

If an amended estimate results in a reduction in the scope of the obligations, a proportion of the provision is reversed and the earnings are allocated to the functional area originally charged with the expense when the provision was recognized.

#### Financing Liabilities and Other Financial Liabilities

On initial recognition, primary financial liabilities are measured at fair value less any transaction costs incurred. They are subsequently measured at amortized cost using the effective interest method. Derivative financial instruments are recognized at fair value. Lease liabilities are shown as financing liabilities at the present value of the future lease installments.

#### Contingent Liabilities / Contingent Assets

Contingent liabilities are potential obligations toward third parties or existing obligations for which an outflow of resources is unlikely or the amount of the obligation cannot be estimated with sufficient certainty. Contingent liabilities are not recognized in the statement of financial position.

Contingent assets are potential assets resulting from past events and whose existence will not be confirmed until the occurrence of one or more uncertain future events that are beyond the Group's influence.

### 01 Revenues from Contracts with Customers

Revenues from sales comprise those from contracts with customers and those from other sources:

#### Breakdown of Revenues

€ million	2020	2019
<b>Revenues from contracts with customers</b>		
Proceeds from deliveries of products and merchandise	4,590.7	4,804.1
Proceeds from other services	96.9	117.4
<b>Total revenues from contracts with customers</b>	<b>4,687.6</b>	<b>4,921.5</b>
Other revenues	4.6	6.1
<b>Total revenues</b>	<b>4,692.2</b>	<b>4,927.6</b>

As a general rule, WACKER recognizes sales at a point in time. WACKER's customary business model is to sell chemical products on the basis of binding individual orders from customers with or without framework agreements.

Customer orders usually result in a specific performance obligation, which is satisfied at a certain point in time. Revenue is recognized when economic control has been transferred to the customer in accordance with Incoterms. WACKER POLYSILICON also uses medium- and long-term supply contracts for predefined purchase quantities. Here, too, revenues are recognized at a point in time.

In the case of customer-specific orders placed with WACKER BIOSOLUTIONS, sales are recognized over time. Its business model entails providing development services to the pharmaceutical industry under service contracts that are fulfilled and documented using milestones. The right to payment arises when a milestone is reached. The division 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. In certain cases, customers make advance payments before a product is delivered or provision of a service commences. WACKER BIOSOLUTIONS also concludes medium-term contracts. To a minor extent, income is realized through the licensing of process know-how.

No long-term payment terms exist that could qualify as a financing component. As a general rule, the right to payment falls due within 30 days. Deliveries to customers with poor credit ratings are contingent upon advance payment or provision of a bank guarantee. The statutory warranty obligations for quality defects apply at WACKER, and exact specifications are defined in framework agreements with customers.

The majority of services are posted under WACKER's "Other" segment and comprise the supply of media to, and the administration of, chemical-industry parks on behalf of third-party companies, particularly at the site in Burghausen, Germany. Sales of salt and lye are another component of the revenues recognized under "Other." For both media supply and deliveries of salt and lye, revenues are recognized at a point in time, namely on delivery.

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.

The following table shows the breakdown of revenues:

### Breakdown of Revenues

€ million	WACKER SILICONES		WACKER POLYMERS		WACKER BIOSOLUTIONS		WACKER POLYSILICON		Other/ consolidation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue by Region</b>												
Europe	1,010.9	1,084.1	598.7	599.1	108.7	91.5	100.6	97.2	108.3	132.1	1,927.2	2,004.0
The Americas	411.8	468.8	322.2	345.0	88.8	92.3	9.6	12.4	0.5	1.0	832.9	919.5
Asia	671.7	742.4	298.0	297.3	40.5	50.4	674.9	670.3	2.6	3.4	1,687.7	1,763.8
Other regions	149.6	157.7	79.6	73.7	8.1	8.8	7.1	0.1	–	–	244.4	240.3
<b>Total</b>	<b>2,244.0</b>	<b>2,453.0</b>	<b>1,298.5</b>	<b>1,315.1</b>	<b>246.1</b>	<b>243.0</b>	<b>792.2</b>	<b>780.0</b>	<b>111.4</b>	<b>136.5</b>	<b>4,692.2</b>	<b>4,927.6</b>
Of which revenues outside the scope of IFRS 15	–	0.5	–	–	–	–	–	–	4.6	5.6	4.6	6.1
<b>Time of revenue recognition</b>												
Point in time	2,244.0	2,453.0	1,298.5	1,315.1	173.7	178.9	792.2	780.0	111.4	136.5	4,619.8	4,863.5
Over time	–	–	–	–	72.4	64.1	–	–	–	–	72.4	64.1
<b>Total</b>	<b>2,244.0</b>	<b>2,453.0</b>	<b>1,298.5</b>	<b>1,315.1</b>	<b>246.1</b>	<b>243.0</b>	<b>792.2</b>	<b>780.0</b>	<b>111.4</b>	<b>136.5</b>	<b>4,692.2</b>	<b>4,927.6</b>

Trade receivables mainly comprise receivables from contracts with customers. For further details, see Note 10.

The contract liabilities recognized by WACKER in its statement of financial position include customers' advance payments for polysilicon deliveries, advance payments by customers of WACKER BIOSOLUTIONS and advance payments by customers to WACKER's "Other" segment for chemical-industry park infrastructure projects. When an individual polysilicon delivery is made to the customer, a specified share of the advance payment received by WACKER POLYSILICON is recognized as revenue, thereby reducing the liability. At WACKER BIOSOLUTIONS, customer advance payments are recognized upon the achievement of designated milestones.

In the "Other" segment, sales are realized over the contractual period agreed with the customer. Advance payments received mainly comprise those by customers for polysilicon deliveries taking place over periods of up to six years. The increase in advance payments received chiefly comprised advance payments received for polysilicon contracts.

In addition, discount accruals are recognized as contract liabilities. Discount accruals are contractually agreed discounts that are granted when certain thresholds are exceeded and that reduce sales in the current period. These accruals are estimated on the basis of past experience and usually settled in the following period at the latest.

## Development of Contract Liabilities

€ million	Advance payments received	Discount accruals	Total
<b>As of Jan. 1, 2020</b>	<b>107.3</b>	<b>12.8</b>	<b>120.1</b>
Revenues recognized as advance payments in prior period	-43.6	-	-43.6
Revenues less discounts	-	14.9	14.9
Reversals recognized in income	-	-1.0	-1.0
Cash receipts (+)	79.2	-	79.2
Revenues recognized in 2020 from cash receipts (-)	-25.1	-	-25.1
Cash payments (-)	-	-10.1	-10.1
Exchange-rate differences	-	-0.3	-0.3
Change in the scope of consolidation	-	-	-
<b>As of Dec. 31, 2020</b>	<b>117.8</b>	<b>16.3</b>	<b>134.1</b>

Under multi-year framework agreements, WACKER guarantees some customers the availability of specific quantities per year. The actual quantities and prices are usually set for a maximum period of one year only and agreed in detailed negotiations that take place during the year. Minimum purchase quantities result in future performance obligations (orders on hand) with terms as shown in the following table:

## Orders on Hand

€ million	Dec. 31 2020	Dec. 31 2019
Up to 2 years	990.9	750.0
Over 2 years to 3 years	495.2	389.5
Over 3 years to 4 years	405.0	313.9
Over 4 years to 5 years	163.4	312.8
Over 5 years	857.7	165.4
<b>Total orders on hand</b>	<b>2,912.2</b>	<b>1,931.6</b>

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€ million	Advance payments received	Discount accruals	Total
<b>As of Jan. 1, 2019</b>	<b>135.8</b>	<b>15.1</b>	<b>150.9</b>
Revenues recognized as advance payments in prior period	-44.2	-	-44.2
Revenues less discounts	-	14.6	14.6
Reversals recognized in income	-26.3	-4.6	-30.9
Cash receipts (+)	65.6	-	65.6
Revenues recognized in 2019 from cash receipts (-)	-23.6	-	-23.6
Cash payments (-)	-	-12.3	-12.3
Exchange-rate differences	-	-	-
Change in the scope of consolidation	-	-	-
<b>As of Dec. 31, 2019</b>	<b>107.3</b>	<b>12.8</b>	<b>120.1</b>

## 02 Cost of Goods Sold / Other Operating Income / Other Operating Expenses

€ million	2020	2019
<b>Cost of goods sold</b>	<b>-3,822.3</b>	<b>-4,124.4</b>
Cost of goods sold includes the following reversals (+) / recognitions (-) of valuation allowances on inventories	<b>-22.5</b>	<b>-46.3</b>
<b>Other operating income</b>		
Income from currency transactions	<b>58.2</b>	29.0
Income from reversal of provisions	<b>6.2</b>	2.1
Insurance compensation	<b>0.9</b>	2.0
Income from reversal of valuation allowances on trade receivables	<b>0.2</b>	0.1
Income from disposal of property, plant and equipment and financial assets	<b>0.2</b>	0.2
Income from incentives / grants	<b>3.6</b>	1.7
Income from the termination of long-term supply contracts	<b>-</b>	19.3
Other operating income	<b>16.2</b>	42.6
<b>Total</b>	<b>85.5</b>	<b>97.0</b>
<b>Other operating expenses</b>		
Losses from currency transactions	<b>-66.0</b>	-41.7
Losses from valuation allowances on trade receivables	<b>-6.6</b>	-0.8
Losses from disposal of assets	<b>-2.8</b>	-6.2
Losses from impairment of fixed assets	<b>-1.0</b>	-764.8
Losses from restructuring	<b>-48.9</b>	-
Other operating expenses	<b>-17.6</b>	-43.9
<b>Total</b>	<b>-142.9</b>	<b>-857.4</b>

Other operating expenses include € 48.9 million in restructuring costs under the Shape the Future program, primarily to cover severance payments to employees in Germany.

In the prior year, the cost of goods sold contained the insurance compensation of € 112.5 million received for the damage at the Charleston site.

As a result of contract changes, WACKER POLYSILICON derecognized the advance payments of € 19.3 million it had received from a solar customer in the previous year and posted that amount under other operating income.

Due to low polysilicon prices and the continued absence of a solar-market recovery in Q4 2019, an impairment charge of € 760 million was recognized on WACKER POLYSILICON's fixed assets as of December 31, 2019.

The impairment loss was posted under other operating expenses.

## 03 Income from Investments in Joint Ventures and Associates / Other Investment Income / Net Interest Income / Other Financial Result

€ million	2020	2019
<b>Result from investments in joint ventures and associates</b>	<b>34.9</b>	54.3
Of which share of income from joint ventures	<b>1.8</b>	1.8
Of which share of income from associates	<b>33.1</b>	52.5
Other investment expenses/ investment income	<b>2.1</b>	-
<b>Total</b>	<b>37.0</b>	<b>54.3</b>
<b>Net interest income</b>		
Interest income	<b>8.1</b>	10.6
Of which from financial instruments (FVOCI)	<b>-</b>	-
Of which from financial instruments (amortized cost)	<b>7.8</b>	7.9
Interest expenses	<b>-22.0</b>	-20.3
Of which from financial liabilities (excluding leases)	<b>-18.3</b>	-16.7
<b>Total</b>	<b>-13.9</b>	<b>-9.7</b>
<b>Other financial result</b>		
Interest effect of interest-bearing provisions / liabilities	<b>-26.9</b>	-36.5
Other financial expenses / income	<b>-4.1</b>	-8.7
<b>Total</b>	<b>-31.0</b>	<b>-45.2</b>

Income from investments in joint ventures and associates relates to the investments in Siltronic AG, and in companies in Asia and the United Kingdom. This income includes not only the attributable net results for the year, but also the effects of the elimination of attributable interim profits and losses, of measurement gains and other Group adjustments.

Borrowing costs of € 0.2 million were capitalized in the reporting period, after € 2.5 million a year earlier, resulting in a corresponding improvement in the net interest result. The average borrowing interest rate applied by the Group in the reporting year was 1.5 percent, compared with 1.8 percent the year before.

The interest effect of interest-bearing provisions includes net interest expenses from the unwinding of discounted pension obligations and calculated returns from plan assets totaling € 28.1 million (versus € 35.0 million in the prior year), and interest expenses and interest income from the discounting of provisions and unwinding of discounted provisions in the amount of € 1.2 million (versus € 1.5 million).

Other financial income and expenses result primarily from interest-rate effects in connection with financial transactions and their hedging, as well as expected interest on uncertain tax positions.

#### 04 Income Taxes

This item comprises income taxes paid or owed in the individual countries as well as deferred taxes. In Germany, in addition to a corporate tax of 15.0 percent (versus 15.0 percent a year earlier), a solidarity surcharge of 5.5 percent applies (versus 5.5 percent). Trade income tax of 13.0 percent (versus 12.2 percent) must also be paid. It varies depending on the municipality in which a company is located.

As a result, deferred taxes of German companies are measured based on a total tax rate (including solidarity surcharge) of 28.8 percent (versus 28.0 percent in the prior year). The current taxes of foreign subsidiaries are determined in accordance with domestic tax laws and rates valid in the country in which the respective company is based. As in the prior year, the respective current income tax rates for foreign companies applicable in each country ranged from 8.2 percent to 34.6 percent.

Deferred taxes on undistributed profits of subsidiaries were recognized only where distribution is planned. The amount of € 373.2 million is available for distribution, compared with € 362.0 million in the prior year. WACKER did not recognize a deferred tax liability of € 5.4 million (€ 5.2 million not recognized in the prior year) for the tempo-

rary difference of € 18.7 million (versus € 18.1 million), as it is able to control the timing.

Income taxes include current tax expenses of € 1.2 million from prior years (after € 0.7 million a year earlier) and deferred tax income of € 14.0 million (after € 23.7 million).

#### Reconciliation of Actual Tax Result

€ million	2020	2019
Current taxes, Germany	14.5	36.1
Current taxes, international	-30.3	-47.1
<b>Current taxes</b>	<b>-15.8</b>	<b>-11.0</b>
Deferred taxes, Germany	5.6	-10.5
Deferred taxes, international	-5.4	-16.9
<b>Deferred taxes</b>	<b>0.2</b>	<b>-27.4</b>
<b>Income taxes</b>	<b>-15.6</b>	<b>-38.4</b>
<b>Derivation of the effective tax rate</b>		
Income before taxes	217.9	-591.2
Income tax rate for Wacker Chemie AG (%)	28.8	28.0
<b>Expected tax income / expenses</b>	<b>-62.7</b>	<b>165.6</b>
Tax rate divergences	18.2	-41.7
Tax effect of non-deductible expenses	-18.8	-35.3
Tax effect of tax-free income	24.2	3.4
Taxes relating to other periods (current earnings)	12.8	23.0
Effects of loss carryforwards and temporary differences	1.6	-168.4
Group profit from investments in joint ventures and associates	10.0	15.1
Other differences	-0.9	-0.1
<b>Total income tax</b>	<b>-15.6</b>	<b>-38.4</b>
<b>Effective tax rate (%)</b>	<b>7.1</b>	<b>-6.5</b>

Deferred tax expenses in the year under review contained an amount of € 0.0 million (€ 2.0 million a year earlier) in previously unrecognized temporary differences and previously unrecognized tax losses from earlier periods.

## Allocation of Deferred Taxes

€ million	2020		2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	4.6	4.7	10.4	5.2
Property, plant and equipment	75.7	27.1	87.5	23.8
Financial assets	–	–	–	0.1
Right-of-use assets	–	25.0	–	25.9
Sundry assets	32.8	12.2	32.3	2.9
Provisions for pensions	624.1	–	487.7	–
Other provisions	44.2	0.5	35.0	–
Lease liabilities	26.5	0.8	29.0	0.7
Other liabilities	3.1	4.5	5.9	5.5
Loss carryforwards	25.5	–	–	–
Setting off for companies with group taxation	–2.0	–2.0	–3.8	–3.8
<b>Total</b>	<b>834.5</b>	<b>72.8</b>	<b>684.0</b>	<b>60.3</b>
<b>Setoffs</b>	<b>–63.7</b>	<b>–63.7</b>	<b>–51.1</b>	<b>–51.1</b>
<b>Amount recorded in Statement of Financial Position</b>	<b>770.8</b>	<b>9.1</b>	<b>632.9</b>	<b>9.2</b>

The changes in deferred tax assets and liabilities of € 0.2 million were recognized as income (versus expenses of € 27.4 million a year earlier), while € 136.5 million (versus € 139.3 million) was recognized directly in equity. The changes mainly comprise deferred tax assets from variations in actuarial gains and losses stemming from pension provisions.

The existing tax loss carryforwards can be utilized as follows:

€ million	2020	2019
Within 1 year	–	–
Within 2 years	–	–
Within 3 years	–	–
Within 4 years	–	–
Within 5 years or later	167.7	44.8
<b>Total</b>	<b>167.7</b>	<b>44.8</b>

The total loss carryforwards generated amounted to € 167.7 million (versus € 44.8 million in the previous year). Of this amount, € 78.2 million (versus € 44.8 million) is

expected to be non-realizable, which is why no deferred taxes were recognized. Had they been recognized, however, they would have amounted to € 19.6 million (versus € 10.5 million). Of the loss carryforwards that are not realizable for tax purposes, the amount of € 23.6 million (versus € 22.3 million) is unlimited as to time and amount. As of December 31, 2020, no deferred tax assets were recognized for tax-deductible temporary differences in the amount of € 820.1 million (versus € 940.3 million). This year-over-year decrease was attributable to the smaller amount not recognized for temporary differences on the impairment of fixed assets.

Deferred tax assets in the amount of € 770.8 million (versus € 632.9 million) were recognized on temporary differences and tax loss carryforwards; no deferred tax liabilities for a corresponding amount were posted. WACKER assumes that future taxable income will probably be sufficient to realize these deferred tax assets.

## 05 Intangible Assets and Property, Plant and Equipment

€ million	Intangible assets	Land, buildings and similar rights	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Property, plant and equipment
<b>2020</b>						
Balance as of Jan. 1, 2020	169.2	1,627.5	8,315.1	628.4	238.9	10,809.9
Additions	2.0	10.3	67.9	15.8	128.4	222.4
Disposals	-1.5	-3.1	-32.0	-31.2	-	-66.3
Transfers	0.5	30.6	123.3	6.4	-160.8	-0.5
Changes in the scope of consolidation	-	-	-	-	-	-
Exchange-rate differences	-3.5	-65.4	-228.2	-6.9	-6.1	-306.6
Gross carrying amount as of Dec. 31, 2020	166.7	1,599.9	8,246.1	612.5	200.4	10,658.9
Cumulative depreciation / amortization and impairments	-145.6	-993.8	-6,754.8	-517.2	0.1	-8,265.7
Changes in the scope of consolidation	-	-	-	-	-	-
Carrying amount as of Dec. 31, 2020	21.1	606.1	1,491.3	95.3	200.5	2,393.2
Depreciation / amortization	-10.2	-41.0	-287.7	-31.5	-	-360.2
Impairment losses	-	-0.4	-0.6	-	-	-1.0
<b>2019</b>						
Balance as of Jan. 1, 2019	164.3	1,517.4	7,962.9	605.2	424.3	10,509.8
Additions	4.2	38.1	164.5	28.0	144.7	375.3
Disposals	-0.8	-1.9	-16.6	-15.1	-0.2	-33.8
Transfers	0.8	62.9	160.9	9.1	-333.0	-100.1
Changes in the scope of consolidation	-	-	-	-	-	-
Exchange-rate differences	0.7	11.0	43.4	1.2	3.1	58.7
Gross carrying amount as of Dec. 31, 2019	169.2	1,627.5	8,315.1	628.4	238.9	10,809.9
Cumulative depreciation / amortization and impairments	-139.8	-987.4	-6,656.6	-522.0	0.1	-8,165.9
Changes in the scope of consolidation	-	-	-	-	-	-
Carrying amount as of Dec. 31, 2019	29.4	640.1	1,658.5	106.4	239.0	2,644.0
Depreciation / amortization	-13.0	-56.5	-416.6	-33.7	-	-506.8
Impairment losses	-1.3	-177.8	-577.3	-2.5	-	-757.6

Intangible assets include industrial property rights, software and similar rights, and other assets that are acquired against payment. Acquisitions result in technologies, customer bases and order backlogs acquired against payment, which are amortized over a period of 3 to 9 years.

In 2020, the acquisition costs for property, plant and equipment were reduced by investment grants totaling € 3.1 million (compared with € 1.2 million in the previous year).

In the reporting year, borrowing costs of € 0.2 million (€ 2.5 million in the prior year) were capitalized as part of the acquisition or production costs of qualifying assets. The average financing cost rate was 1.5 percent (1.8 percent a year earlier).

The impairment losses recognized in the prior year related to the impairment of fixed assets of WACKER POLYSILICON.