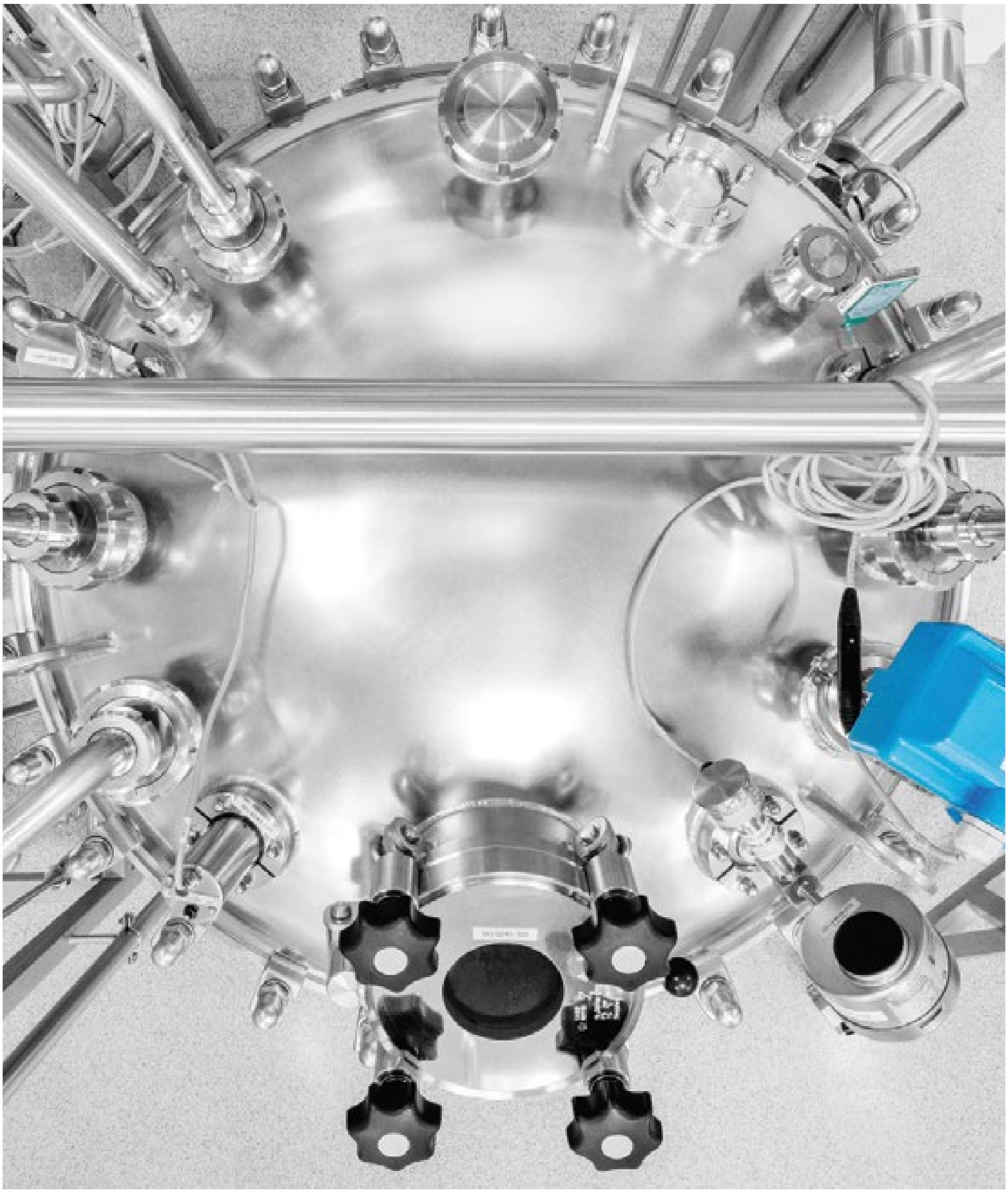
Interim Report

January through June 2018

Published on July 26, 2018

Q2



Interim Group Management Report — As of June 30, 2018

Group Q2 2018 sales climb to €1.33 billion, 9 percent higher both year over year and quarter over quarter

EBITDA reaches €261 million, up 3 percent versus last year and 2 percent versus a quarter ago

Net income for Q2 2018 amounts to €84 million

At € –101 million, net cash flow is clearly negative amid higher capital expenditures

Full-year forecast unchanged: Group sales for 2018 expected to grow by a low-single-digit percentage, with EBITDA likely to rise by a mid-single-digit percentage

Cover — In April, WACKER acquired a production plant in the Netherlands for pharmaceutical proteins, live microbial products and vaccines. The acquisition is a key step for WACKER's ongoing expansion in the high-growth biopharmaceuticals market.

WACKER — At a Glance

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
Results/Return/Cash Flow						
Sales	1,329.9	1,218.3	9.2	2,547.5	2,437.1	4.5
EBITDA[1]	260.5	253.4	2.8	515.0	482.7	6.7
EBITDA margin[2] (%)	19.6	20.8	–	20.2	19.8	–
EBIT[3]	125.0	101.9	22.7	246.7	175.1	40.9
EBIT margin[2] (%)	9.4	8.4	–	9.7	7.2	–
Financial result	–16.8	–26.1	–35.6	–33.7	–49.7	–32.2
Income from continuing operations before income taxes	108.2	75.8	42.7	213.0	125.4	69.9
Income from continuing operations	83.5	60.5	38.0	162.6	91.7	77.3
Income from discontinued operations	–	–	–	–	634.7	–100.0
Net income for the period	83.5	60.5	38.0	162.6	726.4	–77.6
Earnings per share from continuing operations (basic/diluted) (€)	1.59	1.17	35.9	3.11	1.76	76.7
Earnings per share (basic/diluted) (€)	1.59	1.17	35.9	3.11	14.36	–78.4
Capital expenditures	97.7	74.8	30.6	166.9	121.5	37.4
Depreciation/amortization	135.5	151.5	–10.6	268.3	307.6	–12.8
Net cash flow[4] from continuing operations	–101.4	93.9	n.a.	66.6	147.1	–54.7

	June 30, 2018	June 30, 2017	Dec. 31, 2017
Financial Position			
Total assets	6,947.7	7,096.2	6,835.7
Equity	3,066.0	3,136.3	3,169.3
Equity ratio (%)	44.1	44.2	46.4
Financial liabilities	1,028.3	1,361.9	1,001.6
Net financial debt[5]	639.5	671.4	454.4
Employees (number at end of period)	14,270	13,689	13,811

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

Dear Shareholders,

After the first six months of the year, WACKER is firmly on track to achieve its full-year targets. From April through June, we continued to grow our sales and EBITDA, both year over year and quarter over quarter.

Currently, business is especially strong at WACKER SILICONES, where customer demand is very high. Although our plants are running at full capacity, we cannot fully cover demand. In this market environment, we are posting volume growth with specialty products and achieving marked price increases in standard products. Our high profitability in silicones is reflected in the division's EBITDA margin of more than 25 percent for the first half year.

Our polymers business, as expected, generated further volume and sales gains. But the price of vinyl acetate monomer, a key raw material, has climbed strongly, dampening WACKER POLYMERS' earnings. The rapid and marked rise in raw-material costs has not been fully factored into our selling prices yet, although the division has already achieved price increases.

China's decision to curb feed-in tariffs for some solar projects and revise grid policies for solar installations is influencing business at WACKER POLYSILICON. But we are confident that the Chinese government's decision will not impact business as strongly as some market participants fear. One reason is vigorous growth in photovoltaics across other countries and regions. Another is the high quality of our polysilicon, which enables us to benefit from the trend toward highly efficient, monocrystalline solar modules.

The escalating trade dispute between the USA and both China and the EU poses a significant risk to the global economy. In addition, markedly higher raw-material costs are slowing our earnings. On the other hand, our chemical business is performing considerably better than anticipated at the start of the year. The first six months have delivered a good basis for WACKER's development in the current year. This reaffirms our expectations that we will lift both the Group's sales and EBITDA in 2018 as previously guided.

Munich, July 26, 2018
Wacker Chemie AG's Executive Board

WACKER Stock

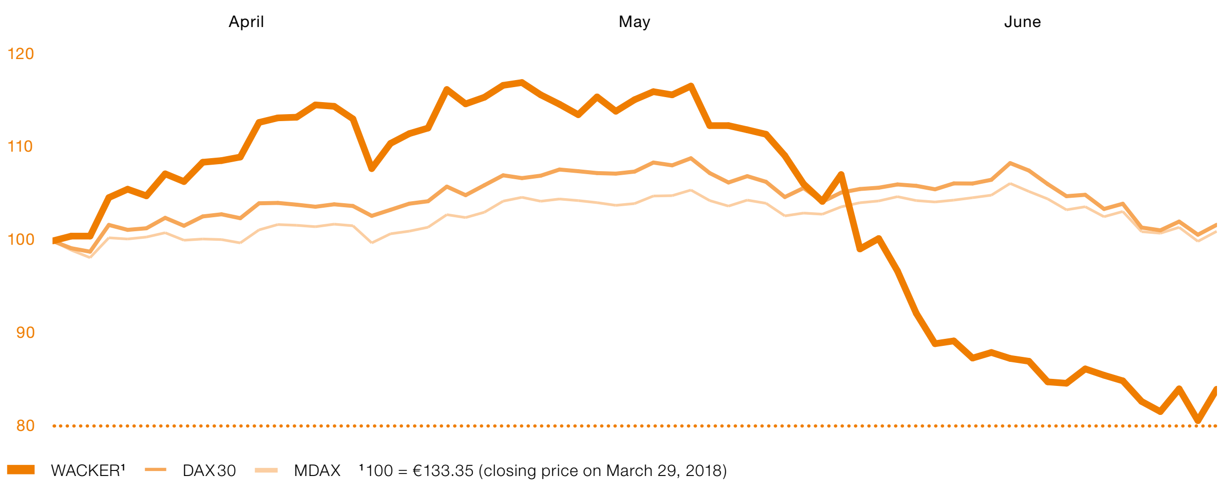
In April through June 2018, international stock markets generally performed positively for long stretches, only declining noticeably near the end of the reporting quarter. Following the first-quarter declines, market participants initially became more optimistic as tension seemed to be easing in the trade dispute between the USA and China. At the same time, the unexpectedly strong growth of China's economy improved sentiment. As the quarter progressed, the trade conflicts escalated between the USA and both China and the European Union. In the last two weeks of June, growing uncertainty caused key stock market indices to forfeit much of their previous gains.

After a rather subdued start to the second quarter, Germany's benchmark indices picked up noticeably until mid-May. In the weeks that followed, they generally trended sideways. Then, in mid-June, mounting uncertainty influenced markets, leading to a substantial decline in stock prices. Overall, the DAX closed the second quarter 2 percent higher than at the end of March, while the MDAX gained 1 percent.

WACKER stock started Q2 at €133.35 (closing price on March 29, 2018) and initially rose strongly. Amid occasional pullbacks, it reached its reporting-quarter high of €156.00 on May 8. The stock came then under considerable pressure in June. A key reason – alongside the somewhat weaker overall market trend and the removal of WACKER stock from the MSCI Germany Small Cap index – was China's decision, announced June 1, to reduce solar feed-in tariffs and cap the amount of new photovoltaic installations this year. WACKER's share price declined gradually due to market participants' fears that fewer new PV installations in China could weigh on WACKER's polysilicon business, dampening the division's volumes and earnings outlook. WACKER stock reached its reporting-quarter low of €107.65 on June 28 and closed the quarter at €112.15 on June 29. That was 16 percent lower than at the start of the quarter and corresponded to a market capitalization of €5.57 billion.

Please refer to the 2017 Annual Report (pages 36 to 40) and the internet (www.wacker.com/investor-relations) for more details about WACKER stock.

WACKER Share Performance in Q2 2018 (indexed to 100)[1]



Interim Group Management Report

Overall Economic Situation, Economic Outlook and State of the Industry

World Economic Growth Remains at a Good Level, But Risks Are Mounting

Both the IMF (International Monetary Fund) and OECD (Organisation for Economic Co-operation and Development) concur that the global upswing will continue this year. But, as the IMF notes, expansion is more uneven across economies and risks to the outlook have clearly increased. The Fund's researchers underscore not only the trend toward protectionism and trade barriers, but also the pressures potentially arising from an end to accommodative monetary policies and from rising oil prices.

In its July 2018 forecast, the IMF expects global GDP to grow by 3.9 percent this year. In advanced economies, it projects that GDP for full-year 2018 will rise by 2.4 percent – on par with last year. In developing and emerging economies, the IMF expects growth to broadly gain some momentum, climbing 4.9 percent in the current year.[1] The OECD, in its most recent study of May 2018, also anticipates that world GDP will grow this year, by 3.9 percent.[2]

Guided by the latest economic forecasts, WACKER expects global growth in 2018 to be somewhat above last year's level.

GDP Trend[1]

%	Growth in 2017	Growth outlook for 2018
World	3.7	**3.9**
Advanced economies	2.4	**2.4**
Developing and emerging economies	4.7	**4.9**
Eurozone	2.4	**2.2**
Germany	2.5	**2.2**
Asia	6.5	**6.5**
China	6.9	**6.6**
India	6.7	**7.3**
USA	2.3	**2.9**

Chemical Production Rising Noticeably

The chemical industry got off to a good start in 2018. Chemical production continued to grow worldwide according to the German Chemical Industry Association (VCI). For full-year 2018, the VCI expects production in the chemical sector to rise by 3.7 percent globally and by 2.0 percent in Europe.[3] In Germany, it forecasts a production increase of 3.5 percent for 2018, substantially more than last year. At the same time, the VCI expects producer prices for chemicals to rise by 1 percent, so that the industry's full-year sales are likely to improve by 4.5 percent to over €204 billion.[4]

Selected Key Indicators by Industry

%	Growth in 2017	Growth outlook for 2018
Chemical Industry		
Production, worldwide[3]	3.8	**3.7**
Production, Europe[3]	1.9	**2.0**
Production, Germany[4]	2.9	**3.5**
Photovoltaic Industry		
Newly installed PV capacity, worldwide[5]	29.4	**3.5**

Despite the recent cuts in solar incentives in China, the photovoltaic industry expects to deliver further growth this year. The percentage increase, though, is likely to be substantially lower than last year. Market experts at SolarPower Europe, the solar association, estimate in their "medium" scenario for 2018 that newly installed PV capacity will reach 102.6 gigawatts, an increase of 3.5 percent versus last year.[5] China, the USA, India and Japan will be among the countries adding substantial capacity this year. WACKER's own market surveys indicate that newly installed, global PV capacity will amount to between 100 and 115 gigawatts this year.

[1] International Monetary Fund, World Economic Outlook Update: Less Even Expansion, Rising Trade Tensions, Washington, July 16, 2018
[2] Organisation for Economic Co-operation and Development (OECD), OECD Economic Outlook, Volume 2018 Issue 1, Paris, May 30, 2018
[3] VCI (German Chemical Industry Association), The business situation of the global chemical industry in the 1st quarter 2018: Slightly slower growth in early 2018, Frankfurt am Main, June 7, 2018
[4] VCI (German Chemical Industry Association), Business situation of the German chemical-pharmaceutical industry 2018: Good interim results – but outlook with worries, Frankfurt am Main, July 12, 2018
[5] SolarPower Europe, Global Market Outlook For Solar Power 2018–2022, Brussels, June 19, 2018

Group Performance and Earnings

January 1 to June 30, 2018

Sales

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
WACKER SILICONES	**653.8**	548.7	19.2	**1,259.6**	1,104.3	14.1
WACKER POLYMERS	**343.1**	335.3	2.3	**645.0**	642.1	0.5
WACKER BIOSOLUTIONS	**57.2**	51.4	11.3	**111.5**	102.8	8.5
WACKER POLYSILICON	**242.1**	246.7	–1.9	**461.4**	514.8	–10.4
Corporate functions/Other	**39.3**	40.0	–1.7	**81.9**	81.8	0.1
Consolidation	**–5.6**	–3.8	47.4	**–11.9**	–8.7	36.8
Group sales	1,329.9	1,218.3	9.2	2,547.5	2,437.1	4.5

EBITDA

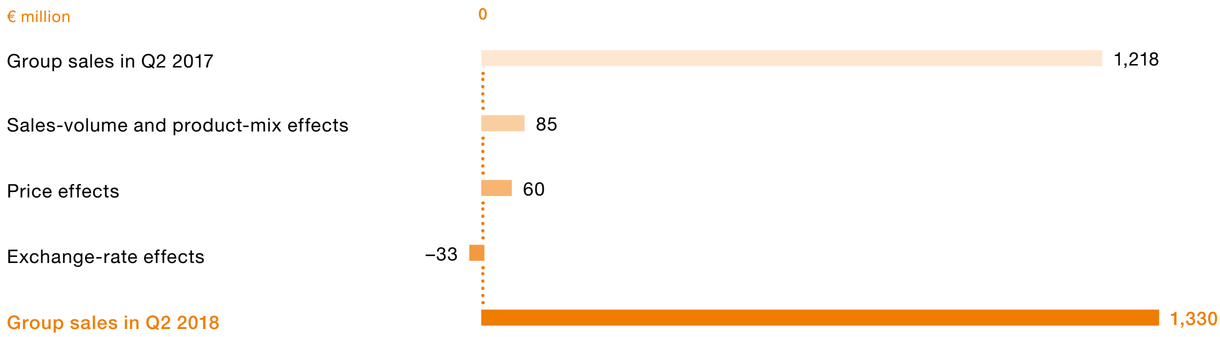
€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
WACKER SILICONES	**176.6**	110.8	59.4	**325.1**	218.2	49.0
WACKER POLYMERS	**32.6**	62.4	–47.8	**74.5**	114.7	–35.0
WACKER BIOSOLUTIONS	**5.4**	9.1	–40.7	**15.5**	19.7	–21.3
WACKER POLYSILICON	**39.1**	71.3	–45.2	**87.3**	141.8	–38.4
Corporate functions/Other	**7.3**	–0.8	n.a.	**14.0**	–13.5	n.a.
Consolidation	**–0.5**	0.6	n.a.	**–1.4**	1.8	n.a.
Group EBITDA	260.5	253.4	2.8	515.0	482.7	6.7

EBIT

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
WACKER SILICONES	**156.3**	89.8	74.1	**285.0**	176.5	61.5
WACKER POLYMERS	**23.1**	53.0	–56.4	**55.6**	95.7	–41.9
WACKER BIOSOLUTIONS	**1.6**	6.3	–74.6	**8.9**	14.0	–36.4
WACKER POLYSILICON	**–43.3**	–26.8	61.6	**–76.2**	–58.5	30.3
Corporate functions/Other	**–12.2**	–21.0	–41.9	**–25.2**	–54.4	–53.7
Consolidation	**–0.5**	0.6	n.a.	**–1.4**	1.8	n.a.
Group EBIT	125.0	101.9	22.7	246.7	175.1	40.9

In Q2 2018, WACKER reported noticeable sales gains, versus both a year earlier and a quarter ago. Reporting-quarter sales came in at €1,329.9 million, after €1,218.3 million last year. That was a rise of 9 percent. Sales were lifted by better prices, especially for silicone products, by volume growth for chemical products and by positive effects from the chemical-product mix. Exchange-rate headwinds, though, slowed the sales trend, with the euro appreciating strongly year over year. Relative to a quarter ago (€1,217.6 million), sales growth was also 9 percent. The rise was prompted by higher volumes across all divisions and by improved prices for chemical products. In the first half of 2018, Group sales climbed to €2,547.5 million, 5 percent higher than in the same period last year (€2,437.1 million).

Year-over-Year Sales Comparison



Sales Up in Every Region

In Q2 2018, WACKER continued growing its sales in every region. The biggest increase was in Asia, where sales rose 13 percent. In Europe and the Americas, year-over-year sales climbed by 7 and 4 percent, respectively. Compared with Q1 2018, sales in Asia were up 15 percent. The quarter-over-quarter sales gain in the Americas was 11 percent and in Europe 4 percent.

First-half sales for 2018 continued to advance in Asia and Europe, adding 6 percent and 5 percent, respectively. First-half sales in the Americas, though, fell by 2 percent due to exchange-rate effects.

Group Sales by Region

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %	% of Group sales
Europe	543.2	506.0	7.4	1,063.5	1,003.2	6.0	41
The Americas	223.7	214.2	4.4	425.4	434.0	–2.0	17
Asia	495.7	440.3	12.6	928.4	884.9	4.9	37
Other regions	67.3	57.8	16.4	130.2	115.0	13.2	5
Total sales	1,329.9	1,218.3	9.2	2,547.5	2,437.1	4.5	100

EBITDA Reaches €261 Million, with EBITDA Margin at 19.6 Percent

WACKER generated EBITDA of €260.5 million in Q2 2018. That was 3 percent more than a year ago (€253.4 million) and 2 percent higher than a quarter ago (€254.5 million). Growth drivers were better prices for chemical products and higher income from the stake in Siltronic. As a result, WACKER more than compensated for raw-material costs, which increased markedly both year over year and quarter over quarter. High plant utilization was another positive factor in earnings performance in the reporting quarter. The Group's EBITDA margin for Q2 2018 was 19.6 percent, after 20.8 percent the year before. In the preceding quarter, it was 20.9 percent.

The cost-of-sales ratio was 81 percent in the reporting quarter, climbing 1 percentage point versus Q2 2017. One reason for this increase was the ramp-up costs for the production plants at Charleston (USA).

In the first half of 2018, Group EBITDA totaled €515.0 million. That was 7 percent more than in the same period last year (€482.7 million). The EBITDA margin for the first half of 2018 was 20.2 percent, after 19.8 percent the year before.

EBIT Well Above Prior Year and Higher than a Quarter Ago

Reconciliation of EBITDA to EBIT

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
EBITDA	260.5	253.4	2.8	515.0	482.7	6.7
Depreciation / appreciation of fixed assets	–135.5	–151.5	–10.6	–268.3	–307.6	–12.8
EBIT	125.0	101.9	22.7	246.7	175.1	40.9

Group earnings before interest and taxes (EBIT) totaled €125.0 million in Q2 2018, compared with €101.9 million a year ago. That was an increase of 23 percent and yielded an EBIT margin of 9.4 percent, versus 8.4 percent a year ago. Compared with Q1 2018 (€121.7 million), EBIT grew by 3 percent.

Alongside the factors already mentioned, the strong year-over-year rise in EBIT was prompted by lower depreciation due to expiring depreciation periods. Depreciation amounted to €135.5 million in the reporting quarter, after €151.5 million a year ago. That was a decline of 11 percent.

In the first half of 2018, Group EBIT came in at €246.7 million, compared with €175.1 million last year – an increase of 41 percent.

Reconciliation of EBIT to Net Income for the Period

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
EBIT	125.0	101.9	22.7	246.7	175.1	40.9
Financial result	–16.8	–26.1	–35.6	–33.7	–49.7	–32.2
Income from continuing operations before income taxes	108.2	75.8	42.7	213.0	125.4	69.9
Income taxes	–24.7	–15.3	61.4	–50.4	–33.7	49.6
Income from continuing operations after income taxes	83.5	60.5	38.0	162.6	91.7	77.3
Income from discontinued operations after income taxes	–	–	–	–	634.7	–100.0
Net income for the period	83.5	60.5	38.0	162.6	726.4	–77.6
Of which						
Attributable to Wacker Chemie AG shareholders	79.0	58.2	35.7	154.3	713.5	–78.4
Attributable to non-controlling interests	4.5	2.3	95.7	8.3	12.9	–35.7
Earnings per share in € (basic/diluted)	1.59	1.17	35.9	3.11	14.36	–78.4
Average number of shares outstanding (weighted)	49,677,983	49,677,983	–	49,677,983	49,677,983	–

9

Result from Investments

Due to higher income from Siltronic AG, the result from investments in joint ventures and associates rose markedly. It amounted to €23.9 million in the reporting quarter, after €4.9 million a year ago. From January through June 2018, the result from investments in joint ventures and associates amounted to €45.6 million, after €5.0 million in the same period last year. WACKER sold part of its stake in Siltronic AG at the end of Q1 2017 and has since accounted for the company using the equity method.

Financial and Net Interest Result

WACKER's financial result improved year over year in line with expectations, coming in at €–16.8 million in Q2 2018, after €–26.1 million a year ago. A major factor in this improvement was lower interest expenses, which amounted to €5.8 million compared with €9.8 million a year earlier. In the first half of 2018, the financial result was €–33.7 million, after €–49.7 million the year before. WACKER posted higher interest income of €4.1 million from fixed-term foreign-currency deposits, up from €3.3 million last year. At the same time, interest expenses were lower at €13.3 million, down from €20.1 million a year ago. WACKER repaid financial liabilities, but also agreed new financing at favorable interest rates.

The other financial result amounted to €–12.7 million in the reporting quarter, compared with €–18.0 million a year ago. It includes not only the interest-rate effects of provisions for pensions and other provisions, but also exchange-rate effects and the costs of derivative financial instruments used to hedge Group loans. In the first six months of the year, the other financial result totaled €–24.5 million, compared with last year's €–32.9 million.

Income Taxes

The effective tax rate for the first six months of the year was 23.7 percent, after 26.9 percent in the same period last year. This decrease was mainly due to high investment income from Siltronic AG, which was recognized after tax and formed part of pre-tax income.

Net Income for the Period

Net income totaled €83.5 million in Q2 2018, compared with €60.5 million a year ago. For January through June 2018, net income totaled €162.6 million, versus €726.4 million in the same period last year. The year-ago figure included net income of €634.7 million from discontinued operations in connection with the deconsolidation of Siltronic as a WACKER segment. As a result of the effects described above, income from continuing operations in the first six months rose from €91.7 million to €162.6 million.

Earnings per Share

Earnings per share came in at €1.59 in Q2 2018, after €1.17 a year ago. In the first half of the year, earnings per share from continuing operations totaled €3.11, compared with €1.76 in the same period last year.

Division Performance

WACKER SILICONES

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
External sales	653.8	548.7	19.2	1,259.5	1,104.2	14.1
Internal sales	–	–	–	0.1	0.1	–
Total sales	653.8	548.7	19.2	1,259.6	1,104.3	14.1
EBIT	156.3	89.8	74.1	285.0	176.5	61.5
EBIT margin (%)	23.9	16.4	–	22.6	16.0	–
Depreciation	20.3	21.0	–3.3	40.1	41.7	–3.8
EBITDA	176.6	110.8	59.4	325.1	218.2	49.0
EBITDA margin (%)	27.0	20.2	–	25.8	19.8	–
Capital expenditures	46.1	40.5	13.8	80.4	56.9	41.3
R&D expenses	14.9	15.2	–2.0	30.1	30.1	–

As of	June 30, 2018	March 31, 2018		June 30, 2018	Dec. 31, 2017	
Number of employees	4,962	4,838	2.6	4,962	4,737	4.7

In Q2 2018, WACKER SILICONES generated total sales of €653.8 million, 19 percent more than a year ago (€548.7 million). Growth was driven by improved prices for silicone products, coupled with higher volumes and an enhanced product mix. As a result, the division more than offset the negative currency effects of a stronger euro. Relative to a quarter ago (€605.8 million), the division's sales rose 8 percent. WACKER SILICONES' first-half sales totaled €1,259.6 million, after €1,104.3 million in the comparable period last year. That was an increase of 14 percent.

All WACKER SILICONES business units lifted volumes and sales in the reporting quarter compared with both the year before and a quarter ago. Performance was especially robust, for instance, in silicones for construction applications, for the electronics industry and for the textiles segment.

EBITDA at WACKER SILICONES reached €176.6 million in the reporting quarter, 59 percent higher than the year before (€110.8 million). Versus a quarter ago (€148.5 million), the gain was 19 percent. Earnings benefited from not only sales growth, but also product-mix effects and generally high production output. As a result, the division more than compensated for the year-over-year and quarter-over-quarter increase in raw-material costs. Production plants operated at their capacity limits during the quarter. The EBITDA margin improved to 27.0 percent in Q2 2018, after 20.2 percent in Q2 2017 and 24.5 percent a quarter ago. From January through June 2018, EBITDA reached €325.1 million, versus the year-earlier figure of €218.2 million. That was an increase of 49 percent. The corresponding EBITDA margin for the first half of 2018 was 25.8 percent, compared with 19.8 percent in the same period last year.

WACKER SILICONES' capital expenditures amounted to €46.1 million in Q2 2018, after €40.5 million a year ago. Investment projects included construction of a new pyrogenic silica plant at Charleston (USA), the ongoing expansion of silicon-metal production at Holla (Norway), and new facilities for downstream silicone products at Burghausen (Germany) and Zhangjiagang (China).

WACKER POLYMERS

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
External sales	337.5	331.5	1.8	633.2	633.5	–
Internal sales	5.6	3.8	47.4	11.8	8.6	37.2
Total sales	343.1	335.3	2.3	645.0	642.1	0.5
EBIT	23.1	53.0	–56.4	55.6	95.7	–41.9
EBIT margin (%)	6.7	15.8	–	8.6	14.9	–
Depreciation	9.5	9.4	1.1	18.9	19.0	–0.5
EBITDA	32.6	62.4	–47.8	74.5	114.7	–35.0
EBITDA margin (%)	9.5	18.6	–	11.6	17.9	–
Capital expenditures	16.8	10.0	68.0	25.6	18.1	41.4
R&D expenses	7.5	7.2	4.2	14.9	15.7	–5.1

As of	June 30, 2018	March 31, 2018		June 30, 2018	Dec. 31, 2017	
Number of employees	1,570	1,545	1.6	1,570	1,539	2.0

Sales at WACKER POLYMERS totaled €343.1 million in the reporting quarter, 2 percent higher than a year ago (€335.3 million). This slight increase was due to better prices and to volumes that were somewhat higher on balance. On the other hand, sales performance was noticeably slowed by exchange-rate headwinds, with the euro appreciating markedly year over year. Compared with the preceding quarter (€301.9 million), sales were up 14 percent, mainly due to volume growth. In the first half of 2018, WACKER POLYMERS' sales climbed to €645.0 million, 1 percent higher than the year before (€642.1 million).

Polymer products for coatings, for the construction industry and for adhesives all performed well in the reporting quarter. WACKER POLYMERS' plant-utilization rate averaged around 90 percent from April through June.

The division's EBITDA amounted to €32.6 million in Q2 2018, after €62.4 million a year ago. This 48 percent decline stemmed mainly from substantially higher raw-material costs. In order to counter this development, the division is raising the prices of its products. Compared with a quarter ago (€41.9 million), EBITDA was down 22 percent. Aside from higher prices for the raw materials vinyl acetate monomer and ethylene, a scheduled plant shutdown for maintenance also lowered earnings. The reporting-quarter EBITDA margin was 9.5 percent, after 18.6 percent the year before and 13.9 percent a quarter ago. In the first half of 2018, EBITDA at WACKER POLYMERS reached €74.5 million, compared with €114.7 million in the same period last year. That was a decrease of 35 percent and yielded an EBITDA margin of 11.6 percent, versus 17.9 percent last year.

WACKER POLYMERS invested €16.8 million in the reporting quarter, versus €10.0 million a year ago. Investment projects included the expansion of production capacity at Nanjing (China) and Ulsan (South Korea).

WACKER BIOSOLUTIONS

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
External sales	57.2	51.4	11.3	111.5	102.8	8.5
Internal sales	–	–	–	–	–	–
Total sales	57.2	51.4	11.3	111.5	102.8	8.5
EBIT	1.6	6.3	–74.6	8.9	14.0	–36.4
EBIT margin (%)	2.8	12.3	–	8.0	13.6	–
Depreciation	3.8	2.8	35.7	6.6	5.7	15.8
EBITDA	5.4	9.1	–40.7	15.5	19.7	–21.3
EBITDA margin (%)	9.4	17.7	–	13.9	19.2	–
Capital expenditures	5.4	2.7	100.0	8.4	4.7	78.7
R&D expenses	1.7	1.6	6.3	3.1	3.1	–
As of	June 30, 2018	March 31, 2018		June 30, 2018	Dec. 31, 2017	
Number of employees	691	566	22.1	691	533	29.6

WACKER BIOSOLUTIONS posted total sales of €57.2 million in Q2 2018, up 11 percent versus a year ago (€51.4 million). The increase was mainly driven by volume growth and better prices for some products. Exchange-rate headwinds, on the other hand, dampened sales. Year over year, acetylacetone and pharmaceutical proteins were among the strongest performers. Compared with a quarter ago (€54.3 million), the division's sales were up 5 percent. In the first six months of the year, sales at WACKER BIOSOLUTIONS totaled €111.5 million, versus €102.8 million in the same period last year. That was a rise of 9 percent.

WACKER BIOSOLUTIONS' reporting-quarter EBITDA of €5.4 million was 41 percent below the year-ago figure (€9.1 million) and 47 percent lower than the preceding quarter (€10.1 million). Factors in this decline included not only higher raw-material costs, but also integration costs and still-low utilization rates at the new biologics plant that the division acquired in the Netherlands in mid-April. The EBITDA margin was 9.4 percent, after 17.7 percent a year ago and 18.6 percent in Q1 2018. In the first half of 2018, EBITDA at WACKER BIOSOLUTIONS reached €15.5 million, compared with €19.7 million in the same period last year. That was a decrease of 21 percent. The first-half EBITDA margin was 13.9 percent, after 19.2 percent the year before.

WACKER BIOSOLUTIONS invested €5.4 million in the reporting quarter, versus €2.7 million a year ago.

On April 16, 2018, WACKER acquired a production plant for biologics in Amsterdam (Netherlands) from SynCo Bio Partners Luxembourg S.à.r.l. – along with the associated business.

Please see page 31 of the Notes section of this Interim Report for further information on the acquisition.

WACKER POLYSILICON

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
External sales	**242.1**	246.7	–1.9	**461.4**	492.1	–6.2
Internal sales	**–**	–	–	**–**	22.7	–100.0
Total sales	242.1	246.7	–1.9	461.4	514.8	–10.4
EBIT	–43.3	–26.8	61.6	–76.2	–58.5	30.3
EBIT margin (%)	**–17.9**	–10.9	–	**–16.5**	–11.4	–
Depreciation	**82.4**	98.1	–16.0	**163.5**	200.3	–18.4
EBITDA	39.1	71.3	–45.2	87.3	141.8	–38.4
EBITDA margin (%)	**16.2**	28.9	–	**18.9**	27.5	–
Capital expenditures	**12.1**	9.1	33.0	**26.2**	22.0	19.1
R&D expenses	**7.6**	6.4	18.8	**16.0**	13.3	20.3

As of	June 30, 2018	March 31, 2018		June 30, 2018	Dec. 31, 2017	
Number of employees	**2,550**	2,539	0.4	**2,550**	2,538	0.5

WACKER POLYSILICON generated total sales of €242.1 million in the reporting quarter. That was 2 percent less than a year ago (€246.7 million). The main reason for the slight decrease was that volumes and average prices were somewhat lower. Compared with the preceding quarter (€219.3 million), sales were up 10 percent, driven mainly by substantial volume growth. This enabled the division to more than compensate for average polysilicon prices that were lower on balance than a quarter ago. From January through June 2018, the division's sales amounted to €461.4 million, after €514.8 million in the same period last year. That was a decline of 10 percent.

WACKER POLYSILICON's reporting-quarter EBITDA came in at €39.1 million, down 45 percent compared with a year ago (€71.3 million). The decrease was mainly due to ramp-up costs at Charleston, where production facilities are gradually coming on stream again. EBITDA contracted relative to a quarter ago (€48.2 million) as well, with the 19 percent decrease additionally attributable to lower prices. From April through June 2018, WACKER POLYSILICON's EBITDA margin amounted to 16.2 percent, after 28.9 percent in Q2 2017 and 22.0 percent in Q1 2018.

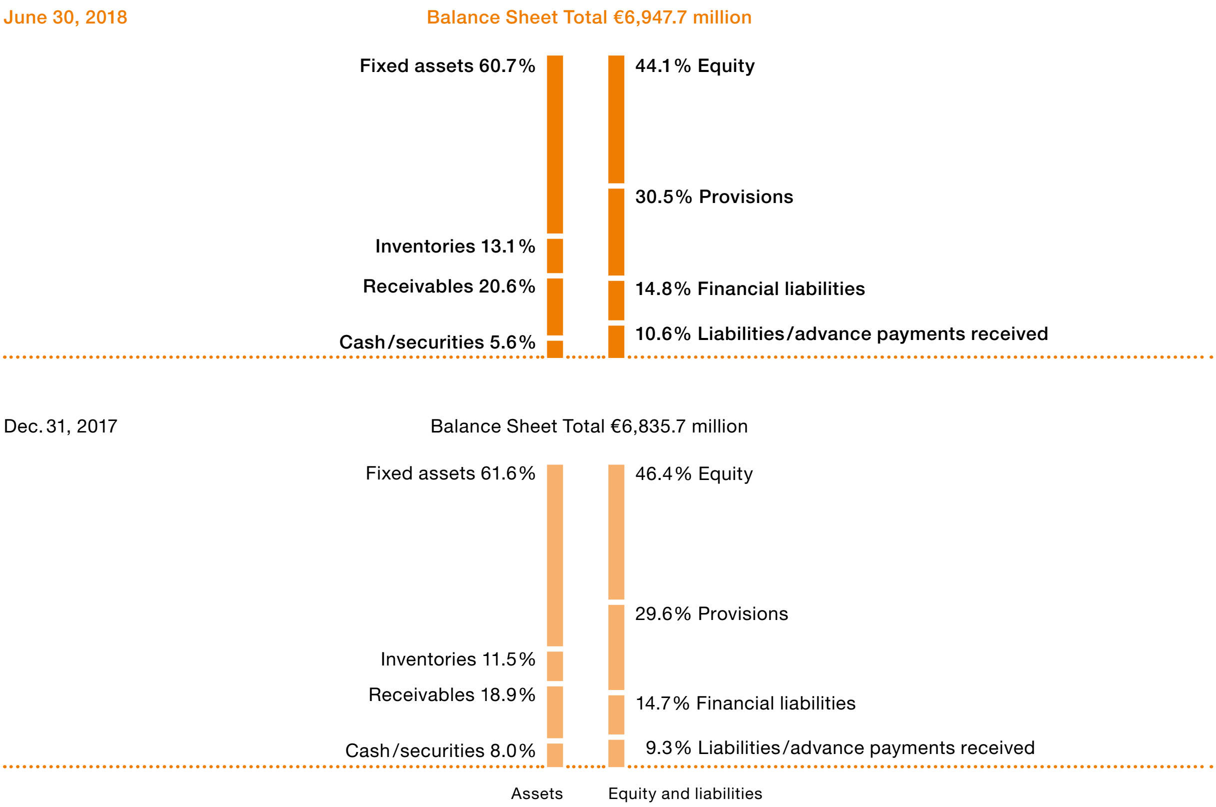
In the first half of 2018, EBITDA at WACKER POLYSILICON was €87.3 million, down 38 percent compared with the same period last year (€141.8 million). No insurance compensation for the business interruption loss at Charleston was booked in the period under review. The EBITDA margin for the first half of 2018 was 18.9 percent, after 27.5 percent the year before.

WACKER POLYSILICON's capital expenditures amounted to €12.1 million in the reporting quarter, compared with €9.1 million a year ago.

Net Assets and Financial Position

June 30, 2018

Asset and Capital Structure



WACKER's balance sheet totaled €6.95 billion as of June 30, 2018, after €6.84 billion on December 31, 2017. On the assets side, working capital rose while liquidity saw a marked decline due to the dividend payment in Q2 2018. On the equity and liabilities side, provisions for pensions and other liabilities increased.

Fixed Assets Decline Due to Depreciation

Fixed assets (including equity-accounted investments) amounted to €4.11 billion as of the reporting date (Dec. 31, 2017: €4.11 billion). Depreciation decreased fixed assets by €268.3 million. Capital expenditures lifted fixed assets by €166.9 million, while changes in exchange rates added around €60 million.

Substantial Increase in Working Capital

Working capital climbed 15 percent to €1.35 billion (Dec. 31, 2017: €1.17 billion), with not only trade receivables but also inventories and trade payables rising. These effects essentially stemmed from the good business trend in the first half of the year.

Advance payments received, which have been recognized under contract liabilities since January 1, 2018, amounted to €158.7 million as of the reporting date (Dec. 31, 2017: €174.3 million).

Change in Working Capital

€ million	June 30, 2018	June 30, 2017	Change in %	Dec. 31, 2017	Change in %
Trade receivables	770.7	708.1	8.8	655.7	17.5
Inventories	911.4	798.6	14.1	783.6	16.3
Trade payables	–336.1	–320.3	4.9	–268.5	25.2
Working capital	1,346.0	1,186.4	13.5	1,170.8	15.0

Liquidity Down 15 Percent

As of June 30, 2018, WACKER posted liquid assets (current and noncurrent securities, cash and cash equivalents) of €388.8 million (Dec. 31, 2017: €547.2 million). That was a decrease of 29 percent. In Q1 2018, WACKER received an advance payment of US$100 million in insurance compensation for the loss event in Tennessee. Liquid assets were also lifted by the disbursement of €300 million in connection with a new promissory note (German Schuldschein) in January 2018. At the same time, WACKER repaid debt prematurely. In Q2 2018, liquidity dropped mainly because of Wacker Chemie AG's dividend payment of €223.6 million, but also due to the payment of variable compensation.

Provisions for Pensions Up Due to Lower Discount Rates

Provisions for pensions amounted to €1.72 billion as of the reporting date (Dec. 31, 2017: €1.62 billion), up €102.9 million. The discount rates were 1.99 percent in Germany (Dec. 31, 2017: 2.09 percent) and 4.11 percent in the USA (Dec. 31, 2017: 3.50 percent).

Equity Ratio at 44.1 Percent

Compared with year-end 2017, Group equity was down slightly. It came in at €3.07 billion (Dec. 31, 2017: €3.17 billion). The resulting equity ratio was 44.1 percent (Dec. 31, 2017: 46.4 percent). Positive net income for the period and effects from provisions for pensions were the chief factors here. Net income increased equity by €162.6 million, while the changes in provisions for pensions recognized in other comprehensive income reduced equity by €63.2 million. Exchange-rate effects lifted equity by €36.5 million. Dividend payments reduced equity by €228.3 million.

Net Cash Flow

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
Cash flow from operating activities (gross cash flow)	24.9	149.0	–83.3	232.3	244.9	–5.1
Change in advance payments received	–3.7	24.8	n.a.	15.6	41.5	–62.4
Cash flow from long-term investing activities before securities	–122.6	–79.9	53.4	–181.3	–139.3	30.2
Net cash flow from continuing operations	–101.4	93.9	n.a.	66.6	147.1	–54.7

Gross Cash Flow

Cash flow from operating activities (gross cash flow) totaled €232.3 million in the first half of 2018, after €244.9 million in the same period last year. Gross cash flow benefited from improved net income for the period and from advance payments of US$100 million in insurance compensation for the loss event at the Charleston, Tennessee site, which were recognized under non-financial liabilities. Net income for the period included non-cash depreciation of €268.3 million (versus €307.6 million last year) and non-cash profit from investments in joint ventures and associates of €45.6 million (versus €5.0 million last year). The dividend payment by Siltronic AG in the amount of €23.1 million lifted cash flow from operating activities. Higher tax payments, the payment of variable compensation and the increase in working capital had a negative impact on cash flow from operating activities.

Cash Flow from Investing Activities

Cash flow from investing activities came in at €181.3 million in the first half of 2018, higher than the year before (€139.3 million). It chiefly comprised current investments in the chemical divisions and the acquisition of a biologics production site in Amsterdam, the Netherlands.

Net Cash Flow

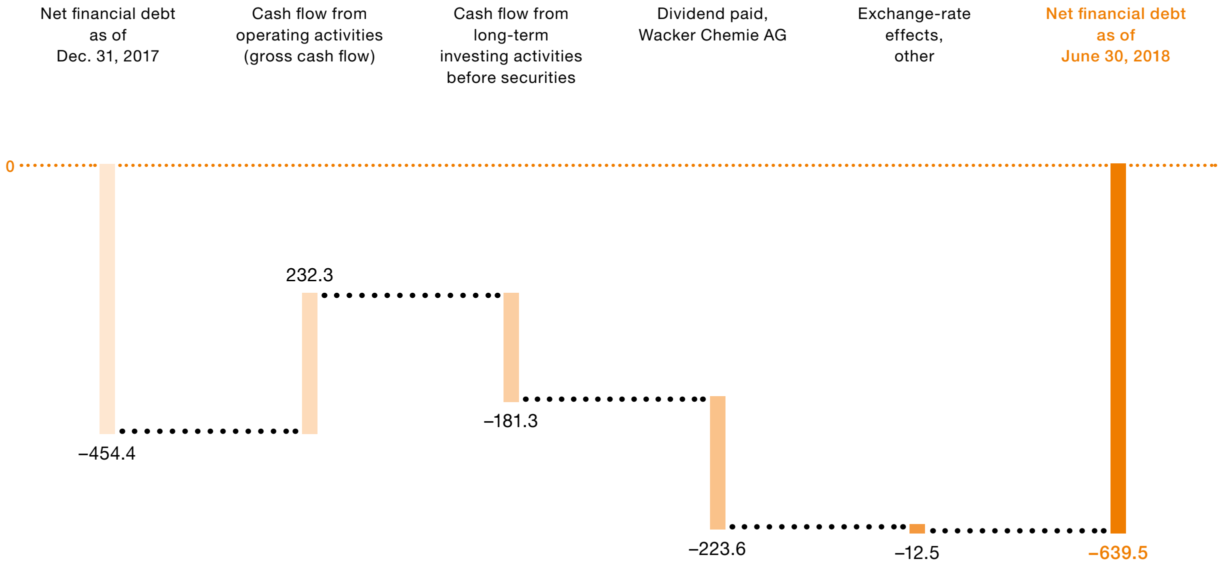
Due to the effects described above, net cash flow in the first six months of 2018 amounted to €66.6 million, versus €147.1 million in the same period last year.

Cash Flow from Financing Activities

Cash flow from financing activities was €–206.4 million in the first half of 2018, after €–10.8 million last year. It included the disbursement of €300 million in connection with a new promissory note (German Schuldschein) and early repayment of a loan of US$250 million. The cash outflow for the dividend payment of Wacker Chemie AG in the amount of €223.6 million reduced cash flow from financing activities. In the comparable period last year, cash flow from financing activities also included a cash inflow of €87.6 million from the sale of 6 percent of the company's shares in Siltronic AG.

Net Financial Debt

€ million



Financial Liabilities Unchanged

Current and noncurrent financial liabilities were roughly unchanged at the reporting date, amounting to €1.03 billion (Dec. 31, 2017: €1.00 billion). Exchange-rate effects had only a marginal impact on financial liabilities. In Q1 2018, WACKER repaid a US$250 million loan prematurely. At the same time, the company issued a promissory note (German Schuldschein) for €300 million at favorable conditions.

Net Financial Debt Higher

Net financial debt – the balance of noncurrent and current financial liabilities and liquid assets – rose markedly, from €454.4 million to €639.5 million. The reasons for this increase were the decline in net cash flow and the dividend payment by Wacker Chemie AG.

Opportunities and Risks

Rising Risks from Trade Barriers

The key risk areas that might adversely affect our business situation, net assets, financial position and earnings in 2018 were explained in detail in our 2017 Annual Report, as were the main opportunities for our business and the nature of our risk management system.

See pages 82 to 97

Trade tensions between the USA, on the one hand, and China and the European Union, on the other, have intensified markedly in recent months. The USA has imposed punitive tariffs on steel and aluminum imports, for example. In response, China and the EU have put tariffs on various US products. All parties have said they will impose tariffs on additional groups of goods should the situation escalate further. In our opinion, erecting further trade barriers – the route to a global trade war – could slow the economy noticeably. At the moment, we consider such a slowdown possible. Should the world economy prove weaker than currently forecast, this would likely have a medium impact on WACKER's earnings.

Otherwise, the statements and assessments made in our 2017 Annual Report did not change in the reporting period. We can never rule out the existence of other business-related risks and opportunities that we are currently unaware of or currently consider to be insignificant. But we do not expect risks to occur which, either in isolation or in combination with other risks, might endanger the continued existence of WACKER as a going concern.

Outlook Update

Group's Full-Year Forecast Largely Unchanged

We described in detail our projections for the Group's performance this year in the Outlook section of our 2017 Annual Report.

See pages 98 to 104

We now expect our net financial debt to amount to around €500 million by year-end 2018, partly due to exchange-rate effects. We had previously assumed that our net financial debt would be on par with last year (€454.4 million). According to current estimates, our full-year capital expenditures will come in at around €450 million (2017 Annual Report: around €470 million).

Otherwise, the statements made in the Outlook section of our 2017 Annual Report regarding our expectations for the Group did not change on balance during the reporting period.

Statement of Income

January 1 to June 30, 2018

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
Sales	1,329.9	1,218.3	9.2	2,547.5	2,437.1	4.5
Cost of goods sold	–1,078.4	–980.5	10.0	–2,053.1	–1,985.3	3.4
Gross profit from sales	251.5	237.8	5.8	494.4	451.8	9.4
Selling expenses	–76.6	–72.9	5.1	–149.3	–143.5	4.0
Research and development expenses	–40.2	–38.8	3.6	–81.9	–81.3	0.7
General administrative expenses	–39.9	–37.3	7.0	–77.1	–75.2	2.5
Other operating income	24.7	19.9	24.1	50.7	45.2	12.2
Other operating expenses	–18.4	–13.6	35.3	–35.7	–28.8	24.0
Operating result	101.1	95.1	6.3	201.1	168.2	19.6
Result from investments in joint ventures and associates	23.9	4.9	>100	45.6	5.0	>100
Other investment income	–	1.9	–100.0	–	1.9	–100.0
EBIT (earnings before interest and taxes)	125.0	101.9	22.7	246.7	175.1	40.9
Interest income	1.7	1.7	–	4.1	3.3	24.2
Interest expenses	–5.8	–9.8	–40.8	–13.3	–20.1	–33.8
Other financial result	–12.7	–18.0	–29.4	–24.5	–32.9	–25.5
Financial result	–16.8	–26.1	–35.6	–33.7	–49.7	–32.2
Income from continuing operations before income taxes	108.2	75.8	42.7	213.0	125.4	69.9
Income taxes	–24.7	–15.3	61.4	–50.4	–33.7	49.6
Income from continuing operations after income taxes	83.5	60.5	38.0	162.6	91.7	77.3
Income from discontinued operations after income taxes	–	–	–	–	634.7	–100.0
Net income for the period	83.5	60.5	38.0	162.6	726.4	–77.6
Of which						
Attributable to Wacker Chemie AG shareholders	79.0	58.2	35.7	154.3	713.5	–78.4
Attributable to non-controlling interests	4.5	2.3	95.7	8.3	12.9	–35.7
Earnings per share						
Income from continuing operations	1.59	1.17	35.9	3.11	1.76	76.7
Income from discontinued operations	–	–	–	–	12.60	–100.0
Earnings per share in € (basic/diluted)	1.59	1.17	35.9	3.11	14.36	–78.4
Average number of shares outstanding (weighted)	49,677,983	49,677,983	–	49,677,983	49,677,983	–

Statement of Comprehensive Income

January 1 to June 30, 2018

€ million			2018			2017
	Before taxes	Deferred taxes		Before taxes	Deferred taxes	
Net income for the period			162.6			726.4
Items not subsequently reclassified to the statement of income						
Remeasurement of defined benefit plans	–85.2	22.0	–63.2	203.7	–47.7	156.0
Sum of items not reclassified to the statement of income	–85.2	22.0	–63.2	203.7	–47.7	156.0
Of which result from investments accounted for using the equity method	–3.8	–0.9	–4.7	5.3	0.9	6.2
Items subsequently reclassified to the statement of income						
Difference from foreign currency translation adjustment	35.4	–	35.4	–116.0	–	–116.0
Of which recognized in profit or loss	–	–	–	12.4	–	12.4
Changes in fair value of securities – FVOCI	–	–	–	–0.1	–	–0.1
Impairments of securities – FVOCI	–	–	–	–	–	–
Changes in fair values of derivative financial instruments (cash flow hedge)	–15.7	4.3	–11.4	11.9	–2.1	9.8
Of which recognized in profit or loss	–5.0	1.4	–3.6	2.2	–0.4	1.8
Effects of net investments in foreign operations	–	–	–	–1.9	–	–1.9
Of which recognized in profit or loss	–	–	–	–2.4	–	–2.4
Sum of items reclassified to the statement of income	19.7	4.3	24.0	–106.1	–2.1	–108.2
Of which result from investments accounted for using the equity method	–5.5	1.8	–3.7	–1.6	–0.9	–2.5
Income and expenses recognized in equity	–65.5	26.3	–39.2	97.6	–49.8	47.8
Of which Attributable to Wacker Chemie AG shareholders	–64.4	26.3	–38.1	83.6	–49.8	33.8
Attributable to non-controlling interests	–1.1	–	–1.1	14.0	–	14.0
Total income and expenses reported			123.4			774.2
Of which Attributable to Wacker Chemie AG shareholders			116.2			747.3
Attributable to non-controlling interests			7.2			26.9
The share of comprehensive income attributable to Wacker Chemie AG shareholders consists of the following:						
Continuing operations			116.2			104.0
Discontinued operations			–			643.3
The share of comprehensive income attributable to non-controlling interests consists of the following:						
Continuing operations			7.2			2.6
Discontinued operations			–			24.3

Statement of Comprehensive Income

April 1 to June 30, 2018

€ million	2018 Before taxes	2018 Deferred taxes	2018	2017 Before taxes	2017 Deferred taxes	2017
Net income for the period			83.5			60.5
Items not subsequently reclassified to the statement of income						
Remeasurement of defined benefit plans	–18.9	5.2	–13.7	94.9	–24.4	70.5
Sum of items not reclassified to the statement of income	–18.9	5.2	–13.7	94.9	–24.4	70.5
Of which result from investments accounted for using the equity method	–0.5	–	–0.5	5.3	0.9	6.2
Items subsequently reclassified to the statement of income						
Difference from foreign currency translation adjustment	75.3	–	75.3	–113.0	–	–113.0
Of which recognized in profit or loss	–	–	–	0.2	–	0.2
Changes in fair value of securities – FVOCI	0.1	–	0.1	–	–	–
Impairments of securities – FVOCI	–0.1	–	–0.1	–	–	–
Changes in fair values of derivative financial instruments (cash flow hedge)	–17.3	4.7	–12.6	6.9	–1.6	5.3
Of which recognized in profit or loss	–1.8	0.5	–1.3	–3.2	–	–3.2
Effects of net investments in foreign operations	–	–	–	–3.1	–	–3.1
Of which recognized in profit or loss	–	–	–	–	–	–
Sum of items reclassified to the statement of income	58.0	4.7	62.7	–109.2	–1.6	–110.8
Of which result from investments accounted for using the equity method	–4.0	1.5	–2.5	–1.6	–0.9	–2.5
Income and expenses recognized in equity	39.1	9.9	49.0	–14.3	–26.0	–40.3
Of which Attributable to Wacker Chemie AG shareholders	39.3	9.9	49.2	–11.6	–26.0	–37.6
Attributable to non-controlling interests	–0.2	–	–0.2	–2.7	–	–2.7
Total income and expenses reported			132.5			20.2
Of which Attributable to Wacker Chemie AG shareholders			128.2			20.6
Attributable to non-controlling interests			4.3			–0.4
The share of comprehensive income attributable to Wacker Chemie AG shareholders consists of the following:						
Continuing operations			128.2			20.6
Discontinued operations			–			–
The share of comprehensive income attributable to non-controlling interests consists of the following:						
Continuing operations			4.3			–0.4
Discontinued operations			–			–

Statement of Financial Position

As of June 30, 2018

€ million	June 30, 2018	June 30, 2017	Change in %	Dec. 31, 2017	Change in %
Assets					
Intangible assets	**47.0**	38.6	21.8	41.5	13.3
Property, plant and equipment	**3,478.6**	3,690.7	–5.7	3,500.4	–0.6
Investment property	**1.3**	1.3	7.7	1.3	7.7
Investments in joint ventures and associates accounted for using the equity method	**580.1**	535.3	8.4	564.6	2.7
Securities	**60.0**	27.8	>100	42.1	42.5
Other financial assets	**111.3**	105.8	5.2	106.8	4.2
Other receivables and assets	**4.7**	5.5	–14.5	3.8	23.7
Deferred tax assets	**504.9**	409.3	23.4	452.6	11.6
Noncurrent assets	4,787.9	4,814.3	–0.5	4,713.1	1.6
Inventories	**911.4**	798.6	14.1	783.6	16.3
Trade receivables	**770.7**	708.1	8.8	655.7	17.5
Other financial assets	**27.7**	17.6	57.4	78.3	–64.6
Other receivables and assets	**101.8**	76.1	33.8	86.0	18.4
Income tax receivables	**19.4**	18.8	3.2	13.9	39.6
Securities and fixed-term deposits	**138.7**	424.3	–67.3	218.2	–36.4
Cash and cash equivalents	**190.1**	238.4	–20.3	286.9	–33.7
Current assets	2,159.8	2,281.9	–5.4	2,122.6	1.8
Total assets	6,947.7	7,096.2	–2.1	6,835.7	1.6
Equity and Liabilities					
Subscribed capital of Wacker Chemie AG	**260.8**	260.8	–	260.8	–
Capital reserves of Wacker Chemie AG	**157.4**	157.4	–	157.4	–
Treasury shares	**–45.1**	–45.1	–	–45.1	–
Retained earnings	**3,236.2**	3,150.7	2.7	3,303.9	–2.0
Other equity items	**–595.9**	–433.9	37.3	–557.8	6.8
Equity attributable to Wacker Chemie AG shareholders	3,013.4	3,089.9	–2.5	3,119.2	–3.4
Non-controlling interests	**52.6**	46.4	13.4	50.1	5.0
Equity	3,066.0	3,136.3	–2.2	3,169.3	–3.3
Provisions for pensions	**1,721.2**	1,528.2	12.6	1,618.3	6.4
Other provisions	**224.3**	212.1	5.8	231.6	–3.2
Income tax provisions	**66.2**	78.8	–16.0	46.7	41.8
Financial liabilities	**940.3**	805.4	16.7	800.4	17.5
Other financial liabilities	**0.5**	1.2	–58.3	0.5	–
Other liabilities	**–**	–	–	0.1	–100.0
Contract liabilities	**95.1**	137.5	–30.8	112.5	–15.5
Deferred tax liabilities	**9.5**	4.1	>100	4.2	>100
Noncurrent liabilities	3,057.1	2,767.3	10.5	2,814.3	8.6
Other provisions	**47.0**	60.3	–22.1	46.0	2.2
Income tax provisions	**63.5**	14.7	>100	83.7	–24.1
Financial liabilities	**88.0**	556.5	–84.2	201.2	–56.3
Trade payables	**336.1**	320.3	4.9	268.5	25.2
Other financial liabilities	**24.4**	20.2	20.8	15.0	62.7
Income tax liabilities	**1.2**	1.0	20.0	0.8	50.0
Other liabilities	**190.8**	143.3	33.1	158.6	20.3
Contract liabilities	**73.6**	76.3	–3.5	78.3	–6.0
Current liabilities	824.6	1,192.6	–30.9	852.1	–3.2
Liabilities	3,881.7	3,959.9	–2.0	3,666.4	5.9
Total equity and liabilities	6,947.7	7,096.2	-2.1	6,835.7	1.6

Statement of Cash Flows

January 1 to June 30, 2018

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
Net income for the period	**83.5**	60.5	38.0	**162.6**	726.4	–77.6
Income from discontinued operations	**–**	–	–	**–**	–634.7	–100.0
Depreciation/amortization of fixed assets	**135.5**	151.5	–10.6	**268.3**	307.6	–12.8
Result from disposal of fixed assets	**0.2**	0.4	–50.0	**0.7**	–1.7	n.a.
Other non-cash expenses and income	**–31.4**	57.9	n.a.	**–21.1**	68.9	n.a.
Result from equity accounting	**–23.9**	–4.9	>100	**–45.6**	–5.0	>100
Net interest income	**4.1**	8.1	–49.4	**9.2**	16.8	–45.2
Interest paid	**–8.7**	–16.5	–47.3	**–13.3**	–20.1	–33.8
Interest received	**1.6**	1.3	23.1	**3.1**	2.3	34.8
Income tax expense	**24.7**	15.3	61.4	**50.4**	33.7	49.6
Taxes paid	**–51.6**	–30.7	68.1	**–82.1**	–56.3	45.8
Dividends received	**23.1**	2.8	>100	**23.1**	2.8	>100
Change in inventories	**–32.1**	–100.6	–68.1	**–125.0**	–139.1	–10.1
Change in trade receivables	**–37.0**	32.5	n.a.	**–111.2**	–40.9	>100
Change in non-financial assets	**–19.9**	–22.7	–12.3	**–15.9**	–24.8	–35.9
Change in financial assets	**15.9**	2.0	>100	**48.8**	–2.0	n.a.
Change in provisions	**–1.7**	20.4	n.a.	**15.9**	36.5	–56.4
Change in non-financial liabilities	**–77.4**	–28.2	>100	**21.3**	21.5	–0.9
Change in financial liabilities	**16.2**	22.3	–27.4	**66.8**	–	n.a.
Change in contract liabilities	**3.8**	–22.4	n.a.	**–23.7**	–47.0	–49.6
Cash flow from operating activities (gross cash flow) – continuing operations	24.9	149.0	–83.3	232.3	244.9	–5.1
Cash flow from operating activities (gross cash flow) – discontinued operations	**–**	–	–	**–**	44.1	–100.0
Cash flow from operating activities (gross cash flow)	24.9	149.0	–83.3	232.3	289.0	–19.6
Cash receipts and payments for investments	**–102.0**	–80.0	27.5	**–162.3**	–141.9	14.4
Proceeds from the disposal of fixed assets	**0.4**	0.1	>100	**2.0**	2.6	–23.1
Cash payments for acquisitions	**–21.0**	–	n.a.	**–21.0**	–	n.a.
Cash flow from long-term investing activities before securities	–122.6	–79.9	53.4	–181.3	–139.3	30.2
Cash receipts and payments for the acquisition/disposal of securities and fixed-term deposits	**284.2**	–149.4	n.a.	**64.7**	–350.0	n.a.
Cash flow from investing activities – continuing operations	161.6	–229.3	n.a.	–116.6	–489.3	–76.2
Cash receipts from deconsolidation of Siltronic segment, less divested cash	**–**	–	–	**–**	191.8	–100.0
Cash flow from investing activities – discontinued operations	**–**	–	–	**–**	–26.0	–100.0
Cash flow from investing activities	161.6	–229.3	n.a.	–116.6	–323.5	–64.0
Dividends paid	**–228.3**	–104.0	>100	**–228.3**	–104.0	>100
Cash receipts from the change in ownership interests in Siltronic AG	**–**	–	–	**–**	87.6	–100.0
Change in financial liabilities	**–66.6**	–9.6	>100	**21.9**	5.6	>100
Cash flow from financing activities – continuing operations	–294.9	–113.6	>100	–206.4	–10.8	>100
Cash flow from financing activities	–294.9	–113.6	>100	–206.4	–10.8	>100
Change due to exchange-rate fluctuations	**1.3**	–3.3	n.a.	**–6.1**	0.2	n.a.
Total change in cash and cash equivalents	–107.1	–197.2	–45.7	–96.8	–45.1	>100
At the beginning of the period	**297.2**	435.6	–31.8	**286.9**	283.5	1.2
At the end of the period	**190.1**	238.4	–20.3	**190.1**	238.4	–20.3

Statement of Changes in Equity

January 1 to June 30, 2018

€ million	Subscribed capital	Capital reserves	Treasury shares	Retained earnings	Other equity items	Total	Non-controlling interests	Total
Jan. 1, 2017	260.8	157.4	–45.1	2,488.7	–482.4	2,379.4	213.8	2,593.2
Net income for the period	–	–	–	713.5	–	713.5	12.9	726.4
Dividends paid	–	–	–	–99.4	–	–99.4	–4.6	–104.0
Change in ownership interests in Siltronic AG	–	–	–	47.9	14.7	62.6	25.0	87.6
Income and expenses recognized in equity	–	–	–	–	33.8	33.8	14.0	47.8
Change in scope of consolidation	–	–	–	–	–	–	–214.7	–214.7
June 30, 2017	260.8	157.4	–45.1	3,150.7	–433.9	3,089.9	46.4	3,136.3
Jan. 1, 2018, as reported	260.8	157.4	–45.1	3,303.9	–557.8	3,119.2	50.1	3,169.3
Effects of first-time application of new accounting standards*	–	–	–	1.6	–	1.6	–	1.6
Jan. 1, 2018	260.8	157.4	–45.1	3,305.5	–557.8	3,120.8	50.1	3,170.9
Net income for the period	–	–	–	154.3	–	154.3	8.3	**162.6**
Dividends paid	–	–	–	–223.6	–	–223.6	–4.7	**–228.3**
Income and expenses recognized in equity	–	–	–	–	–38.1	–38.1	–1.1	**–39.2**
June 30, 2018	260.8	157.4	–45.1	3,236.2	–595.9	3,013.4	52.6	3,066.0

* See explanations in the Notes; of which €1.5 million from equity accounting of Siltronic.

Reconciliation of Other Equity Items

January 1 to June 30, 2018

€ million	Changes in fair value of securities – FVOCI	Impairments of securities – FVOCI	Difference from foreign currency translation adjustment	Changes in fair values of derivative financial instruments (cash flow hedge)	Remea- surement of defined benefit plans	Effects of net investments in foreign operations	Total
Attributable to Wacker Chemie AG shareholders							
Jan. 1, 2017	0.1	–	266.2	–5.2	–744.1	0.6	–482.4
Changes recognized in equity	–0.1	–	–	7.9	144.3	–1.2	150.9
Reclassification to the statement of income	–		12.4	0.9	–	–2.4	10.9
Change in ownership interests in Siltronic AG	–	–	1.6	0.1	13.1	–0.1	14.7
Changes in exchange rates	–	–	–128.0	–	–	–	–128.0
June 30, 2017	–	–	152.2	3.7	–586.7	–3.1	–433.9
Jan. 1, 2018	–	–	83.5	7.8	–645.4	–3.7	–557.8
Changes recognized in equity	–	–	–	–7.8	–63.2	–	**–71.0**
Reclassification to the statement of income	–	–	–	–3.6	–	–	**–3.6**
Changes in exchange rates	–	–	36.5	–	–	–	**36.5**
June 30, 2018	–	–	120.0	–3.6	–708.6	–3.7	–595.9
Attributable to non-controlling interests							
Jan. 1, 2017	–	–	–12.2	–1.9	–91.8	0.5	–105.4
Changes recognized in equity	–	–	–	–0.3	11.7	1.7	13.1
Reclassification to the statement of income	–	–	–	1.3	–	–	1.3
Change in ownership interests in Siltronic AG	–	–	–1.6	–0.1	–13.1	0.1	–14.7
Changes in exchange rates	–	–	–0.4	–	–	–	–0.4
Change in the scope of consolidation	–	–	11.3	1.0	93.2	–2.3	103.2
June 30, 2017	–	–	–2.9	–	–	–	–2.9
Jan. 1, 2018	–	–	–4.4	–	–	–	–4.4
Changes in exchange rates	–	–	–1.1	–	–	–	**–1.1**
June 30, 2018	–	–	–5.5	–	–	–	–5.5

Notes

January 1 to June 30, 2018

Accounting and Valuation Methods

The interim financial statements of Wacker Chemie AG as of June 30, 2018 have been prepared in accordance with the provisions of International Accounting Standard (IAS) 34 and presented in condensed form on the basis of the International Financial Reporting Standards (IFRS) – as issued by the International Accounting Standards Board, London, endorsed by the European Union and applicable on the closing date – and on the basis of the interpretations of the IFRS Interpretations Committee. The accounting and valuation methods applicable in the 2017 fiscal year have been supplemented by the new accounting standards to be applied for the first time in 2018. For more information, please refer to the section "New Accounting Standards." The accounting and valuation methods are otherwise unchanged.

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

As of each reporting date, the net defined benefit obligation must be reassessed and the discount factor newly determined. The net defined benefit obligation as of June 30, 2018 was calculated using discount factors of 1.99 percent in Germany and 4.11 percent in the USA (June 30, 2017: 2.19 percent in Germany and 3.65 percent in the USA). As of December 31, 2017, the actuarial interest rate was 2.09 percent in Germany and 3.50 percent in the USA.

As an information tool, interim financial reporting builds on the consolidated financial statements at year-end. The accounting, valuation and consolidation methods used and the exercising of options contained in IFRS are explained in detail in the Notes.

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

New Accounting Standards

IFRS 15: Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, replaces the existing IAS 18 (Revenue) and IAS 11 (Construction Contracts) standards on revenue recognition, as well as their interpretations, and is applicable for reporting periods beginning on or after January 1, 2018. The new standard introduces a five-stage model for the recognition of revenue from contracts with customers. IFRS 15 sets out that an entity shall recognize revenue expected as consideration for transferring control of the goods and services to the customer. Revenue recognition occurs when (or as) the entity satisfies its performance obligation and the customer has obtained control of the good or service either at a point in time or over a period of time. Moreover, IFRS 15 specifies the allocation of individual items to new balance-sheet items and to individual functional costs in the income statement and their presentation in gross or net form.

WACKER has introduced IFRS 15 on the basis of the modified retrospective approach, such that any transition effects as per January 1, 2018 are recognized cumulatively in retained earnings and the comparable period is shown in line with previous accounting standards. In the course of implementing the project, all business models commonly used by the Group were reviewed. These reviews did not result in any major adjustment effects that need to be recognized in retained earnings. The low impact of IFRS 15 is due to WACKER's customer contracts, which usually result in a performance obligation being satisfied at a specific point in time. The transition effects are described below.

At WACKER SILICONES, transition effects arose in connection with transactions in accordance with IFRS 15.5 (B). The latter are non-monetary exchanges (e.g. for raw materials or products between entities in the same line of business) to facilitate sales to customers or to reduce transport costs. The transactions in question must take place in the same period. Whereas WACKER used to post these transactions as revenue, this is no longer the case. This will reduce sales by between €30 million and €50 million in 2018. These exchanges did not result in any margin effects.

At WACKER POLYMERS, minor transition effects arose from the provision of raw materials for toll manufacturing. These transactions will no longer be recognized as revenue in 2018.

One business model at WACKER BIOSOLUTIONS is devoted to providing development services to the pharmaceutical industry as part of service contracts that are satisfied over time. These customer-specific services are rendered and documented on the basis of milestones. The recognition of revenue pursuant to IFRS 15 did not result in any changes here since the right to payment arises upon achievement of the milestone. The Group also manufactures customer-specific products in connection with supply contracts for drug-related intermediates. The right to payment in this case arises on acceptance by the customer.

Certain transport clauses give rise to a separate performance obligation since the freight/transport performance is not concluded until control has been transferred to the customer. The effect of postponing the share of revenue attributable to freight/transport performance to a later date amounted to €3.1 million in 2017. Because WACKER's transport costs were reduced at the same time, there was no effect on EBITDA.

If a contracting partner (customer or supplier) fulfills its contractual obligations, the entity must recognize the contract as a contract asset or contract liability depending on whether the entity has rendered the service or the customer has made payment. The entity must show every unconditional claim to receipt of the consideration as a separate receivable. WACKER currently recognizes only contract liabilities in the statement of financial position. These liabilities include advance payments made by customers for polysilicon deliveries and advance payments by WACKER BIOSOLUTIONS customers. In 2017, advance payments received from customers were posted under non-financial liabilities. Moreover, bonus accruals that were included in other provisions in 2017 are now reported as contract liabilities.

IFRS 9: Financial Instruments

IFRS 9, Financial Instruments, replaces IAS 39, Financial Instruments: Recognition and Measurement, and is effective for reporting periods beginning on or after January 1, 2018. IFRS 9 introduces new requirements on how an entity should classify and measure financial assets. It also requires changes to the accounting of 'own credit risk' with respect to issued financial liabilities that are recognized at fair value, and it replaces the rules for impairment of financial assets and changes the accounting standards concerning hedging relationships.

The first-time application at WACKER of the new IFRS 9 requirements leads to minor impairment adjustments. The higher risk provisions for trade receivables and securities are partially offset by tax effects and reversals of existing valuation allowances, leading to an increase in equity. The impacts are posted in a separate line item in equity. As the amounts concerned are minor, WACKER will not apply the resulting changes from IFRS 9 to IAS 1 (classification of impairments as a separate item in the income statement). As in the past, the changes are shown under other operating expenses for trade receivables and under other financial result for other financial assets, and are described in the Notes.

As regards financial assets and liabilities, IFRS 9 stipulates that each financial asset must be classified and measured on the basis of the company's business model and the characteristics of the cash flows. Each financial asset is initially recognized either at fair value through profit or loss (FVPL), at amortized cost or at fair value through other comprehensive income (FVOCI). Since the new requirements under IFRS 9 diverge from the existing assessments under IAS 39, there are slight differences in the classification and measurement of financial assets. This includes the option of recognizing certain assets at fair value. Both the classification and measurement of financial liabilities remain largely unchanged under IFRS 9.

WACKER has assessed its financial assets using the underlying business model and the contractual cash flow characteristics of the assets and reclassified them as follows:

Reclassification of Financial Assets as of January 1, 2018

€ million

Financial assets	Category, IAS 39	Business model, IFRS 9/ measurement category	Carrying amount, Dec. 31, 2017	Remeasurement	Carrying amount, Jan. 1, 2018
Trade receivables	Loans and receivables/ amortized cost	Held-to-collect/ amortized cost	**655.7**	**–**	**655.7**
Other financial assets			**185.1**	**–**	**185.1**
	Loans and receivables/ amortized cost	Held-to-collect/ amortized cost			
Investments	Available for sale/at cost	Trading/FVPL*			
Derivatives that do not qualify for hedge accounting	FVPL*	FVPL*			
Derivatives that qualify for hedge accounting	–	–			
Securities and fixed-term deposits			**260.3**	**–**	**260.3**
Fixed-term deposits	Loans and receivables/ amortized cost	Held-to-collect/ amortized cost			
Available-for-sale securities	Available for sale/FVOCI**	Both held-to-collect and for sale/FVOCI**			
Cash and cash equivalents			**286.9**	**–**	**286.9**
Fixed-term deposits	Loans and receivables/ amortized cost	Held-to-collect/ amortized cost			
Bank deposits	Loans and receivables/ amortized cost	Held-to-collect/ amortized cost			
Total financial assets			1,388.0		1,388.0

* FVPL = financial assets measured at fair value through profit or loss
** FVOCI = financial assets (debt instruments) measured at fair value through other comprehensive income

The reclassifications did not result in any changes in carrying amounts. The classification of financial liabilities remained unchanged year over year.

To determine possible classification and measurement changes from the implementation of IFRS 9, WACKER carried out an analysis of the business models and assessed the contractual cash flow characteristics of the financial assets within these business models. As a result of this analysis, the Group identified financial assets that were recognized either at amortized cost or at fair value through other comprehensive income, and that are therefore subject to the IFRS 9 impairment rules.

On initial recognition of an equity investment not held for trading, WACKER shall, in certain cases, exercise its irrevocable option to report the following changes in fair value in equity under "Other equity items." WACKER did not make use of this option as of the transition date.

Impairment of Financial Assets

The provisions of IFRS 9 regarding impairments apply to debt instruments recognized under "Other equity items" either "at amortized cost" or "at fair value through other comprehensive income" (generally referred to in the following as "financial assets"). The model for determining impairments and risk provisions has changed from one based on actual losses on receivables (IAS 39) – under

	Measurement pursuant to IAS 39				Measurement pursuant to IFRS 9			
	(Amortized) cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value as of Dec. 31, 2017	(Amortized) cost	Fair value through profit or loss	Fair value through other comprehensive income	Jan. 1, 2018
	655.7			**655.7**	655.7			**655.7**
	171.7	8.4	5.0	**174.0**	160.6	19.5	5.0	**185.1**
	160.6			160.6	160.6			160.6
	11.1					11.1		11.1
		3.0		3.0		3.0		3.0
		5.4	5.0	10.4		5.4	5.0	10.4
	156.8		103.5	**260.3**	156.8		103.5	**260.3**
	156.8			156.8	156.8			156.8
			103.5	103.5			103.5	103.5
	286.9			**286.9**	286.9			**286.9**
	187.1			187.1	187.1			187.1
	99.8			99.8	99.8			99.8
				1,376.9				1,388.0

which credit losses are recognized on occurrence of a defined loss event – to one based on expected credit losses (IFRS 9). Under the latter, impairments for credit losses are accounted for on initial recognition of the financial asset on the basis of the potential losses expected at that point in time. If the credit risk is not significantly higher on the reporting date than it was on initial recognition, WACKER recognizes, in compliance with IFRS 9, a risk provision in the amount of the 12-month expected credit losses (Level 1) – meaning the credit losses that can be expected to arise from potential loss events within the next 12 months. In the case of financial assets where the risk of credit loss has become significantly higher (Level 2) and of assets that are distressed as of the reporting date (Level 3), IFRS 9 requires recognition of a risk provision in the amount of the losses expected until maturity of the asset (generally referred to as the “lifetime expected losses”). WACKER considers the credit risk to have become significantly higher if the counterparty’s credit rating has been downgraded substantially and the receivable is more than 30 days past due. The main indicators WACKER uses to determine whether an asset has become distressed (Level 3) are insolvency, reminder level 4 and more than 90 days past due. Regardless of this, however, each case must be assessed individually using the credit management process. In the course of this process, the assets – particularly trade receivables – are assigned to internally defined risk classes. These internal risk classes contain forward-looking information and take account of both macroeconomic factors and security in the form of credit insurance.

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

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

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

The general impairment model is applied to demand deposits and fixed-term deposits. These are classified as financial instruments with a low credit risk, given that WACKER enters into banking relationships only with investment-grade counterparties. In the case of banks covered by Germany's Deposit Protection Fund, no impairments are determined as the deposits are secured via the Fund. Any impairments that arise are negligible.

A financial asset is amortized in full and thus derecognized if the company no longer has any expectation of receiving the corresponding outstanding cash flow. Before a receivable is derecognized, a special assessment of the individual case is carried out. That includes offsetting against the gross value of the receivable – and thus utilizing – any impairments recognized.

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

A financial asset is considered impaired on purchase or origination if there is objective evidence of such an impairment on initial recognition. Distressed assets of this kind are classified as purchased or credit impaired (POCI) and are initially recognized at fair value (generally the purchase price, taking lifetime expected losses into account). WACKER does not have any receivables of this kind.

Recognition of Hedging Relationships

IFRS 9 also includes new rules regarding the recognition of hedging relationships, the aim of which is to bring such recognition into line with how these risks are managed. In principle, some of the restrictions imposed by the current rules have been eliminated, meaning that a wider range of hedging instruments and hedged items is available for the recognition of hedging relationships. IFRS 9 offers the option of postponing application of its accounting rules for hedging relationships and, instead, continuing to apply the corresponding IAS 39 rules. WACKER decided to exercise this accounting option and therefore did not apply the IFRS 9 accounting rules for hedging relationships as of January 1, 2018, the effective date for application of IFRS 9.

Seasonal Influences

Sales of polymer and silicone products to the construction industry are subject to seasonal fluctuations over the year. Volumes are higher in the summer months than in the winter, when the construction industry slows down. This effect can be cushioned by overseas business. Sales, particularly for the WACKER POLYMERS segment, are usually lower in Q1 and Q4 than in Q2 and Q3.

Breakdown of Revenue in Accordance with IFRS 15

At WACKER, the sales revenue per segment corresponds to the Group's different product categories. The differences between chemical products, and also between market and customer groups, are evident in the segments. The particular region to which WACKER supplies its products also has a major impact on revenue. WACKER recognizes the majority of its sales at specific delivery dates. In the case of customer-specific orders at WACKER BIOSOLUTIONS, sales are recognized for particular time periods. The following table shows the breakdown of revenue in accordance with IFRS 15:

Breakdown of Revenue
as per IFRS 15: Jan. 1 – June 30, 2018

€ million	WACKER SILICONES 2018	WACKER SILICONES 2017	WACKER POLYMERS 2018	WACKER POLYMERS 2017	WACKER BIOSOLUTIONS 2018	WACKER BIOSOLUTIONS 2017	WACKER POLYSILICON 2018	WACKER POLYSILICON 2017	Other/ consolidation 2018	Other/ consolidation 2017	Total 2018	Total 2017
Revenue by Region												
Europe	**591.8**	527.5	**304.1**	294.2	**52.8**	45.9	**48.2**	67.9	**66.6**	67.7	**1,063.5**	1,003.2
The Americas	**222.3**	216.0	**166.5**	175.5	**31.7**	29.7	**4.3**	11.0	**0.6**	1.8	**425.4**	434.0
Asia	**358.6**	291.9	**136.3**	131.9	**22.0**	21.6	**408.7**	435.9	**2.8**	3.6	**928.4**	884.9
Other regions	**86.9**	68.9	**38.1**	40.5	**5.0**	5.6	**0.2**		**–**	–	**130.2**	115.0
Total	**1,259.6**	1,104.3	**645.0**	642.1	**111.5**	102.8	**461.4**	514.8	**70.0**	73.1	**2,547.5**	2,437.1
Time of revenue recognition												
Point in time	**1,259.6**	1,104.3	**645.0**	642.1	**94.3**	88.8	**461.4**	514.8	**70.0**	73.1	**2,530.3**	2,423.1
Over time					**17.2**	14.0					**17.2**	14.0
Total	**1,259.6**	1,104.3	**645.0**	642.1	**111.5**	102.8	**461.4**	514.8	**70.0**	73.1	**2,547.5**	2,437.1

Other Financial Obligations

For information on disclosures of other financial obligations, please refer to the Notes to the consolidated financial statements in the 2017 Annual Report.

During the reporting period, there were no material changes to the information provided in the 2017 Annual Report.

Changes in the Scope of Consolidation

As of June 30, 2018, the scope of consolidation comprised 55 companies (including Wacker Chemie AG) and a special-purpose entity. The interim financial statements comprised 52 fully consolidated companies. Compared with December 31, 2017, the scope of consolidation changed as follows:

Changes in the Scope of Consolidation

%	
Additions, fully consolidated companies, April 16, 2018	
SynCo Bio Partners Holding B.V., Amsterdam, Netherlands	100
SynCo Bio Partners B.V., Amsterdam, Netherlands	100
SynCo Bio Partners Investment B.V., Amsterdam, Netherlands	100

Acquisitions in Q2 2018

On April 16, 2018, WACKER acquired a production plant for biopharmaceuticals, live microbial products and vaccines in Amsterdam (Netherlands) – along with the associated business – from SynCo Bio Partners Luxembourg S.à.r.l., Luxembourg.

WACKER Chemical Finance B.V., Zaanstad, Netherlands, a subsidiary of Wacker Chemie AG, concluded an agreement on December 14, 2017 to acquire all the shares in SynCo Bio Partners Holding B.V. Amsterdam, Netherlands. The contract of sale took effect (closing) on April 16, 2018. The above-mentioned is the parent company of the operating subsidiary SynCo Bio Partners B.V. Amsterdam, Netherlands. This subsidiary essentially operates two fermentation lines and a sterile fill-and-finish facility, and has around 100 employees. The fermentation lines manufacture microbial-derived biopharmaceuticals, not only for clinical testing, but also for the commercial market. SynCo's service offering is rounded out with its sterile fill-and-finish facility, which enables the complete manufacture of pharmaceuticals from the active agent through to the filled product. The facilities meet Good Manufacturing Practice (GMP) quality standards, have already been inspected by the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA), and have been approved for the manufacture of specific pharmaceutical proteins.

In closing this deal, WACKER gained control (as defined in IFRS 10) over SynCo Bio Partners Holding B.V. and its subsidiaries. WACKER intends to use these additional fermentation lines to further strengthen and expand its biotech business.

The preliminary purchase price of the company amounted to €25.1 million and comprised a one-off payment in cash and an amount retained for subsequent adjustments. These were accounted for in the purchase price allocation. Aside from this fixed amount, a contingent purchase price component (earn-out payment) was determined for a later point in time. Due to the status of planning at that time, this component was not taken into account when calculating the preliminary purchase price.

The fair value of acquired assets at the time of the acquisition amounted to €29.9 million, of which non-current assets accounted for €25.4 million and current assets for €4.5 million. The fair value of the acquired liabilities, which are exclusively current liabilities, came to €9.0 million. The purchase price allocation is not yet complete, as agreement of the final purchase price is still pending. The purchase had no substantial impact on the Group's sales or earnings. The low transaction costs were posted as an expense.

Segment Reporting

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

Reconciliation with Segment Results

€ million	Q2 2018	Q2 2017	Change in %	6M 2018	6M 2017	Change in %
EBIT of reporting segments	**137.7**	122.3	12.6	**273.3**	227.7	20.0
Corporate functions/Other	**–12.2**	–21.0	–41.9	**–25.2**	–54.4	–53.7
Consolidation	**–0.5**	0.6	n.a.	**–1.4**	1.8	n.a.
Group EBIT	125.0	101.9	22.7	246.7	175.1	40.9
Financial result	**–16.8**	–26.1	–35.6	**–33.7**	–49.7	–32.2
Income before income taxes	108.2	75.8	42.7	213.0	125.4	69.9

Information on Fair Value

The fair value of a financial instrument is the price that would be achieved in the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The following table shows the carrying amounts and fair values of the Group's financial assets and liabilities.

Carrying Amounts and Fair Values of Financial Instruments (IFRS 7)

€ million	June 30, 2018		Dec. 31, 2017	
	Fair value	Carrying amount	Fair value	Carrying amount
Trade receivables	770.7	770.7	655.7	655.7
Securities and fixed-term deposits (measured at cost)	96.6	96.6	156.8	156.8
Securities (FVOCI)[1]	81.3	81.3	103.5	103.5
Securities (FVPL)[2]	20.8	20.8	0.0	0.0
Other financial assets	139.0	139.0	185.1	185.1
Loans and other financial assets, measured at amortized cost	121.7	121.7	160.6	160.6
Investments (FVPL)[3]	11.1	11.1	11.1	11.1
Derivative financial instruments (FVPL and FVOCI)	6.2	6.2	13.4	13.4
Cash and cash equivalents (measured at cost)	190.1	190.1	286.9	286.9
Financial liabilities	988.1	1,000.1	964.8	971.8
Financial liabilities from finance leases	28.2	28.2	29.8	29.8
Trade payables	336.1	336.1	268.5	268.5
Other financial liabilities	24.9	24.9	15.5	15.5
Financial liabilities recognized at cost	12.1	12.1	14.8	14.8
Derivative financial instruments	12.8	12.8	0.7	0.7

[1] FVOCI = financial assets measured at fair value through other comprehensive income
[2] FVPL = financial assets measured at fair value through profit or loss
[3] The historical cost of these investments represents the best approximation of their fair value.

WACKER measured equity instruments not held for trading in the amount of €11.1 million at fair value pursuant to IFRS 9 and reallocated these to Level 3 of the fair value hierarchy. The instruments in question mainly consist of small, regional investments in non-profits that operate infrastructure facilities. No fair value exists for these non-profits since no active market values are available. WACKER considers the historical cost of these equity instruments to be the best approximation of their fair value. No further information is available that would enable a model-based measurement. Due to the non-profit nature of these entities, the noncurrent assets they hold and that are utilized by WACKER represent the best input factor for measuring fair value. A percentage of these assets is reflected in the acquisition costs. WACKER reviews the carrying amounts of investments once a year to counter the risk of an impaired asset.

The financial assets and liabilities measured at fair value in the statement of financial position were allocated to one of three categories in accordance with the fair value hierarchy described in IFRS 13. Allocation to these categories reveals which of the fair values reported were settled through market transactions and the extent to which the measurement was based on models in the absence of observable market transactions. Please refer to the Financial Instruments section of the Notes to the consolidated financial statements in the 2017 Annual Report for a definition of the fair value hierarchy and the allocation of financial assets and liabilities to the categories in this hierarchy.

The table below shows the fair-value-hierarchy classification of the financial assets and liabilities recognized at fair value in the statement of financial position.

Fair Value Hierarchy

€ million	Fair value hierarchy June 30, 2018				Fair value hierarchy December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Fair value through profit or loss								
Derivatives that do not qualify for hedge accounting (FVPL)	–	2.6	–	2.6	–	3.0	–	3.0
Investments – trading (FVPL)			11.1	11.1			11.1	11.1
Fair value through other comprehensive income/through profit or loss								
Derivatives that qualify for hedge accounting	–	3.6	–	3.6	–	10.4	–	10.4
Securities – both held-to-collect and for sale (FVOCI)	81.3	–	–	81.3	103.5	–	–	103.5
Securities – trading (FVPL)	20.8	–	–	20.8				–
Total	102.1	6.2	11.1	119.4	103.5	13.4	11.1	128.0
Financial assets measured at amortized cost								
Loans – held-to-collect		91.6		91.6		90.5		90.5
Total	–	91.6	–	91.6	–	90.5	–	90.5
Financial liabilities measured at fair value								
Fair value through profit or loss								
Derivatives that do not qualify for hedge accounting (FVPL)	–	2.8	–	2.8	–	0.7	–	0.7
Fair value through other comprehensive income/through profit or loss								
Derivatives that qualify for hedge accounting	–	10.0	–	10.0	–	–	–	–
Total	–	12.8	–	12.8	–	0.7	–	0.7
Financial liabilities measured at amortized cost								
Financial liabilities		988.1		988.1		964.8		964.8
Total	–	988.1	–	988.1	–	964.8	–	964.8

The market value determined in Level 1 is based on quoted, unadjusted prices in active markets for the assets and liabilities in question or for identical ones. The financial instruments allocated to Level 2 are measured using methods based on parameters that are either directly or indirectly derived from observable market data. These include hedging and non-hedging derivative financial instruments, loans and financial liabilities. In Level 3, the market value is determined on the basis of parameters for which no observable prices are available. This includes WACKER investments not held for trading. At the respective reporting date of each quarter, WACKER reviews whether its financial instruments are still allocated to the appropriate fair-value-hierarchy levels. As was the case in the consolidated financial statements for 2017, no reclassifications were carried out between the levels of the fair value hierarchy in the first six months of 2018. The adjustments made in accordance with IFRS 9 did not entail any reclassifications within the fair value hierarchy.

In the period under review, no non-recurring fair value measurements were carried out.

Related Party Disclosures

IAS 24 stipulates that a person or company which controls, or is controlled by, Wacker Chemie AG must be disclosed unless the party in question is already included in Wacker Chemie AG's consolidated financial statements as a consolidated company. A shareholder is deemed to have control if that 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.

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

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

The provision of services between Wacker Chemie AG and its majority shareholder, Dr. Alexander Wacker Familiengesellschaft mbH, as well as with the shareholders of Dr. Alexander Wacker Familiengesellschaft mbH and their close family members, is of subordinate importance, and concerns the renting of office space and exchange of services. None of these services is of significant business scope. These transactions are conducted at arm's length.

Wacker Chemie AG's pension fund (Pensionskasse der Wacker Chemie VVaG) is also considered a related party pursuant to IAS 24. The provision of services takes place between the two entities in the area of company pension plan benefits. WACKER makes payments to plan assets to cover pension obligations. Wacker Chemie AG also rents the headquarters building and the land on which it stands from a subsidiary of the pension fund. Overall, expenditures in the quarter under review amounted to €17.7 million, compared with €17.3 million a year earlier. WACKER reported receivables from the pension fund of €16.2 million as of June 30, 2018 (Dec. 31, 2017: €31.5 million).

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

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

Since March 15, 2017, all Siltronic Group companies have been accounted for as associates and thus as related parties.

The table below shows the volume of trade receivables with the above-mentioned related parties.

Related Party Disclosures

€ million	6M 2018		2018 June 30, 2018		6M 2017		2017 Dec. 31, 2017	
	Income	Expenses	Receivables	Liabilities	Income	Expenses	Receivables	Liabilities
Associates	88.5	73.9	24.4	14.8	44.9	58.0	12.0	19.1
Joint ventures	3.8	0.7	0.7	0.2	2.5	0.4	0.5	0.1

In addition, there was a loan to an associate totaling €91.6 million (Dec. 31, 2017: €90.5 million).

Exchange Rates

Exchange Rates

€ million	Exchange rate as of			Average exchange rate	
	June 30, 2018	June 30, 2017	Dec. 31, 2017	6M 2018	6M 2017
USD	1.16	1.14	1.20	1.21	1.10
CNY	7.70	7.74	7.79	7.71	7.55

Major Events during the Interim Reporting Period

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

Events after the Reporting Date

No major events subject to reporting requirements occurred between the closing date (June 30, 2018) and the publication date of these quarterly financial statements (July 26, 2018). There were no material or fundamental changes in the WACKER Group's overall economic and business environment.

The Group's legal and organizational structure remained unchanged.

Munich, July 26, 2018
Wacker Chemie AG's Executive Board

Rudolf Staudigl **Christian Hartel**

Tobias Ohler **Auguste Willems**

Responsibility Statement

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

Munich, July 26, 2018
Wacker Chemie AG's Executive Board

Rudolf Staudigl	**Christian Hartel**
Tobias Ohler	**Auguste Willems**

Review Report

To Wacker Chemie AG, Munich

We have reviewed the condensed interim consolidated financial statements of Wacker Chemie AG – comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the statement of changes in equity and selected explanatory notes – together with the interim group management report of Wacker Chemie AG, for the period from January 1 through June 30, 2018, that are part of the semi-annual financial report according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, July 26, 2018
KPMG AG Wirtschaftsprüfungsgesellschaft

Andrejewski	Hanshen
Auditor	Auditor

2018 —
Financial Calendar

October
25

Interim Report on the 3rd Quarter of 2018

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