

PRESS RELEASE

Number 29

Wacker Chemie AG's Figures for Q3 2020 (not audited)

WACKER Posts Substantial Quarter-Over-Quarter Increases in Sales and EBITDA in Q3 2020

- ♦ WACKER'S Q3 2020 SALES REACH €1.18 BILLION, UP 10 PERCENT QUARTER OVER QUARTER, BUT DOWN 7 PERCENT YEAR OVER YEAR DUE TO IMPACT OF CORONAVIRUS PANDEMIC
- ♦ AT €191 MILLION, EBITDA IS 81 PERCENT HIGHER VERSUS A QUARTER AGO, BUT 30 PERCENT LOWER THAN LAST YEAR DUE TO SPECIAL INCOME POSTED IN Q3 2019
- ♦ NET INCOME FOR Q3 2020 AMOUNTS TO €68 MILLION
- ♦ PROVISIONS FOR PENSIONS RISE TO €2.65 BILLION AMID LOWER DISCOUNT RATES
- ♦ NET CASH FLOW OF €296 MILLION CLIMBS 68 PERCENT YEAR OVER YEAR
- ♦ FOR FULL-YEAR 2020, WACKER EXPECTS SALES, EBITDA AND EBITDA MARGIN TO DECLINE FROM LAST YEAR AMID THE PANDEMIC, WITH NET CASH FLOW GROWING MARKEDLY YEAR OVER YEAR

Munich, October 29, 2020 – In Q3 2020, Wacker Chemie AG posted substantial sales and EBITDA growth versus a quarter ago but did not match its year-earlier figures. The Munich-based chemical company generated sales of €1,183.1 million in the reporting quarter. That was 10 percent more than in the preceding quarter (€1,072.4 million), but 7 percent less than a year ago (€1,267.9 million). The quarter-over-quarter increase was primarily due to higher volumes, especially for

polysilicon, but also for various chemical products. The year-over-year sales decline chiefly stemmed from the economic impact of the coronavirus pandemic. Aside from volumes, which on balance fell somewhat year over year, sales were impeded by lower prices and by a weaker US dollar. In the first nine months of the year, Group sales amounted to €3,453.0 million (9M 2019: €3,772.1 million), down 8 percent.

WACKER posted EBITDA of €190.8 million in Q3 2020. That was 30 percent less than the same quarter last year (€272.9 million), but compared with a quarter ago (€105.4 million), EBITDA increased 81 percent. The main reason for the year-over-year decline was the special income posted in Q3 2019. In September last year, WACKER booked, under cost of goods sold, €112.5 million in insurance compensation for damage incurred at the Charleston site (Tennessee, USA) in 2017. Adjusted for this special income, EBITDA grew 19 percent year over year. Operating performance was lifted by savings made under the Group's ongoing efficiency program, by lower raw-material costs and by reduced production costs. The Group's EBITDA margin was 16.1 percent for the three months from July through September 2020. In the same period last year, the margin, which included insurance compensation, was 21.5 percent. The prior quarter's EBITDA margin was 9.8 percent. In the first nine months of the year, Group EBITDA totaled €470.3 million (9M 2019: €625.6 million), down 25 percent year over year.

Group earnings before interest and taxes (EBIT) fell year over year due to last year's special income mentioned above. EBIT totaled €90.6 million for the three months from July-through-September 2020 (Q3 2019: €137.1 million). That was 34 percent less than a year

earlier and corresponded to an EBIT margin of 7.7 percent (Q3 2019: 10.8 percent). Compared with Q2 2020 (€1.8 million), EBIT grew by €88.8 million. Net income for the quarter amounted to €67.7 million (Q3 2019: €86.3 million) and earnings per share came in at €1.30 (Q3 2019: €1.67).

Given the risks posed by the coronavirus pandemic, WACKER refrained from issuing full-year guidance for 2020 in its interim report for Q1 2020. At present, it is still not possible to provide a reliable outlook due to the potential impact of a second Covid-19 wave. WACKER, however, expects sales, EBITDA and EBITDA margin for 2020 to be below last year's levels due to the pandemic. Net cash flow is likely to be substantially higher than last year.

“Given the still very difficult conditions amid the global Covid-19 pandemic, WACKER achieved good third-quarter results,” said Group CEO Rudolf Staudigl in Munich on Thursday. “Volume growth was strong versus the second quarter, particularly in our polysilicon business, but also for silicone and polymer products. This trend benefited Group sales and EBITDA. With demand picking up, we have been able to end short-time work in most units and our production plants are running at a high level again. Looking at the entire nine-month period, though, we obviously have not yet fully compensated for the strong second-quarter slump in business. Our performance over the next few months will primarily depend on whether the rising number of Covid-19 infections across the globe once again leads to severe restrictions.”

According to Staudigl, both the pandemic and persistently low interest rates are impacting WACKER's balance sheet. Since the start of the year, lower discount rates have added €370 million to provisions for

pensions, which have now reached €2.65 billion, equating to 39 percent of total equity and liabilities.

Commenting on the Group's ongoing efficiency program, Staudigl said: "We have taken another important step forward in implementing our Shape the Future program. In mid-October, we reached an agreement with employee representatives on a framework for the planned job cuts. In the coming weeks, we and the employee representatives will work out the details of personnel measures."

As already announced, WACKER will cut some 1,200 jobs group-wide, in administrative units and in the non-operational functions of its business divisions. Around 1,000 of these job cuts will be in Germany. The layoffs in Germany are to be implemented solely through voluntary and socially responsible measures, including retirement, phased early retirement and severance agreements. On current estimates, WACKER expects these measures to generate total one-time expenses in the mid-double-digit millions. The company plans to make an appropriate provision for this in its annual financial statements for 2020. According to the agreement now reached for Shape the Future, non-voluntary layoffs are ruled out in Germany.

The efficiency program's goal is to save around €250 million a year, starting year-end 2022, by cutting non-personnel costs and in-house service levels, and by giving the company a leaner organizational structure. Non-personnel costs will account for about half of total savings and personnel costs for the other half. Already this year, WACKER expects to save more than €50 million in non-personnel costs. In 2021, the amount saved is likely to exceed €100 million. Significant savings in personnel costs are not expected before next year.

Regions

In Q3 2020, Group sales declined year over year in every region, with the strongest decrease recorded in the Americas due to exchange-rate effects and lower volumes. Sales in the Americas fell 15 percent to €200.8 million (Q3 2019: €236.2 million). Sales in Asia came in at €444.1 million, down 4 percent from last year (€461.8 million). In Europe, sales declined 6 percent to €476.9 million (Q3 2019: €506.9 million). Relative to a quarter ago, though, sales rose in all regions. The most substantial increase was in Asia at 22 percent.

Capital Expenditures and Net Cash Flow

In Q3 2020, the Group's capital expenditures came in at €45.4 million (Q3 2019: €87.8 million). That was 48 percent lower than a year ago. The investment focus was on expanding capacity for silicone and polymer products, and on infrastructure projects.

Net cash flow amounted to €295.5 million in Q3 2020 (Q3 2019: €175.7 million). This 68 percent increase was mainly prompted by a marked year-over-year reduction in current assets, by lower capital expenditures and by Siltronic AG's dividend paid in the reporting quarter. WACKER holds a 30.8 percent stake in Siltronic.

Employees

WACKER's global workforce contracted slightly in the reporting quarter. The Group had 14,340 employees on September 30, 2020 (June 30, 2020: 14,382). At the end of the quarter, 10,174 employees (June 30, 2020: 10,187) worked at WACKER sites in Germany and 4,166 (June 30, 2020: 4,195) at international locations.

Business Divisions

In Q3 2020, **WACKER SILICONES** generated total sales of €547.7 million (Q3 2019: €633.3 million), 14 percent less than a year earlier. This decline was chiefly due to lower volumes. Further factors slowing sales were a weaker US dollar and lower prices for standard products. Compared with the preceding quarter (€533.0 million), sales rose 3 percent thanks to higher volumes. WACKER SILICONES posted EBITDA of €90.5 million in the reporting quarter, down 29 percent from a year earlier (€127.1 million). In addition to reduced sales, lower plant utilization weighed on EBITDA. On the other hand, the division surpassed its prior-quarter figure of €68.1 million by 33 percent. The EBITDA margin for Q3 2020 was 16.5 percent, after 20.1 percent in Q3 2019 and 12.8 percent in Q2 2020.

Sales at **WACKER POLYMERS** totaled €340.3 million in the reporting quarter, 2 percent higher than a year earlier (€334.8 million). Significantly higher volumes for dispersible polymer powders amid catch-up effects more than made up for negative exchange-rate effects and lower average prices for polymer products. Compared with the preceding quarter (€297.6 million), sales rose 14 percent, primarily due to volume growth. In Q3 2020, WACKER POLYMERS reported EBITDA of €85.2 million, compared with €48.7 million a year earlier. That was an increase of 75 percent. Alongside sales growth, EBITDA benefited from a good cost structure and higher plant utilization. The division met rising customer demand thanks to its new production facility at Ulsan in South Korea and to the high level of plant availability around the world. Relative to the preceding quarter (€58.8 million), EBITDA climbed 45 percent. The EBITDA margin was

25.0 percent in the reporting quarter, after 14.5 percent a year earlier and 19.8 percent a quarter ago.

WACKER BIOSOLUTIONS posted total sales of €57.2 million in Q3 2020, down 6 percent compared with the same quarter last year (€60.7 million). One of the main reasons for this decline was the substantial drop in demand for solid resins for gum base triggered by the Covid-19 pandemic. Exchange-rate effects and, on balance, somewhat lower average prices were additional factors impeding sales. Compared with the preceding quarter (€62.9 million), the division's sales contracted 9 percent. EBITDA at WACKER BIOSOLUTIONS reached €8.0 million in the reporting quarter, up 10 percent versus a year earlier (€7.3 million). The division's good cost structure was the chief reason for this increase. Compared with Q2 2020 (€15.8 million), EBITDA declined 49 percent. One reason for this drop was special income from a customer project that had lifted second-quarter EBITDA. The EBITDA margin was 14.0 percent, after 12.0 percent a year earlier and 25.1 percent in the prior quarter.

WACKER POLYSILICON generated total sales of €211.3 million in the reporting quarter. That was 2 percent higher than in the same period last year (€206.4 million). Volume growth mainly drove this increase. Relative to the preceding quarter (€152.5 million), sales were up 39 percent. This strong rise was fueled by substantial volume growth, coupled with positive effects from increasing prices over the quarter. Reporting-quarter EBITDA at WACKER POLYSILICON came in at €7.9 million. That was €77.2 million below last year's €85.1 million, which benefited from special income. In Q3 2019, the division booked €112.5 million in insurance compensation for damage incurred at the Charleston plant (Tennessee, USA) in 2017. In

operating terms, though, EBITDA grew by €35.3 million. Versus the prior quarter (€ -35.0 million), the increase was €42.9 million. This significant growth was due not only to higher sales, but also to a good cost performance, an increased plant utilization starting August and some positive inventory valuation effects. From July through September 2020, the division's EBITDA margin was 3.7 percent, after 41.2 percent in Q3 2019 (due to special income) and -22.9 percent in Q2 2020.

Outlook

WACKER detailed its projections for the Group's performance this year in the Outlook section of its 2019 Annual Report. In its interim report for Q1 2020, WACKER refrained from issuing guidance for full-year 2020, given the risks posed by the coronavirus pandemic.

In its interim report for the first half, WACKER estimated that, owing to the pandemic, its sales, EBITDA and EBITDA margin for full-year 2020 would be below last year's levels. With net cash flow, WACKER anticipated a higher figure than last year. These expectations remain unchanged, with net cash flow now expected to be much higher.




Key Figures for the WACKER Group

€ million			Change in %	9M 2020	9M 2019	Change in %
	Q3 2020	Q3 2019				
Sales	1,183.1	1,267.9	-6.7	3,453.0	3,772.1	-8.5
EBITDA	190.8	272.9	-30.1	470.3	625.6	-24.8
EBITDA margin (%)	16.1	21.5	-	13.6	16.6	-
EBIT	90.6	137.1	-33.9	162.2	207.9	-22.0
EBIT margin (%)	7.7	10.8	-	4.7	5.5	-
Financial result	-12.0	-13.6	-11.8	-35.2	-41.2	-14.6
Income before income taxes	78.6	123.5	-36.4	127.0	166.7	-23.8
Net income for the period	67.7	86.3	-21.6	141.1	118.0	19.6
Earnings per share (€)	1.30	1.67	-22.2	2.68	2.18	22.9
Capital expenditures	45.4	87.8	-48.3	129.6	290.2	-55.3
Depreciation / amortization	100.2	135.8	-26.2	308.1	417.7	-26.2
Net cash flow	295.5	175.7	68.2	454.9	62.5	>100

€ million		Sept. 30, 2020	Sept. 30, 2019	Dec. 31, 2019
Total assets		6,822.2	7,543.6	6,491.0
Equity		1,770.6	2,609.4	2,029.0
Equity ratio (%)		26.0	34.6	31.3
Financial liabilities		1,414.8	1,275.1	1,258.9
Net financial debt		308.8	829.2	713.7
Employees (number)		14,340	14,775	14,658

This press release contains forward-looking statements based on assumptions and estimates of WACKER's Executive Board. Although we assume the expectations in these forward-looking statements are realistic, we cannot guarantee they will prove to be correct. The assumptions may harbor risks and uncertainties that may cause the actual figures to differ considerably from the forward-looking statements. Factors that may cause such discrepancies include, among other things, changes in the economic and business environment, variations in exchange and interest rates, the introduction of competing products, lack of acceptance for new products or services, and changes in corporate strategy. WACKER does not plan to update its forward-looking statements, nor does it assume the obligation to do so.

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The company in brief:

WACKER is a globally active chemical company with some 14,700 employees and annual sales of around € 4.93 billion (2019). WACKER has a global network of 24 production sites, 23 technical competence centers and 51 sales offices.

WACKER SILICONES

Silicone fluids, emulsions, rubber grades and resins; silanes; pyrogenic silicas; thermoplastic silicone elastomers

WACKER POLYMERS

Polyvinyl acetates and vinyl acetate copolymers and terpolymers in the form of dispersible polymer powders, dispersions, solid resins and solutions

WACKER BIOSOLUTIONS

Biotech products such as cyclodextrins, cysteine and biologics, as well as fine chemicals and PVAc solid resins

WACKER POLYSILICON

Polysilicon for the semiconductor and photovoltaic industries