

# PRESS RELEASE

Number 18

## WACKER's Sales and Earnings in Q2 2020 Affected by Lower Volumes Amid Coronavirus Pandemic

- ◆ WACKER'S SALES FOR Q2 2020 TOTAL €1.07 BILLION, DOWN 15 PERCENT FROM LAST YEAR
- ◆ AT €105 MILLION, EBITDA DECREASES 50 PERCENT YEAR OVER YEAR AMID LOWER VOLUMES DUE TO THE PANDEMIC AND LOWER PRICES FOR SOLAR-GRADE POLYSILICON AND STANDARD SILICONES
- ◆ NET INCOME FOR Q2 2020 COMES IN AT €5 MILLION
- ◆ QUARTERLY NET CASH FLOW REACHES TRIPLE DIGITS AT €137 MILLION
- ◆ DUE TO PANDEMIC-RELATED RISKS, SPECIFIC GUIDANCE FOR FULL-YEAR 2020 IS STILL NOT POSSIBLE

Munich, July 30, 2020 – Wacker Chemie AG finished Q2 2020 with total sales and EBITDA declining versus the same period last year. The Munich-based chemical company generated reporting-quarter sales of €1,072.4 million (Q2 2019: €1,268.5 million), down 15 percent year over year. Compared with the first quarter (€1,197.5 million), sales fell by 10 percent. The main reason for the decline – both year over year and quarter over quarter – was lower volumes amid the pandemic. Prices were lower, on balance, especially for solar-grade polysilicon and standard silicones, additionally impeding the sales trend. Sales benefited, on the other hand, from exchange-rate effects with the US dollar's year-over-year rise.

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In Q2 2020, WACKER posted EBITDA (earnings before interest, taxes, depreciation and amortization) of €105.4 million. That was 50 percent less than a year earlier (€210.7 million). The decrease was chiefly prompted by lower volumes and by lower average prices for solar-grade polysilicon and standard silicones. Lower raw-material and energy prices had a positive effect. Compared with the preceding quarter (€174.1 million), EBITDA decreased by 39 percent. WACKER's reporting-quarter EBITDA margin was 9.8 percent (Q2 2019: 16.6 percent), after 14.5 percent in the preceding quarter.

Group EBIT (earnings before interest and taxes) fell to €1.8 million in the reporting quarter (Q2 2019: €70.7 million). That was 98 percent less than a year earlier and corresponded to an EBIT margin of 0.2 percent (Q2 2019: 5.6 percent). Relative to Q1 2020 (€69.8 million), EBIT was also substantially lower, primarily due to the above-mentioned factors. Depreciation and amortization amounted to €103.6 million in the second quarter (Q2 2019: €140.0 million), down 26 percent year over year. The decline stemmed partly from an impairment charge of €760 million on polysilicon facilities that WACKER recognized on December 31, 2019 and which reduced current depreciation of these facilities. Net income for the quarter totaled €4.5 million (Q2 2019: €37.2 million) and earnings per share came in at € 0.07 (Q2 2019: €0.68).

Given the risks posed by the pandemic, WACKER refrained from issuing full-year guidance for 2020 in its interim report for Q1 2020. It is still not possible to provide a reliable forecast of the future trend. However, as a result of the pandemic, the company expects sales, EBITDA and the EBITDA margin for 2020 to be below last year's level. WACKER anticipates that net cash flow will be higher than a

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year ago.

“The coronavirus’s spread has caused the global economy to slump,” said WACKER’s CEO Rudolf Staudigl in Munich on Thursday. “We too are noticing the effects of the pandemic. Its impact has differed in intensity depending on the market segment. At our chemical divisions, second-quarter demand dropped markedly, especially for silicones in the automotive and textile segments. In the construction industry, though, demand remained comparatively stable. That is why the declines were much less pronounced for silicone and hybrid sealants, dispersible polymer powders and construction dispersions. Business was very robust for products used in medical, health and hygiene applications.”

According to Staudigl, market conditions for solar-grade polysilicon remain difficult. Volumes declined in the second quarter due to the drop in demand triggered by the pandemic. In addition, the low price level was very challenging not only for WACKER POLYSILICON, but also for WACKER’s competitors.

“Structural overcapacity for solar-grade polysilicon persists among Chinese competitors. Our semiconductor business, in comparison, experienced a significantly better trend, with customer demand there remaining at a high level,” noted WACKER’s CEO.

Referring to the challenges facing WACKER from the pandemic, Staudigl said: “We took all the measures necessary in past months to provide the best possible health protection for our employees while keeping operations up and running. The hygiene and distancing rules we promptly introduced have been effective. We are continuously adjusting regulations on business travel and remote work in line with the infection trend.”

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As Staudigl went on to say, WACKER is continuing with short-time work in specific areas of the company in order to align its capacity with market demand. At the same time, the company has reduced its investment budget for this year to €250 million to reflect the current economic and business environment – and that is strengthening liquidity.

Commenting on the Group's efficiency program, Staudigl stated: "The pandemic's effects underscore how critically important it is – now more than ever – to resolutely implement our Shape the Future program. The aim of this program, which was initiated in November 2019, is to strengthen our competitive edge, make WACKER leaner, faster and more flexible and cut our costs significantly. We want to save €250 million a year, half in non-personnel costs and half in personnel costs."

Staudigl said the company was making good progress in implementing the program. While personnel cost savings would still be low in 2020, the company expected to make savings of more than €50 million in non-personnel costs already this year. From the end of 2022, WACKER expects to achieve the full program's target of € 250 million per year.

"We prepared a detailed plan of WACKER's new structure and the measures needed – and are now discussing that plan with employee representatives. Our joint goal is to reach an agreement swiftly," emphasized Staudigl.

## **Regions**

In Q2 2020, Group sales declined in every region, mainly due to the drop in demand triggered by the pandemic. The decline was

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especially pronounced in the Americas. Sales there fell to €195.4 million, down 19 percent from a year earlier (€242.7 million). Group sales in Asia amounted to €362.9 million in the reporting quarter (Q2 2019: €434.5 million), down 16 percent year over year. Sales in Europe totaled €458.5 million (Q2 2019: €527.1 million), down 13 percent versus a year earlier.

### **Capital Expenditures and Net Cash Flow**

In Q2 2020, the Group's capital expenditures came in at € 39.8 million (Q2 2019: €104.7 million), down 62 percent year over year. The investment focus was on expanding capacity for silicone and polymer products.

At €136.8 million, net cash flow was more than six times higher in Q2 2020 than a year earlier (€21.8 million). This robust increase was due chiefly to substantially higher cash inflows from operating activities coupled with lower capital expenditures.

### **Employees**

WACKER's global workforce contracted slightly in the reporting quarter. The Group had 14,382 employees on June 30, 2020 (March 31, 2019: 14,597). At the end of the quarter, 10,187 employees (March 31, 2019: 10,334) worked at WACKER sites in Germany and 4,195 (March 31, 2019: 4,263) at international locations.

### **Business Divisions**

In Q2 2020, **WACKER SILICONES** generated total sales of €533.0 million. That was 18 percent less than a year earlier (€650.0 million). The main factors weighing on sales were lower volumes – chiefly due to demand slowing amid the pandemic – and

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lower prices for standard silicones. The sales decline was particularly noticeable with silicones for the automotive and textile industries. On the other hand, exchange-rate effects had a positive impact on sales. Compared with the preceding quarter (€590.0 million), sales fell by 10 percent. WACKER SILICONES posted reporting-quarter EBITDA of €68.1 million. That was 43 percent below both a year earlier (€119.8 million) and the prior quarter (€118.6 million). The EBITDA margin for Q2 2020 was 12.8 percent, after 18.4 percent in Q2 2019 and 20.1 percent a quarter ago.

Sales at **WACKER POLYMERS** totaled €297.6 million in the reporting quarter, 16 percent lower year over year (€353.3 million). Relative to the preceding quarter (€330.8 million), sales were down 10 percent. The pandemic-induced decline in volumes slowed business, above all in dispersions for diverse industrial and consumer-goods applications. In addition, prices for dispersions and dispersible polymer powders were slightly lower in the reporting quarter. On the other hand, changes in exchange rates had a positive impact on sales. The division's EBITDA amounted to € 58.8 million in Q2 2020, after €52.7 million a year earlier – an increase of 12 percent. The division's very good cost structure was the main factor supporting EBITDA. Versus a quarter earlier (€61.5 million), EBITDA contracted by 4 percent, mainly due to lower volumes. The EBITDA margin was 19.8 percent in the reporting quarter, after 14.9 percent a year earlier and 18.6 percent in the prior quarter.

**WACKER BIOSOLUTIONS** generated total sales of €62.9 million in Q2 2020, up 4 percent compared with the same period last year (€60.8 million). Bioengineered actives for the pharmaceutical industry and cyclodextrins performed especially well in the quarter. Changes

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in exchange rates also had a positive effect on sales. Compared with the preceding quarter (€63.3 million), the division's sales were down 1 percent. At €15.8 million, WACKER BIOSOLUTIONS' reporting-quarter EBITDA was more than double the level of a year earlier (€7.3 million). Versus the previous quarter (€ 8.5 million), the increase was 86 percent. Earnings were lifted not only by sales gains, but also by high plant utilization rates, a good cost structure and special income from a customer project. The EBITDA margin rose to 25.1 percent, after 12.0 percent a year earlier and 13.4 percent in Q1 2020.

**WACKER POLYSILICON** posted total sales of €152.5 million in the reporting quarter. That was 10 percent less than the same quarter last year (€169.9 million). Sales were chiefly slowed by a marked volume decline and lower average prices for solar-grade polysilicon. Compared with the prior quarter (€184.3 million), sales fell 17 percent due to the volume and price trend. Reporting-quarter EBITDA at WACKER POLYSILICON came in at €-35.0 million. Versus last year (€5.7 million), it contracted by €40.7 million. In addition to lower sales, EBITDA was dampened by inventory valuation adjustments and by lower plant utilization. Relative to the prior quarter (€-13.7 million), EBITDA was down 21.3 percent. From April through June 2020, the division's EBITDA margin amounted to -22.9 percent, after 3.4 percent in Q2 2019 and -7.4 percent in Q1 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

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fiscal 2020 due to the risks from the pandemic.

Given the ever clearer risks from the coronavirus pandemic and the continued surge in global infections, it is still not possible to reliably estimate how strongly or for how long government measures to contain the pandemic will dampen the Group's business. Specific guidance for full-year 2020 is still not possible. However, as a result of the pandemic, the company expects sales, EBITDA and the EBITDA margin for 2020 to be below last year's level. WACKER anticipates that net cash flow will be higher than a year ago.

**Information for editorial offices: the interim report for the first half of 2020 is available for download on the WACKER website ([www.wacker.com](http://www.wacker.com)) under Investor Relations.**

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**Key Figures for the WACKER Group**

€ million	Q2 2020	Q2 2019	Change in %	6M 2020	6M 2019	Change in %
Sales	1,072.4	1,268.5	-15.5	2,269.9	2,504.2	-9.4
EBITDA	105.4	210.7	-50.0	279.5	352.7	-20.8
EBITDA margin (%)	9.8	16.6	-	12.3	14.1	-
EBIT	1.8	70.7	-97.5	71.6	70.8	1.1
EBIT margin (%)	0.2	5.6	-	3.2	2.8	-
Financial result	-11.2	-18.0	-37.8	-23.2	-27.6	-15.9
Income before income taxes	-9.4	52.7	n.a.	48.4	43.2	12.0
Net income for the period	4.5	37.2	-87.9	73.4	31.7	>100
Earnings per share (€)	0.07	0.68	-89.7	1.38	0.52	>100
Capital expenditures	39.8	104.7	-62.0	84.2	202.4	-58.4
Depreciation / amortization	103.6	140.0	-26.0	207.9	281.9	-26.3
Net cash flow	136.8	21.8	>100	159.4	-113.2	n.a.
€ million				June 30, 2020	June 30, 2019	Dec. 31, 2019
Total assets				6,741.8	7,295.1	6,491.0
Equity				1,985.6	2,666.9	2,029.0
Equity ratio (%)				29.5	36.6	31.3
Financial liabilities				1,423.0	1,300.0	1,258.9
Net financial debt				572.9	989.3	713.7
Employees (number)				14,382	14,826	14,658

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*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