

Internal Control System (ICS): an Integral Component of Risk Management

### Internal Control System for Accounting

The purpose of our internal control system for accounting is to guarantee proper and reliable accounting practices and to ensure that our consolidated and annual financial statements comply with regulations.

In addition to the ICS principles already mentioned, we perform assessments and analyses to help identify and minimize any risks with a direct influence on financial reporting. Moreover, we continuously monitor changes to accounting standards. The employees responsible for financial reporting regularly receive extensive training. We enlist external experts to reduce the risk of accounting misstatements in complex and challenging issues, such as pensions.

Our internal accounting control system is designed to ensure that our accountants process every business transaction correctly and promptly and that reliable data on the company's profitability, assets and financial position are constantly available. As WACKER's key accounting regulation, our accounting manual has groupwide validity and is available on the intranet. Organizational workflows are also defined by accounting and organizational regulations, and book-entry instructions. We continuously adapt workflows to changes in accounting principles and interpretations. By separating financial functions between accounting, statement analysis and strategy, we ensure that potential errors (prior to preparation of the statements) are identified and accounting standards complied with. To ensure the completeness and accuracy of processes, we have implemented access rules for IT systems and dual-control policies for accounting at individual entities and for consolidating figures within the Group.

Decentrally, it is our subsidiaries' responsibility to implement existing stipulations in their regions. We check the effectiveness of controls not only through feedback talks with the employees responsible, but also by continually monitoring key financial indicators in our monthly management reports and in system-supported test runs. Additionally, regular external audits and reviews are carried out at year-end and for each quarter.

### Internal Controls

Corporate Auditing, on behalf of the Executive Board, regularly inspects each corporate entity to ensure that the risk management and internal control systems there are functioning properly. It also checks on compliance with control mechanisms, such as dual control and the separation of duties. Our auditing manual serves as the basis for these checks. The Executive Board adopts a risk-driven approach when defining audit topics, which, if necessary, are flexibly adjusted during the year to take account of changes in underlying conditions. In 2009, these internal audits focused on both ordering and invoice-settlement processes for technical services – in response to our intense investment and maintenance activities. In China, 2009 saw WACKER installing a local auditing unit, which reports to Corporate Auditing and supplements the latter's

[More Compliance Staff](#)

scheduled Chinese audits. Additionally, we increased our Compliance staff. Overall, Corporate Auditing conducted 36 audits in 2009 (2008: 30 audits). It completed most of 2009's auditing schedule although a few issues and/or points for review await finalization in 2010. Based on our audits, there were no major regulatory infractions.

#### External Controls

An external auditor examines our early risk-detection system when auditing our annual financial statements.

#### Overall Economic Risks

The economic slump left its mark on WACKER, with sales and earnings declining significantly in 2009. We aligned our planning to the altered underlying conditions. Additionally, we were able to counter reduced demand at some of our divisions via numerous measures, such as production-facility shutdowns, short-time work and restructuring measures. For 2010, we anticipate a slow global economic recovery. Nevertheless, there remain economic-downturn risks that could dampen this trend. If the us dollar – the world's main reserve currency – weakens further, we will face reduced sales opportunities in dollar-denominated regions. If the global economy recovers more strongly than anticipated, this could negatively impact raw-material prices.

#### Sales-Market Risks

Demand from our main customers slowed in 2009. Since WACKER supplies many different industries, we were able to partially compensate for weak demand (especially in the semiconductor and automotive sectors) with higher solar sales volumes. We respond to competitive pressure from Asia by expanding our regional production base and by maintaining our quality and cost leadership for high-volume products. Overcapacity in the chemical industry, and resulting price pressure, cannot be ruled out. We minimize these risks in various ways. For example, we align production with demand and perform quantity controls to ensure capacity utilization. Our approach also includes structured price management, process optimization and intense cultivation of growth markets. Importantly, a key ongoing goal is to increase the share of resilient product groups in our portfolio and rank among the global leaders in all our business fields. By cooperating closely with customers, we aim to quickly open the way to novel applications and, thus, foster long-term customer loyalty.

The semiconductor industry is prone to cyclical fluctuations and intense competition. As a result, volumes and prices are especially at risk. Periods of strong growth lead to significant volume growth and price increases. During downturns, in contrast, the reverse is the case. Siltronic tries to reduce these risks through systematic cost management and production flexibility.



Our PV-grade polysilicon business is exposed to price risks. Moreover, new competitors (some receiving state subsidies) are gaining a foothold in the market. We counter these risks by continually optimizing our productivity and cost position, by maximizing plant utilization through long-term agreements and by flexibly aligning capacity expansion with market growth. The German solar industry has been highly subsidized in past years via Germany's "EEG" renewable energy legislation. Subsidization will be reduced soon, impairing demand for solar installations in Germany – a key solar market. Nevertheless, we do not, as a result, see a serious risk of hyperpure polysilicon demand weakening in the long term.

#### **Procurement-Market Risks**

These risks are associated with possible supplier defaults, rising raw-material and energy-sector prices, and the availability of certain raw materials. Our main raw materials are subject to a continual risk review. We minimize risks by concluding long-term supply agreements with highly creditworthy partners, by negotiating procurement agreements centrally and by having multiple suppliers for any one product. The probability of major procurement risks arising is relatively small. In the case of long-term raw-material agreements with fixed purchase obligations, Raw Materials Procurement aims to keep purchase quantities as flexible as possible.

#### **Market-Trend Risks**

There is always a risk that we might misjudge future market trends, delay the launch of a new product, or develop unmarketable products. To counter these risks, we monitor markets and competitors closely (down to a business-field level), interview customers and suppliers, and regularly attend major international tradeshows. We minimize development-related risks by collaborating on R&D projects with customers and scientific institutions.

#### **Investment Risks**

Our strong investment activities in new production facilities (both in the past and in the future) leave us exposed to the risk of bad investments. We reduce this risk by contractually fixing future production quantities (e.g. for polysilicon) with customers and by only approving an investment in stages. To safeguard the utilization rates of manufacturing investments, we form joint ventures, such as our silicon-wafer operation with Samsung. In some cases, we have applied for state funding and need European Union approval. Although the review process has yet to be completed, we expect a positive decision. Funding is generally tied to the fulfillment of specific conditions within a specified timeframe.

Together with strategic partners, we have established joint ventures to tap into new markets, particularly in Asia. However, financing stipulations, especially in China, could change, requiring us to raise equity. Our plans take this risk into consideration. Thanks to sales-volume agreements with our strategic partners, we have ensured the utilization of most capacities at our joint ventures. Additionally, claims can arise from guarantees and other securities in our name.

### Financial Risks

We are exposed to financial risks from ongoing operations and financing. We define financial risks as credit, market-price, financing and liquidity risks. Different WACKER departments are responsible for controlling these risks. We employ primary and derivative financial instruments to cover and control the financial needs and risks necessitated by our operations. Such financial instruments are not to be used unless they are based on actual or planned operational business.

A credit risk arises whenever a customer or business partner does not fulfill their contractually agreed obligations. In essence, trade receivables are then at risk. We lower the risk by demanding sufficient collateral to cover the nature and extent of the product/service provided. Collateral includes retention of title. Other preventive measures range from references and credit checks, to the evaluation of historical data from our business relationship to date (particularly payment behavior). In addition, we take out credit insurance to minimize the risk of default.

Credit risks from other contractual obligations are posed by other financial assets, current banking assets, and derivative financial instruments. Our Corporate Finance department centrally conducts global dealings with currency-exchange and interest derivatives, and handles liquidity management. Cash investments and derivative dealings are limited to banks with a minimum rating of A from Standard & Poor's or a comparable rating agency. Investment activities are additionally subject to maximum investment and term limits. In exceptional cases, investments or derivative dealings may be conducted with banks of lower creditworthiness within tight limits and terms. We expect these policies to minimize our risk concentration.

### Controlling Financial Risks

Risk	Corporate Department Responsible
Credit risks .....	Corporate Finance .....
Market-price risks .....	Corporate Finance .....
Liquidity risks .....	Corporate Finance .....
Exchange/interest-rate risks .....	Corporate Finance .....
Raw-material price risks .....	Raw Materials Procurement .....

WACKER is exposed to market-price risks and risks stemming from payment-flow fluctuations. These include currency-exchange, interest-rate and raw-material-price risks. Currency-exchange risks primarily arise from exchange-rate shifts for receivables, liabilities, cash and cash equivalents that are not held in euros. WACKER hedges the resultant net exposure via derivative financial instruments. We use currency-option and forward-exchange contracts and foreign-exchange swaps. Foreign currencies are hedged predominantly for the us dollar, Japanese yen and Singapore dollar. Plus, we counter exchange-rate risks via our local production sites. Interest-rate risks arise due to changes in market rates that impact future interest payments for variable-rate loans and investments. Thus, the changes have a direct influence on the Group's liquid assets and financial position. The use of derivatives for interest-rate hedging is governed by our interest-rate regulation. When an exposure is identified, interest-rate hedging is performed predominantly for the euro and the us dollar. The use of derivative financial instruments is governed by internal regulations that separate trading and settlement functions and require strict controls within the entire processing procedure.

Liquidity risk (i.e. inadequate cash to meet our existing or future financial obligations) is managed centrally at WACKER. Our Corporate Finance department employs efficient systems to control both cash management and rolling liquidity planning. To counter financing risks, we hold sufficient credit lines and long-term promissory note bonds. As per the reporting date, our cash and cash equivalents amounted to €363.6 million, and we had unused credit lines of some €940 million. In 2009, WACKER increased its net financial liabilities by €109.0 million. We consider the probability of financing and liquidity risks actually occurring to be low. At the moment, we see no risks relating to financial-covenant infringements.

Pension obligations also entail risks due not only to the higher average life expectancy of pension-fund beneficiaries, but also to additional commitments from pension payment increases. The majority of WACKER's pension guarantees are covered by the Wacker Chemie vVAG pension fund, by pension-related funds and special-purpose assets, and by insurance plans. The largest contribution is made by the Wacker Chemie vVAG pension fund. It manages the pension insurance of our German-based employees in accordance with its Articles of Association and General Terms and Conditions of Insurance. The pension fund's investments are exposed to general capital-market risks. To limit these risks, the fund diversifies its investment portfolio among various asset classes and regions. As part of its asset-liability management, the pension fund controls and optimizes all asset items to attain the required return within specified risk limits. As one of the fund's sponsoring entities, WACKER makes payments to it to ensure sufficient coverage for pension obligations. In 2009, WACKER recognized an extraordinary addition to pension provisions of about €47.9 million to reflect the higher life expectancy of pension beneficiaries.

Pension Provisions  
Increased due to  
Beneficiaries' Higher  
Life Expectancy

#### Risk of Damage

WACKER can be made liable for environmental and other damage arising from ongoing production operations and from possible legacy contamination. We counter such risks with preventive measures and have established sufficient provisions to cover any anticipated claims.

WACKER's production facilities meet high technical and safety standards. However, operating malfunctions cannot be ruled out. Issues such as environmental protection, plant/workplace safety, and employee health are vital. WACKER has globally binding principles, regulations and monitoring instruments. Aside from appropriate insurance coverage, we have developed emergency-response plans that are regularly reviewed and practiced in training exercises. A substantial part of our investment spending goes into plant maintenance. We monitor maintenance extensively and regularly perform inspections to ensure the highest possible level of operational safety at our production sites.

### Emission Allowances

To improve climate protection, many countries want to limit emissions from energy-intensive industries – particularly CO<sub>2</sub> emissions. The EU intends to attain this goal by granting emission allowances to relevant industrial companies and the energy sector. WACKER is affected by this at its Burghausen and Nünchritz sites in Germany. CO<sub>2</sub> certificates were issued for the period to 2012. WACKER has not experienced any negative emissions-trading effects to date. The exact nature of European emissions trading as of 2013 is currently unclear. According to existing EU decisions, large parts of the chemical industry will be included in the trading system. It is still unclear, though, what proportion of the certificates required for individual plants will have to be paid for. WACKER has installed an early warning system that enables us to react quickly if our emission allowances should not suffice for our needs.

### REACH

REACH – the new European chemicals policy – requires companies to register, evaluate and obtain approval for chemical substances. WACKER plans to have several thousand substances registered. Due to the cost-intensive testing and registration process, WACKER and its European customers could be at a competitive disadvantage compared to non-European companies.

### Legal Risks

To counter legal risks (arising from a wide variety of tax, trade, anti-trust, contractual, product-liability and environmental laws and regulations), we base our decisions on centralized contract management and our legal department's findings. In many cases, we seek external legal advice. Patents, trademarks and licenses are monitored and protected by the Intellectual Property department. By reviewing patent regulations, we determine – before initiating R&D projects – to what extent existing third-party patents and intellectual property rights could impair the competitive marketing of any newly developed products, technologies or processes. We currently know of no potential risks that could arise from patent infringements.

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

### IT Risks

We continually monitor our use of information technology and do everything we can to ensure that IT-supported business processes function reliably. Long-term failure of IT systems or a major loss of key data could substantially impair WACKER's operations. Our IT security and risk management specialists are responsible for handling hazards in a cost-efficient way. Their work is based on ISO 27001. Using risk analyses, we define the requirements for WACKER's central systems – both in terms of availability, and data integrity and confidentiality. We anchor these requirements in service level agreements (SLAs) in our business divisions and corporate departments. Compliance is continually monitored and controlled. As a result, we can immediately take countermeasures in the event of malfunctions. For 2009, we set – and exceeded – an availability goal of 99.5% for our central ERP (enterprise resource planning) systems. We primarily achieved this by designing our systems for maximum availability and by installing an associated backup and recovery procedure. In addition, we took appropriate steps to prepare for emergencies (business continuity management).

Over 99% IT-System  
Availability in 2009

To minimize project-related IT risks, we adhere to a uniform project-management methodology. This ensures changes are integrated into our system landscape in a controlled manner. As part of risk management, we log and evaluate operation-related risks and initiate specific countermeasures. We use state-of-the-art hardware and software solutions to prevent network downtime, data loss or manipulation, and unauthorized access to our network. We counter “malware” attacks on our IT systems with efficient software security programs. At regular intervals, we also conduct penetration tests and audits at WACKER's domestic and foreign sites (e.g. at internet access points) to prevent hacker attacks.

Due to the extensive integration of IT in all corporate processes, any prolonged downtime of our central IT systems would have a major effect on Wacker Chemie AG's financial situation. However, thanks to our precautionary measures, we continue to classify the probability of long-term downtime and the associated risks as being low.

### Personnel-Related Risks

Our highly qualified workforce is a key success factor for WACKER. We compete with other companies for highly-qualified technical and managerial employees in a market where the number of suitable applicants is declining. We counter this risk with a series of personnel-policy measures. For example, we offer exemplary benefits, performance-oriented compensation and attractive training programs to retain employees over the long term. We also offer a wide range of working-time models and policies, and opportunities to achieve work-family balance.

For executive positions, WACKER has a detailed successor planning process and deputizing regulation. The aim is to avoid – at all times – any potential gap in decision-making and expertise that could impair WACKER's business whenever an expert or decision-maker leaves the company or is otherwise incapacitated. For each upper management post, WACKER's successor planning process involves the observation of up to three potential candidates, whose potential and performance are evaluated. In successor planning, WACKER distinguishes between short-term needs (up to two years) and medium-term ones (two to four years). Regardless of the above distinction, WACKER has appointed a deputy in every instance when an executive is absent or ill for a lengthy period of time.

In the second half of 2009, the rapid pace at which swine flu was spreading significantly increased the risk of a global pandemic. WACKER has had a pandemic preparedness plan since 2005. It helps minimize employee health risks during crises and maintain business processes. It includes regulations and documented procedures on how to deal with employees who have fallen ill, as well as guidelines on business trips to affected regions, and rules concerning site access checks. Plus, we store flu medication and other resources (such as medical gloves and disinfectants) that can be used in the event of a pandemic.

#### Evaluation of Overall Risk

The global economic crisis caused downward trends that were very hard to assess. Nevertheless, when planning for 2009, we had already based our estimates on much lower growth trends. We took selective measures to lessen the impact of the global crisis on our company.

No Risks to Endanger  
the Company's  
Continued Existence

Our centralized risk management function assesses every risk indicated by our divisions, corporate departments and regional entities. Based on the Group's risk report, the Executive Board does not see any individual or aggregate risk that could endanger WACKER's future in any material way. We remain confident that WACKER is strategically and financially well-positioned to take advantage of any opportunities that arise.

## Supplementary Report

No major events took place between the closing date of December 31, 2009 and this Annual Report's preparation date of February 26, 2010. There were no fundamental changes in our overall economic and business environment either.

The Group's organizational and legal structures remained unchanged in the first two months of 2010.



# Management Report Outlook

# / 4



**SILTRONIC**  
is one of the world's largest producers of hyperpure silicon wafers for the semiconductor industry. It is a key supplier of most leading chipmakers. Focusing on the growing 300mm wafer market, the division reinforces its market position through leading-edge technology and uncompromising quality.



## Outlook

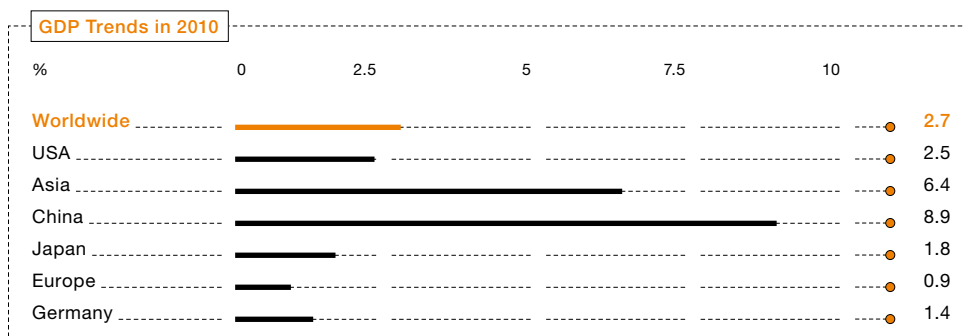
After our 2008 Outlook predicted a sales and EBITDA decline due to the tough global economic challenges expected in 2009, we now anticipate rising sales and earnings once again for 2010. Provided that the global economic recovery is long term and sustainable, we expect further sales and earnings gains in 2011. We are confident that WACKER will remain successful in the future thanks to our strengths – our products, global presence, outstanding plant and production expertise, committed employees and long-standing customer relations.

Economic Experts  
Forecast Return to  
Global Economic  
Growth in 2010

### Underlying Economic Conditions

The world economy has returned to a growth path following the sharp downturn in late 2008 and the first quarter of 2009. Analysts expect it to resume growth in 2010, although at a low level. This recovery is supported by government stimulus programs and the central banks' liquidity-driven monetary policies. It is still unclear, though, whether the upturn has enough momentum to be long term and self-sustaining. The World Bank forecasts that the global economy will grow by 2.7% in 2010. For 2011, it predicts growth of 3.2%.

The us economy will return to growth in 2010, ending its worst recession since the end of WWII. The Organization for Economic Cooperation and Development (OECD) forecasts economic gains of 2.5% there. In 2011, the us economy is expected to grow 2.8%. Analysts continue to foresee a slow us recovery. High unemployment is the primary factor still negatively impacting private consumption, which accounts for about two-thirds of GDP there.



Sources – worldwide: World Bank; USA: OECD; Asia: ADB; China: ADB; Japan: OECD; Europe: OECD; Germany: OECD

Asia will make significant gains in 2010. The Asian Development Bank (ADB) expects the region's economy to grow 6.4%. China and India, with their vast markets, will perform particularly strongly, with the ADB expecting India to grow 7.0% and China 8.9% in 2010. The Chinese government continues to support growth via infrastructure projects. In contrast, Japan will trail behind. The OECD forecasts Japanese GDP gains of 1.8% in 2010 and 2.0% in 2011.

Europe, including Germany, is also expected to show renewed growth. The OECD anticipates eurozone growth of 0.9% in 2010 and 1.7% in 2011. German GDP might put in a slightly better performance. According to OECD estimates, it will gain 1.4% in 2010 and 1.9% in 2011 – primarily driven by rising exports.

### General Sector-Specific Conditions

Market researchers at Gartner expect a semiconductor recovery in 2010. They foresee global silicon-wafer demand (by surface area sold) climbing a good 23%, thereby returning to the 2008 level. Gartner forecasts a further increase of about 9% in 2011. According to the experts, sales revenue for semiconductor silicon wafers will grow too – namely by a good 22% in 2010 and around 12% in 2011.

#### WACKER's Key Customer Sectors

Sectors	Influence of global economic crisis	Trend 2010/2011
Construction	Significant decline	Growth in Asia
Photovoltaic	Growth	Continued strong growth, but cyclical
Semiconductor	Significant decline	Recovery, though still extremely cyclical market
Energy/electrical	Slight decline	Growth
Chemical	Significant decline	Recovery

The EPIA (European Photovoltaic Industry Association) predicts strong photovoltaic-market growth for both 2010 and 2011. Newly installed photovoltaic capacity should rise from 6.8 gigawatt (GW) in 2009 to 10.8 GW in 2010 and to 13.8 GW in 2011. The EPIA expects particularly marked growth rates in the USA. For the first time, newly installed photovoltaic capacity in 2010 could be higher there than in Germany. From 2011, the EPIA estimates that newly installed photovoltaic capacity in China, too, will expand considerably – to 600 MW. Polysilicon output will continue to grow over the next few years, since WACKER and other manufacturers are expanding their production capacities. In 2010, global polysilicon output is set to rise to over 100,000 metric tons, which could lead to overcapacities in the market.

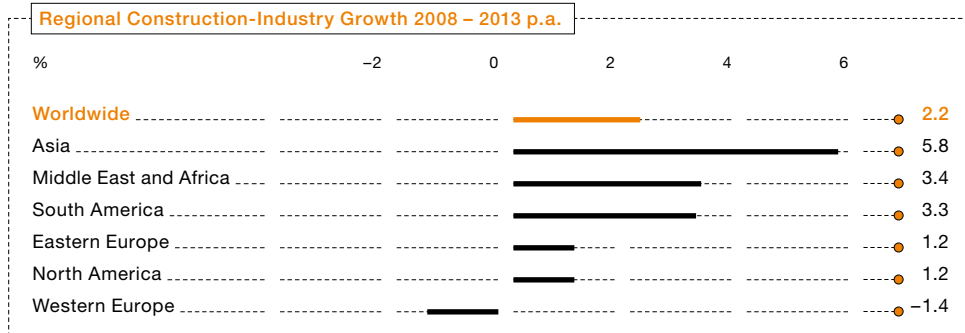
## Installation of New PV Capacity in 2010 and 2011

	Installation of New PV Capacity (MW)		CAGR <sup>1</sup>
	2011	2010	10 – 11 %
Germany .....	3,200	2,800	14
Spain.....	600	500	20
Other European countries .....	3,310	2,190	51
USA .....	3,400	3,000	13
Japan .....	1,200	1,000	20
Asia .....	1,300	700	86
Other regions .....	800	600	33
<b>Total .....</b>	<b>13,810</b>	<b>10,790</b>	<b>28</b>

Sources: European Photovoltaic Industry Association (EPIA), Global Market Outlook for Photovoltaics until 2013.  
<sup>1</sup>CAGR: compound annual growth rate

Worldwide, the chemical industry will see sales and production figures grow in 2010 compared to 2009, though the recovery will be slow. According to the German Chemical Industry Association (vci), German chemical production will increase 5%, and total sector sales around 6%. Capacity utilization will nevertheless remain unsatisfactory. The vci anticipates major opportunities for chemicals in emerging economies. China and India, in particular, will see demand rise in key sectors during the coming years. WACKER prepared for this trend early on and will further expand its production capacities over the next two years, particularly in China.

The global construction industry should experience a moderate recovery in 2010 according to Global Insight (a market research institute), whose forecast matches WACKER POLYMERS' expectations. Worldwide, Global Insight predicts 0.4% growth for construction in 2010. The market will then see stronger growth in 2011. The main momentum here comes from infrastructure projects fueled by government stimulus programs and by countries' infrastructure investment needs. Regionally, growth in India and China will be particularly strong – and both WACKER POLYMERS and WACKER SILICONES intend to profit from it. 2009 saw these divisions opening their own technical competence center in India. WACKER already has two such centers in China. Since our Nanjing site came on stream in 2009, we have been able to supply the region's customers with dispersions and dispersible polymer powder directly from China. Worldwide, Global Insight expects the construction industry to grow 2.2% on average by 2013.



Source: Global Insight

The German Electrical and Electronic Manufacturers' Association (ZVEI) expects the country's electrical and electronics industry to recover in 2010. It forecasts production growth of 6%. In the long term, growth and pent-up demand in many emerging markets will be the electronics sector's key drivers worldwide. The Asian electronics industry anticipates a slow upturn in 2010. China, Japan, Taiwan and South Korea predict production gains for their electrical and electronics sectors.

#### Positioning of the Group for the Next Two Years

As reported earlier, WACKER optimized and revised its strategies for WACKER SILICONES and Siltronic in 2009. Effective January 1, 2010, WACKER FINE CHEMICALS strengthened its focus on biotechnology. The division has changed its name to WACKER BIOSOLUTIONS.

WACKER  
FINE CHEMICALS  
with New Focus  
and Name

On January 14, 2010, WACKER announced that it would close its Kempten site during 2011. The Group produces pyrogenic silica there. The closure is part of our structural measures (announced earlier) at WACKER SILICONES. We intend to transfer Kempten's production volumes to Burghausen and Nünchritz, optimizing capacity utilization at these sites' high-volume facilities. The planned closure has led to impairments on fixed assets of €3.5 million and to a €5.5 million provision. WACKER has recognized both amounts in its consolidated financial statements for 2009.

We currently do not foresee any other major changes in business policies and organizational orientation. We assume that our international business will reflect the trend of past years and gain in importance, leading us to expand our production, sales and service network.

#### The WACKER Group's Prospects

For 2010, we anticipate that the global economy will grow – shaking off the severe recession of 2009. Whether this recovery gathers enough momentum to be self-sustaining is still unclear. Several indicators point to a low level of growth – with WACKER primarily seeing potential in the so-called BRIC countries. Although the recovery might last through 2011, growth will not have reached 2008's level by then.

WACKER remains firmly committed to expansion in China. Above all, we will press ahead with setting up and commissioning additional siloxane and pyrogenic-silica production facilities at Zhangjiagang. Another priority is the rapid expansion of polysilicon production over the next two years, so that we can profit from the photovoltaic industry's ongoing growth.

Since its strategic realignment (on January 1, 2010), **WACKER BIOSOLUTIONS** – formerly **WACKER FINE CHEMICALS** – has focused on two markets: food and life sciences. The reorganized division is firmly market-driven. Its main goals are to:

- / Intensify expertise in these markets
- / Strengthen our good market positions for cysteine, cyclodextrins and chewing gum base
- / Develop and commercialize biotech processes

#### Expected Financial Performance

We expect 2010 Group sales to be higher than in 2009. The primary factor here is sales volumes, which should slowly rise again from a low level. The global economic trend is still very difficult to predict due to the numerous uncertainties involved. Consequently, a reliable and quantifiable forecast is not possible. We also foresee EBITDA gains compared to 2009. As for Group net income, we expect 2010's result to be back in clearly positive territory. We assume that the dollar will remain rather weak, which affects us negatively. Our raw-material and energy costs will rise in 2010, though primarily because of our higher volume needs. In total, price effects will be low.

The semiconductor market recovery will continue in 2010, positively affecting capacity utilization – and probably prices, too. Demand will rise, especially for 300 mm wafers. We assume that these trends will lead to sales gains at **Siltronic**.

At **WACKER SILICONES**, we expect 2010 sales revenue to climb slightly. Growth will mostly stem from Asia, where demand for silicone products will continue to rise. We plan to close our silicone-emulsion site in Duncan (USA) at the end of 2010 and transfer production to our Adrian site.

At **WACKER POLYMERS**, volumes should increase in 2010. Asia remains the fastest-growing market. By commissioning the Nanjing production site, WACKER can now optimally serve the key Chinese market and boost sales in this region. We also see regional growth opportunities in eastern Europe.

WACKER forecasts that global polysilicon output and demand will continue rising over the next two years and that prices will probably decline. At the same time, the photovoltaic market will steadily gain in importance compared to semiconductors. WACKER POLYSILICON has secured a large part of its polysilicon production volumes through long-term agreements. The division's production capacities will be boosted by the "Poly 9" expansion stage in Nünchritz, Germany. The facility's ramp-up is set for the second half of 2011. A key task for the coming two years is to boost productivity and enhance cost positions to ensure our cost and technological leadership over competitors.

Focus on Polysilicon  
Production Expansion

In 2010, WACKER BIOSOLUTIONS' sales should grow at a double-digit rate. The existing GMP plant (Good Manufacturing Practice for Active Pharmaceutical Ingredients) in Jena has doubled its production area, and started full-scale operations in March 2010. WACKER performed the expansion to provide customers with sufficient capacity to produce biopharmaceuticals that are already at an advanced stage of development.

#### Expected Financial and Liquidity Position

We will continue to keep a close eye on the Group's financial stability over the next two years. We finalized the most important financing measures back in 2008 and 2009, securing WACKER's financing beyond the 2010–2011 period. Net cash flow in 2010 will be slightly negative. This is because we continue to invest heavily and because WACKER POLYSILICON is now fulfilling supply obligations for already-received advance payments from long-term agreements. The equity ratio in 2010 should be slightly above 2009's level.

#### Future Dividends

Our policy on dividends is generally oriented toward distributing at least 25% of net income to shareholders, assuming the business situation allows this and the committees responsible agree.

#### Investments

Over the next two years, investments in property, plant, equipment and financial assets will not be as high as in previous years – amounting to between €600 million and €700 million in 2010, and staying at about that level in 2011. Most of the funds are earmarked for our strategic growth projects at WACKER POLYSILICON. Investments will again exceed depreciation in 2010 and 2011.



### Financing

WACKER laid the groundwork for medium-term Group financing back in 2008 and 2009. As of December 31, 2009, WACKER had some €1.3 billion in used and unused credit lines. Over the next two years, we will not need any major extensions for expiring credit facilities.

### Research and Development

In coming years, we will devote more resources to promoting key strategic R&D projects. In 2010, we plan to spend over 20% of our R&D budget on these projects. 2010's total R&D expenditures are expected to climb more than 5% from 2009.

### Procurement and Logistics

WACKER was able to secure the supply of most of the silicon and electricity needed at contractual prices fixed back in 2009. As for ethylene and methanol, the quantities and conditions for 2010 have been agreed, although the actual prices we pay will depend on market conditions during the course of the year.

A Large Part of  
Silicon Demand for  
2010 Secured at Fixed  
Prices

During 2010 and 2011, we will be running a project to reduce our dependency on individual suppliers, not only for raw materials, but also for technical goods and services. Based on an analysis carried out in 2009, this project will increase competition, thus reinforcing our negotiating position in terms of price, contract management and due dates. In the next few years, WACKER intends to strengthen strategic procurement, since it is where most procurement successes are identified. Because demands on procurement management will continue to rise over the next few years, WACKER will help employees boost their qualifications by offering them training programs, especially interdisciplinary courses and negotiation training.

The key logistics task is to start systematically analyzing and optimizing WACKER's global distribution network. In partnership with WACKER's business divisions, our logistics specialists will support production-capacity expansions with sophisticated material-flow strategies. WACKER will press on with groupwide standardization of supply-logistics and goods-acceptance processes.

Due to WACKER's substantial expansion-related investment program, Technical Procurement will turn its focus in 2010 and 2011 onto enhancing support for large-scale projects – Nünchritz's investment projects and Zhangjiagang's Expansion Stage 2 for pyrogenic silica. The aim is to attain the quality levels specified within the costs budgeted, and to secure the ramp-up schedules.

### Production

Over the next two years, WACKER will bring additional new production capacity on stream. Our focus remains on WACKER POLYSILICON. At Nünchritz (Germany), polysilicon production should come on stream in 2011. Planning work for a potential polysilicon site in Tennessee (USA) will progress in 2010 – including preparations for the submission of approval documentation.

#### Production Facility Start-Ups in 2010 and 2011

Site	Project	New Capacity	Start-Up
Jena	Expansion of biologics production facility	-	2010
Zhangjiagang	Siloxane and pyrogenic silica	210,000 t/a	2010/2011
Nünchritz	Poly 9 expansion stage	10,000 t/a	2011 +

Process development will be a priority in the next few years as we focus on cost and quality leadership in manufacturing. Where we are the leader, we will reinforce our position. Where we are not, we will strive for leadership. Our declared goal is to constantly enhance technologies and not to simply copy them. So, we will be extending our network with universities and scientific institutes to enable the transfer of state-of-the-art technological developments and engineering methods. We have consolidated our expertise in this area in a central process-development department, which is itself part of our innovation management function.

Similarly, we will continue to standardize and optimize our engineering processes across every region. In China and the USA, for example, we have set up regional engineering units, which collaborate closely with WACKER's Corporate Engineering department in Germany. Such measures ensure that our engineering expertise grows at our non-German sites, too.

Maintenance costs will rise moderately in 2010. This is mainly due to significant asset additions in recent years, particularly at WACKER POLYSILICON.

### Employees

Our recruitment of new employees will be demand-driven in 2010. Despite the expected economic upturn, we will exercise caution when filling job vacancies. Employee numbers will probably rise by some 300 in 2010, chiefly due to our expansion projects at WACKER POLYSILICON. In line with market trends in China, employee levels there will continue to rise over the next two years. WACKER is keeping the number of vocational training slots constant. The recruitment of promising young people will remain a matter of high priority in the Group.

Employee Numbers  
Expected to Rise in  
2010

Demographic developments have prompted us to set ten strategic goals designed, for example, to attract and retain qualified employees. WACKER will be setting up talent pools for occupations critical to our success, such as engineering. These will help our business divisions and corporate departments to select and develop suitable young talent on the basis of predefined criteria.

### Sustainability

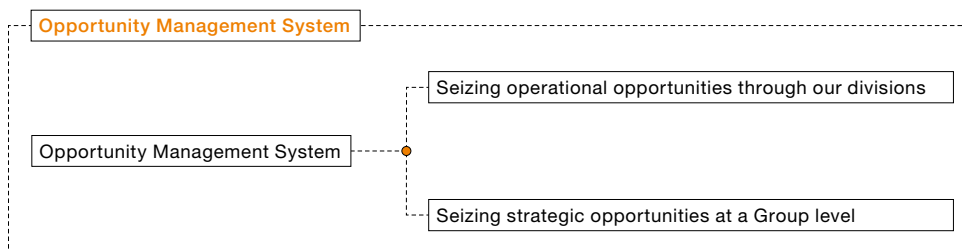
WACKER uses an integrated management system (IMS) to coordinate its operational processes. In 2010, all our sites in the USA and our WACKER Greater China subsidiary will be certified to ISO 9001 (quality) and ISO 14001 (environmental protection). We intend to cut our accident rate (number of workplace accidents per one million hours worked) from 3.8 in 2007 to half that by 2011. In 2010, we will draw up our OHSAS (occupational health and safety management system) requirements catalog. WACKER's goal is to have each site certified to this globally recognized system by the end of 2011. In 2010, WACKER Greater China will commence having its key production facilities certified as national environmentally-friendly companies by the Chinese Environmental Protection Bureau.

We will be busy preparing, submitting and updating REACH registration dossiers for the next ten years. WACKER sites within the EU must reclassify all their substances in accordance with the UN's new GHS classification and labeling system by late 2010. In South Korea, all substances must be reclassified and labeled by mid-2010.

### Opportunities Report

#### Opportunity Management System

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



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

Over the next few years, we will focus our efforts on ensuring that WACKER is ideally positioned not only to supply tomorrow's growth markets (such as Brazil, China, India and Russia), but also to maintain our strong presence in established markets (such as Europe and the USA). We see the greatest **overall economic growth opportunities** in tomorrow's markets. The prime objective is to significantly increase sales and grow profitably – especially in China, already the world's second-largest chemical market. If the economic recovery continues to make an impact through 2010, we see chances for increasing our chemical sales volumes to an even greater extent than planned.

Overview of Business Opportunities	
Overall economic opportunities	Growth in Asia and other emerging countries
Sector-specific opportunities	Good product portfolio for megatrends such as energy, rising living standards, urbanization and digitization
Strategic opportunities	Expansion of our production capacities, repositioning of WACKER BIOSOLUTIONS, new high-quality products via innovations
Performance-related opportunities	Higher plant productivity, faster start-ups for polysilicon facilities, extension of our sales organization and establishment of technical competence centers, region-specific product development via complete supply chain for dispersions and dispersible polymer powders

The key drivers for further growth are global megatrends. WACKER has an excellent product portfolio for serving these megatrends and taking advantage of the **sector-specific opportunities** they provide.

Megatrends Continue  
Seamlessly

At the forefront is the energy megatrend, especially in the solar industry. Given the finite nature of oil and other fossil fuels and the growing importance of climate protection, an increasing number of countries are harnessing ever more renewable energy sources. Falling prices for solar modules, cells and starting materials in 2009 have helped to make solar energy increasingly competitive. This will push up demand for solar installations. WACKER POLYSILICON will profit from this as a producer of hyper-pure polycrystalline silicon and as a cost and quality leader. By continuing to expand capacities, we want to meet this rising demand.

WACKER POLYMERS is contributing decisively to saving energy and cutting greenhouse-gas emissions with its innovative thermal-insulation products, for example. Now that our Nanjing plant – China's largest production facility for dispersible polymer powders – has come on stream, we can supply the country's dynamic construction industry with high-quality polymer powders. The Chinese government has cited energy conservation as one of its key environmental goals for the next few years. Thanks to our products, we can play a significant role here.

The energy megatrend is also being strongly driven by our customers and development partners from industry. With manufacturers of light-emitting diodes (LEDs) specifically in mind, WACKER SILICONES developed high-performance optical-grade silicones that can be used to produce heat-resistant, photostable lenses. These are created directly on an LED chip in a single production step, without injection-molding or shaping processes. Simplifying the procedure in this way reduces manufacturing costs and makes cutting-edge LED technology accessible to the mass market.

With Asia's growth markets and other regions' emerging economies enjoying greater prosperity, demand for high-quality products has grown. WACKER SILICONES, in particular, has a diverse product range to boost living standards. In almost all sectors, we offer products and solutions that increase prosperity, and promote urbanization, infrastructural expansion and environmental protection.

The world is becoming ever more digital. As a manufacturer of silicon wafers for the semiconductor industry, WACKER profits from this development. The increasing digitization of products and ever-greater demand for silicon in consumer electronics are driving volume growth, especially in Asia. The share of 300 mm wafers is particularly high. Through Siltronic, we profit from this growth – we have recently expanded 300 mm capacities in Burghausen and Freiberg, and are continuing 300 mm expansion in Singapore.

Production-capacity expansion opens up **strategic opportunities** for WACKER. Last year alone, we spent about €708 million on capacity expansion. With a further polysilicon facility starting up at Nünchritz in 2011, we will be able to profit from solar-sector growth. Thanks to WACKER BIOSOLUTIONS' future focus on food, agrochemicals, pharmaceuticals and biotech products, the Group is harnessing new customer potential in dynamic-growth sectors. WACKER sees further opportunities to sustainably secure the Group's innovation leadership in numerous fields by bringing even more innovative, high-quality products to market.

By Expanding  
Polysilicon Production  
Capacity, WACKER  
Profits from Solar-  
Industry Growth

WACKER's greatest chances to boost performance stem from the "Wacker Operating System" (WOS) program. Dedicated projects underscore our constant efforts to boost productivity and enhance our cost/benefit ratio.

WACKER's in-house engineering teams provide a wealth of outstanding plant expertise, enabling new production facilities to come on stream faster than scheduled – particularly for polysilicon. This expertise also allows us to supply high product quality and boost productivity beyond nominal capacities. WACKER sees further opportunities here to gain cost and quality advantages over competitors. On the maintenance front, the Group's engineering strength is reflected in high plant availability and low specific operating and maintenance costs. Our engineering units collaborate with plant and production teams, assuming major tasks and providing expertise that goes beyond regular maintenance work.

By expanding our sales organization and setting up new technical competence centers, WACKER has opened up opportunities to gain additional market share. We are well positioned to generate growth with products tailored to local markets – thanks to our complete dispersions/dispersible polymer powders supply chain and production sites in Europe, the Americas and Asia. When it comes to ethylene-based dispersions and polymer powders, WACKER is the only company worldwide that has a complete supply chain for these products' key markets – Europe, North America and China.

#### Overall Business Expectations

For 2010, we anticipate that the world economy will continue the recovery begun in 2009, though at a low level, and forecast sales-volume gains at all our divisions. Regionally, the main growth driver will be Asia again, especially China.

From today's viewpoint, we predict that Group sales will return to year-over-year growth and we will post a clearly positive net result in 2010, following the negative net result of 2009. As was the case in prior years, polysilicon-capacity expansion will remain the main focus of our investments. WACKER continues to enjoy a solid financial footing, and long-term financing was secured early on. Provided that the global economic recovery is long term and sustainable, we expect further sales and earnings gains in 2011.

This forecast takes account of all events known during our balance-sheet preparations that could influence our business development in 2010 and thereafter.

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**WACKER SILICONES**  
is a world-leading silicones manufacturer with over 3,000 highly specialized and innovative products. The division's portfolio ranges from silicone fluids, emulsions, resins, elastomers and sealants to silanes and pyrogenic silicas. These products stand out via their significant value-adding potential – enhancing both the benefits and performance of customers' end products.

## Financial Statements

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# Statement of Income

For the Period January 1 to December 31

Statement of Income				
€ million	Notes	2009	2008	
<b>Sales</b>	01	<b>3,719.3</b>	4,298.1	
Cost of goods sold		<b>-2,875.8</b>	-3,110.1	
<b>Gross profit from sales</b>		<b>843.5</b>	1,188.0	
Selling expenses		<b>-246.4</b>	-257.6	
Research and development expenses		<b>-164.0</b>	-163.2	
General administrative expenses		<b>-95.5</b>	-109.5	
Other operating income	01	<b>207.8</b>	344.6	
Other operating expenses	01	<b>-391.3</b>	-321.0	
<b>Operating result</b>		<b>154.1</b>	681.3	
Income from investments in joint ventures and associates	02	<b>-127.4</b>	-33.7	
Income from other investments	02	<b>0.1</b>	0.3	
<b>EBIT (earnings before interest and taxes)</b>		<b>26.8</b>	647.9	
Net interest income	02	<b>4.3</b>	5.7	
Other financial result	02	<b>-27.8</b>	-10.9	
Limited partnership results	02	<b>-</b>	-0.9	
<b>Income before taxes</b>		<b>3.3</b>	641.8	
Income taxes	03	<b>-77.8</b>	-203.5	
<b>Net result for the year</b>		<b>-74.5</b>	438.3	
Of which				
Attributable to shareholders of Wacker Chemie AG		<b>-70.8</b>	439.4	
Attributable to non-controlling interests	12	<b>-3.7</b>	-1.1	
<b>Earnings per common share in € (basic/diluted)</b>	19	<b>-1.43</b>	8.84	

# Statement of Comprehensive Income

For the Period January 1 to December 31

## Statement of Comprehensive Income

€ million	2009		2008	
	Before taxes	Deferred taxes	Before taxes	Deferred taxes
<b>Net result for the year</b>		<b>-74.5</b>		<b>438.3</b>
Change in foreign currency translation adjustments	-6.8	-	49.6	-
Changes in market values of the securities available for sale	0.2	-	0.6	-0.2
Cash flow hedge	27.8	-7.8	-57.6	16.2
Of which included in profit and loss	20.7	-5.7	-32.9	9.3
Pro rata cash flow hedge at companies accounted for using the equity method	3.9	-	-1.1	-
Non-controlling interests	-0.7	-	-0.1	-
<b>Income and expenses recognized in equity</b>	<b>24.4</b>	<b>-7.8</b>	<b>-8.6</b>	<b>16.0</b>
<b>Total income and expenses reported in the fiscal year</b>		<b>-57.9</b>		<b>445.7</b>
Of which				
Attributable to shareholders of Wacker Chemie AG		<b>-53.5</b>		446.9
Attributable to non-controlling interests		<b>-4.4</b>		-1.2

# Statement of Financial Position

As of December 31

<b>Assets</b>				
€ million	Notes	2009	2008	
Intangible assets .....	04,05	22.0	24.7	
Property, plant, and equipment .....	04,06	2,778.5	2,659.6	
Investment property .....	07	1.7	3.6	
Investment in associates accounted for using the equity method .....	08	140.2	191.8	
Financial assets .....	08	75.1	72.0	
Other assets .....	10	81.2	164.2	
Tax receivables .....	10	12.3	13.9	
Deferred tax assets .....	03	9.2	31.2	
<b>Noncurrent assets</b> .....		<b>3,120.2</b>	<b>3,161.0</b>	
Inventories .....	09	441.2	504.9	
Trade receivables .....	10	466.8	466.8	
Other assets .....	10	97.9	98.4	
Tax receivables .....	10	52.2	88.7	
Current securities .....	11	–	101.1	
Cash and cash equivalents .....	11	363.6	204.2	
Liquidity .....	11	363.6	305.3	
<b>Current assets</b> .....		<b>1,421.7</b>	<b>1,464.1</b>	
		<b>4,541.9</b>	<b>4,625.1</b>	

## Equity and Liabilities

€ million	Notes	2009	2008
Subscribed capital of Wacker Chemie AG		260.8	260.8
Capital reserves of Wacker Chemie AG		157.4	157.4
Treasury shares		-45.1	-45.1
Retained earnings		1,591.7	1,751.9
Other equity items		-39.3	-56.6
<b>Equity attributable to Wacker Chemie AG shareholders</b>		<b>1,925.5</b>	<b>2,068.4</b>
Non-controlling interests		16.9	14.4
<b>Equity</b>	12	<b>1,942.4</b>	<b>2,082.8</b>
Provisions for pensions	13	445.1	376.1
Other provisions	14	234.5	170.2
Tax provisions	14	47.4	90.8
Deferred tax liabilities	03	13.6	51.5
Financial liabilities	15	363.8	158.7
Other liabilities	16	763.0	855.6
<b>Noncurrent liabilities</b>		<b>1,867.4</b>	<b>1,702.9</b>
Other provisions	14	51.8	24.6
Tax provisions	14	89.0	57.8
Tax liabilities	16	15.7	14.1
Financial liabilities	15	75.9	113.7
Trade payables	16	217.9	296.7
Other liabilities	16	281.8	332.5
<b>Current liabilities</b>		<b>732.1</b>	<b>839.4</b>
<b>Liabilities</b>		<b>2,599.5</b>	<b>2,542.3</b>
		<b>4,541.9</b>	<b>4,625.1</b>

# Statement of Cash Flows

For the Period January 1 to December 31

## Statement of Cash Flows

€ million	Notes	2009	2008
Net result for the year		-74.5	438.3
Write-downs and impairments/write-ups of noncurrent assets		579.9	407.3
Changes in provisions		158.4	59.6
Changes in deferred taxes		-23.7	3.2
Other non-cash expenses and income		-17.7	8.8
Result from disposal of noncurrent assets		1.7	-13.0
Result from equity accounting and joint venture dividends		87.6	36.2
Changes in inventories		55.9	-71.5
Changes in trade receivables		1.4	25.7
Changes in other assets		45.1	-108.7
Changes in liabilities		-83.5	21.8
Change in advance payments made and received		36.9	197.7
<b>Cash flow from operating activities (gross cash flow)</b>	21	<b>767.5</b>	<b>1,005.4</b>
Investment in intangible assets, property, plant, and equipment, and investment property		-770.5	-747.1
Investment in financial assets		-32.7	-30.8
Payments for loans at associates accounted for using the equity method		-	-60.3
Proceeds from the disposal of intangible assets, property, plant, and equipment		2.7	22.3
Proceeds from the disposal of associates/financial assets		0.1	3.4
Investments in acquisitions		-	-171.2
<b>Cash flow from noncurrent investment activities</b>		<b>-800.4</b>	<b>-983.7</b>
Acquisition of current securities		-	-101.1
Disposal of current securities		101.1	-
<b>Cash flow from investment activities</b>	21	<b>-699.3</b>	<b>-1,084.8</b>
Dividends paid		-89.4	-149.1
Capital contributions from non-controlling interests		11.3	2.4
Dividends paid to non-controlling interests		-0.7	-0.3
Bank loans raised		232.1	73.6
Bank loans repaid		-16.4	-20.0
Other financial liabilities incurred		0.8	21.9
Other financial liabilities repaid		-45.2	-16.2
<b>Cash flow from financing activities</b>	21	<b>92.5</b>	<b>-87.7</b>
Changes due to exchange rate fluctuations		-1.3	4.8
<b>Changes in cash and cash equivalents</b>	11	<b>159.4</b>	<b>-162.3</b>
At the beginning of the year		204.2	366.5
At the end of the year		363.6	204.2
<b>Additional information:</b>			
Cash flow from operating activities (gross cash flow)		767.5	1,005.4
Cash flow from noncurrent investment activities		-800.4	-983.7
<b>Net cash flow</b>		<b>-32.9</b>	<b>21.7</b>

# Statement of Changes in Equity

For the Period January 1 to December 31

## Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Treasury shares	Retained earnings	Other equity items	Total	Non-controlling interests	Total
<b>Jan. 1, 2008</b>	260.8	157.4	-45.1	1,541.3	-64.1	1,850.3	15.3	<b>1,865.6</b>
Net income for the year	-	-	-	439.4	-	439.4	-1.1	<b>438.3</b>
Dividends paid	-	-	-	-149.1	-	-149.1	-0.3	<b>-149.4</b>
Capital contributions	-	-	-	-	-	-	2.4	<b>2.4</b>
Income and expenses recognized in equity	-	-	-	-	7.5	7.5	-0.1	<b>7.4</b>
Scope of consolidation/Other	-	-	-	-79.7	-	-79.7	-1.8	<b>-81.5</b>
<b>Dec. 31, 2008</b>	260.8	157.4	-45.1	1,751.9	-56.6	2,068.4	14.4	<b>2,082.8</b>
<b>Jan. 1, 2009</b>	260.8	157.4	-45.1	1,751.9	-56.6	2,068.4	14.4	<b>2,082.8</b>
Net result for the year	-	-	-	-70.8	-	-70.8	-3.7	<b>-74.5</b>
Dividends paid	-	-	-	-89.4	-	-89.4	-0.7	<b>-90.1</b>
Capital contributions	-	-	-	-	-	-	11.3	<b>11.3</b>
Income and expenses recognized in equity	-	-	-	-	17.3	17.3	-0.7	<b>16.6</b>
Scope of consolidation/Other	-	-	-	-	-	-	-3.7	<b>-3.7</b>
<b>Dec. 31, 2009</b>	260.8	157.4	-45.1	1,591.7	-39.3	1,925.5	16.9	<b>1,942.4</b>

# Reconciliation of Other Equity Items

For the Period January 1 to December 31

## Reconciliation of Other Equity Items

€ million	Changes in market value of the securities available for sale	Foreign currency translation adjustments	Cash flow hedge	Total (excluding non-controlling interests)
<b>Jan. 1, 2008</b>	–	–93.7	29.6	–64.1
Additions	0.4	–	–17.2	–16.8
Disposals	–	–	–1.7	–1.7
Reclassification in the statement of income	–	–	–23.6	–23.6
Changes in exchange rates	–	49.6	–	49.6
<b>Dec. 31, 2008</b>	0.4	–44.1	–12.9	–56.6
<b>Jan. 1, 2009</b>	0.4	–44.1	–12.9	–56.6
Additions	0.2	–	11.1	11.3
Disposals	–	–	–2.2	–2.2
Reclassification in the statement of income	–	–	15.0	15.0
Changes in exchange rates	–	–6.8	–	–6.8
<b>Dec. 31, 2009</b>	0.6	–50.9	11.0	–39.3

# Segment Information by Division

For the Period January 1 to December 31

2009

€ million	Siltronic	Silicones	Polymers	Polysilicon	Fine Chemicals	Other	Consoli- dation	Group
External sales .....	632.6	1,219.2	732.7	968.1	100.5	66.2	-	3,719.3
Internal sales .....	4.9	19.6	11.1	153.1	4.4	114.6	-307.7	-
<b>Total sales</b> .....	<b>637.5</b>	<b>1,238.8</b>	<b>743.8</b>	<b>1,121.2</b>	<b>104.9</b>	<b>180.8</b>	<b>-307.7</b>	<b>3,719.3</b>
<b>EBIT</b> .....	<b>-414.7</b>	<b>33.5</b>	<b>77.8</b>	<b>414.1</b>	<b>4.7</b>	<b>-89.9</b>	<b>1.3</b>	<b>26.8</b>
Write-downs and impairments/write-ups .....	252.3	124.4	39.4	106.7	5.2	51.9	-	579.9
<b>EBITDA</b> .....	<b>-162.4</b>	<b>157.9</b>	<b>117.2</b>	<b>520.8</b>	<b>9.9</b>	<b>-38.0</b>	<b>1.3</b>	<b>606.7</b>
EBIT includes income from investments in joint ventures and associates .....	-36.7	-17.8	-	-74.8	-	1.9	-	-127.4
Impairment losses .....	-139.2	-36.8	-4.3	-0.1	-0.2	-1.5	-	-182.1
Additions to property, plant, and equipment <sup>1</sup> .....	73.0	70.1	40.0	400.1	12.7	111.5	-	707.4
Additions to financial assets <sup>2</sup> .....	-	32.1	-	-	-	0.6	-	32.7
<b>Asset additions</b> .....	<b>73.0</b>	<b>102.2</b>	<b>40.0</b>	<b>400.1</b>	<b>12.7</b>	<b>112.1</b>	<b>-</b>	<b>740.1</b>
Assets (Dec. 31) .....	1,114.1	907.8	400.7	1,290.0	86.4	1,023.7	-280.8	4,541.9
Liabilities (Dec. 31) .....	269.8	397.4	125.9	1,140.9	29.4	893.9	-257.8	2,599.5
<b>Net assets (Dec. 31)</b> .....	<b>844.3</b>	<b>510.4</b>	<b>274.8</b>	<b>149.1</b>	<b>57.0</b>	<b>129.8</b>	<b>-23.0</b>	<b>1,942.4</b>
Investments in joint ventures and associates included in net assets (Dec. 31) .....	83.6	56.6	-	-	-	-	-	140.2
Research and development expenses .....	-62.9	-26.9	-14.2	-11.3	-4.4	-44.3	-	-164.0
Employees (Dec. 31) .....	5,096	3,873	1,362	1,600	344	3,343	-	15,618
Employees (average) .....	5,238	3,869	1,454	1,484	302	3,372	-	15,719

<sup>1</sup> Intangible assets, property, plant, and equipment, investment property

<sup>2</sup> Investments in joint ventures and associates, financial assets

The segment information by division is an integral part of the Notes to the Consolidated Financial Statements. For explanations of the key indicators, see Note 22.



2008									
€ million	Siltronic	Silicones	Polymers	Polysilicon	Fine Chemicals	Other	Consolidation	Group	
External sales	1,356.2	1,363.5	860.4	567.0	92.0	59.0	-		4,298.1
Internal sales	4.6	45.1	7.5	261.1	5.7	206.4	-530.4		-
<b>Total sales</b>	<b>1,360.8</b>	<b>1,408.6</b>	<b>867.9</b>	<b>828.1</b>	<b>97.7</b>	<b>265.4</b>	<b>-530.4</b>		<b>4,298.1</b>
<b>EBIT</b>	<b>193.8</b>	<b>86.3</b>	<b>64.9</b>	<b>349.8</b>	<b>6.0</b>	<b>-51.7</b>	<b>-1.2</b>		<b>647.9</b>
Write-downs and impairments/write-ups	163.5	81.6	44.0	72.2	3.2	42.8	-		407.3
<b>EBITDA</b>	<b>357.3</b>	<b>167.9</b>	<b>108.9</b>	<b>422.0</b>	<b>9.2</b>	<b>-8.9</b>	<b>-1.2</b>		<b>1,055.2</b>
EBIT includes income from investments in joint ventures and associates	-22.4	-11.0	-	1.3	-	-1.6	-		-33.7
Impairment losses	-22.2	-	-8.0	-	-	-	-		-30.2
Additions to property, plant, and equipment <sup>1</sup>	139.2	80.8	74.4	410.3	16.5	105.2	-		826.4
Additions to financial assets <sup>2</sup>	60.4	26.2	-	-	-	3.3	-		89.9
<b>Asset additions</b>	<b>199.6</b>	<b>107.0</b>	<b>74.4</b>	<b>410.3</b>	<b>16.5</b>	<b>108.5</b>	<b>-</b>		<b>916.3</b>
Assets (Dec. 31)	1,371.4	1,007.4	456.0	1,126.4	66.3	873.3	-275.7		4,625.1
Liabilities (Dec. 31)	394.7	413.6	151.6	1,175.9	22.5	637.4	-253.4		2,542.3
<b>Net assets (Dec. 31)</b>	<b>976.7</b>	<b>593.8</b>	<b>304.4</b>	<b>-49.5</b>	<b>43.8</b>	<b>235.9</b>	<b>-22.3</b>		<b>2,082.8</b>
Investments in joint ventures and associates included in net assets (Dec. 31)	114.2	43.6	-	34.0	-	-	-		191.8
Research and development expenses	-67.7	-31.5	-15.0	-5.4	-2.3	-41.3	-		-163.2
Employees (Dec. 31)	5,469	3,927	1,579	1,289	259	3,399	-		15,922
Employees (average)	5,566	3,923	1,561	1,156	255	3,337	-		15,798

<sup>1</sup> Intangible assets, property, plant, and equipment, investment property

<sup>2</sup> Investments in joint ventures and associates, financial assets

The segment information by division is an integral part of the Notes to the Consolidated Financial Statements. For explanations of the key indicators, see Note 22.

# Segment Information by Region

For the Period January 1 to December 31

2009

€ million	Germany	Rest of Europe	Americas	Asia	Other regions	Consolidation	Group
External sales by customer headquarters	774.6	944.1	636.3	1,252.9	111.4	-	3,719.3
External sales by Group company headquarters	3,272.0	23.5	599.2	491.4	3.5	-670.3	3,719.3
Additions to property, plant, and equipment <sup>1</sup>	606.1	0.1	36.8	62.8	1.6	-	707.4
Additions to financial assets <sup>2</sup>	32.7	-	-	-	-	-	32.7
<b>Asset additions</b>	<b>638.8</b>	<b>0.1</b>	<b>36.8</b>	<b>62.8</b>	<b>1.6</b>	<b>-</b>	<b>740.1</b>
Assets (Dec. 31)	4,381.5	741.9	386.5	454.8	5.0	-1,427.8	4,541.9
Liabilities (Dec. 31)	2,558.3	70.8	135.3	341.5	3.1	-509.5	2,599.5
<b>Net assets (Dec. 31)</b>	<b>1,823.2</b>	<b>671.1</b>	<b>251.2</b>	<b>113.3</b>	<b>1.9</b>	<b>-918.3</b>	<b>1,942.4</b>
Noncurrent assets <sup>3</sup>	2,632.9	214.1	141.8	220.8	3.7	-106.5	3,106.8
Research and development expenses	-146.8	-	-13.1	-9.8	-	5.7	-164.0
Employees (Dec. 31)	11,925	172	1,635	1,849	37	-	15,618

2008

€ million	Germany	Rest of Europe	Americas	Asia	Other regions	Consolidation	Group
External sales by customer headquarters	948.6	1,008.2	852.9	1,362.8	125.6	-	4,298.1
External sales by Group company headquarters	3,746.8	29.4	736.4	546.3	2.2	-763.0	4,298.1
Additions to property, plant, and equipment <sup>1</sup>	736.5	0.8	23.0	65.7	0.4	-	826.4
Additions to financial assets <sup>2</sup>	29.5	60.3	-	0.1	-	-	89.9
<b>Asset additions</b>	<b>766.0</b>	<b>61.1</b>	<b>23.0</b>	<b>65.8</b>	<b>0.4</b>	<b>-</b>	<b>916.3</b>
Assets (Dec. 31)	4,370.8	743.1	451.1	609.1	1.2	-1,550.2	4,625.1
Liabilities (Dec. 31)	2,544.2	71.1	164.1	366.7	0.9	-604.7	2,542.3
<b>Net assets (Dec. 31)</b>	<b>1,826.6</b>	<b>672.0</b>	<b>287.0</b>	<b>242.4</b>	<b>0.3</b>	<b>-945.5</b>	<b>2,082.8</b>
Noncurrent assets <sup>3</sup>	2,528.1	217.0	157.6	273.1	0.5	-66.6	3,109.7
Research and development expenses	-142.8	-	-14.1	-10.6	-	4.3	-163.2
Employees (Dec. 31)	12,110	185	1,780	1,834	13	-	15,922

<sup>1</sup> Intangible assets, property, plant, and equipment, investment property

<sup>2</sup> Investments in joint ventures and associates, financial assets

<sup>3</sup> Noncurrent assets as per IFRS 8

The segment information by region is an integral part of the Notes to the Consolidated Financial Statements. For explanations of the key indicators, see Note 22.

# Notes

## Accounting Principles and Methods

The WACKER Group (WACKER) is a globally active chemical group with divisions operating in the following fields: silicone and polymer chemistry, specialty and fine chemistry, polysilicon production and semiconductor technologies.

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

Wacker Chemie AG is registered at the Munich Local Court (Amtsgericht) under HRB 159705. The consolidated financial statements, the Group management report, and any other documents subject to disclosure requirements are submitted to the publisher of the online German Federal Bulletin. The consolidated financial statements and the Group management report can also be viewed on the WACKER website at [www.wacker.com](http://www.wacker.com).

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

Wacker Chemie AG's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), and the supplementary rules in Section 315a (1) of the German Commercial Code (HGB). All of the IFRS published by the International Accounting Standards Board (IASB) and valid for the fiscal year in question were adopted by the European Commission for application in the EU. The consolidated financial statements are, therefore, in compliance with the IFRS. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which are applicable for the current fiscal year are likewise applied.

The fiscal year corresponds to the calendar year. Assets and debts are reported in the statement of financial position in line with their maturities. The statement of income is classified using the cost of sales format. To improve the clarity of presentation, various items in the statement of income and the statement of financial position have been combined. These items are shown and explained separately in the Notes.

The Group's functional currency is the euro. All amounts are shown in millions of euro (€ million) unless otherwise stated.

The Executive Board of Wacker Chemie AG authorized the consolidated financial statements for submission to the Supervisory Board's Audit Committee on February 26, 2010. They will be submitted to the Supervisory Board for its meeting on March 17, 2010.

## Standards/Interpretations Not Applied Prematurely

The International Accounting Standards Board (IASB) has published the following standards, interpretations, and changes to existing standards of which the application is not yet mandatory and which Wacker Chemie AG is not applying earlier than required. In cases where there is no official translation of new standards or interpretations, we shall use the English title of the relevant new official statement.

### Standards/Interpretations and Changes to Existing Standards Already Endorsed by the EU

#### IFRS 1: "First-Time Adoption of the International Financial Reporting Standards"

The IASB amended IFRS 1 in November of 2008. The first mandatory application of this amended standard is for fiscal years beginning on or after July 1, 2009. The amended standard was endorsed by the EU on November 25, 2009. Its application will have no impact on Wacker Chemie AG's consolidated financial statements.

#### IFRS 3: "Business Combinations"

The IASB amended IFRS 3 in January 2008 as a consequence of the "Business Combinations – Phase II" project. The first mandatory application of this amended standard is for fiscal years beginning on or after July 1, 2009. The change was endorsed by the EU on June 3, 2009. In the event of future company acquisitions, the application of this standard might produce results different from those that would have been obtained under the previous rules. This would apply particularly where not all the shares in a company are acquired.

#### IAS 27: "Consolidated and Separate Financial Statements"

The IASB amended IAS 27 in January 2008. The first mandatory application of this amended standard is for fiscal years beginning on or after July 1, 2009. It was endorsed by the EU on June 3, 2009. The revised standard regulates the statement of financial position reporting of transactions with non-controlling interests if there is no change in control. The revised standard will have to be observed in the course of future company acquisitions and will, therefore, have an impact on Wacker Chemie AG's consolidated financial statements. Particular constellations have not yet been covered by IAS 27, especially with regard to gradual company acquisitions. The extent to which these alterations will make us change our accounting methods cannot yet be assessed due to a lack of relevant data.

#### IAS 32: "Classification of Rights Issues"

In October 2009, the IASB amended IAS 32 with the classification of rights issues. The alterations concern particular subscription rights, options, and warrants in foreign currencies on the part of the issuer to whose equity instruments these rights are related; the rights must henceforth be shown in the statement of financial position as equity rather than liabilities. The revised standard must be applied for the first time for fiscal years which begin on or after February 1, 2010. It was endorsed by the EU on December 23, 2009. We are assuming that it will have no impact on Wacker Chemie AG's consolidated financial statements.

#### IAS 39: "Financial Instruments: Eligible Hedged Items – Recognition and Measurement"

In July 2008, the IASB adopted changes to IAS 39 which must be applied for the first time in the fiscal year that begins on or after July 1, 2009. It was endorsed by the EU on September 15, 2009. The revised standard contains additions to the application guidelines in respect of particular aspects of hedge accounting. At the moment, we are not assuming that its application will have any impact on Wacker Chemie AG's consolidated financial statements.

**IFRIC 17: "Distribution of Non-Cash Assets to Owners"**

The interpretation must be used for the first time in the fiscal year beginning on or after July 1, 2009. It was endorsed by the EU on November 26, 2009. We are assuming that the application will have no material impact on Wacker Chemie AG's consolidated financial statements.

**IFRIC 18: "Transfer of Assets from Customers"**

The interpretation must be used for the first time in the fiscal year beginning on or after July 1, 2009. It was endorsed by the EU on November 27, 2009. We are assuming that its application will have no material impact on Wacker Chemie AG's consolidated financial statements.

**Standards, Interpretations, and Changes to Existing Standards Not Yet Endorsed by the EU****IFRS 1: "First-Time Adoption of the International Financial Reporting Standards"**

In July 2009, the IASB carried out amendments to IFRS 1 which affect the retrospective application of IFRS in special situations and are designed to ensure that companies do not incur unreasonably high costs when they switch to IFRS. These have not yet been endorsed by the EU. The amendments to this standard will have no impact on Wacker Chemie AG's consolidated financial statements.

**IFRS 2: "Share-Based Payment: Group Cash-Settled Share-Based Payment Transactions"**

In June 2009, the IASB carried out amendments to IFRS 2 which clarify the share-based payment with cash settlement in the Group. The amended standard must be used for the first time in the fiscal year beginning on or after January 1, 2010. The changes have not yet been endorsed by the EU. We are assuming that due to its lack of relevance for the Group, its application will have no impact on Wacker Chemie AG's consolidated financial statements.

**IFRS 9: "Financial Instruments"**

In November 2009, the IASB published the standard IFRS 9 for the categorization and valuation of financial assets. IFRS 9 embodies a new and less complex approach to regulating the categorization and valuation of financial assets. The first-time application of IFRS 9 is mandatory as from January 1, 2013. These have not yet been endorsed by the EU. As a result of the amendments to IFRS 9, financial assets will have to be allocated to new categories. We are assuming that there will be no significant new valuations of financial assets which will have to be carried out at fair value.

#### IAS 24: "Related Party Disclosures"

In November 2009, the IASB carried out amendments to IAS 24 which will simplify the disclosure obligations for companies in relationships with governments. The amendments to IAS 24 also clarify the definition of a related company and a related person. The revised standard will take effect for reporting periods which begin on or after January 1, 2011. It has not yet been endorsed by the EU. We are assuming that it will have no impact on Wacker Chemie AG's consolidated financial statements.

#### "Improvements in IFRS: 2007 – 2009 Annual Improvements"

In April 2009, the IASB made a number of amendments to twelve standards which were summarized in a single publication. These encompass amendments affecting the estimation, valuation, and reposting of business transactions, as well as terminological or editorial adjustments. The changes must be applied for the first time in the fiscal year which begins on or after January 1, 2010. The changes have not yet been endorsed by the EU. We are assuming that their application will have little or no impact on Wacker Chemie AG's consolidated financial statements.

#### IFRIC 14: "The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and Their Interaction"

The interpretation was published by the IFRIC on September 11, 2009. The revised interpretation must be applied for the first time in the fiscal year beginning on or after January 1, 2011. The revision has not yet been endorsed by the EU. We are assuming that its application will have no impact on Wacker Chemie AG's consolidated financial statements.

#### IFRIC 19: "Extinguishing Financial Liabilities with Equity Instruments"

The interpretation was published by the IFRIC on November 26, 2009 and gives instructions on the partial or full repayment of a financial liability by issuing shares or other equity instruments. IFRIC 19 must be applied for fiscal years beginning on or after July 1, 2010. The interpretation has not yet been endorsed by the EU. Its application will have no impact on Wacker Chemie AG's consolidated financial statements.

### Scope of Consolidation

The consolidated financial statements include the financial statements of Wacker Chemie AG and its subsidiaries. Subsidiaries are defined as companies in which Wacker Chemie AG directly or indirectly holds a voting majority or exercises control. Joint ventures and associated companies are defined as companies in which Wacker Chemie AG exercises significant influence. This normally means that it holds 20–50% of the voting rights. These companies are included in the consolidated financial statements using the equity method. If joint ventures and associated companies have their own subsidiaries, these are not included in the table below. Companies in which Wacker Chemie AG has a shareholding of less than 20% are shown as other investments under noncurrent financial assets.

€ million	Germany	Rest of Europe	Americas	Asia	Other regions	Total
<b>Fully consolidated subsidiaries</b> (including proprietary company)						
Jan. 1, 2009	16	13	6	21	1	57
Additions	2	–	1	–	–	3
Disposals and mergers	–3	–1	–2	–	–	–6
Reclassifications	–	–	–	–1	1	0
<b>Dec. 31, 2009</b>	<b>15</b>	<b>12</b>	<b>5</b>	<b>20</b>	<b>2</b>	<b>54</b>
<b>Companies consolidated using the equity method</b>						
Jan. 1, 2009	2	–	1	4	–	7
Disposals and mergers	–1	–	–	–	–	–1
<b>Dec. 31, 2009</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>4</b>	<b>–</b>	<b>6</b>
<b>Non-consolidated affiliated companies<sup>1</sup></b>						
Jan. 1, 2009	1	–	–	–	–	1
<b>Dec. 31, 2009</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>
<b>Total</b>						
Jan. 1, 2009	19	13	7	25	1	65
Additions	2	–	1	–	–	3
Disposals and mergers	–4	–1	–2	–	–	–7
Reclassifications	–	–	–	–1	1	0
<b>Dec. 31, 2009</b>	<b>17</b>	<b>12</b>	<b>6</b>	<b>24</b>	<b>2</b>	<b>61</b>

<sup>1</sup> Not consolidated on grounds of insignificance (W.E.L.T. Reisebüro GmbH; shareholding: 51%; sales in the 2008 fiscal year below €1 million; total assets below €0.5 million)

#### Changes in the Scope of Consolidation

##### Additions

Wacker Polysilicon GmbH & Co. KG, Nünchritz, Germany (founded in 2009) .....	100%
Wacker Polysilicon Geschäftsführungs GmbH, Nünchritz, Germany (founded in 2009) .....	100%
Wacker Polysilicon North America LLC, Tennessee, USA (founded in 2009) .....	100%

##### Disposals/mergers of fully consolidated subsidiaries

Wacker Polymer Systems L.P., Pennsylvania, USA .....	100%
(merged with Wacker Chemical Corp. as of April 1, 2009)	
WPS General Partners Inc., Pennsylvania, USA .....	100%
(merged with Wacker Chemical Corp. as of April 1, 2009)	
Wacker Polymer Systems GmbH & Co. KG, Burghausen, Germany .....	100%
(merged with Wacker Chemie AG as of July 1, 2009)	
Wacker Polymer Systems Geschäftsführungs GmbH, Burghausen, Germany .....	100%
(merged with Wacker Chemie AG as of July 1, 2009)	
Wacker Chemie (Schweiz) AG, Basel, Switzerland (liquidated as of August 24, 2009) .....	100%
WACKER SCHOTT Solar Vertriebs GmbH, Jena, Germany (sold as of October 27, 2009) .....	51%

##### Disposals/mergers at companies consolidated using the equity method

WACKER SCHOTT Solar GmbH, Jena, Germany (sold as of October 27, 2009) .....	50%
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The changes in the scope of consolidation had no material impact on the Group's net assets, financial position, or results of operations.

#### Consolidation Methods

The consolidated financial statements are based on the financial statements of Wacker Chemie AG and its consolidated subsidiaries. With one exception, all of the companies have their statement of financial position date on December 31. The company with the divergent reporting date is preparing interim financial statements as of December 31 for the purpose of inclusion in the consolidated financial statements.

All of the individual financial statements were audited by independent auditors for the purpose of inclusion in the consolidated financial statements.

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



Investments accounted for using the equity method are initially measured at cost when the acquisition is made. If the cost exceeds the pro rata share of equity, the difference (goodwill) is included in the carrying amount of the investment. The carrying amount has to be tested for possible impairment losses as of the statement of financial position date. If the cost is lower than the share of equity at the time of acquisition, this difference is included in the carrying amount and recorded in the statement of income as income from investments in joint ventures and associates. The cost is increased or reduced annually by the changes in equity corresponding to the proportion of the capital held by WACKER.

All of the sundry investments are reported as available-for-sale financial instruments.

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

#### Foreign Currency Translation

In the Group companies' individual financial statements, all of the receivables and liabilities in foreign currencies are translated at the rate prevailing on the statement of financial position date, regardless of whether or not they have been hedged. Forward contracts which, from an economic point of view, are used for hedging are reported at fair value.

The financial statements of consolidated companies which are prepared in the local currencies are translated on the basis of the functional currency principle using the modified reporting date rate method. As the Group's subsidiaries conduct their business along autonomous lines financially, commercially, and organizationally, the functional currency is basically identical to the company's local currency. In the consolidated financial statements, expenses and income from the financial statements of subsidiaries prepared in a foreign currency are, therefore, basically translated at the average rate for the year, whereas assets and liabilities are translated at the closing date rate. Any currency differences arising from the translation of equity are recognized in the other equity items. Translation differences resulting from divergent exchange rates in the statement of income are likewise included. If any Group companies are removed from the scope of consolidation, any translation difference is reclassified from equity to profit or loss.

The exchange rates of the most important currencies reported in these financial statements have fluctuated against the euro as follows:

	ISO Code	Rate on reporting date		Average rate	
		Dec. 31, 2009	Dec. 31, 2008	2009	2008
US dollar .....	USD	1.44	1.41	1.39	1.47
Japanese yen .....	JPY	132.98	127.23	130.14	152.17
Singapore dollar .....	SGD	2.02	2.02	2.02	2.08
Chinese renminbi .....	CNY	9.84	9.61	9.52	10.22

### Accounting Principles

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

The preparation of the consolidated financial statements in compliance with IFRS necessitates assumptions and estimates affecting the amounts and the reporting of the recognized assets and debts, income and expenses, and contingencies. The assumptions on which the estimates are based relate primarily to the uniform determination of useful lives throughout the Group, the ascertainment of fair values of financial instruments, the recognition and measurement of provisions, the probability of future tax relief being realized, and the assumptions in connection with impairment tests.

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

Significant risks inherent in the environmental protection provisions that may affect the levels of assets and liabilities reported in the statement of financial position are possible changes in the cost estimates, changes in the likelihood of their utilization, and enhanced statutory provisions concerning the elimination and prevention of environmental damage. In principle, there is also the risk of future cash inflows from property, plant, and equipment not being high enough to justify the carrying amounts stated. In this case, there would be impairments. [See Note 14](#)

Except for the circumstances described in the explanatory notes under changes in valuation methods, the accounting methods correspond to those used for the last consolidated financial statements as of the end of the previous fiscal year. There may be limits to comparability in the case of significant acquisitions of fully consolidated companies. This topic is dealt with in the explanation of the scope of consolidation. Insofar as amounts from the previous year are adjusted, these are explained in the relevant Notes.

**Sales** encompass the counterperformance or claim received for the fair values for the sale of goods and services within the scope of ordinary activities. These are reported without VAT and other taxes incurred in connection with sales and without discounts and price reductions. The sales are deemed to be recognized when the deliveries and services owed have been rendered and the ownership and risks have passed to the purchaser. Information on the development of sales by division and region is provided in the section on segment reporting.

**Cost of goods sold** show the costs of the products, merchandise, and services sold. In addition to directly attributable costs, such as material costs, personnel expenses, and energy costs, they encompass overheads including depreciation and inventory write-downs. This item also includes the cost of outward freight.

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

**Research and development expenses** include costs incurred in the development of products and processes. Research costs in the narrower sense are recognized as expenses when they are incurred. They are not capitalized. Development costs are capitalized only when all the prescribed recognition criteria have been met cumulatively, the research phase can be separated clearly from the development phase, and the costs incurred can be allocated to the individual projects without any overlaps. Due to the many interdependencies within the development projects and the uncertainty about which products will ultimately become marketable, not all of the capitalization criteria in IAS 38 are currently satisfied.

**General administrative expenses** include the pro rata personnel and material expenses incurred by the Group's central management and in the personnel, accounting, and information technology areas, insofar as they have not been offset as an internal service against other cost centers and, therefore, possibly against other functional areas.

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

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

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

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

**Property, plant, and equipment** is capitalized at cost and depreciated regularly using the straight-line method over its expected economic useful life. In addition to the purchase price, acquisition costs include incidental acquisition costs as well as any costs incurred in the demolition, dismantling, and/or removal of the asset in question from its site and in the restoration of that site. Any reductions in the price of acquisition reduce the acquisition costs. There was no revaluation of property, plant, and equipment on the basis of the provisions in IAS 16.

**Grants from third parties** reduce acquisition and production costs. Unless otherwise indicated, these grants (investment subsidies) are provided by government bodies. **Income grants** that are not offset by future expenses are recognized as income.

**Financing costs** which were incurred in connection with particular qualified assets and can be attributed directly to them are recognized as part of acquisition or production cost until the assets are used for the first time. In addition, financing costs are not reported as part of acquisition or production cost.

The production cost of **self-constructed assets** includes all the costs directly attributable to the production process, as well as appropriate parts of the production-related overheads.

If **property, plant, and equipment** are shut down, sold, or abandoned, the gain or loss from the difference between the sale proceeds and the residual carrying amount is recognized under other operating income or expenses.

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

The **scheduled depreciation of property, plant, and equipment** is generally carried out in accordance with the following useful lives:

in years	Useful life
Production buildings .....	20 to 40
Other buildings .....	10 to 30
Plant and machinery .....	6 to 12
Motor vehicles .....	4 to 6
Factory and office equipment .....	6 to 10

If the carrying amounts of intangible assets or items of property, plant, and equipment that were amortized or depreciated regularly are higher than their recoverable amounts as of the reporting date, corresponding **impairment losses** are recognized as an expense.

The impairment is tested when relevant events or changes in circumstances indicate that it might no longer be possible to realize the net carrying amount. An impairment loss is then reported in the amount of the net carrying amount that exceeds the recoverable amount. The recoverable amount is the higher amount of the fair value of the asset less selling expenses, and the value in use. This value in use results from the present value of the estimated future cash flows from the use of the asset. In determining this value, risk-adjusted pre-tax interest rates are used in a segment-specific manner. For the Group as a whole, an average rate of 12% (previous year: 10%) was applied. In order to determine the cash flow, assets are, if required, combined at the lowest level for which cash flows can be identified separately (cash-generating units). If the impairment loss no longer exists or has decreased, impairment losses are fully or partially reversed. Impairments are reported under other operating expenses, reversal of impairment losses under other operating income.

The estimate of the discounted future cash flows contains significant assumptions such as, in particular, those regarding future selling prices and sales volumes, costs, and discount rates. Although WACKER is assuming that the estimates of the relevant expected useful lives and of discounted future cash flows, as well as the assumptions regarding the general economic conditions and the development of the economic sectors are reasonable, a change in the assumptions or circumstances might necessitate a change in the analysis. This could result in additional impairments or appreciations in

value in the future. It is not being assumed that this will lead to any significant changes in the carrying amounts of the fixed assets.

**Investment property** is measured in accordance with the acquisition cost model.

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

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

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

**Financial assets** at WACKER encompass, in particular, cash and cash equivalents, trade receivables and loans and receivables issued, held-to-maturity financial investments, and original and derivative financial assets held for trading. WACKER makes no use of its optional right to value financial assets at fair value through profit and loss when being reported for the first time.

**Financial liabilities** regularly substantiate claims for repayment in cash or another financial asset. This includes, in particular, bonds and other securitized liabilities, trade payables, amounts owed to banks, finance lease payables, promissory note bonds (Schuldscheine), and derivative financial liabilities. In the case of purchase or sale on usual market terms (purchase or sale within the framework of a contract

of which the terms require delivery within the timeframe generally established by regulations or conventions prevailing on the market in question), the settlement date is relevant to the initial recognition or derecognition. This is the date on which the asset is delivered to or by WACKER. In general, financial assets and financial liabilities are not netted out. A net amount is presented in the statement of financial position when, and only when, the entity currently has a right to set off the recognized amounts and intends to settle on a net basis. Where financial instruments are combined, borrowed capital and equity components are separated and shown separately by the issuer.

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

The manner in which financial assets and liabilities are subsequently valued depends on whether a financial instrument is held for trading purposes or until it matures, whether it is available for sale or whether it concerns loans and receivables granted by the company. Financial instruments held for trading are measured at fair value through profit and loss. If it is both intended and economically to be expected with sufficient certainty that a financial instrument will be held to maturity, the instrument in question is valued at amortized cost using the effective interest method. The other original financial assets, if they are not loans and receivables, must be classified as available for sale and are reported at fair value if this can be determined reliably. To do this, observable market prices are used. Unrealized gains and losses are recorded taking account of deferred taxes and are recognized in other equity items with no effect on income. If equity instruments have no price quoted on an active market and if their fair value cannot be determined reliably, they are measured at cost. If the fair values of available-for-sale financial assets fall below the acquisition costs and there are objective signs that an asset's value has been impaired, the cumulative loss recorded directly in equity is reversed and shown in the statement of income. The company bases its assessment of possible impairments on all available information, such as market conditions and prices, investment-specific factors, and the duration and extent of the drop in value below acquisition costs. Impairments affecting a debt instrument are reversed in subsequent periods, provided that the reasons for the impairment no longer apply. When the financial instruments are disposed of, the cumulative gains and losses recorded in equity are included in the statement of income.

**Derivative financial instruments** are used for hedging purposes with the sole aim of reducing the Group's exposure to exchange rate, interest rate, and raw material price risks arising from operating activities and the resultant financing requirements. Derivative financial instruments are recorded as of the trading date. Derivative financial instruments are always measured at fair value, irrespective of the purpose or intention for which they were concluded. Positive market values are recognized as a receivable and negative current values as a liability. Changes in the market values of financial instruments used to limit the risk of lower future cash inflows or higher cash outflows (cash flow hedges) are recognized under other equity items in consideration of any related tax effects when their efficiency is adequate and documented as such. Steps taken to hedge the risk of changes in the market values of recognized assets or liabilities lead to fair value hedges. Changes in fair values are recorded for both the hedged underlying transaction and the derivative financial instruments used for hedging, and these changes are presented in the statement of income under "Other financial result."

**Inventories** are measured at cost using the average cost method. Lower net disposal values or net realizable prices as of the statement of financial position date are taken into account by means of write-downs to their fair value less selling costs. Production costs include directly attributable costs, appropriate parts of the indirect materials and indirect labor costs, and straight-line depreciation. Due to the relatively short-term production processes, financing costs are not included as part of acquisition or production costs. The overhead cost markups are determined on the basis of average capacity utilization. Write-downs are recognized for inventory risks resulting from extended periods of storage and reduced usability and to reflect other reductions in the recoverable amount. In the statement of income, the cost of unused production capacity is also included in the production costs. For production-related reasons, work in process and finished goods are reported combined under products.

**Trade receivables and other assets including tax receivables**, with the exception of financial derivatives, are basically stated at amortized cost. Risks are taken into account through appropriate depreciation posted as valuation allowances. Allowances for uninsured receivables – or for the deductible in the case of insured receivables – are made whenever legal action is taken. If an incoming receivable is no longer expected, even though an appeal has been lodged, the gross receivable is derecognized and any valuation allowances made are reversed. Noncurrent receivables which are non-interest-bearing or low-interest-bearing are discounted. WACKER is not a contractor for long-term construction contracts.



**Receivables from finance lease agreements** where WACKER acts as the lessor are reported under other assets. In the process, the gross value of the outstanding lease payments, less the still unrealized borrowed amounts, is capitalized as a receivable. The lease installments received are apportioned into the respective interest amount and the repayment of the outstanding receivable in such a way that the interest amount reflects the constant interest-bearing of the still unsettled receivable. The interest amount is reported in the statement of income under other financial results.

**Cash and cash equivalents** encompass cash in hand, demand deposits, and financial assets that can be converted into cash at any time. They have a residual period of up to three months upon their addition and are measured at amortized cost, which is equivalent to their nominal value.

**Deferred tax assets and liabilities** are formed for temporary differences between tax bases and carrying amounts, and for consolidation measures recognized in the statement of income. The deferred tax assets include tax relief entitlements resulting from the anticipated use of existing loss carryforwards in future years, the realization of which is assured with sufficient probability. The deferred taxes are determined on the basis of the tax rates which, under current law, are applicable or anticipated as of the time of realization in the individual countries. The deferred tax assets and liabilities are netted out only to the extent possible under the same tax authority.

**Pension provisions** are set up in accordance with the projected unit credit method. This method takes account not only of pensions and entitlements to future pensions known as of the statement of financial position date, but also of estimated increases in salaries and pensions. The calculation is based on actuarial valuations, taking account of biometric calculation principles. Except for the effects from adjusted likely mortality rates, actuarial gains and losses are recognized as income or expenses only once they move outside a margin of 10% of the present value of the defined benefit obligation. If this happens, the excess amounts are distributed over the average future residual working lives of the employees. Actuarial gains and losses arising from the changed or adjusted mortality tables are posted immediately to the statement of income as a reduction or increase in the provision for pensions. The expense incurred in funding the pension provisions (service costs) is allocated to the costs of the functional areas concerned. The interest costs are reported under "Other financial result." If assets are funded externally (plan assets) to finance pension obligations, the fair values of these assets are set off against the present value of the obligations. The expected income from plan assets is likewise reported under "Other financial result."

In the statement of financial position, **provisions** are formed for current legal or constructive obligations if an outflow of resources to cover these obligations is probable and its amount can be estimated reliably. The assigned value of the provisions is based on the amounts that will be required to cover future payment obligations, identifiable risks, and Group contingencies. All cost components which are also capitalized under inventories are basically included in the measurement of other provisions. Non-current provisions are measured at the discounted present value as of the reporting date. Expected refunds, provided that they are sufficiently secure or legally enforceable, are not balanced against provisions.

**Emission certificates** allotted free of charge are measured at a nominal value of zero. Provisions are formed if the available portfolio of emission certificates does not cover the anticipated obligations. Proceeds from the sale of emission certificates allotted free of charge are included under other operating income.

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

**Trade payables and other liabilities (including tax liabilities)** are basically recognized at amortized cost using the effective interest method.

**Contingencies** are potential obligations based on past events of which the existence depends on uncertain future events which are beyond the Group's influence, and existing obligations which cannot be carried as liabilities as either an outflow of resources is unlikely or the amount of the obligation cannot be estimated with sufficient reliability. The values assigned to contingencies correspond to the degree of liability that exists on the statement of financial position date.

#### **Changes to the Valuation Methods**

In the past, the process for determining pension provisions took account of effects arising from changed assumptions in likely mortality rates and other valuation parameters using the corridor method. Only when a 10% corridor was exceeded were minimum partial amounts of these divergences recorded in the statement of income to smooth out fluctuations in pension expenses. WACKER estimates that with regard to likely mortality rates, a continuous increase in life expectancy can be expected in the future. For this reason, it does not make sense to smooth out the expenses for the period on the basis of changed or adjusted mortality tables. In order to supply more reliable and relevant information regarding its pension obligations, WACKER has decided that instead of recording losses from changes in life expectancy in the corridor with no impact on results, it will henceforth post these effects immediately to the statement of income as an increase in pension obligations. Deviations in the other

valuation parameters will continue to be included as actuarial losses or gains using the corridor method. A change in the method used following an adjustment in the mortality table in the 2009 fiscal year led to additional expenses of €47.9 million. The change of method had no material effects on the previous years and no adjustment was made to the previous years' values.

In addition, the layout of both the statement of comprehensive income and the development of other equity items with regard to the presentation of deferred taxes was adjusted for the year under review and the previous year.

**IFRS 1: "First-Time Adoption of the International Financial Reporting Standards" and IAS 27: "Consolidated and Separate Financial Statements: Acquisition Cost of Shares in Subsidiaries, Joint Ventures, or Associated Companies"**

In May 2008, the IASB adopted an amendment in both of the above standards which must be applied for the first time in the fiscal year which begins on or after January 1, 2009. The amendment was endorsed by the EU on January 23, 2009. Due to the lack of relevant circumstances in the Group, there will be no impact on the consolidated financial statements of Wacker Chemie AG.

**IFRS 2: "Share-Based Payment"**

In January 2008, the IASB made amendments to IFRS 2. The amendments to this standard concern the definition of exercise conditions and annulments of share-based payments. The first mandatory application of this amended standard is for fiscal years beginning on or after January 1, 2009. The amended standard was endorsed by the EU on December 16, 2008. Due to the lack of relevant circumstances in the Group, there will be no impact on the consolidated financial statements of Wacker Chemie AG.

**IFRS 7: "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments"**

In March 2009, the IASB made amendments to IFRS 7. The amendments provide for broader disclosures on the financial instruments measured at fair value and the qualitative and quantitative liquidity risks. The revised standard must be applied for the first time for fiscal years which begin on or after January 1, 2009. It was endorsed by the EU on November 27, 2009. Apart from the increase in disclosures required by the Notes, the amendments have no impact on Wacker Chemie AG's consolidated financial statements.

#### IFRS 8: "Operating Segments"

This new standard must be used for the first time in the fiscal year beginning on or after January 1, 2009. IFRS 8 replaces IAS 14 "Segment Reporting" which previously applied. The new standard demands a "management approach" in which the disclosures in segment reporting can be determined in accordance with internal accounting and valuation regulations. The standard was endorsed by the EU on November 21, 2007. Its first-time application had a relatively minor, insignificant impact on Wacker Chemie AG's consolidated financial statements.

#### IAS 23: "Borrowing Costs"

The first mandatory application of this amended standard is for fiscal years beginning on or after January 1, 2009. The amendment was endorsed by the EU on December 10, 2008. As a result of the revised standard, borrowing costs related to certain qualified assets are no longer expensed as incurred. Instead, they are capitalized as part of acquisition and production costs. The first-time application led to further asset additions and a reduction of €12.9 million in interest paid.

#### IAS 32: "Financial Instruments: Presentation" and IAS 1: "Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation"

The IASB adopted amendments to IAS 1 and IAS 32 in February 2008. The amendments concern the reporting of puttable financial instruments and must be applied for the first time for fiscal years beginning on or after January 1, 2009. The amendment was endorsed by the EU on January 21, 2009. Due to the absence of relevant circumstances in the Group, the changed standards will have no impact on Wacker Chemie AG's consolidated financial statements.

#### IAS 39: "Financial Instruments: Recognition and Measurement" and IFRS 7: "Financial Instruments: Disclosures"

In October 2008, the IASB adopted alterations to the two aforementioned standards which must be applied for fiscal years beginning on or after July 1, 2008. Then, in November 2008, there followed the publication of an additional alteration to these two standards which affects the application and transition guidelines. The amendment was endorsed by the EU on September 9, 2009. Due to the absence of relevant circumstances in the Group, the application of the revised standard had no impact on Wacker Chemie AG's consolidated financial statements.

#### "Improvements to IFRS"

In May 2008, the IASB adopted a series of amendments to existing standards which were all published together. Most of the changes must be applied for fiscal years beginning on or after January 1, 2009; some are for fiscal years beginning on or after July 1, 2009. The amendment was endorsed by the EU on January 23, 2009. The amendments' first-time application had no material impact on Wacker Chemie AG's consolidated financial statements.

**IFRIC 9: "Reassessment of Embedded Derivatives" and IAS 39  
"Financial Instruments: Recognition and Measurement – Embedded Derivatives"**

The IASB revised IFRIC 8 and IAS 39 in March 2009. The amendments were made to provisions concerning the classification of hybrid financial instruments. The amendments must be applied for fiscal years ending on or after June 30, 2009. It was endorsed by the EU on November 30, 2009. Due to the lack of relevant circumstances in the Group, there will be no impact on the consolidated financial statements of Wacker Chemie AG.

**IFRIC 12: "Service Concession Arrangements"**

The interpretation must be used for the first time in the fiscal year beginning on or after January 1, 2008. It was endorsed by the EU on March 25, 2009. Due to the lack of relevant circumstances in the Group, there will be no impact on the consolidated financial statements of Wacker Chemie AG.

**IFRIC 13: "Customer Loyalty Programs"**

The interpretation must be used for the first time in the fiscal year beginning on or after July 1, 2008. The amendment was endorsed by the EU on December 16, 2008. Due to the lack of relevant circumstances in the Group, there will be no impact on the consolidated financial statements of Wacker Chemie AG.

**IFRIC 15: "Agreements for the Construction of Real Estate"**

The interpretation must be used for the first time in the fiscal year beginning on or after January 1, 2009. It was endorsed by the EU on July 22, 2009. Due to the lack of relevant circumstances in the Group, there will be no impact on the consolidated financial statements of Wacker Chemie AG.

**IFRIC 16: "Hedges of a Net Investment in a Foreign Operation"**

The interpretation must be used for the first time in the fiscal year beginning on or after October 1, 2008. It was endorsed by the EU on June 4, 2009. Due to the lack of relevant circumstances in the Group, there will be no impact on the consolidated financial statements of Wacker Chemie AG.

### 01 Sales/Functional Costs/Other Operating Income/Other Operating Expenses

€ million	2009	2008
<b>Sales</b>		
Proceeds from deliveries of products and merchandise .....	3,634.3	4,212.7
Proceeds from other services .....	85.0	85.4
.....	3,719.3	4,298.1
<b>Cost of goods sold</b>		
Cost of goods sold includes the following impairments of inventories: .....	7.1	7.5
<b>Other operating income</b>		
Income from currency transactions .....	123.2	281.7
Income from reversal of provisions .....	11.3	12.6
Insurance compensation .....	6.3	4.2
Income from reversal of valuation allowances for receivables .....	3.2	1.0
Income from disposal of assets .....	0.3	15.5
Subsidies/grants .....	6.2	3.7
Income from badwill .....	-	14.3
Income from receipt of advance payments .....	29.3	-
Other operating income .....	28.0	11.6
.....	207.8	344.6
<b>Other operating expenses</b>		
Losses from currency transactions .....	-150.2	-258.2
Losses from valuation allowances for receivables .....	-2.4	-22.8
Losses from disposal of assets/impairment of property, plant, and equipment .....	-184.1	-33.7
Restructuring measures/project costs .....	-21.1	-1.1
Losses from canceled/provisional supply contracts .....	-18.3	-
Other operating expenses .....	-15.2	-5.2
.....	-391.3	-321.0

The other operating expenses include those expenses which are not attributable to functional costs.

As the sales and earnings position in the Siltronic division deteriorated significantly and structural measures were agreed upon, impairment tests were conducted for the fixed assets tied up in the division. In the process, the present value of the estimated future cash flows from the use of the assets was compared with the carrying amounts. The companies included within the Siltronic division were defined as the cash-generating units. An average interest rate of 12% before tax was used for discounting purposes. The total impairment was €139.2 million. €74.0 million of this sum was primarily accounted for by the cash-generating unit Siltronic AG, €38.8 million by Siltronic Japan Corp., and €26.2 million by Siltronic Corp. (USA).

In connection with substantial overcapacity in the pyrogenic silica (HDK®) area and an accompanying sharp drop in prices in China, an impairment test was carried out for the assets tied up in Chinese HDK® production. To do this, the present value of the estimated cash flow from HDK® production was compared with the carrying amounts of the cash-generating unit, production, and disposal of HDK®. The cash flow was discounted at an interest rate of 11% before tax. The total impairment amounted to €31.4 million.

In addition, impairments amounting to €4.3 and €3.5 million were carried out for planned shutdowns of plants in China and Germany respectively due to reductions in their fair values. A further impairment of €1.6 million concerned the grandstand at the stadium in Burghausen that is held as investment property.

The impairments of the assets from the **previous year** impacted the following areas:

In the Siltronic division, property, plant, and equipment – mainly located in the United States and Japan – of €22.2 million has been impaired. Those impairments affect groups of machinery and buildings and belong to production lines of which the estimated realizable discounted cash flows are below the carrying amounts. The fact that realizable cash flows are likely to be lower resulted from the impact of the global economic crisis on Siltronic's customers and, therefore, the future level of orders for Siltronic's products.

Following the acquisition of the shares in the APP companies, it was decided to shut down the South Brunswick site (New Jersey, USA) by the summer of 2009. Its property, plant, and equipment was impaired by €5.5 million.

During the fourth quarter of 2008, it was decided to close down the site operated by Wacker Polymer Systems (WUXI) Co. Ltd. in Wuxi, China, as of the end of the 2010 fiscal year. The absence of expected cash inflows after 2010 as a result of this plant closure led to an impairment loss of €2.5 million.

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

€ million	2009	2008
<b>Income from investments in joint ventures and associates</b> .....	<b>-127.4</b>	-33.7
Of which pro-rata result attributable to joint ventures .....	<b>-108.2</b>	-23.4
<b>Other investment income</b>		
Income from investments .....	<b>0.1</b>	0.4
Impairment of investments .....	<b>-</b>	-0.1
.....	<b>0.1</b>	<b>0.3</b>
<b>Net interest income</b>		
Interest and similar income .....	<b>6.3</b>	17.3
Of which from available-for-sale financial instruments .....	<b>1.4</b>	1.9
Of which from held-to-maturity financial instruments .....	<b>-</b>	8.0
Interest and similar expenses .....	<b>-2.0</b>	-11.6
.....	<b>4.3</b>	<b>5.7</b>
<b>Other financial result</b>		
Other financial income .....	<b>13.4</b>	0.2
Interest effect of interest-bearing provisions/liabilities/finance leases .....	<b>-29.2</b>	-7.2
Other financial expenses .....	<b>-12.0</b>	-3.9
.....	<b>-27.8</b>	<b>-10.9</b>
<b>Limited partnership results</b> .....	<b>-</b>	-0.9

The income from investments in joint ventures and associates relates mainly to companies in Germany, the USA, China, and Singapore. This income includes not only the pro rata shares of net results for the year, but also sums from the reversal of differences between the acquisition cost of the investment and the proportion of equity at the time of acquisition, as well as effects from pro rata eliminations of intercompany profits.

In October 2009, the 50% shareholding in WACKER SCHOTT Solar GmbH (wss) held by WACKER was transferred to SCHOTT Solar AG. In connection with the withdrawal from the joint venture, it was additionally agreed to make a final capital payment of €37.0 million to wss in order to assume a proportion of the losses that had been accumulated by September 30, 2009. WACKER also committed itself to transfer WACKER SCHOTT Solar Vertriebs GmbH. The income from investments in joint ventures and associates recorded for the last time for wss in the reporting period amounts to €-74.8 million. It was also agreed to repay to wss an amount of €27.0 million received as advance payments for an existing supply agreement for polysilicon.



In the WACKER Group, partnerships in which minority shareholders have interests were consolidated as of January 31, 2008. The pro rata net income for the year from the shares in question attributable to these minority shareholders was shown in the "Limited partnership results" line. In the statement of financial position, the minority shareholders' proportion of the equity in these partnerships was presented separately as noncurrent debt.

### 03 Income Taxes

The calculation is based on the current legal position in the individual countries regarding applicable or anticipated tax rates as of the realization date. These are generally based on the legal stipulations valid or adopted as of the statement of financial position date.

In Germany, a solidarity surcharge is added to corporation tax. Trade income tax must also be paid. This varies depending on the municipality in which the company is located.

Tax Rates in Germany		
%	2009	2008
Weighted average trade income tax rate .....	12.4	12.0
Corporation tax rate .....	15.0	15.0
Solidarity surcharge on corporation tax .....	5.5	5.5

The income from foreign Group companies is subject to taxation at the tax rates valid in the country where the respective company is located. No deferred taxes on undistributed profits of subsidiaries were recognized. It was decided not to determine the possible resulting tax effects as the time and expense involved was unreasonably high. €563.4 million (previous year: €596.2 million) is available for distribution.

€ million	2009	2008
Current taxes .....	-101.5	-200.3
Deferred taxes .....	23.7	-3.2
<b>Income taxes</b> .....	<b>-77.8</b>	<b>-203.5</b>
<b>Derivation of the effective tax rate</b>		
Income before taxes .....	3.3	641.8
Income tax rate for Wacker Chemie AG (%) .....	28.5	28.5
<b>Expected tax expenses</b> .....	<b>-0.9</b>	<b>-182.9</b>
Tax rate divergences .....	2.1	-12.8
Tax effect of non-deductible expenses .....	-2.5	-2.3
Tax effect of tax-free income .....	7.4	8.8
Taxes relating to other periods (current earnings) .....	1.0	-10.2
Changes in the valuation allowances for deferred tax assets <sup>1</sup> .....	-47.1	-7.0
Effect of changes in tax legislation .....	-	-3.9
Group equity result .....	-36.2	-10.1
Effect from supplementary tax statements of financial position <sup>2</sup> .....	-	18.5
Other divergences .....	-1.6	-1.6
<b>Total income tax</b> .....	<b>-77.8</b>	<b>-203.5</b>
<b>Effective tax rate (%)</b> .....	<b>-</b>	<b>31.7</b>

<sup>1</sup> The changes in the valuation allowances for deferred tax assets includes valuation allowances for the impairment of fixed assets totaling €34.6 million.

<sup>2</sup> In the previous year, the effect from the supplementary tax statements of financial position resulted from the acquisition of the remaining shares in the Wacker Polymer Systems partnerships.

## Allocation of Deferred Taxes

€ million	2009		2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets .....	12.5	–	14.4	–
Property, plant, and equipment .....	8.7	90.0	4.2	94.8
Financial assets .....	–	4.6	–	–
Current assets .....	5.8	4.5	9.7	13.6
Provisions for pensions .....	18.8	1.1	7.9	2.0
Other provisions .....	33.8	0.3	44.0	20.9
Liabilities .....	14.1	0.1	31.7	0.1
Loss carryforwards .....	2.5	–	0.1	–
Tax credits .....	–	–	0.2	1.1
Setting off for companies with profit and loss transfer agreement .....	–15.8	–15.8	–	–
	80.4	84.8	112.2	132.5
<b>Setoffs</b> .....	<b>–71.2</b>	<b>–71.2</b>	<b>–81.0</b>	<b>–81.0</b>
<b>Statement of financial position item</b> .....	<b>9.2</b>	<b>13.6</b>	<b>31.2</b>	<b>51.5</b>

The change in deferred tax assets and liabilities has been recognized in profit or loss with €23.7 million (previous year: €–3.2 million) and charged or credited directly to equity with €–7.8 million (previous year: €10.3 million). The existing tax loss carryforwards can still be used as follows:

€ million	2009	2008
Within 1 year .....	0.8	0.9
Within 2 years .....	0.5	1.3
Within 3 years .....	0.9	2.4
Within 4 years .....	0.1	6.9
Within 5 years or later .....	46.5	15.9
	48.8	27.4
<b>Of which loss carryforwards not expected to be realizable</b> .....	<b>–38.3</b>	<b>–27.1</b>
<b>Of which loss carryforwards expected to be realizable</b> .....	<b>10.5</b>	<b>0.3</b>

## 04 Development of Fixed Assets

€ million	Intangible assets	Property, plant, and equipment	Investment property	Investment in associates accounted for using the equity method	Financial assets	Total
<b>Cost</b>						
Balance as of Jan. 1, 2008	120.1	6,732.8	11.8	196.2	72.8	7,133.7
Additions	9.9	814.2	2.3	26.2	63.7	916.3
Disposals	-15.1	-94.6	-	-2.2	-0.2	-112.1
Transfers	2.8	-2.8	-	-	-	-
Changes in the scope of consolidation	8.1	108.6	-	-2.8	-62.1	51.8
Other changes <sup>1</sup>	-	-	-	-36.2	-	-36.2
Exchange rate differences	4.2	148.8	-	10.6	0.4	164.0
<b>Balance as of Dec. 31, 2008</b>	<b>130.0</b>	<b>7,707.0</b>	<b>14.1</b>	<b>191.8</b>	<b>74.6</b>	<b>8,117.5</b>
<b>Depreciation</b>						
Balance as of Jan. 1, 2008	110.0	4,609.4	10.3	-	2.1	4,731.8
Additions	7.4	369.4	0.2	-	0.1	377.1
Impairment	0.4	29.8	-	-	-	30.2
Disposals	-15.1	-84.3	-	-	-	-99.4
Changes in the scope of consolidation	-	9.5	-	-	-	9.5
Exchange rate differences	2.6	113.6	-	-	0.4	116.6
<b>Balance as of Dec. 31, 2008</b>	<b>105.3</b>	<b>5,047.4</b>	<b>10.5</b>	<b>-</b>	<b>2.6</b>	<b>5,165.8</b>
<b>Net carrying amounts as of Dec. 31, 2008</b>	<b>24.7</b>	<b>2,659.6</b>	<b>3.6</b>	<b>191.8</b>	<b>72.0</b>	<b>2,951.7</b>
Reduction in cost due to investment grant	-	-	-	-	-	340.9

<sup>1</sup>For companies accounted for using the equity method, this item includes the changes resulting from the application of the equity method.

€ million	Intangible assets	Property, plant, and equipment	Investment property	Investment in associates accounted for using the equity method	Financial assets	Total
<b>Cost</b>						
Balance as of Jan. 1, 2009	130.0	7,707.0	14.1	191.8	74.6	8,117.5
Additions	3.9	703.5	-	32.1	0.6	740.1
Disposals	-11.0	-90.6	-	-	-0.7	-102.3
Transfers	2.0	-2.0	-	-	-	-
Other changes	-	-	-	-83.7	2.4	-81.3
Exchange rate differences	-0.9	-36.9	-	-	0.1	-37.7
<b>Balance as of Dec. 31, 2009</b>	<b>124.0</b>	<b>8,281.0</b>	<b>14.1</b>	<b>140.2</b>	<b>77.0</b>	<b>8,636.3</b>
<b>Depreciation</b>						
Balance as of Jan. 1, 2009	105.3	5,047.4	10.5	-	2.6	5,165.8
Additions	8.4	388.7	0.7	-	-	397.8
Impairment	-	180.9	1.2	-	-	182.1
Disposals	-10.9	-86.3	-	-	-0.6	-97.8
Exchange rate differences	-0.8	-28.2	-	-	-0.1	-29.1
<b>Balance as of Dec. 31, 2009</b>	<b>102.0</b>	<b>5,502.5</b>	<b>12.4</b>	<b>-</b>	<b>1.9</b>	<b>5,618.8</b>
<b>Net carrying amounts as of Dec. 31, 2009</b>	<b>22.0</b>	<b>2,778.5</b>	<b>1.7</b>	<b>140.2</b>	<b>75.1</b>	<b>3,017.5</b>
Reduction in cost due to investment grant	-	-	-	-	-	352.1

### 05 Intangible Assets

Intangible assets include industrial property rights and similar rights and assets. In the reporting year, the goodwill from the acquisition of Wacker Biotech GmbH, which was written down to zero in the previous year, was shown as a disposal originally amounting to €7.7 million. This means, that as of December 31, 2009, goodwill under intangible assets is included neither under cost nor under amortization.

In the previous year, intangible assets amounting to €8.1 million were identified within the purchase price allocation as part of the extension of the scope of consolidation through the acquisition of the shares in the APP companies. These consist primarily of customer lists.

## 06 Property, Plant, and Equipment

€ million	Land, buildings, and similar rights	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
<b>Cost</b>					
Jan. 1, 2008	1,063.3	4,791.7	523.2	354.6	6,732.8
Additions	64.1	282.7	35.6	431.8	814.2
Disposals	-7.5	-57.6	-24.8	-4.7	-94.6
Transfers	35.7	280.2	4.0	-322.7	-2.8
Changes in the scope of consolidation	24.7	80.5	1.8	1.6	108.6
Exchange rate differences	40.1	103.4	1.4	3.9	148.8
<b>Dec. 31, 2008</b>	<b>1,220.4</b>	<b>5,480.9</b>	<b>541.2</b>	<b>464.5</b>	<b>7,707.0</b>
<b>Depreciation</b>					
Jan. 1, 2008	627.4	3,558.1	423.9	-	4,609.4
Additions	39.4	296.5	33.4	0.1	369.4
Impairment	17.8	12.0	-	-	29.8
Disposals	-6.7	-53.5	-24.1	-	-84.3
Transfers	-4.4	12.6	-8.2	-	-
Changes in the scope of consolidation	0.8	7.4	1.3	-	9.5
Exchange rate differences	22.4	89.9	1.3	-	113.6
<b>Dec. 31, 2008</b>	<b>696.7</b>	<b>3,923.0</b>	<b>427.6</b>	<b>0.1</b>	<b>5,047.4</b>
<b>Balance as of Dec. 31, 2008</b>	<b>523.7</b>	<b>1,557.9</b>	<b>113.6</b>	<b>464.4</b>	<b>2,659.6</b>
<b>Of which assets from financial leases</b>					
Gross values	89.7	49.2	0.1	-	139.0
Depreciation	-77.1	-21.6	-	-	-98.7
<b>Net carrying amounts</b>	<b>12.6</b>	<b>27.6</b>	<b>0.1</b>	<b>-</b>	<b>40.3</b>

€ million	Land, buildings, and similar rights	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
<b>Cost</b>					
Jan. 1, 2009	1,220.4	5,480.9	541.2	464.5	7,707.0
Additions	55.8	298.2	22.6	326.9	703.5
Disposals	-14.6	-50.2	-24.8	-1.0	-90.6
Transfers	45.5	323.6	12.2	-383.3	-2.0
Exchange rate differences	-10.4	-24.4	-0.1	-2.0	-36.9
<b>Dec. 31, 2009</b>	<b>1,296.7</b>	<b>6,028.1</b>	<b>551.1</b>	<b>405.1</b>	<b>8,281.0</b>
<b>Depreciation</b>					
Jan. 1, 2009	696.7	3,923.0	427.6	0.1	5,047.4
Additions	38.7	314.2	35.8	-	388.7
Impairment	59.2	119.2	2.5	-	180.9
Disposals	-13.1	-49.0	-24.2	-	-86.3
Transfers	-1.3	1.3	-	-	-
Exchange rate differences	-7.6	-20.5	-0.1	-	-28.2
<b>Dec. 31, 2009</b>	<b>772.6</b>	<b>4,288.2</b>	<b>441.6</b>	<b>0.1</b>	<b>5,502.5</b>
<b>Balance as of Dec. 31, 2009</b>	<b>524.1</b>	<b>1,739.9</b>	<b>109.5</b>	<b>405.0</b>	<b>2,778.5</b>
<b>Of which assets from financial leases</b>					
Gross values	89.7	49.2	0.1	-	139.0
Depreciation	-81.5	-25.3	-	-	-106.8
<b>Net carrying amounts</b>	<b>8.2</b>	<b>23.9</b>	<b>0.1</b>	<b>-</b>	<b>32.2</b>

In the reporting year, borrowing costs amounting to €12.9 million were capitalized as part of the acquisition or production cost of qualified assets. The average financing cost rate is 5.3%. In the previous year, no financing costs were capitalized.

### 07 Investment Property

Wacker Chemie AG owns real estate at its production site in Cologne, Germany. This is comprised of premises and infrastructural facilities (energy, waste water, etc.). The premises are rented out or leased on the basis of long-term agreements. There is no finance lease. This real estate is subject to the same principles regarding depreciation method and useful life as assets that we use for our own purposes. These premises and the infrastructure in Cologne are operated, maintained, and looked after by third parties who charge any costs incurred directly to the tenants or leaseholders.

In addition, Wacker Chemie AG purchased sections of the Wacker Burghausen Fußball GmbH stadium in 2008. In 2008, this led to asset additions amounting to €2.3 million. The stadium was leased to Wacker Burghausen Fußball GmbH and the term of the lease encompasses the period from July 1, 2008 to June 30, 2011. An impairment of €1.6 million was made in the reporting year.

The lease income is included in the following schedule.

€ million	2009	2008
Fair value .....	14.1	15.9
Income from rent/operating leases .....	1.1	1.0
Costs .....	-0.1	-0.2

The fair value is based on our own estimates. It is reviewed by external experts every three to four years.



## 08 Investments in Joint Ventures and Associates, Financial Assets

€ million	Investment in associ- ates ac- counted for using the equity method	Investments	Other financial assets	Financial assets
<b>Cost</b>				
Balance as of Jan. 1, 2008	196.2	70.7	2.1	72.8
Additions	26.2	3.4	60.3	63.7
Disposals	-2.2	-	-0.2	-0.2
Changes in the scope of consolidation	-2.8	-62.1	-	-62.1
Changes resulting from application of equity method	-36.2	-	-	-
Exchange rate differences	10.6	0.4	-	0.4
<b>Balance as of Dec. 31, 2008</b>	<b>191.8</b>	<b>12.4</b>	<b>62.2</b>	<b>74.6</b>
<b>Depreciation</b>				
Balance as of Jan. 1, 2008	-	2.1	-	2.1
Additions	-	0.1	-	0.1
Exchange rate differences	-	0.4	-	0.4
<b>Balance as of Dec. 31, 2008</b>	<b>-</b>	<b>2.6</b>	<b>-</b>	<b>2.6</b>
<b>Net carrying amounts as of Dec. 31, 2008</b>	<b>191.8</b>	<b>9.8</b>	<b>62.2</b>	<b>72.0</b>
<b>Cost</b>				
Balance as of Jan. 1, 2009	191.8	12.4	62.2	74.6
Additions	32.1	0.6	-	0.6
Disposals	-	-0.6	-0.1	-0.7
Other changes	-	-	2.4	2.4
Changes resulting from application of equity method	-83.7	-	-	-
Exchange rate differences	-	-	0.1	0.1
<b>Balance as of Dec. 31, 2009</b>	<b>140.2</b>	<b>12.4</b>	<b>64.6</b>	<b>77.0</b>
<b>Depreciation</b>				
Balance as of Jan. 1, 2009	-	2.6	-	2.6
Disposals	-	-0.6	-	-0.6
Exchange rate differences	-	-0.1	-	-0.1
<b>Balance as of Dec. 31, 2009</b>	<b>-</b>	<b>1.9</b>	<b>-</b>	<b>1.9</b>
<b>Net carrying amounts as of Dec. 31, 2009</b>	<b>140.2</b>	<b>10.5</b>	<b>64.6</b>	<b>75.1</b>

The addition at the investments in associates accounted for using the equity method in 2009 related to a capital payment into the joint venture Dow Corning (zJG) Holding Co. Private Ltd., Singapore.

The significant changes in the previous year resulted from the circumstances described below:

The disposals under the carrying amounts of investments resulting from changes in the scope of consolidation relate to the shares previously held in the APP companies. In the course of the acquisition of the remaining shares, the corresponding investments were disposed of on the basis of full consolidation.

The additions under investments in associates accounted for using the equity method relate mainly to a capital increase at Dow Corning (zJG) Holding Co. Private Ltd., Singapore.

In December 2008, additionally, a shareholder loan was granted to Siltronic Samsung Wafer Pte. Ltd., Singapore, in the amount of €60.3 million on normal market terms. The addition was shown under other financial assets. The loan resulted from an agreement signed on December 23, 2008 on the granting of a shareholder loan. Over and above the interest and repayment agreements, the loan agreement grants Siltronic AG the right to convert the loan into equity (call option). The exercise period for this option starts on January 1, 2010 and ends on December 31, 2012. Each time the right is exercised, this must be reported by November 30 of the previous year.

For more financial information on associated companies and joint ventures, [see Note 23](#).

## 09 Inventories

€ million	2009	2008
Raw materials and supplies .....	126.1	159.1
Products .....	279.6	314.8
Merchandise .....	32.3	28.6
Services not charged .....	0.5	1.1
Advance payments .....	2.7	1.3
.....	441.2	504.9
Of which recorded at fair value less selling expenses .....	89.1	89.7

## 10 Accounts Receivable / Other Assets / Tax Receivables

€ million	2009			2008		
	Total	Of which noncurrent	Of which current	Total	Of which current	Of which noncurrent
Trade receivables	466.8	–	466.8	466.8	–	466.8
Other receivables from associated companies	8.8	0.1	8.7	8.3	–	8.3
Advance payments made on account to associated companies	–	–	–	72.7	70.4	2.3
Loan and interest receivables	1.0	–	1.0	3.0	–	3.0
Derivative financial instruments	17.8	4.2	13.6	52.2	20.1	32.1
Prepaid expenses and deferred charges	40.3	31.0	9.3	55.3	42.8	12.5
Investment fund shares <sup>1</sup>	38.2	38.2	–	30.7	30.7	–
Claims arising from investment grants	28.7	–	28.7	21.4	–	21.4
Other assets	44.3	7.7	36.6	19.0	0.2	18.8
<b>Other assets</b>	<b>179.1</b>	<b>81.2</b>	<b>97.9</b>	<b>262.6</b>	<b>164.2</b>	<b>98.4</b>
Of which noncurrent, falling due in > 5 years	–	16.8	–	–	47.1	–
<b>Tax receivables</b>	<b>64.5</b>	<b>12.3</b>	<b>52.2</b>	<b>102.6</b>	<b>13.9</b>	<b>88.7</b>
Of which noncurrent, falling due in > 5 years	–	5.8	–	–	7.6	–

<sup>1</sup> The investment fund shares serve to secure obligations arising from the phased-early-retirement program and are classified as available for sale. These fund shares are traded on active markets and pledged individually to employees participating in the phased-early-retirement program. Their market value amounts to €38.2 million (previous year: €30.7 million).

Accounts receivable are shown at amortized cost, which corresponds to their market values. Default risks – if not covered by insurance – are taken into account with adequate valuation allowances. Prepaid expenses and deferred charges consist mainly of capitalized VAT for advance payments received.

Other receivables from associated companies contain receivables from finance leases amounting to €0.5 million (previous year: €0.3 million). Of the associated gross investment of €1.0 million (previous year: €1.0 million), €0.1 million (previous year: €0.1 million) falls due within one year, €0.2 million (previous year: €0.2 million) between one and five years, and €0.7 million (previous year: €0.7 million) after more than five years. Of the present value of outstanding minimum lease payments amounting to €0.5 million (previous year: €0.3 million), €0.4 million (previous year: €0.3 million) falls due after more than five years. The still unrealized financial income amounts to €0.5 million (previous year: €0.7 million), and this is noncurrent.

The advance payments made on account to associated companies shown in the previous year relate to payments for future deliveries of solar wafers and were made in 2009 by WACKER SCHOTT Solar Vertriebs GmbH, which was disposed of in 2009, to the joint venture WACKER SCHOTT Solar GmbH.

#### Development of Valuation Allowances

€ million	2009			2008		
	Trade receivables	Other assets	Total	Trade receivables	Other assets	Total
As of Jan. 1 .....	31.7	0.9	32.6	4.8	0.3	5.1
Utilization .....	-1.4	-	-1.4	-0.9	-	-0.9
Additions/reversals .....	-9.5	-	-9.5	27.9	0.6	28.5
Exchange rate differences .....	-0.2	-	-0.2	-0.1	-	-0.1
Change in scope of consolidation .....	-9.5	-	-9.5	-	-	-
<b>As of Dec. 31 .....</b>	<b>11.1</b>	<b>0.9</b>	<b>12.0</b>	<b>31.7</b>	<b>0.9</b>	<b>32.6</b>
<b>Overdue debts</b>						
<=30 days .....	81.3	2.7	84.0	59.7	0.1	59.8
>31 <= 45 days .....	3.3	0.2	3.5	11.8	0.6	12.4
>45 days .....	25.9	13.1	39.0	15.2	6.7	21.9
<b>Total .....</b>	<b>110.5</b>	<b>16.0</b>	<b>126.5</b>	<b>86.7</b>	<b>7.4</b>	<b>94.1</b>

Valuation allowances are set up in the event of identifiable credit risks and exchange rate fluctuations. The maximum default risk is equal to the carrying amount of the uninsured receivables. No loans or receivables were renegotiated to prevent an overdue debt or possible impairment. Based on past experience and on the conditions prevailing as of the reporting date, there are no restrictions with regard to credit quality. The additions/reversals in the valuation allowances for receivables in the reporting year basically relate to companies in the Siltronic group and Wacker Chemie AG.

## 11 Cash and Cash Equivalents/Liquidity

€ million	2009	2008
<b>Current securities</b> .....	-	101.1
The current securities in the previous year are German Federal Government securities (Bundeswertpapiere) classified as available for sale which fall due within one year.		
<b>Cash and cash equivalents (liquid assets)</b>		
Commercial papers (cash equivalents) .....	119.9	49.5
Demand deposits, cash on hand (cash) .....	243.7	154.7
	<b>363.6</b>	<b>204.2</b>

Demand deposits and cash on hand are shown at their nominal values. Commercial papers are classified as "held to maturity." They are commercial papers from issuers with first-class credit standing. They fall due after a maximum of three months.

## 12 Equity/Non-Controlling Interests

The subscribed capital (capital stock) of Wacker Chemie AG amounts to €260,763,000. It consists of 52,152,600 no-par-value shares (total). This corresponds to an accounting par value of €5 per share. There are no different classes of shares. All of the shares are common shares.

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

Units	2009	2008
Shares outstanding at the start of the fiscal year .....	49,677,983	49,677,983
<b>Shares outstanding as of the end of the fiscal year</b> .....	<b>49,677,983</b>	<b>49,677,983</b>
Treasury shares in portfolio .....	2,474,617	2,474,617
<b>Total shares</b> .....	<b>52,152,600</b>	<b>52,152,600</b>

For an explanation of Wacker Chemie AG's shareholder structure, please refer to Note 24.

Capital reserves include the amounts generated with share issues over and above their nominal values in previous years, as well as other contributions to equity made by shareholders.

Retained earnings include the amounts formed in previous fiscal years at Wacker Chemie AG, transfers from the Group's earnings for the year, the earnings of the consolidated companies less amounts due to minority shareholders, changes to consolidated items affecting income, and changes in the scope of consolidation.

The other equity items show both the differences arising from the translation of foreign subsidiaries' financial statements having other reporting currencies than the euro, and the effects of the valuation of financial instruments also with no effect on income.

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

€ million	2009	2008
Profits	2.4	4.3
Losses	-6.1	-5.4
<b>Net result attributable to non-controlling interests</b>	<b>-3.7</b>	<b>-1.1</b>

As part of its capital management, Wacker Chemie AG complies with the legal stipulations on capital maintenance. The company is not subject to any capital requirements set down by its Articles of Association. No special capital terminology is used.

### 13 Provisions for Pensions

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

The company pension plan makes a distinction between defined contribution and defined benefit plans. Defined contribution plans lead to no further obligation for the company beyond paying contributions into special-purpose funds. Group companies have both defined contribution and defined benefit plans. They are financed, on one hand, by funds/Pensionskasse der Wacker Chemie vVAG, and, on the other, by provisions in the form of direct commitments. Pension obligations result from defined benefit plans in the form of entitlements to future pensions and ongoing payments for eligible active and former employees of the WACKER Group and their surviving dependents.

Employees in Germany have the option of converting part of their remuneration into direct benefit commitments. Benefit plans taken out by December 31, 2000 are measured (in accordance with the projected unit credit method) at the value of years' service to date / years served to retirement (pro rata temporis), whereas any benefit plans taken out on or after January 1, 2001 are measured at the present value of the defined benefit obligation.

In view of their pension-like character, obligations relating to the medical care of retired employees (USA) and severance payments are likewise included under pension provisions.

The obligations from direct benefit plans are calculated using the projected unit credit method, taking account of anticipated future payout and pension adjustments. The current service cost of pension benefit claimants results from the planned development of provisions for anticipated future pension payments. Any differences between those pension obligations calculated as planned and the defined benefit obligation at the end of the year are treated as actuarial gains or losses and, with the exception of effects of changed assumptions regarding probable mortality rates in the follow-up periods, are spread over the average remaining service years of the plan participants, insofar as these differences exceed 10% of the greater of the market value of the defined benefit obligation and the present value of the plan assets. In the past, the effects resulting from changed assumptions regarding probable mortality rates were also taken into account in accordance with the corridor method. WACKER takes the view that as far as probable mortality rates are concerned, continuous increases in life expectancy can be expected. Smoothing out pension-expense fluctuations for the period on the basis of changed or adjusted mortality tables is, therefore, not useful. In order to supply more reliable and more relevant information, WACKER decided in the 2009 fiscal year to report losses resulting from changes in life expectancy immediately through profit and loss as an increase in pension obligations rather than, as before, in the corridor with no effect on results. Deviations in the other valuation parameters are still taken into account as actuarial gains or losses in accordance with the corridor method. An adjustment to the mortality tables in the 2009 fiscal year led, as a result of the change in the method used, to additional expenses of €47.9 million. The change of method had no material effects on the previous years.

In compliance with their respective national legislation, some relatively small foreign subsidiaries take on pension-related obligations arising from severance payments after the scheduled termination of employment. These obligations are likewise reported as pension provisions.

The obligations are financed only in part by means of provisions. Group pension obligations are financed to a considerable degree by externally invested plan assets. In the case of both Wacker Chemie AG and the German Group companies, these assets are handled by Pensionskasse der Wacker Chemie vvaG.

The funding of Pensionskasse der Wacker Chemie vvaG by the German domestic Group companies is included in expenses for pensions. The pension obligations resulting from the application of the projected unit credit method are reduced by the fair value of the plan assets and by still unrecognized actuarial losses, or increased by still unrecognized actuarial gains, provided that these do not concern effects from changes in likely mortality rates. Actuarial gains or losses from changed or adjusted mortality tables reduce or increase, respectively, the pension obligation reported.

If the plan assets exceed the obligation from the pension commitment, an asset is generally recorded. It can, however, be capitalized only on the condition that the reporting entity can draw commercial benefits from these assets, e.g. in the form of refunds from the plan or reductions in future contributions to the plan (“asset ceiling” pursuant to IAS 19.58 et seq.).

As Pensionskasse der Wacker Chemie vvaG sets its contributions in the manner stipulated by supervisory bodies, there is no access to the surplus fund assets in Germany. Surplus amounts are, therefore, not capitalized. Unless the fund assets cover the obligation, the net obligation is shown as a liability under pension provisions.

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

Parameters	Germany		USA		Japan	
	2009	2008	2009	2008	2009	2008
	%					
Actuarial interest rate .....	5.00	5.75	6.00	6.00	2.00	2.25
Payment trend .....	3.00	3.00	3.0/3.5	3.5/3.0	-	-
Expected return on assets .....	5.25	5.25	7.50	7.5/8.0	-	-

The expected return on plan assets was estimated based on past trends and anticipated values for the following year. Interest income may vary in the fund’s individual asset classes. The percentage rate chosen corresponds to the average rate of all asset types.

To arrive at the amount recognized as a defined benefit liability, the plan assets transferred into funds are balanced against the defined benefit obligation at the end of the year (financial status). Provisions for pensions are obtained after the actuarial profits and losses not yet recognized are deducted or added as appropriate.



€ million	Germany 2009	Foreign 2009	Total 2009	Total 2008
<b>Change in defined benefit obligation (DBO)</b>				
DBO as of Jan. 1	1,444.2	124.7	1,568.9	1,488.2
Service cost	31.2	3.8	35.0	35.8
Interest cost	81.4	6.8	88.2	80.9
Contributions by beneficiaries	9.4	0.2	9.6	9.7
Actuarial profits (-) and losses (+)	225.4	1.9	227.3	6.7
Pension payments	-58.4	-4.0	-62.4	-60.0
Change in scope of consolidation	-	-	-	0.6
Exchange rate differences	-	-3.0	-3.0	7.0
<b>DBO as of Dec. 31</b>	<b>1,733.2</b>	<b>130.4</b>	<b>1,863.6</b>	<b>1,568.9</b>
<b>Change in fund assets</b>				
Fund assets at present value as of Jan. 1	1,123.9	77.6	1,201.5	1,292.1
Return on fund assets	84.6	15.3	99.9	-121.0
Employer contributions	23.5	5.5	29.0	61.5
Contributions by beneficiaries	9.4	0.2	9.6	9.7
Pension payments	-42.5	-3.7	-46.2	-44.3
Exchange rate differences	-	-1.7	-1.7	3.5
<b>Fund assets at present value as of Dec. 31</b>	<b>1,198.9</b>	<b>93.2</b>	<b>1,292.1</b>	<b>1,201.5</b>
<b>Financial status</b>	<b>534.3</b>	<b>37.2</b>	<b>571.5</b>	<b>367.4</b>
Actuarial profits/losses not yet included	-113.9	-23.6	-137.5	-70.0
"Asset ceiling" in accordance with IAS 19.58 et seq.	-	-	-	75.7
Similar obligations	1.6	2.2	3.8	3.0
<b>Provisions for pensions</b>	<b>422.0</b>	<b>15.8</b>	<b>437.8</b>	<b>376.1</b>
Of which assets from pension plans with surplus coverage	1.2	6.1	7.3	-
Of which pension provisions	423.2	21.9	445.1	376.1
Extent to which provisions financed the DBO	534.3	37.2	571.5	443.1
Of which German-based companies in 2008	-	-	-	396.0
Of which foreign subsidiaries in 2008	-	-	-	47.1

The pension expenses incurred as a result of defined benefit plans and the sum total of all pension expenses consist of the following:

€ million	2009	2008
Service cost .....	-35.0	-35.8
Interest cost .....	-88.2	-80.9
Expected return on fund assets .....	65.5	79.4
Amortization of actuarial profits and losses .....	-128.3	-169.5
"Asset ceiling" effect .....	75.7	124.5
Other .....	-1.0	0.5
<b>Pension expenses from defined benefit plans</b> .....	<b>-111.3</b>	<b>-81.8</b>
Pension expenses from defined contribution plans .....	-3.1	-3.6
Other pension expenses .....	-4.9	4.2
<b>Pension expenses</b> .....	<b>-119.3</b>	<b>-81.2</b>
Contributions to state pensions .....	-54.5	-52.1
<b>Expenses for post-employment benefits</b> .....	<b>-173.8</b>	<b>-133.3</b>
Of which included in personnel expenses (functional costs) .....	-151.1	-131.8
Of which included in other financial result .....	-22.7	-1.5

Deviations between the obligations and the plan assets on the basis of the assumptions and actual developments:

€ million	2009	2008	2007	2006
Projected benefit obligation .....	1,863.6	1,568.9	1,488.2	1,605.6
Experience-based adjustments contained therein .....	-1.9	-206.7	12.6	-12.3
Fund assets .....	1,292.1	1,201.5	1,292.1	1,279.0
Experience-based adjustments contained therein .....	-22.4	186.8	34.3	-7.1
<b>Financial status</b> .....	<b>571.5</b>	<b>367.4</b>	<b>196.1</b>	<b>326.6</b>

In 2010, we expect contributions to plan assets to amount to €24.6 million.

## Composition of the Fund Assets

%	2009			2008		
	Total	Of which third parties	Of which Group <sup>1</sup>	Total	Of which third parties	Of which Group <sup>1</sup>
Real estate .....	15.3	10.5	4.8	16.9	11.8	5.1
Loans/fixed-interest securities ..	58.8	58.8	–	47.7	47.7	–
Shares/funds <sup>2</sup> .....	22.8	22.8	–	34.4	34.4	–
Cash and cash equivalents .....	3.1	3.1	–	1.0	1.0	–
<b>Total .....</b>	<b>100.0</b>	<b>95.2</b>	<b>4.8</b>	<b>100.0</b>	<b>94.9</b>	<b>5.1</b>

<sup>1</sup> Those items used by Group companies are posted here.

<sup>2</sup> Pensionskasse der Wacker Chemie vvag has agreed with an investment company on an arrangement approved by the German Federal Financial Supervisory Authority (BaFin) which provides for compensation for any share price fluctuations affecting Pensionskasse's share portfolio.

## 14 Other Provisions/Tax Provisions

€ million	2009			2008		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Personnel .....	186.4	178.4	8.0	114.0	111.7	2.3
Sales/purchasing .....	18.7	–	18.7	7.1	–	7.1
Environmental protection .....	49.6	46.1	3.5	58.7	50.3	8.4
Restructuring .....	10.8	–	10.8	1.4	0.1	1.3
Sundry .....	20.8	10.0	10.8	13.6	8.1	5.5
<b>Other provisions .....</b>	<b>286.3</b>	<b>234.5</b>	<b>51.8</b>	<b>194.8</b>	<b>170.2</b>	<b>24.6</b>
<b>Tax provisions .....</b>	<b>136.4</b>	<b>47.4</b>	<b>89.0</b>	<b>148.6</b>	<b>90.8</b>	<b>57.8</b>

## Provisions for Personnel

These provisions contain obligations for anniversary payments, working-life accounts, other deferrals, and provisions relating to early retirement and to phased-early-retirement plans. There is a continuous outflow of noncurrent provisions for anniversary payments. The provision for phased-early-retirement plans will be exhausted by 2016 at the latest. The outflow will be continuous until that date.

## Sales/Purchasing Provisions

These provisions cover obligations arising from warranty and product liability as well as discounts, cash bonuses, and other price reductions still to be granted, commissions payable to sales agents, and impending losses from contractual agreements.

### Provisions for Environmental Protection

Provisions for environmental protection are formed for anticipated obligations regarding site contamination, water pollution control, recultivation of landfills, the clean-up of contaminated storage and production sites, and similar environmental measures. These provisions also include environmental protection charges likely to be imposed by the government. Most noncurrent provisions for environmental protection will be utilized over a period of 10 to 20 years.

### Restructuring Provisions

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

### Other Provisions

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

### Tax Provisions

Tax provisions contain amounts for current income tax obligations, risks from tax audits, and legal action. The existing noncurrent tax provisions will largely be used over the next three to five years.

#### Other Provisions

€ million	Jan. 1, 2009	Utilization	Reversal	Addition/interest effect	Exchange rate differences	Scope of consolidation/Other	Dec. 31, 2009
Personnel .....	114.0	-2.6	-	74.8	0.2	-	186.4
Sales/purchasing .....	7.1	-6.3	-0.9	18.8	-	-	18.7
Environmental protection .....	58.7	-3.9	-9.3	4.1	-	-	49.6
Restructuring .....	1.4	-1.2	-	10.6	-	-	10.8
Sundry .....	13.6	-4.0	-0.8	12.1	-0.1	-	20.8
	194.8	-18.0	-11.0	120.4	0.1	-	286.3
Of which interest effect .....	-	-	-	2.2	-	-	-

The interest effect is mainly accounted for by provisions for environmental protection.

#### Tax Provisions

€ million	Jan. 1, 2009	Utilization	Reversal	Addition/interest effect	Exchange rate differences	Scope of consolidation/Other	Dec. 31, 2009
Taxes .....	148.6	-48.3	-0.3	35.0	1.8	-0.4	136.4

## 15 Financial Liabilities

€ million	2009			2008		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Liabilities to banks .....	391.6	331.8	59.8	180.1	114.2	65.9
Of which > 5 years .....	-	42.9	-	-	-	-
Liabilities from .....	44.5	32.0	12.5	56.3	44.5	11.8
lease obligations <sup>1</sup> .....	-	7.8	-	-	12.4	-
Of which > 5 years .....	-	-	-	-	-	-
Loans from employees <sup>2</sup> .....	-	-	-	5.6	-	5.6
Of which > 5 years .....	-	-	-	-	-	-
Payables to associated .....	-	-	-	27.8	-	27.8
companies .....	-	-	-	-	-	-
Of which > 5 years .....	-	-	-	-	-	-
Other financial liabilities .....	3.6	-	3.6	2.6	-	2.6
Of which > 5 years .....	-	-	-	-	-	-
<b>Financial liabilities .....</b>	<b>439.7</b>	<b>363.8</b>	<b>75.9</b>	<b>272.4</b>	<b>158.7</b>	<b>113.7</b>
Of which > 5 years .....	-	50.7	-	-	12.4	-

<sup>1</sup> Liabilities from lease obligations consist mainly of liabilities from leasing the headquarters building in Munich and the Burghausen plant's CCGT power station.

<sup>2</sup> These are loans made by employees to Wacker Chemie AG to promote employee capital formation.

In 2009, Wacker Chemie AG placed two noncurrent promissory note bonds (Schuldscheine) amounting to €155.0 million and €25.0 million respectively on the market. The partial tranches of the loan reach final maturity in the 2011 and 2013 fiscal years and are largely subject to a floating interest rate.

No collateral exists for financial liabilities. Some of the liabilities to banks are fixed-interest and others have variable interest rates. Loans from employees have fixed percentage rates. Some of the liabilities to banks were granted on condition that particular covenants are complied with.

The payables to associated companies in the 2008 fiscal year resulted primarily from the financial investment of the joint venture WACKER SCHOTT Solar GmbH at Wacker Chemie AG within the framework of cash pooling.

## 16 Liabilities

€ million	2009			2008		
	Total	Of which noncurrent	Of which current	Total	Of which noncurrent	Of which current
Tax liabilities	15.7	-	15.7	14.1	-	14.1
Trade payables	217.9	-	217.9	296.7	-	296.7
Advance payments received from associated companies	-	-	-	76.5	74.4	2.1
Payables relating to social security	6.4	-	6.4	2.7	-	2.7
Payroll liabilities	2.6	-	2.6	2.7	-	2.7
Profit-sharing and other bonuses	66.4	-	66.4	119.0	-	119.0
Other personnel liabilities	28.4	-	28.4	35.9	-	35.9
Derivative financial instruments	13.5	0.3	13.2	54.2	12.0	42.2
Deferred income	4.1	0.9	3.2	7.3	5.6	1.7
Advance payments received (third parties)	900.3	761.8	138.5	859.6	761.8	97.8
Sundry liabilities	23.1	-	23.1	30.2	1.8	28.4
<b>Other liabilities</b>	<b>1,044.8</b>	<b>763.0</b>	<b>281.8</b>	<b>1,188.1</b>	<b>855.6</b>	<b>332.5</b>
Of which > 5 years	-	280.6	-	-	334.5	-

In addition to those amounts for which Group companies are liable to pay tax, tax liabilities also include taxes paid for the account of third parties. Payables relating to social security refer in particular to social insurance contributions that have yet to be paid. The other payroll liabilities include, in particular, vacation and flextime credits as well other HR-related liabilities.

The advance payments received are primarily connected with future polysilicon deliveries resulting from the capacity expansions at the polysilicon plants in Germany.

### 17 Contingencies/Other Obligations

Contingencies are potential obligations based on past events of which the existence will not be confirmed until the occurrence of one or more uncertain future events which are beyond the Group's influence. Present obligations, moreover, can likewise be contingencies if the likelihood of an outflow of resources is not strong enough to justify the formation of a provision and/or the amount of the obligations cannot be estimated with sufficient reliability. The values assigned to contingencies correspond to the degree of liability that exists on the statement of financial position date.

The contingencies and other obligations shown below are nominal values.

€ million	2009	2008
Guarantees/obligations to make additional contributions .....	143.1	73.7

The guarantees essentially concern the external financing of joint ventures. In addition, there are guarantees for customers' advance payments to former subsidiaries or joint ventures from which WACKER was released by the purchaser and of which the transfer is contractually agreed.

In view of the present financial situation of the companies for which WACKER has taken on guarantees, utilization of these guarantees is unlikely.

€ million	2009		2008	
	Nominal value	Present value	Nominal value	Present value
Minimum lease payment within a year .....	14.7	12.5	14.7	11.8
Minimum lease payment within one and five years .....	28.0	24.2	37.6	32.1
Minimum lease payment over five years .....	8.2	7.8	13.3	12.4
.....	50.9	44.5	65.6	56.3
Total expected minimum payments from subtenancies ...	2.9	–	3.0	–

There are no conditional lease payments from finance leases.

There is a finance lease for the headquarters building in Munich which is used by the Group. The contract with the lessor expires in 2012. After that, WACKER's pension fund or some company specified by it shall have the right to purchase the building at a price that has already been fixed. Wacker Chemie AG has also capitalized a finance lease for the leased cCGT (combined-cycle gas turbine) power station at its Burghausen site. The lease for the power station is due to expire in 2016 at the latest, although it can be terminated prematurely. In either case, WACKER has the right to acquire the power station at a price that reflects the carrying amounts in accordance with German commercial law. If WACKER acquires this power station, it may not be sold to a third party for five years.

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

€ million	2009	2008
<b>Obligations from rent and operating leases</b>		
Due within one year .....	8.9	11.1
Due between one and five years .....	7.4	11.9
Due after five years or more .....	–	6.0
	16.3	29.0
Lease payments occasioned by operating leases .....	10.2	10.4
Obligations from orders for planned investment projects (commitments) .....	185.1	353.2

Operating leases are used in particular for motor vehicles and IT equipment. These leases generally have terms of between three and five years. Tenancy agreements for office space, etc. have considerably longer terms.

WACKER has also signed an agreement with the joint-venture partners Dow Corning and Samsung to make investments in future years and provide necessary equity funds and/or loans. In addition, the Group has undertaken to provide guarantees for borrowed funds at a joint venture amounting to around us\$250 million. Of this total, guarantees for approximately €110 million have already been given. These are already included in the disclosure of guarantees/obligations to make additional contributions.

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

In order to safeguard the supply of the raw material ethylene at the Burghausen site, Wacker Chemie AG has acquired a stake in EPS Ethylen-Pipeline-Süd GmbH & Co. KG, Munich. The capital contribution obligations that this investment involves amount to approximately €1 million and are likely to fall due in 2010.



## 18 Sundry

€ million	2009	2008
<b>Cost of materials</b> .....	<b>-1,439.1</b>	-1,787.2
<b>Personnel expenses</b>		
Wages and salaries .....	<b>-854.0</b>	-865.3
Social benefits and financial aid funds .....	<b>-139.7</b>	-141.1
State pension contributions .....	<b>54.5</b>	52.1
Social security contributions .....	<b>-85.2</b>	-89.0
Pension expenses .....	<b>-96.6</b>	-79.7
State pension contributions .....	<b>-54.5</b>	-52.1
Expenses for post-employment benefits .....	<b>-151.1</b>	-131.8
.....	<b>-1,090.3</b>	-1,086.1

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

In 2008, special allocations affecting results were made to Wacker Chemie Pensionskasse vVAG in the amount of €40.0 million.

€ million	2009	2008
<b>Expenses for Auditors' Fees</b>		
Audit .....	<b>0.8</b>	0.9
Other certification services .....	<b>0.3</b>	0.4
Tax advice .....	<b>-</b>	-
.....	<b>1.1</b>	1.3

The other certification services are largely comprised of the cost of interim reviews.

## 19 Earnings Per Share/Dividend

	2009	2008
Average number of outstanding common shares (units) .....	49,677,983	49,677,983
Number of common shares outstanding at the end of the year (units) .....	49,677,983	49,677,983
Dividend per dividend-bearing common share (€) .....	1.20	1.80
Net result for the year after non-controlling interests (€ million) .....	-70.8	439.4
Earnings due to common shares (€ million) .....	-70.8	439.4
Earnings per common share (average, €) .....	-1.43	8.84
Earnings per common share (as of reporting date, €) .....	-1.43	8.84

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

An earnings per share item relating to results from continued or discontinued business activity as well as an effect from changes in the accounting and valuation methods is not reported due to a lack of relevant factual information.

No changes to the accounting and valuation methods are indicated as there were no such changes. The dividend payout for the 2008 fiscal year amounted to €89.4 million, or €1.80 per dividend-bearing share.

For the 2009 fiscal year, the Executive Board of Wacker Chemie AG has proposed the above-mentioned dividend. The proposed dividend relates solely to dividend-bearing shares, i.e. excluding treasury shares. The acceptance or rejection of this proposal is incumbent on the Annual Shareholders' Meeting of Wacker Chemie AG. Pending agreement, an amount of €59,613,579.60 will be distributed for the 49,677,983 no par value shares that are not held by the company.

## 20 Financial Instruments

### Primary Financial Instruments

#### Carrying Amounts of Financial Assets and Liabilities

(Classified by category as per IAS39)

€ million	2009	2008
<b>Financial assets</b>		
Held-to-maturity securities .....	119.9	49.5
Loans and receivables .....	531.4	529.0
Available-for-sale financial assets		
Cash and cash equivalents excluding held-to-maturity securities .....	243.7	255.8
Other available-for-sale financial assets .....	128.5	90.1
Derivative financial instruments .....	17.8	52.2
	1,041.3	976.6
<b>Financial liabilities</b>		
Financial liabilities recognized at amortized cost .....	439.7	272.4
Trade payables .....	217.9	296.7
Other liabilities <sup>1</sup> .....	142.6	190.5
Derivative financial instruments .....	13.5	54.2
	813.7	813.8

<sup>1</sup> Include sundry liabilities shown in the statement of financial position, with the exception of derivative financial instruments, advance payments received, and deferred income.

#### Carrying Amounts and Market Values of Financial Assets and Liabilities<sup>1</sup>

€ million	2009		2008	
	Carrying amount	Market value	Carrying amount	Market value
<b>Financial assets</b>				
Investments <sup>2</sup> .....	10.5	–	9.8	–
Noncurrent loans .....	64.6	64.6	62.2	62.2
Trade receivables .....	466.8	466.8	466.8	466.8
Other receivables <sup>3</sup> .....	79.8	79.8	49.6	49.6
Cash and cash equivalents (liquid assets) .....	363.6	363.6	204.2	204.6
	985.3	974.8	792.6	783.2
<b>Financial liabilities</b>				
Financial liabilities .....	439.7	439.7	272.4	272.4
Trade payables .....	217.9	217.9	296.7	296.7
Other liabilities .....	142.6	142.6	190.5	190.5
	800.2	800.2	759.6	759.6

<sup>1</sup> Measured at acquisition cost or amortized cost.

<sup>2</sup> This item contains available-for-sale financial assets of which the market values cannot be calculated reliably and which have been recognized at cost. This item, along with noncurrent loans, is shown in the statement of financial position under noncurrent financial assets.

<sup>3</sup> Other receivables are shown in the statement of financial position under noncurrent and current other assets.

The carrying amounts of the held-to-maturity securities correspond to their fair values. This category includes current fixed-interest securities which are valued at stock market prices on the reporting date. If no prices from an active market are currently available, and, if the fair value cannot be determined reliably, the securities are valued at cost.

The loans and receivables reported include trade receivables and other loans. Their carrying amounts correspond to their fair values. The present value of the loans corresponds to the cash value of the loans and constitutes the cash values of the cash flows expected in the future. Discounting is carried out on the basis of the interest rates which are valid on the reporting date. Available-for-sale financial assets include cash and cash equivalents, fund shares aimed at securing phased-early-retirement commitments, receivables from investment grants, and other financial receivables. The fair values of the fund shares correspond to their stock market prices on the reporting date. Cash and cash equivalents are valued at the conversion rate prevailing on the reporting date. Other financial assets are valued at cost, as no observable prices on active markets are available. The carrying amounts of the financial liabilities, trade payables, and other liabilities correspond to their fair values. The fair values of financial liabilities constitute the cash value of the cash flows expected in the future. Discounting is carried out on the basis of the interest rates which are valid on the statement of financial position date. All other liabilities are valued at cost as no observable prices for them are available.

The interest expenses contain €12.8 million (previous year: €10.4 million) from financial liabilities recognized at amortized cost. No profit was generated by the reversal of those financial instruments. Loans and receivables or financial liabilities at amortized cost in a foreign currency produced a net profit of €80.3 million (previous year: €126.0 million) and a net loss of €-79.3 million (previous year: €-127.1 million). These are reposted under other operating income and expenses. Net profits from available-for-sale financial assets originate mainly from investment income. In addition, other operating income and expenses include €2.6 million (previous year: €9.5 million) from the currency translation of cash and cash equivalents. Neither in the year under review nor in the previous year were there any reclassifications of financial assets between those recognized at amortized cost and those recognized at market value or vice versa.

#### Derivative Financial Instruments

WACKER is exposed to exchange rate, interest rate, and raw material price risks in the normal course of its business. The raw material price risks that it hedges against result principally from precious metals (platinum, gold, palladium) which are used as catalysts or for other purposes in the production process. In 2009, raw material market risks were not hedged using derivative financial instruments.

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

Foreign exchange hedging is carried out mainly for the us dollar, the Japanese yen, and the Singapore dollar. In the case of foreign exchange hedging in the financing area, the maturities of the receivables and/or liabilities are taken into account. Interest rate hedging is carried out primarily for the euro and the US dollar, with the maturities of the underlying transactions being the most important factor.

Operational hedging in the foreign exchange area relates to the receivables and liabilities already recognized and generally encompasses time horizons of between 3 and 4 months. The time horizon of strategic hedging is between 4 and a maximum of 21 months. The hedged cash flows influence the statement of income at the time when sales are realized. The cash inflows are usually recorded shortly afterward, depending on the payment deadline. As well as receivables from and liabilities to third parties, intercompany financial receivables and liabilities are hedged.

WACKER is exposed to a credit risk where derivatives have a positive market value and counterparties to a contract are unable to render their performance. To limit the risk of default, transactions are conducted only within defined limits and with partners of extremely high credit standing. To make efficient risk management possible, the market risks within the Group are controlled centrally. The conclusion and handling of transactions comply with internal guidelines and undergo monitoring procedures that take account of the division of functions.

The market values refer to the maturity repurchase values (redemption values) of the financial derivatives as of the statement of financial position date. They are calculated on the basis of quoted prices or with the help of standard calculation methods. In the valuation of forward contracts and/or swaps, WACKER, as in the previous year, applies the zero-coupon method.

The derivatives are measured at their market values, irrespective of their stated purpose. They are reported in the statement of financial position under other assets and/or other liabilities. Where permissible, cash flow hedge accounting is applied for the strategic hedging of currency exchange risks from future foreign exchange positions. In such cases, the changes in the market values of foreign exchange contracts and the changes in the intrinsic values of currency options are recognized under equity with no effect on net income until the underlying transaction takes place. When future transactions are realized, the effects accumulated under equity will be reversed through profit and loss. The changes in the current values of the currency options are posted to the statement of income.

In the 2009 fiscal year, the accumulated income and expenses recorded directly under equity included unrealized earnings amounting to €31.7 million (before tax) (previous year: €-58.7 million).

Derivative financial instruments of which the changes in market value are recognized in profit or loss led to a net result of €-28.3 million (previous year: €15.8 million). €-15.0 million (previous year: €23.6 million) of this amount is attributable to derivatives from hedge accounting. In the result for the period, no gains or losses from hedge accounting ineffectivities were recorded, as the hedging relationships were almost entirely effective. These are presented under other operating income and expenses. Neither in the year under review nor in the previous year were there any reclassifications of financial assets between those recognized at amortized cost and those recognized at market value or vice versa. These are presented under other operating income and expenses.

In a small number of cases, there are embedded derivatives. These are generally measured at market values. If not derivable, they are measured at amortized cost. These too are reported under, respectively, other assets or other liabilities. The variant of these which prevails at WACKER is such that normal supply and service relationships with supplier and customers abroad were not concluded in the functional currency of one of the two contractual partners.

Depending on the nature of the underlying transaction, they are reposted in the statement of income either under other operating income and/or expenses or, if financial liabilities are being hedged, under net interest income.

€ million	Dec. 31, 2009		Dec. 31, 2008	
	Nominal values	Market values	Nominal values	Market values
Foreign exchange derivatives .....	834.1	3.9	1,777.3	-2.5
Other derivatives .....	-	-	1.9	0.5
Of which market values for derivative financial instruments within the framework of hedge accounting .....	-	14.1	-	-17.6

The decrease in the nominal values of the foreign exchange derivatives is basically caused by two factors: lower sales in foreign currency and a reduction in hedging. The currency option transactions that were still unsettled at the end of 2009 will fall due in the course of the subsequent fiscal years (2010 and 2011).

The currency options as of the end of 2009 have a volume of US\$38 million (puts). In addition, there are forward exchange contracts amounting to US\$848.2 million and ¥5.15 billion.

A cross-currency swap was used as a foreign exchange hedge for an existing loan of US\$70 million. It matures in 2010.

### Information on the Type and Extent of Risks

The risks connected with the procurement, financing, and selling of WACKER's products and services are described in detail in the management report. The Executive Board receives regular analyses on the extent of those risks. The analyses focus in particular on the potential impact of raw material price risks, foreign exchange risks, and interest rate risks on EBITDA and net interest income.

#### Foreign Exchange Risks

The evaluation of the risk potential of hedging is based on the most significant us-dollar income and expenditure. us-dollar income is taken to mean all sales invoiced in us dollars, while all us dollar purchasing as well as site costs incurred in us dollars are reported under us-dollar expenditure. In addition to the direct us-dollar income and expenditure, the evaluation of potential risks includes the indirect us-dollar impact of the main raw materials (methanol and natural gas). A us\$0.01 increase in the exchange rate of the euro against the us dollar (corresponds to a fluctuation of 0.7%) would have a negative effect of €2.9 million (previous year: €5.3 million) on EBITDA. Foreign exchange hedging is not included in this. Increases in the euro exchange rate against the SGD and JPY, on the other hand, have only a minor impact.

#### Interest Rate Risk

The interest rate risk results mainly from financial debt and interest-bearing assets. Each year, the Executive Board determines the mixture of fixed and variable-interest net financial debt. Depending on the structure involved, interest rate derivatives are concluded as required. Depending on whether the instrument in question (financial liabilities, investments, interest rate derivatives) has a fixed or variable interest rate, the interest rate risks are measured on the basis of either market-value sensitivity or cash-flow sensitivity. Financial liabilities and fixed-interest investments are measured at amortized cost and are, therefore, in accordance with IFRS 7, not subject to any risk of changes in interest rates. Hedge accounting is not used for any of the interest rate derivatives. Changes in market interest rates have an impact on the net interest income generated by variable-interest financial instruments, and are, therefore, included in the calculation of earnings-related sensitivity. Changes in the market interest rates of interest rate derivatives affect the financial result, and are, therefore, included in any earnings-related sensitivity analysis. If current interest rates had been 100 base points higher (lower) on average, net interest income would have been €0.9 million (previous year: €2.1 million) higher (lower).

#### Liquidity Risk

The liquidity risk means that WACKER may not be able to meet its financial obligations sufficiently. To limit this risk, WACKER keeps liquid reserves in the form of current investments and credit lines. WACKER has concluded agreements with a number of banks for noncurrent syndicated loans and bilateral loan agreements. The aggregate volume of these loans is significantly higher than the planned financial liabilities.

### Raw Material Price Risk

Potential combinations of factors in the natural gas or ethylene segments make it impossible to exclude the risk that the company's supply of raw materials might be insufficient. Ethylene-related risks, however, will be reduced substantially by the EPS pipeline which is currently under construction in Germany. In general, potential increases in raw materials prices pose a risk to results. An increase of 1% would have a negative effect of €7.2 million (previous year: €9.1 million) in EBITDA.

### 21 Notes to the Statement of Cash Flows

The cash flow from operating activity is calculated using the indirect method. The indirect calculation adjusts the relevant changes in statement of financial position items to remove any exchange rate effects and/or changes in the scope of consolidation. This means that changes to the relevant statement of financial position items cannot be reconciled with the corresponding values based on the published consolidated statements of financial position. The cash flow from operating activity also includes the cash outflows related to the withdrawal from WACKER SCHOTT Solar GmbH and WACKER SCHOTT Solar Vertriebs GmbH totaling €64.0 million. €37.0 million of this sum is accounted for by the additional transfer of losses and €27.0 million by the repayment of advance payments received.

The cash flow from investment activity shows the actual outflow of funds, so these figures also cannot be reconciled with the additions in fixed assets in the consolidated statement of financial position. If subsidiaries or business activities are acquired or sold, the influences ensuing from these transactions are shown as separate items in the statement of cash flows. Financial investment in current securities falling due in more than three months is reported separately under cash flow from investment activity, as these transactions must instead be attributed to the cash and cash equivalents in economic terms.

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

For more details on the composition of cash and cash equivalents, [see Note 11](#).



**Items Contained in the Cash Flow from Operating Activities**

€ million	2009	2008
Tax payments .....	-72.4	-178.7
Interest payments .....	-14.0	-11.7
Interest income .....	6.3	17.3
Dividends received .....	1.2	1.1

**Non-Cash Transactions (Expenses/Income)**

€ million	2009	2008
Siltronic .....	-3.1	24.5
Silicones .....	-3.7	3.1
Polymers .....	-0.9	-13.0
Polysilicon .....	-0.1	0.5
Fine Chemicals .....	-2.7	1.5
Other .....	-7.2	-7.8
	-17.7	8.8

**22 Explanatory Notes on Segment Reporting**

The Group's segment reporting is geared toward the internal organizational and reporting structure. WACKER reports on five operating segments (Siltronic, Silicones, Polymers, Polysilicon, and Fine Chemicals) which are organized and managed autonomously on the basis of the type of products they offer and their different risk and income structures. Any activities not assigned to an operating segment are shown under "Other." Currency translation results which cannot be assigned to a segment are likewise shown in this item. Although the Fine Chemicals segment does not exceed the threshold values stipulated by IFRS 8, WACKER decided to report it as a segment subject to reporting requirements due to its specific product and customer structure.

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

WACKER measures the segments' success by the segmental success variables EBIT and EBITDA. EBIT consists of the gross result from sales, selling and general administrative expenses, research and development expenses, and other operating income and expenses less investments in joint ventures and associates and other income from investments. EBITDA is produced by adding depreciation and amortization, impairments, and write-ups to EBIT.

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

The assets reported for the segments basically encompass all of their assets. Loans, cash and cash equivalents, and deferred tax assets, however, are generally allocated to the "Other" segment. The liabilities shown for the segments are basically comprised of all of their liabilities. The Group's financial liabilities are allocated to individual segments in proportion to the segment assets. The Siltronic segment prepares its own partial consolidated financial statements. The figures in these financial statements are included largely unaltered in the Group's segment information. For this reason, the apportionment rules (e.g. financial liabilities) applicable between the other segments do not apply to Siltronic.

Business with polyvinyl acetate solid resins for gumbase has been reposted in the Fine Chemicals division since the beginning of the second half of 2009. The gumbase business was reclassified from the Polymers segment as part of changes to internal management and reporting. Sales from gumbase business operations, which were reported in the Fine Chemicals segment for the first time, amounted to €19.7 million and resulted in a small positive contribution to earnings. In the previous year, sales amounted to €52.3 million and were generated in full by the Polymers segment. No adjustment was carried out for the previous year.

As of December 31, 2009, the assets of the Nünchritz production site were redistributed between the segments as some of these assets will additionally be serving production by another segment in the future. As a result, assets increased in "Other" – and decreased in Silicones – by €116.2 million. In addition, the further expenses of €47.9 million resulting from the adjustment of the mortality tables in the calculation of pension provisions and relating mainly to pensioners were allocated to the segment "Other."

Of the impairments included with no effect on results, €12.8 million (previous year: €–37.9 million) is accounted for by the Siltronic segment and €–1.8 million (previous year: €12.1 million) by "Other." The impairments are essentially related to the changes in the market values of derivative financial instruments from cash flow hedging.

In addition to Germany, the USA and China are the only countries in which WACKER generates significant sales from a Group viewpoint. Measured in relation to the headquarters of the selling unit in the USA, sales amounted to €567.0 million (previous year: €710.1 million). Measured by the respective customer headquarters in the USA and China, the sales generated were €531.0 million (previous year: €748.5 million) and €509.5 million (previous year: €375.7 million) respectively. There are no customers with whom significant sales are generated.

The reconciliation of the segments' aggregate results with the net result for the year is derived from the following list:

€ million	2009	2008
<b>Reconciliation of segment results</b>		
Operating result of reporting segments .....	25.5	649.1
Consolidation .....	1.3	-1.2
<b>Group EBIT</b> .....	<b>26.8</b>	647.9
Financial result .....	-23.5	-5.2
Limited partnership results .....	-	-0.9
<b>Income before tax</b> .....	<b>3.3</b>	641.8
Income taxes .....	-77.8	-203.5
<b>Net result for the year</b> .....	<b>-74.5</b>	438.3

## 23 Significant Group Companies

### I. Affiliated Companies

	Capital share
<b>Germany</b>	
DRAWIN Vertriebs-GmbH, Ottobrunn .....	100%
Siltronic AG, Munich .....	100%
Wacker-Chemie Dritte Venture GmbH, Munich .....	100%
Wacker Biotech GmbH, Jena .....	100%
<b>Rest of Europe</b>	
Wacker Chimie S.A.S., Lyon, France .....	100%
Wacker-Chemicals Ltd., Egham, Surrey, Great Britain .....	100%
Wacker-Chemie Italia S.r.L., Peschiera Borromeo, Milan, Italy .....	100%
Siltronic Holding International B.V., Krommenie, Amsterdam, Netherlands .....	100%
Wacker-Chemie Benelux B.V., Krommenie, Amsterdam, Netherlands .....	100%
Wacker-Chemie S.r.o., Prague, Czech Republic .....	100%
<b>Americas</b>	
Wacker Chemical Corp., Adrian, Michigan, USA .....	100%
Siltronic Corp., Portland, Oregon, USA .....	100%
Wacker Química do Brasil Ltda., São Paulo, Brazil .....	100%
<b>Asia</b>	
Siltronic Singapore Pte. Ltd., Singapore .....	100%
Siltronic Japan Corp., Hikari, Japan .....	100%
Wacker Chemicals Hong Kong Ltd., Hong Kong, China .....	100%
Wacker Chemicals China Ltd., Hong Kong, China .....	100%
Wacker Metroark Chemicals Pvt. Ltd., Parganas, India .....	51%
Wacker Polymer Systems, ZJG Co. Ltd., Zhangjiagang, China .....	100%
Wacker Polymer Systems, WUXI Co. Ltd., Wuxi, China .....	100%
Wacker Chemicals, Zhangjiagang, Co. Ltd., Zhangjiagang, China .....	100%
Wacker Chemicals, China, Company Ltd., Holding, Shanghai, China .....	100%

### II. Companies Valued Using the Equity Method

	Capital share
Wacker Asahi Kasei Silicone Co. Ltd., Tokyo, Japan .....	50%
Dow Corning (ZJG) Holding Co. Private Ltd., Singapore .....	25%
Wacker Dymatic Silicones Shunde Co., Ltd., Guangdong, China .....	50%
Planar Solutions L. L. C., Adrian, Michigan, USA .....	50%
Siltronic Samsung Wafer Pte. Ltd., Singapore .....	50%

The ownership of shares is listed separately in accordance with Section 313 (4) of the German Commercial Code (HGB).

## Key Figures for Joint Ventures

€ million	2009		2008	
	Total	Attributable to WACKER	Total	Attributable to WACKER
Sales .....	292.7	146.5	270.2	135.2
Operating result .....	-254.8	-127.4	-29.5	-14.7
Result after taxes .....	-270.0	-135.0	-40.7	-20.4
Noncurrent assets .....	519.9	260.0	664.9	332.5
Current assets .....	112.1	56.1	271.6	135.9
	632.0	316.1	936.5	468.4
Equity .....	192.3	96.2	325.9	163.1
Noncurrent liabilities .....	357.3	178.6	494.6	247.3
Current liabilities .....	82.4	41.3	116.0	58.0
	632.0	316.1	936.5	468.4

An amount for the WACKER SCHOTT Solar GmbH joint venture for the period from January 1, 2009 until its disposal in October 2009 is included in sales (€72.2 million), operating result (€-198.4 million) and result after taxes (€-199.1 million).

## Key Figures for Associated Companies

€ million	2009		2008	
	Total	Attributable to WACKER	Total	Attributable to WACKER
Sales .....	4.3	1.1	8.5	3.0
Operating result .....	-50.0	-12.5	-29.7	-7.5
Result after taxes .....	-76.8	-19.2	-39.9	-10.1
Noncurrent assets .....	732.2	183.0	480.9	120.2
Current assets .....	58.7	14.7	15.0	3.7
	790.9	197.7	495.9	123.9
Equity .....	144.6	36.1	127.8	31.9
Noncurrent liabilities .....	473.6	118.4	65.6	16.4
Current liabilities .....	172.7	43.2	302.5	75.6
	790.9	197.7	495.9	123.9

## 24 Related Party Disclosures

IAS 24 stipulates that parties which control, or are controlled by, Wacker Chemie AG must be specified 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 provisions in the Articles of Association or contractual arrangements, has the possibility of controlling the financial and business policy of the WACKER Group's Executive Board.

In the year under review, the WACKER Group is affected by the disclosure obligations under IAS 24 only in respect of the business relations with Wacker Chemie AG's major shareholders and its Executive and Supervisory Board members.

The relationship of internal performance allocation 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. This likewise applies to close relatives of the aforementioned persons.

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

Artisan Partners Limited Partnership, the Artisan Investment Corporation, zFIC Inc., each headquartered in Wisconsin, USA, and Ms. Carlene M. Ziegler and Mr. Andrew A. Ziegler, informed Wacker Chemie AG on April 16, 2009 that they fell below the reporting threshold of 5% of the shares, but not the threshold of 3%. On April 21, 2009, Artisan Funds Inc., Wisconsin, USA, gave notification that it had fallen below the reporting threshold of 3% of the voting shares. On June 8, 2009, the newly-founded Artisan Investments GP LLC, Wisconsin, USA, reported in connection with a restructuring of the Artisan Group that it had exceeded the threshold of 3%. At the same time, Artisan Partners Limited Partnership reported that it had exceeded the 3% threshold. On June 29, 2009, Artisan Partners Limited Partnership reported that it had fallen below the reporting threshold of 3% of the voting shares in Wacker Chemie AG. On July 1, 2009, Artisan Partners Holdings LP, Wisconsin, USA (formerly Artisan Partners Limited Partnership), Artisan Investment Corporation, zFIC Inc., and Ms. Carlene M. Ziegler and Mr. Andrew A. Ziegler reported that they had fallen below the reporting threshold of 3% of the voting shares. Further detailed information has been published in the German register of companies. [www.unternehmensregister.de](http://www.unternehmensregister.de)

In addition, trade is conducted between some Group companies and associated companies/joint ventures in the normal course of business. Business transactions are conducted under the usual market terms and conditions. Receivables from and liabilities to these companies are indicated in Notes 10 and 16. In the year under review, associated companies were charged €116.2 million (previous year: €119.0 million) for sales, license revenue, and administrative expense allocations. Conversely, these companies submitted invoices for material purchases and commissions in the amount of €10.5 million (previous year: €11.8 million) in the year under review.

In the previous year, Wacker Chemie AG had acquired real estate with a value of €8.3 million from Pensionskasse der Wacker Chemie vvaG on the usual market terms.

#### Compensation for the Supervisory and Executive Boards

€	Fixed compen- sation	Variable compen- sation	Pensions <sup>1</sup>	Total
Executive Board compensation 2009 .....	2,588,600	1,540,582	1,318,182	5,447,364
Executive Board compensation 2008 .....	2,721,739	4,476,306	1,435,195	8,633,240
Pension commitments for active members of the Executive Board 2009 .....				14,707,726
Pension commitments for active members of the Executive Board 2008 .....				11,882,999
Expenses for former members of the Executive Board and their surviving dependents 2009 .....				791,510
Expenses for former members of the Executive Board and their surviving dependents 2008 .....				2,787,599 <sup>2</sup>
Pension commitments for former members of the Executive Board and their surviving dependents 2009 .....				18,702,075
Pension commitments for former members of the Executive Board and their surviving dependents 2008 .....				16,446,268
Supervisory Board compensation 2009 .....	717,000			717,000
Supervisory Board compensation 2008 <sup>3</sup> .....	647,404	564,255		1,211,659

<sup>1</sup> Pensions include the interest cost as well as the service cost.

<sup>2</sup> This includes payments to former Executive Board members upon termination of employment contracts in the amount of €1,982,171.

<sup>3</sup> Figures adjusted to prior year; compensation recognized as an expense for the period compared to payments for the period.

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

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

Munich, Germany, February 26, 2010  
Wacker Chemie AG

Rudolf Staudigl            Wilhelm Sittenthaler

Joachim Rauhut            Auguste Willems

# Supervisory Board

As of December 31, 2009

## Dr. Peter-Alexander Wacker<sup>1,2,3</sup>

Chairman  
Starnberg  
Business studies graduate  
(Diplom-Kaufmann)

### Managing Director

Dr. Alexander Wacker  
Familiengesellschaft mbH

### Chairman of the Supervisory Board and Advisory Council

Giesecke & Devrient GmbH (since May 28, 2009)

### Member of the Supervisory Board and Advisory Council

Giesecke & Devrient GmbH (until May 28, 2009)

### Member of the Advisory Council

INA-Holding Schaeffler KG (until March 6, 2009)

### Member of the Supervisory Board

Reuschel & Co. (until November 2, 2009)

## Anton Eisenacker<sup>\* 1,2,3</sup>

Deputy Chairman  
Perach  
Certified Chemicals Technologist

## Peter Áldozó\*

Burghausen  
HR Specialist

## Dr. Konrad Bachhuber\*

Shanghai, China  
Plant Manager, Zhangjiagang, China

### Chairman of the Board of Directors

Wacker Chemicals Fumed Silica  
(Zhangjiagang) Co. Ltd.\*\*  
Wacker Polymer Systems (Zhangjiagang) Co. Ltd.\*\*  
Wacker Chemicals Fumed Silica  
(Zhangjiagang) Holding Co. Private Ltd.\*\*  
Wacker Polymer Systems (Wuxi) Co. Ltd.\*\*

### Member of the Board of Directors

Wacker Chemicals (Zhangjiagang) Co. Ltd.\*\*  
Wacker Polymer Materials (Shanghai) Co. Ltd.\*\*  
Wacker Polymer Systems (Nanjing) Co. Ltd.\*\*

## Matthias Biebl

Munich  
Attorney and bank in-house lawyer  
UniCredit Bank AG

## Dr. Werner Biebl

Munich  
Chief Public Prosecutor (retired)

### Managing Director

Dr. Alexander Wacker  
Familiengesellschaft mbH

## Marko Fartelj\*

Kirchdorf  
Machine Operator

## Uwe Fritz\*<sup>1</sup>

Julbach  
Altötting District Chairman of  
the IG BCE labor union

### Member of the Supervisory Board

Siltronic AG\*\*

## Eduard-Harald Klein\*

Neuötting  
Operator

## Manfred Köppl\*

Kirchdorf  
Industrial Mechanic



**Franz-Josef Kortüm<sup>1,2</sup>**

Munich

**Chairman of the Executive Board**

Webasto AG

**Member of the Advisory Council**

Brose Fahrzeugteile GmbH & Co. KG

**Seppel Kraus\***

Olching

Regional head of the IG BCE labor union,  
Bavaria

**Member of the Supervisory Board**

Hexal AG

Novartis Deutschland GmbH

**Dr. Thomas Strüngmann**

Tegernsee

Business studies graduate

(Diplom-Kaufmann)

Co-Managing Director, ATHOS Service GmbH

**Member of the Supervisory Board**

4SC AG (until June 15, 2009)

**Dr. Bernd W. Voss<sup>3</sup>**

Kronberg i. T.

**Member of the Board of Directors**

ABB Ltd.

**Deputy Chairman of the Supervisory Board**

Reuschel & Co. (until November 2, 2009)

**Member of the Supervisory Board**

Continental AG

Dresdner Bank AG (until May 11, 2009)

Hapag-Lloyd AG (until March 6, 2009)

**Dr. Susanne Weiss**

Munich

Attorney

**Chairwoman of the Supervisory Board**

ROFA AG

**Member of the Supervisory Board**

UniCredit Bank AG (since February 5, 2009)

**Member of the Supervisory Board**

**and Advisory Council**

Giesecke & Devrient GmbH (since May 28, 2009)

**Prof. Dr. Ernst-Ludwig Winnacker**

Munich

Professor Emeritus of Biochemistry at LMU, Munich

Secretary General of HFSP

Human Frontier and Science Program, Strasbourg

**Chairman of the Supervisory Board**

MediGene AG

**Member of the Supervisory Board**

Bayer AG

\* Employee representative

\*\* Affiliated company

<sup>1</sup> Mediation Committee: Chairman Dr. Peter-Alexander Wacker

<sup>2</sup> Executive Committee: Chairman Dr. Peter-Alexander Wacker

<sup>3</sup> Audit Committee: Chairman Dr. Bernd W. Voss

# Executive Board

As of December 31, 2009

## Dr. Rudolf Staudigl

President & CEO

**WACKER SILICONES**  
 Executive Personnel  
 Corporate Development  
 Corporate Communications  
 Investor Relations  
 Corporate Auditing  
 Legal & Insurance  
 Corporate R&D  
 Intellectual Property

**Chairman of the Supervisory Board**  
 Siltronic AG\*\* (since September 24, 2009)  
 Pensionskasse der Wacker Chemie vvaG

**Member of the Supervisory Board**  
 Siltronic AG\*\* (until September 24, 2009)  
 Groz-Beckert KG

**Member of the Advisory Council**  
 Deutsche Bank AG

**Chairman of Bayerische Chemieverbände**

## Dr. Joachim Rauhut

**WACKER POLYSILICON**  
 Corporate Accounting  
 Corporate Controlling  
 Corporate Finance  
 Information Technology  
 Raw Materials Procurement  
 Technical Procurement & Logistics  
 Tax  
 Region: The Americas

**Member of the Supervisory Board**  
 Siltronic AG\*\*  
 Pensionskasse der Wacker Chemie vvaG  
 MTU Aero Engines Holding AG  
 (since May 26, 2009)  
 MTU Aero Engines GmbH  
 (since May 26, 2009)

**Member of the Advisory Council**  
 J. Heinrich Kramer Holding GmbH

## Dr. Wilhelm Sittenthaler

**SILTRONIC**  
 Human Resources (Personnel Director)  
 Regions: India, Asia/ Pacific

**President & CEO**  
 Siltronic AG\*\* (since September 24, 2009)

**Chairman of the Supervisory Board**  
 Siltronic AG\*\* (until September 24, 2009)

**Member of the Supervisory Board**  
 Pensionskasse der Wacker Chemie vvaG

**Chairman of the Board of Directors**  
 Siltronic Samsung Wafer Pte. Ltd.\*\*\*

## Auguste Willems

**WACKER POLYMERS**  
**WACKER FINE CHEMICALS**  
 Corporate Engineering  
 Sales & Distribution  
 Corporate Security  
 Site Management  
 Environment, Health, Safety  
 Product Stewardship  
 Regions: Europe, Middle East

\*\* Subsidiary

\*\*\* Joint venture

# Declaration on Corporate Management and the Corporate Governance Report

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

## Declaration of Conformity and Corporate Governance Reporting

The Executive and Supervisory Boards dealt intensively with the company's corporate governance in the 2009 fiscal year. A prominent part in these deliberations was played by the alterations to the Code implemented by the Government Commission on the German Corporate Governance Code as of June 18, 2009. The Executive Board and the Supervisory Board have resolved to issue the following annual Declaration of Conformity with Section 161 of the German Stock Corporation Act (AktG). The Declaration of Conformity was made permanently available to the general public on the company's website.

## Wording of the 2009 Declaration of Conformity

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

In December 2008, the Executive Board and the Supervisory Board of Wacker Chemie AG issued their last declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). Since that time, Wacker Chemie AG has complied with the recommendations of the German Corporate Governance Code (Code) in the version dated June 6, 2008, with the following exceptions, and will comply with the recommendations of the Code in the version dated June 18, 2009, except as follows:

### Exceptions

#### a) D&O Insurance – Deductible

The law and the Articles of Association set clear limits in regards to the Supervisory Board's ability to exert influence on the business activities of a stock corporation. Pursuant to Section 76 (1) of the German Stock Corporation Act, the Executive Board is responsible for independently managing the corporation. The Supervisory Board is instrumental in defining the main features of the corporate strategy. However, beyond this contribution, the Supervisory Board's abilities are limited in terms of influencing the implementation of corporate strategy or operative business. The same applies to measures taken to avert damage or loss to the company. Since the Supervisory Board members receive a relatively low representation allowance when compared to the Executive Board members' compensation, we do not deem the agreement of a deductible reasonable for members of the Supervisory Board.

In the future, D&O insurance taken out for the Group will include the deductible mandatory by law for members of the Executive Board. For practical reasons, the change will be effective as of July 1, 2010.

#### b) Corporate Governance Report

In 2008, the Executive Board and the Supervisory Board submitted a report on the company's corporate governance in accordance with the provisions of Section 161 of the German Stock Corporation Act. Since the recommendation of the Code regulated

a report on corporate governance which partially varied in terms of content, the Executive Board and the Supervisory Board decided to issue a declaration solely in accordance with the legal provisions and to avoid duplications/repetitions, since these do not offer any additional value.

The Executive Board and the Supervisory Board have decided that, in the future, they will provide a report on corporate governance as an integral part of the declaration on corporate management which is required by Section 289 (lit. a) of the German Commercial Code (HGB). This report shall contain comprehensive information on the company's corporate governance in accordance with the legal provisions. The Executive Board and the Supervisory Board do not recognize any additional value in the duplication/repetition of statements on corporate governance beyond the legal provisions.

c) Review and Resolution Concerning the Structure of the Compensation System  
by the Full Supervisory Board

Since the last declaration of conformity was made, the Executive Committee has regularly discussed and decided on the structure of the compensation system, including the contractual components, because the Supervisory Board considered this procedure efficient. A report detailing the activities of the Supervisory Board committees, including the activities of the Executive Committee, was given regularly in the full meeting of the Supervisory Board. In the future, the compensation system for the Executive Board will be resolved and reviewed by the full Supervisory Board in accordance with the recommendation. This procedure shall take into account that the full Supervisory Board will be charged by mandatory law with setting the Executive Board members' compensation.

d) Severance Pay Cap

We will comply with this recommendation of the Code on new appointments to the Executive Board as well as the re-appointment of Executive Board members.

e) Information Regarding the Main Features of the Executive Board's  
Compensation System Structure at the Annual Shareholders' Meeting

Our annual report provides extensive information, including facts about the Executive Board's compensation system, for our shareholders. Any additional reporting by the Chairman of the Supervisory Board to the Annual Shareholders' Meeting would not provide any further information. Therefore, providing such additional information to the Annual Shareholders' Meeting by the Chairman of the Supervisory Board is considered unnecessary. Our shareholders' right of access shall of course not be affected thereby.

f) Formation of a Nomination Committee within the Supervisory Board

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

We do not comply with this recommendation because, in view of our shareholder structure, it is our opinion that the formation of such committee is not appropriate.

Due to the majority situation, nominations to the Supervisory Board must be agreed with the majority shareholder in any case, so that an additional nomination committee would not contribute to an increase in efficiency.

g) Announcement of Proposed Candidates for the Chair of the Supervisory Board to the Shareholders

According to this recommendation, shareholders shall be informed of any candidates for the Supervisory Board chair, even though as a rule, the Supervisory Board has not yet been appointed. Under German law, the Supervisory Board chair must be elected by, and from among, the Supervisory Board members. There is no legal requirement to announce the candidates for the chair from among a group of not yet appointed Supervisory Board members. Furthermore, this would, above all, result in a de facto predetermination which is also not provided for under German law. For these reasons, we do not comply with this recommendation. The Declaration of Conformity is available online at: [www.wacker.com/corporate-governance](http://www.wacker.com/corporate-governance)

**Corporate Governance Reporting**  
**Shareholders and Annual Shareholders' Meeting**

Transparent Information for Shareholders and the Public

WACKER's aim is to inform all of the company's target groups, whether shareholders, shareholder representatives, analysts, media, or the interested general public, promptly and with equality of access. We publicize important dates for the company regularly in a financial calendar which is published in our Annual Report, in the interim reports, and on our website. The capital market participants are in close contact with our Investor Relations team. We inform investors and analysts about the current and future development of business in telephone conferences held whenever a quarterly report is published. We regularly attend roadshows and investors' conferences. We organize a "Capital Market Day" once a year. Important presentations can be viewed freely on the internet. All of the press releases and ad-hoc disclosures in both German and English, the online version of the Annual Report, all interim reports, and the Sustainability Report can also be found there. Further information is provided by the online customer magazine, the media library, and the Podcast Center. [www.wacker.com](http://www.wacker.com)

Annual Shareholders' Meeting

The Annual Shareholders' Meeting provides an efficient and extensive venue for informing shareholders about the company's situation. Even before the Annual Shareholders' Meeting begins, shareholders receive important information about the last fiscal year in the Annual Report. The agenda items are described and the conditions of attendance explained in the invitation to the Annual Shareholders' Meeting. All of the documents are posted on the website. After the Annual Shareholders' Meeting, we publish the attendance figures and the results of the votes on the internet. All these communication measures contribute to the regular exchange of information with our shareholders. WACKER helps its shareholders to exercise their rights either in person or by proxy. Proxies are available to exercise shareholders' voting rights as instructed. These proxies can also be contacted during the Annual Shareholders' Meeting.

### Working Methods of the Executive Board and the Supervisory Board

Wacker Chemie AG has a dual management system as prescribed in the German Stock Corporation Act (AktG). It consists of the Executive Board, which manages the company, and the Supervisory Board, which supervises the company. These two bodies are kept strictly separate from one another with regard to both their membership and their areas of expertise.

#### Executive Board

The Executive Board currently consists of four members. [For more information, see page 214](#)

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

The members of the Executive Board bear joint responsibility for managing the company. In addition to this, each individual member of the Executive Board is fully responsible for managing their own units. All Executive Board decisions generally require a simple majority. In the case of a tie of votes, the President & CEO has the deciding vote. However, he does not have the right to veto Executive Board resolutions.

#### Close Cooperation Between the Executive and Supervisory Boards

The Executive Board and the Supervisory Board cooperate closely with one another in the interests of the company. Their common goal is the sustainable development of the company and its value. The Executive Board reports to the Supervisory Board regularly, promptly, and comprehensively about all issues of planning, business development, the risk situation and risk management which are relevant for the company. It explains to the Supervisory Board any deviations from the approved plans and objectives shown by the course of business, and specifies the reasons for them.

Certain transactions defined in Wacker Chemie AG's constitution require the Supervisory Board's approval prior to their conclusion. These include, among others, approving the annual budget (including financial and investment planning), acquiring and disposing of shares in companies, establishing new production or business units or suspending existing ones, and concluding sizeable long-term loans.

#### Supervisory Board

The Supervisory Board is comprised of 16 members. In compliance with the German Co-Determination Act (MitbestG), it has an equal number of representatives from the employees' and the employer's side, respectively. The Supervisory Board appoints the members of the Executive Board and oversees and advises it on the management of the company. [For more details, see page 212 onward](#)

As members of the Supervisory Board cannot simultaneously sit on the Executive Board, this structure ensures a high degree of independence in monitoring the Executive Board.

#### Committees Increase the Supervisory Board's Efficiency

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

The Executive Committee prepares the Supervisory Board's personnel decisions, especially the appointment and dismissal of Executive Board members and the nomination of the President & CEO. In addition, it develops the system for Executive Board compensation, on the basis of which the meeting of the full Supervisory Board determines the compensation payable to Executive Board members. The Executive Committee consists of the Chairman of the Supervisory Board, Dr. Peter-Alexander Wacker, and Supervisory Board members Anton Eisenacker and Franz-Josef Kortüm.

The Audit Committee does the groundwork for the Supervisory Board's decisions on the adoption of the annual financial statements and the approval of the consolidated financial statements. Its work also includes an audit of the consolidated interim financial statements for the first half-year, discussion of the quarterly reports, and issues involving risk management. In connection with this, the Committee is obliged to pre-audit the annual financial statements, the consolidated financial statements, the management report, the Group management report, and the proposal for the distribution of profits. In particular, the Committee monitors the accounting processes and the effectiveness of the internal control, risk management and auditing systems. It performs these tasks in close cooperation with the external auditors. The Audit Committee also prepares the agreement with the external auditors and takes suitable steps to establish and monitor the auditing company's independence. On this basis, it gives the Supervisory Board a recommendation as to whom it should propose as auditor to the Annual Shareholders' Meeting. The members of this committee are Dr. Bernd W. Voss, Dr. Peter-Alexander Wacker and Anton Eisenacker. The committee is chaired by Dr. Bernd W. Voss, who has special knowledge and experience in the fields of accounting and auditing.

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

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

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

#### Share Dealings by the Executive Board and the Supervisory Board

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

In 2009, members of the Executive and Supervisory Boards and their dependents subject to reporting requirements gave notification of four purchasing transactions involving between 60 to 100 WACKER shares. The volumes of the individual transactions ranged from €5,040 to €8,535.

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

#### Dealing Responsibly with Opportunities and Risks

Dealing responsibly with risks is an important part of good corporate governance. WACKER uses systematic opportunity and risk management for the regular identification and monitoring of the material risks and opportunities. Its objective is to recognize risks at an early stage and minimize them with consistent risk management. The Executive Board informs the Supervisory Board regularly about existing risks and their development. The Audit Committee concerns itself regularly with the accounting process and the effectiveness of the internal control, risk management and auditing systems. It is also involved in auditing the financial statements. The opportunity and risk management system is continuously being enhanced and adapted to changed general conditions. For more details, see page 113 onward

#### Accounting and Auditing

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

#### D&O Insurance

WACKER has concluded a pecuniary damage liability insurance policy which additionally covers the activities of the Executive Board and Supervisory Board members (i.e. D&O insurance). As from July 1, 2010, this insurance will provide for the statutory deductible for the members of the Executive Board.



### Compensation Report for the Executive Board

Since the German Act on the Appropriateness of Management Board Compensation (VorStAG) came into force on August 5, 2009, the Supervisory Board's full meeting, following preparation by the Executive Committee, has been responsible for determining the individual compensation paid to members of Wacker Chemie AG's Executive Board. Until that date, the Executive Committee had been responsible.

The compensation system for the members of the Executive Board is currently being examined in the light of the VorStAG so that it takes account of the new legal requirements. Effective July 1, 2010, WACKER is going to implement the regulations introduced under the VorStAG for a deductible in D&O insurance for all members of the Executive Board. WACKER will regularly examine the compensation system for its Executive Board on the basis of external market comparisons.

In the 2009 fiscal year, the Executive Board's compensation consisted of the following significant components:

#### (I) A fixed annual salary:

The fixed annual salary is paid monthly in identical installments.

#### (II) A variable, performance-related bonus:

The amount of the variable bonus, which is paid annually and retrospectively, depends on the attainment of agreed annual targets of the WACKER Group with regard to the following key indicators: business value contribution, cash flow and target return, as well as the individual targets of the Executive Board's members. The members of the Executive Board are entitled to a minimum bonus.

#### (III) A contribution to retirement benefits:

The members of the Executive Board become entitled to the payment of an annual retirement pension should the event insured against occur, i.e. when the member in question reaches retirement age or becomes afflicted by permanent occupational disability. Before the event insured against occurs, Dr. Staudigl, Dr. Rauhut and Dr. Sittenthaler have a basic entitlement to the premature payment of an annual pension if they leave the Executive Board against their will without good cause or if they, of their own accord, cease their activity for good cause, the company being responsible for said cause. The amount of the retirement pension, which, like the fixed annual salary, is not performance related, is determined by the amount of the last annual salary to be drawn and the duration of Executive Board membership. A percentage of the basic salary is defined as a basic amount and adjusted by means of an annual percentage rate of increase for each year of service.

The last adjustment of the Executive Board members' annual salaries and variable bonuses was made with effect as of July 1, 2007. Dr. Staudigl's fixed annual salary, moreover, was increased on his appointment as President & CEO in 2008.

In the 2009 fiscal year, as a response to the general economic crisis, WACKER implemented a multiplicity of measures to reduce the Group's personnel expenses and the cost of materials. In 2009, the Supervisory Board's Executive Committee, in consultation with the Executive Board, set a reduced bonus for the 2008 fiscal year. At first, only 50% of this bonus was paid in 2009. The withheld 50% of the bonus has been paid in 2010.

The company grants the members of the Executive Board appropriate insurance coverage, in particular D&O insurance.

#### Executive Board Compensation

€	Fixed compensation <sup>1</sup>	Variable compensation	2008 reversal of provision for variable com- pensation	Retirement benefits <sup>2</sup>	Total
<b>Dr. Rudolf Staudigl</b>					
2009	799,951	847,500	-366,544	592,506	1,873,413
2008	813,548	1,316,848	-	421,557	2,551,953
<b>Dr. Joachim Rauhut</b>					
2009	599,463	621,500	-297,000	196,900	1,120,863
2008	599,195	1,067,000	-	213,957	1,880,152
<b>Dr. Wilhelm Sittenthaler</b>					
2009	596,853	621,500	-197,999	294,604	1,314,958
2008 (from May 8, 2008)	393,676	711,333	-	268,429	1,373,438
<b>Auguste Willems</b>					
2009	592,333	621,500	-151,250	234,172	1,296,755
2008	592,957	811,250	-	236,498	1,640,705
<b>Dr. Peter-Alexander Wacker<sup>3</sup></b>					
2009	-	-	-158,625	-	-158,625
2008 (from May 8, 2008)	322,363	569,875	-	294,754	1,186,992
<b>Total</b>					
2009	2,588,600	2,712,000	-1,171,418	1,318,182	5,447,364
2008	2,721,739	4,476,306	-	1,435,195	8,633,240

<sup>1</sup> The fixed compensation additionally includes the use of a company car.

<sup>2</sup> The pension includes the interest cost as well as the service cost. The interest cost amounts to €608,592 (2008: €579,989).

<sup>3</sup> Dr. Wacker resigned from his office as President & CEO upon the conclusion of the Annual Shareholders' Meeting on May 8, 2008, and was elected on the same day as member of the Supervisory Board. Following his election, he was elected as Chairman of the Supervisory Board.

**Expenses for Former Members of the Executive Board and Their Surviving Dependents**

€	Total
2009 .....	791,510
2008 .....	2,787,599 <sup>1</sup>

<sup>1</sup> This includes payments to former Executive Board members upon termination of employment contracts in the amount of €0 million (previous year: €1,982,171). Due to his premature departure on May 8, 2008, Dr. Wacker first drew his fixed annual salary on a pro rata basis for the first three months before drawing his premature retirement pension thereafter. Due to a 24-month waiting period obligation that had been agreed, Dr. Wacker is entitled to waiting period compensation, although this will be set off against his premature retirement pension. Dr. Wacker will additionally be provided with a company car.

**Pension Provisions for Executive Board Members**

€	Total
<b>Pension Provisions for Active Members of the Executive Board</b>	
2009 .....	14,707,726
2008 .....	11,882,999
<b>Pension provisions for Former Members of the Executive Board and Their Surviving Dependents</b>	
2009 .....	18,702,075
2008 .....	16,446,268

**Compensation Report for the Supervisory Board**

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

In return for their work, the members of the Supervisory Board receive fixed annual compensation in the amount of €25,000 payable when the fiscal year expires. Supervisory Board members who join or depart from the Supervisory Board during the ongoing fiscal year receive the appropriate pro rata compensation.

In addition to their fixed compensation, the members of the Supervisory Board receive performance-related compensation for the past fiscal year based on the return on assets<sup>1</sup> percentage. The performance-related compensation can be between 0% and 125% of the fixed annual compensation.

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

The members of the Supervisory Board are compensated for any outlays incurred in connection with the execution of their duties with an annual lump sum of €12,000. They are additionally refunded any VAT payable on their compensation.

<sup>1</sup> Definition of the return on assets for this purpose: the percentage ratio of earnings before interest and taxes to the capital employed in accordance with IFRS consolidated financial statements, with the capital employed corresponding to the total of current and noncurrent assets less liquidity.

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

#### Supervisory Board Compensation

€	Fixed compensation	Variable compensation	Total
2009	717,000	–	717,000
2008 <sup>1</sup>	647,404	564,255	1,211,659

<sup>1</sup> Figures adjusted to prior year; compensation recognized as an expense for the period compared to payments for the period.

#### Corporate Management Practices Applied Beyond the Legal Requirements

As a company, WACKER works in accordance with ethical and legal corporate management principles which are applied over and above the legal requirements. The social, ethical and commercial behavioral principles to which WACKER subscribes are summarized in our Code of Conduct. WACKER has set up its own compliance system. All of the WACKER Group's employees are obliged to comply with these principles. There are also separate or supplementary behavioral guidelines for individual Group companies (Siltronic AG's Code of Ethics) and sites (WACKER Greater China's employee handbook). The Group's American subsidiaries have their own compliance programs tailored specifically to us law.

#### Compliance – an Important Task for Management

Violations of the behavioral principles or of legal stipulations are not tolerated at WACKER. Every employee who has questions about correct behavior in his or her working environment can obtain advice and help from supervisors, specialist departments, and employee representatives. In Europe, the USA and Asia, Compliance Officers are available as trusted representatives. The objectives of our compliance programs are to prevent misconduct, minimize risks from misconduct, and rigorously expose all cases of corruption or other violations of the law in compliance with the UN's Global Compact. Parallel to this, an extensive package of obligatory training courses and voluntary training is provided for employees so that they are thoroughly informed about the Group's behavioral principles and the consequences of violating them.

Since 2006, WACKER has subscribed to the Global Compact initiative. We voluntarily implement the Global Compact's ten principles for protecting human rights, on social and environmental standards, and for the fight against corruption.

For years, sustainability has been an integral part of WACKER's production and business processes. We regard this as the basis for our long-term commercial success. WACKER has been committed to the Responsible Care® initiative since its inception and supports its international implementation. It was launched by the chemical industry in 1985. The objective of Responsible Care® is for companies to assume responsibility for achieving continuous improvements in their environment, health and safety efforts – above and beyond legal requirements.

In 2009, we published the WACKER Sustainability Report for the years 2007/2008. The report is geared toward the international G3 guidelines from the Global Reporting Initiative (GRI) and the criteria established by the German future e.V. trade association and the Institute for Ecological Economy Research (IÖW). Our next Sustainability Report will be published in 2011. Information about the Global Compact, Responsible Care®, and sustainability is published online at [www.wacker.com/sustainability](http://www.wacker.com/sustainability)

## Declaration by the Executive Board on the Accounting Methods and Auditing

The Executive Board is responsible for preparing Wacker Chemie AG's consolidated financial statements and Group management report. WACKER's consolidated financial statements were published in compliance with the rules published in London by the International Accounting Standards Board (IASB) and endorsed by the European Union. WACKER has set up effective internal monitoring and steering systems to guarantee that the Group management report and the consolidated financial statements comply with the applicable rules and procedures of proper corporate reporting. The reliability and workability of the monitoring and steering systems are examined continuously by the internal auditing division. KPMG AG Wirtschaftsprüfungsgesellschaft has audited Wacker Chemie AG's consolidated financial statements and Group management report and granted them an unqualified audit certificate. WACKER's consolidated financial statements, its Group management report, and the auditor's report will be discussed in detail by the Supervisory Board's audit committee at its meeting on March 8, 2010. For information about the Supervisory Board's audit, please refer to its report.

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

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

Munich, Germany, February 26, 2010  
Wacker Chemie AG

Rudolf Staudigl      Wilhelm Sittenthaler

Joachim Rauhut      Auguste Willems

# Auditor's Report

We have audited the consolidated financial statements prepared by Wacker Chemie AG – comprising the statement of financial position, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes – together with the Group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS<sup>s</sup>, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 a (1) HGB (Handelsgesetzbuch “German Commercial Code”) are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, Germany, February 26, 2010  
KPMG AG Wirtschaftsprüfungsgesellschaft

Kozikowski  
Auditor

Dr. Grottel  
Auditor

# Multiyear Overview

## Multiyear Overview

€ million	2009	Change in %	2008	2007	2006	2005
<b>Sales</b>	<b>3,719.3</b>	-13.5	4,298.1	3,781.3	3,336.9	2,755.7
<b>Income before tax</b>	<b>3.3</b>	-99.5	641.8	632.1	415.6	206.2
<b>Net result for the year</b>	<b>-74.5</b>	-117.0	438.3	422.2	311.8	143.4
<b>EBITDA</b>	<b>606.7</b>	-42.5	1,055.2	1,001.5	786.3	613.7
<b>EBIT</b>	<b>26.8</b>	-95.9	647.9	649.6	456.3	262.5
<b>Fixed assets</b>	<b>3,017.5</b>	2.2	2,951.7	2,401.9	2,098.9	1,954.0
<b>Intangible assets</b>	<b>22.0</b>	-10.9	24.7	10.1	16.3	16.2
<b>Property, plant, and equipment</b>	<b>2,778.5</b>	4.5	2,659.6	2,123.4	1,917.6	1,857.5
<b>Financial assets</b>	<b>217.0</b>	-18.4	267.4	268.4	165.0	80.3
<b>Current assets incl. deferred taxes + prepaid expenses and deferred charges</b>	<b>1,524.4</b>	-7.7	1,673.4	1,516.2	1,159.3	968.9
<b>Liquid funds</b>	<b>363.6</b>	19.1	305.3	366.5	42.9	34.7
<b>Equity</b>	<b>1,942.4</b>	-6.7	2,082.8	1,865.6	1,585.8	934.4
<b>Subscribed capital</b>	<b>260.8</b>	-	260.8	260.8	260.8	260.8
<b>Capital reserves</b>	<b>157.4</b>	-	157.4	157.4	157.4	59.9
<b>Treasury shares</b>	<b>-45.1</b>	-	-45.1	-45.1	-45.1	-142.6
<b>Retained earnings/other equity items</b>	<b>1,552.4</b>	-8.4	1,695.3	1,477.2	1,196.8	753.0
<b>Non-controlling interests</b>	<b>16.9</b>	17.4	14.4	15.3	15.9	3.3
<b>Debt</b>	<b>2,599.5</b>	2.2	2,542.3	2,052.5	1,672.4	1,988.5
<b>Provisions</b>	<b>867.8</b>	20.6	719.5	651.6	587.2	599.5
<b>Liabilities incl. deferred taxes + prepaid expenses and deferred charges</b>	<b>1,731.7</b>	-5.0	1,822.8	1,400.9	1,085.2	1,389.0
<b>Balance sheet total</b>	<b>4,541.9</b>	-1.8	4,625.1	3,918.1	3,258.2	2,922.9
<b>Employees (average for the year)</b>	<b>15,719</b>	-0.5	15,798	14,926	14,599	14,483
<b>Employees (Dec. 31)</b>	<b>15,618</b>	-1.9	15,922	15,044	14,668	14,434
<b>Employees overall</b>	<b>15,618</b>	-1.9	15,922	15,044	14,668	14,434



€ million	2009	Change in %	2008	2007	2006	2005
<b>Key profitability figures</b>						
Return on sales (EBIT) ..... = EBIT/sales (%)	0.7	-95.4	15.1	17.2	13.7	9.5
Return on sales (EBITDA) ..... = EBITDA/sales (%)	16.3	-33.7	24.6	26.5	23.6	22.3
Return on equity ..... = net result for the year/equity (as of Jan. 1)(%)	-3.8	> 100	21.0	22.6	19.7	15.3
ROCE – return on capital employed ..... = EBIT/capital employed (%)	0.9	-96.5	25.7	25.3	17.9	-
<b>Key statement of financial position figures</b>						
Investment intensity of the fixed assets ..... = fixed assets/total assets (%)	66.4	4.1	63.8	61.3	64.4	66.9
Equity ratio ..... = equity/total assets (%)	42.8	-4.9	45.0	47.6	48.7	32.0
Capital structure ..... = equity/borrowed capital (%)	74.7	-8.8	81.9	90.9	94.8	47.0
<b>Cash flow and investments</b>						
Cash flow from operating activities .....	767.5	-23.7	1,005.4	1,322.5	761.1	455.8
Cash flow from long-term investment activities ..	-800.4	-	-983.7	-678.8	-576.4	-297.1
Cash flow from financing activities .....	92.5	-	-87.7	-318.9	-174.9	-151.0
Net cash flow ..... = operating cash flow + investment cash flow	-32.9	> 100	21.7	643.7	184.7	158.7
Investments .....	740.1	-19.2	916.3	699.3	525.3	299.0
<b>Share and valuation</b>						
Consolidated net result .....	-70.8	> 100	439.4	422.0	311.3	143.7
Earnings per share (€) ..... = consolidated net result/number of shares	-1.43	> 100	8.84	8.49	6.46	2.90
Market capitalization .....	6,066.7	64.1	3,711.4	9,821.3	4,752.3	-
Number of shares .....	49,677,983	-	49,677,983	49,677,983	48,207,178	49,544,933
Price as of reporting date Dec. 31 .....	122.1	51.3	74.7	197.7	98.6	-
Dividend per share (€) .....	1.20	-33.3	1.80	3.00	2.50	1.60
Dividend yield (%) .....	1.4	-	1.5	2.0	2.1	-
Capital employed .....	2,878.4	14.2	2,520.6	2,566.9	2,555.1	2,556.8

# Chemical Glossary

## B

### Biologics

Therapeutically effective proteins (pharmaceutical proteins) that, unlike traditional pharmaceutical actives, are bioengineered and can help in the diagnosis, cure or prevention of diseases.

### Biotechnology

Biotech processes use living cells or enzymes to transform and produce substances. Depending on the application, a distinction is made between red, green and white biotechnology. Red biotechnology: medical and pharmaceutical applications. Green biotechnology: agricultural applications. White biotechnology: biotech-based products and industrial processes, e.g. in the chemical, textile and food industries.

## C

### Chlorosilanes

Compounds of silicon, chlorine and hydrogen. The semiconductor industry mainly uses trichlorosilane to make polysilicon and for the epitaxial deposition of silicon.

### Cyclodextrins

Cyclodextrins belong to the family of cyclic oligosaccharides (i. e. ring-shaped sugar molecules). They are able to encapsulate foreign substances such as fragrances and to release active ingredients at a controlled rate. WACKER FINE CHEMICALS produces and markets cyclodextrins.

### Cysteine

Cysteine is a sulfur-containing amino acid. It belongs to the non-essential amino acids as it can be formed in the body. It is used, for example, as an additive in food and cough mixtures. Cysteine and its derivatives are a business field at WACKER FINE CHEMICALS.

## D

### Dispersion

Binary system in which one component is finely dispersed in another. VINNAPAS® dispersions from WACKER are vinyl-acetate-based binary copolymers and terpolymers in liquid form. They are mainly used as binders in the construction industry, e.g. for grouts, plasters and primers.

### Dispersible Polymer Powders

Created by drying dispersions in spray or disc dryers. VINNAPAS® polymer powders from WACKER are recommended as binders in the construction industry, e.g. for tile adhesives, self-leveling compounds and repair mortars. The powders improve adhesion, cohesion, flexibility and flexural strength, as well as water-retention and processing properties.

## E

### Elastomers

Polymers that exhibit almost perfectly elastic behavior, i.e. they deform when acted upon by an external force and return to their exact original shape when the force is removed. While the duration of the force has no effect on perfectly elastic behavior, the temperature does.

### Ethylene

Ethylene is a colorless, highly reactive gas and a key chemical-industry raw material.

## G

### Good Manufacturing Practice (GMP)

GMP is a general term used to describe a collection of rules and stipulations that must be complied with when specific products are manufactured and handled in order to safeguard their quality. GMP guidelines are issued by bodies such as the US Food and Drug Administration (FDA) and the EU.

**I****Ingredients**

Constituents or additives (in foodstuffs, pharmaceutical products, etc.).

**P****Polymers**

Polymers are large molecules made up of smaller molecular units (monomers). A polymer contains between 10,000 and 100,000 monomers. Polymers can be long or ball-shaped.

**Polysilicon**

Hyperpure polycrystalline silicon from WACKER POLYSILICON is used for manufacturing wafers for the electronics and solar industries. To produce it, metallurgical-grade silicon is converted into liquid trichlorosilane, highly distilled and deposited in hyperpure form at 1,000 °C.

**Pyrogenic Silica**

White, synthetic, amorphous silicon dioxide (SiO<sub>2</sub>) in powder form, made by flame hydrolysis of silicon compounds. It is versatile in applications as an additive for silicone rubber grades, sealants, surface coatings, pharmaceuticals and cosmetics.

**S****Semiconductor**

A substance of which the electrical conductivity is much lower than that of metals, but increases dramatically as the temperature rises. Semiconductors can be modified for a particular purpose by doping with foreign atoms.

**Silanes**

Silanes are used as monomers for the synthesis of siloxanes or sold directly as reagents or raw materials. Typical applications include surface treatment, reagents in pharmaceutical synthesis or coupling agents for coatings.

**Silicon**

After oxygen, silicon is the most common element on the planet. In nature, it occurs without exception in the form of compounds, chiefly silicon dioxide and silicates. Silicon is obtained through energy-intensive reaction of quartz sand with carbon and is the most important raw material in the electronics industry.

**Silicon Wafer**

A silicon wafer is a disc with a thickness of between approximately 200 and 800 µm, and is used by the semiconductor industry for the manufacture of semiconductor devices, i.e. integrated circuits and discrete components.

**Silicones**

General term used to describe compounds of organic molecules and silicon. According to their areas of application, silicones can be classified as fluids, resins or rubber grades. Silicones are characterized by a myriad of outstanding properties. Typical areas of application include construction, the electrical and electronics industries, shipping and transportation, textiles and paper coatings.

**Siloxanes**

Systematic name given to compounds comprising silicon atoms linked together via oxygen atoms and with the remaining valences occupied by hydrogen or organic groups. Siloxanes are the building blocks for the polymers (polysiloxane and polyorganosiloxane) that form silicones.

**V****VINNAPAS®**

VINNAPAS® is the name of WACKER's product line of dispersions, polymer powders, solid resins and their associated product solutions. VINNAPAS® dispersions and polymer powders are primarily used in the construction industry as polymeric binders, e.g. in tile adhesives, exterior insulation and finish systems, self-leveling compounds, and plasters.

# Financial Glossary

## B

### Business Value Contribution (BVC)

BVC is a financial performance measurement that determines the value created by the WACKER Group and its units once all capital costs have been deducted. BVC is the difference between profit (EBIT) and the weighted average cost of capital ( $WACC \times CE$ ). BVC is a profit variable that is adjusted to allow for extraordinary effects (e.g. sale of parts of the company). This makes it an ideal tool for measuring business performance.

## C

### Capital Employed (CE)

Made up of average fixed assets, assets under construction, inventories and receivables. It is a variable used in calculating the cost of capital ( $WACC \times CE$ ).

### Cash Flow

Cash flow represents the internal financing potential of the company, i.e. the company's solvency. It reflects the net payments received within a specific period, with gross cash flow being the amount earned from operations and net cash flow being the amount remaining after deducting investment expenses.

## E

### EBIT

Earnings before interest and taxes: EBIT is a good indicator for comparing companies' profitability, since it is widely used across the corporate world.

### EBITDA

Earnings before interest, taxes, depreciation and amortization = EBIT + actual depreciation.

### Equity Ratio

The equity ratio is calculated from the ratio of equity to a company's total assets. It indicates the level of economic and financial stability at a company.

## I

### IFRS

The International Financial Reporting Standards (until 2001 International Accounting Standards, IAS) are international accounting standards compiled and published by the London-based International Accounting Standards Board (IASB). Since 2005, publicly-listed EU-based companies have been required to use the IFRS in accordance with IAS regulations.

## R

### ROCE

Return on capital employed is the profitability ratio relating to the capital employed.

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This Annual Report contains forward-looking statements based on assumptions and estimates of WACKER's Executive Board. Although we assume the expectations in these forward-looking statements are realistic, we cannot guarantee they will prove to be correct. The assumptions may harbor risks and uncertainties that may cause the actual figures to differ considerably from the forward-looking statements. Factors that may cause such discrepancies include, among other things, changes in the economic and business environment, variations in exchange and interest rates, the introduction of competing products, lack of acceptance for new products or services, and changes in corporate strategy. WACKER does not plan to update the forward-looking statements, nor does it assume the obligation to do so.

The English Annual Report is a translation of the German version. Only the original German version is binding.





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