

Press Release

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Siltronic off to a muted start to the year 2019, as expected

- Less wafer area sold q-on-q in line with expectations
- Sales down 8.7 percent q-on-q to EUR 354.4 million
- EBITDA drops 20.9 percent q-on-q to EUR 127.2 million
- EBITDA margin at 35.9 percent in Q1 2019
- Sales and profitability higher y-on-y
- Ongoing strong net cash flow and investments in the future
- Adjusted forecast for 2019 confirmed: sales down 5 to 10 percent y-on-y, EBITDA margin between 33 and 37 percent

Munich, Germany, May 3, 2019 - Siltronic AG (MDAX/TecDAX: WAF) was unable to escape from the general trend of a cooling semiconductor industry and consequently got off to a muted start into 2019.

“With the general slow-down of the economy, geopolitical uncertainties and inventory adjustments in the value chain not yet completed, 2019 is proving to be challenging, as expected. This is also reflected in our current financials,” says Dr. Christoph von Plotho, CEO of Siltronic AG.

Less wafer area sold results in sales decline q-on-q

In EUR million	Q1	Q4	Change		Q1	Change vs. Q1	
	2019	2018	Amount	Percent	2018	Amount	Percent
Sales	354.4	388.1	-33.7	-8.7%	327.4	27.0	8.2%

In Q1 2019, sales declined by 8.7 percent to EUR 354.4 million compared with EUR 388.1 million in Q4 2018, due to less wafer area sold.

Exchange rate effects had a negligible influence in a q-on-q comparison as the US dollar against the euro stood at an average of 1.14 in Q1 2019, similar to the previous quarter.

Compared with Q1 2018 (EUR 327.4 million), sales rose on the back of an increase in Euro ASP by 8.7 percent. The decisive factor was the development of the EUR/USD exchange rate. In Q1 2018, the exchange rate still averaged 1.23 (Q1 2019: 1.14).

Higher energy costs burden gross profit

In EUR million	Q1	Q4	Change		Q1	Change vs. Q1	
	2019	2018	Amount	Percent	2018	Amount	Percent
Cost of sales	209.9	208.1	1.8	0.9%	202.5	7.4	3.7%
Gross profit	144.5	180.0	-35.5	-19.7%	124.9	19.6	15.7%
Gross margin	40.8%	46.4%			38.1%		

Compared with the previous quarter, cost of sales edged up from EUR 208.1 million to EUR 209.9 million in Q1 2019 even though the wafer area sold was down. The increase in the cost of sales per wafer area is attributable in particular to higher energy costs and the lower dilution of fixed costs due to lower capacity utilization.

As a result, gross profit with EUR 144.5 million dropped significantly below the previous quarter (Q4 2018: EUR 180.0 million). The gross margin declined from 46.4 percent to 40.8 percent.

Compared to EUR 202.5 million in Q1 2018, cost of sales increased by 3.7 percent. Primarily due to exchange rate fluctuations gross profit was up by EUR 19.6 million (15.7 percent) y-on-y. The gross margin stood at 38.1 percent in Q1 2018. In Q1 2019, this figure increased by 2.7 percentage points.

Marginal decline in selling, R&D and general administration expenses

In EUR million	Q1	Q4	Change		Q1	Change vs. Q1	
	2019	2018	Amount	Percent	2018	Amount	Percent
Selling expenses	8.5	9.0	-0.5	-5.6%	8.4	0.1	1.2%
R&D costs	16.7	17.9	-1.2	-6.7%	16.6	0.1	0.6%
General administration expenses	7.0	7.4	-0.4	-5.4%	6.6	0.4	6.1%
Total	32.2	34.3	-2.1	-6.1%	31.6	0.6	1.9%
as a percentage of sales	9.1%	8.8%			9.7%		

In Q1 2019, selling, R&D and general administration expenses came in at EUR 32.2 million, which is 9.1 percent of sales. Compared to the previous quarter, this reflected a slight decline of EUR 2.1 million. Due to the decline in sales expenses increased as a percentage of sales.

Compared with EUR 31.6 million and a ratio of 9.7 percent in Q1 2018, expenses remained relatively stable though slightly lower as a percentage of sales.

Effects of currency hedging burden the first quarter

In EUR million	Q1	Q4	Change		Q1	Change vs. Q1	
	2019	2018	Amount	Percent	2018	Amount	Percent
Other operating income	11.6	13.8	-2.2	-15.9%	24.9	-13.3	-53.4%
Other operating expenses	-20.5	-20.6	0.1	-0.5%	-21.6	1.1	-5.1%
Other operating income and expenses, net	-8.9	-6.8	-2.1	30.9%	3.3	-12.2	>100%
Of which exchange rate	-8.2	-4.8	-3.4	70.8%	2.7	-10.9	>100%

Other operating income and expenses are characterized by foreign exchange gains and losses, in particular for currency hedging of the US dollar and the Japanese yen.

The expenses stood at EUR 8.2 million in Q1 2019, which is significantly higher than in the previous quarter with EUR 4.8 million. Q1 2018 showed an income of EUR 2.7 million.

Weaker demand burdens EBITDA and the EBITDA margin

In EUR million	Q1	Q4	Change		Q1	Change vs. Q1	
	2019	2018	Amount	Percent	2018	Amount	Percent
EBITDA	127.2	160.8	-33.6	-20.9%	122.3	4.9	4.0%
EBITDA margin in %	35.9%	41.4%			37.4%		
Depreciation, amortization and impairment less reversals thereof	-23.8	-21.9	-1.9	8.7%	-25.7	1.9	-7.4%
EBIT	103.4	138.9	-35.5	-25.6%	96.6	6.8	7.0%
EBIT margin in %	29.2%	35.8%			29.5%		

Due to the downtrend in wafer area sold, EBITDA of EUR 127.2 million were generated in Q1 2019 (Q4 2018: EUR 160.8 million). This corresponds to a decline of 20.9 percent. In Q1 2019, the EBITDA margin came in at 35.9 percent compared with 41.4 percent in the previous quarter.

EBITDA in Q1 2018 stood at EUR 122.3 million and was therefore exceeded by 4.0 percent in the reporting quarter. The EBITDA margin was 37.4 percent in Q1 2018.

EBIT of EUR 103.4 million achieved in Q1 2019 dropped 25.6 percent below that of the previous quarter (Q4 2018: EUR 138.9 million). The EBIT margin stood at 29.2 percent (Q4 2018: 35.8 percent). Along with a weak start into 2019 and the increase in energy costs, the higher depreciation level was a contributing factor.

In Q1 2018, EBIT stood at EUR 96.6 million and was therefore exceeded by 7.0 percent. The EBIT margin was 29.5 percent, comparable to Q1 2019.

Profit for the period and earnings per share down q-on-q

In EUR million	<u>Q1 2019</u>	<u>Q4 2018</u>	<u>Change</u>		<u>Q1 2018</u>	<u>Change vs. Q1</u>	
			<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
Result before taxes	105.4	135.1	-29.7	-22.0%	94.3	11.1	11.8%
Income taxes	-17.8	-29.1	11.3	-38.8%	-12.3	-5.5	44.7%
Tax rate in %	17%	22%			13%		
Profit for the period	87.6	106.0	-18.4	-17.4%	82.0	5.6	6.8%
Earnings per share	2.68	3.25	-0.57	-17.6%	2.62	0.06	2.2%

Profit for the period of EUR 87.6 million was generated in Q1 2019, reflecting a decline of 17.4 percent compared with the previous quarter (Q4 2018: EUR 106.0 million).

In Q1 2018, profit for the period was EUR 82.0 million. The increase of EUR 5.6 million in profit y-on-y despite a higher tax rate is mostly attributable to favorable foreign exchange rate movements.

Earnings per share came in at EUR 2.68 in Q1 2019 compared with EUR 3.25 in Q4 2018.

In Q1 2018, earnings per share equalled EUR 2.62.

Significant increase in property, plant and equipment as well as securities and fixed-term deposits

in EUR million	March 31, 2019	Dec 31, 2018	Change
Intangible assets	21.8	22.2	-0.4
Property, plant and equipment	742.3	683.9	58.4
Securities and fixed-term deposits	48.7	30.0	18.7
Other assets	75.6	26.7	48.9
Non-current assets	888.4	762.8	125.6

in EUR million	March 31, 2019	Dec 31, 2018	Change
Inventories	156.3	148.6	7.7
Trade receivables and contract assets	167.6	175.7	-8.1
Other financial assets	77.2	69.8	7.4
Cash and cash equivalents	713.1	661.3	51.8
Current assets	1,114.2	1,055.4	58.8

Property, plant and equipment increased due to the investments made in Q1 2019. The new accounting rules for leasing (IFRS 16) increased other non-current assets by EUR 46.3 million. Siltronic has applied the new standard on accounting for leases (IFRS 16) since January 1, 2019. Under this standard, a lessee capitalizes his right to use leased assets and recognizes as a liability the obligations resulting from lease payments.

Short- and long-term investments together with cash and cash equivalents increased by EUR 70.5 million.

Further increase in equity

In EUR million	March 31, 2019	Dec 31, 2018	Change
Equity	968.3	915.7	52.6
Pension provisions	421.8	362.3	59.5
Customer prepayments	158.0	175.2	-17.2
Other liabilities	142.0	97.9	44.1
Non-current liabilities	721.8	635.4	86.4

While profit for the period came in at EUR 87.6 million in Q1 2019, equity rose by EUR 52.6 million. The valuation of pension provisions due to interest rate effects reduced equity by EUR 52.8 million in Q1 2019 while foreign exchange effects raised equity by EUR 17.0 million in the same period.

Non-current liabilities have climbed by EUR 86.4 million, of which EUR 59.5 million was attributable to pension provisions. As of March 31, 2019, pension provisions in Germany were discounted at 1.66 percent (December 31, 2018: 1.98 percent). In the US, by contrast, the discount rate has fallen from 4.08 percent to 3.69 percent. Non-current liabilities also increased by EUR 43.7 million due to the new IFRS accounting rules for leasing (IFRS 16).

Strong net cash flow and investments in the future

In EUR million	<u>Q1 2019</u>	<u>Q4 2018</u>	<u>Change</u>		<u>Q1 2018</u>	<u>Change vs. Q1</u>	
			<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
Cash flow from operating activities	131.1	80.7	50.4	62.5	174.6	-43.5	-24.9%
Proceeds/ payments for capital expenditure and intangible assets	-67.1	-	41.3	-38.1	-25.0	-42.1	>100%
Free cash flow	64.0	-27.7	91.7	>100%	149.6	-85.6	-57.2%
Increase/decrease in customer prepayments	16.8	-4.5	21.3	>100%	-37.2	54.0	>100%
Net cash flow	80.8	-32.2	113.0	>100%	112.4	-31.6	-28.1%

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 72.8 million in Q1 2019 and mainly pertain to ramping up capacities, the new pulling hall in Singapore and ongoing production automation. Payments for capital expenditure on property, plant and equipment and intangible assets were EUR 67.1 million.

The cash flow from operating activities includes the repayment of customer prepayments of EUR 16.8 million. In Q1 2019, no additional customer prepayments were received.

In Q1 2019, net cash flow came in at EUR 80.8 million compared with EUR -32.2 million in Q4 2018. The negative cash flow in Q4 2018 was the result of higher capital expenditure.

In Q1 2018, net cash flow came in at EUR 112.4 million.

Net financial assets at new record high

In EUR million	<u>March 31, 2019</u>	<u>Dec 31, 2018</u>	<u>Change</u>
Cash and cash equivalents	301.4	257.5	43.9
Fixed-term deposits and securities	460.4	433.8	26.6
Net financial assets	761.8	691.3	70.5

Owing to the high cash flow, net financial assets reached a new record level of EUR 761.8 million at March 31, 2019.

Cautious outlook for the full year 2019

Siltronic released its annual forecast at the end of February based on the assumption that the incoming orders would pick up significantly in the second half of 2019. However, the timing of the market recovery can not be predicted with certainty. Accordingly, the Executive Board adjusted the original forecast on April 10, 2019, and hereby confirms it.

Siltronic expects Q2 2019 to be significantly weaker than Q1 2019.

For the full year 2019, given the challenging market environment, sales are expected to be around 5 to 10 percent below the previous year. The EBITDA margin is estimated between 33 percent and 37 percent. EBIT is forecasted to be significantly lower than 2018. Net cash flow is expected to remain clearly positive but nevertheless to decline by around EUR 150 million. Earnings per share will be substantially below the previous year. This forecast continues to hinge on the recovery in the market environment as well as on exchange rate effects.

“Irrespective of the currently challenging market environment, we are convinced that the fundamental growth trend in the wafer industry, driven by mega trends such as digitalization and electro-mobility, remains intact,” Dr. Christoph von Plotho continues.

Forecast (as of April 10, 2019)

	Forecast for February 2019	Forecast for April 2019	Change vs. February
EBITDA margin	Slightly below previous year	Between 33 percent and 37 percent	↓
Sales	In the range of 2018	Depending on when the recovery in the market environment takes place and on exchange rate influences, between 5 percent and 10 percent lower y-o-y	↓
FX effects	Based on a EUR/USD exchange rate of 1.18 and a EUR/JPY exchange rate of 130, currency effects on sales and EBITDA are negligible compared with 2018	Based on a EUR/USD exchange rate of 1.15 and a EUR/JPY exchange rate of 130, currency effects on sales and EBITDA are negligible compared with 2018	
R&D	Approximately 5 percent of sales	Approximately 5 percent of sales	→
Cost positions	Negative effect on savings potential due to wage and salary increases and EUR 20 million higher electricity costs in Germany	Negative effect on savings potential due to wage and salary increases and EUR 20 million higher electricity costs in Germany	→
Depreciation and amortization	Around EUR 110 million	Around EUR 110 million	→
EBIT	Due to the higher level of depreciation and amortization and higher electricity costs, a good 10 percent lower year-on-year	Significantly below the previous year	↓
Tax rate	Between 15 percent and 20 percent	Between 15 percent and 20 percent	→
Financial result	On the previous year's level	Better than the previous year	↑
Capital expenditure	Around EUR 350 million in capacity, automation and capabilities	Around EUR 350 million in capacity, automation and capabilities	→
Net cash flow	Clearly positive, but due to increased investments approx. EUR 100 million below the previous year	clearly positive but decrease by approximately EUR 150 million compared to 2018	↓
Earnings per share	Slightly below previous year	Significantly below previous year	↓

Siltronic AG – Key financial figures Q1/2019

Profit and loss statement / Cash flow in EUR million	Q1 2019	Q4 2018	Q1 2018
Sales	354.4	388.1	327.4
EBITDA	127.2	160.8	122.3
EBITDA margin	35.9%	41.4%	37.4%
EBIT	103.4	138.9	96.6
EBIT margin	29.2%	35.8%	29.5%
Net result for the period	87.6	106.0	82.0
Earnings per share (in EUR)	2.68	3.25	2.62
Capital expenditure on property, plant and equipment, and intangible assets	72.8	115.5	33.4
Net cash flow	80.8	-32.2	112.4

Statement of financial position in EUR million	March 31, 2019	Dec 31, 2018
Equity	968.3	915.7
Equity ratio	48.4%	50.4%
Net financial assets	761.8	691.3
Total assets	2,002.6	1,818.2

Conference call for analysts and investors

The Executive Board of Siltronic AG will hold a conference call with analysts and investors (in English only) on May 3, 2019 at 10:00 am (CEST). This call will be streamed via the Internet. The audio webcast will be available live as well as on demand on Siltronic's website.

The latest investor presentation (in English only) and the quarterly statement are also published on the Siltronic website.

Other dates

May 7, 2019	Annual General Meeting
July 25, 2019	Interim Report 2019
October 24, 2019	Q3 2019 quarterly statement

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Company profile:

Siltronic is one of the world's largest manufacturers of hyperpure silicon wafers and partner to many leading semiconductor companies. The company operates production sites in Asia, Europe and the USA. Siltronic develops and manufactures silicon wafers in diameters of up to 300 mm. Silicon wafers form the basis for modern microelectronics and nanoelectronics and are a key component in semiconductor chips driving computers, smart phones, navigation systems and many other applications. Siltronic AG employs around 4,000 people and has been a stock-listed company in Germany (Prime Standard) since 2015. The Siltronic AG stock is listed on both the MDAX and TecDAX.

Financial information – pursuant to IFRS, unaudited

Siltronic AG – Consolidated Statement of Profit or Loss

In EUR million	Q1 2019	Q4 2018	Q1 2018
Sales	354.4	388.1	327.4
Cost of sales	-209.9	-208.1	-202.5
Gross profit	144.5	180.0	124.9
Selling expenses	-8.5	-9.0	-8.4
Research and development expenses	-16.7	-17.9	-16.6
General administration expenses	-7.0	-7.4	-6.6
Other operating income	11.6	13.8	24.9
Other operating expenses	-20.5	-20.6	-21.6
Operating result	103.4	138.9	96.6
Interest income	1.9	1.7	0.4
Interest expenses	-0.6	-0.5	-0.1
Other financial result	0.7	-5.0	-2.6
Financial result	2.0	-3.8	-2.3
Result before income tax	105.4	135.1	94.3
Income taxes	-17.8	-29.1	-12.3
Net profit for the period	87.6	106.0	82.0
Of which			
attributable to Siltronic AG shareholders	80.3	97.5	78.6
attributable to other shareholders	7.3	8.5	3.4
Earnings per share in EUR (basic /diluted)	2.68	3.25	2.62

Financial information – pursuant to IFRS, unaudited

Siltronic AG - Consolidated Statement of Financial Position

In EUR million	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Intangible assets	21.8	22.2	23.9
Property, plant and equipment	742.3	683.9	518.2
Rights-of-use assets	46.3	-	-
Securities and fixed-term deposits	50.2	31.3	1.3
Other financial assets	-	0.1	1.5
Deferred tax assets	27.8	25.3	9.5
Non-current assets	888.4	762.8	554.4
Inventories	156.3	148.6	138.3
Trade receivables	146.5	156.3	172.5
Contract assets	21.1	19.4	18.1
Securities and fixed-term deposits	411.7	403.8	242.5
Other financial assets	42.2	46.8	19.3
Other non-financial assets	30.9	21.2	20.1
Income tax receivables	4.1	1.8	2.3
Cash and cash equivalents	301.4	257.5	248.3
Current assets	1,114.2	1,055.4	861.4
Total assets	2,002.6	1,818.2	1,415.8
Subscribed capital	120.0	120.0	120.0
Capital reserve	974.6	974.6	974.6
Retained earnings and net Group result	113.7	33.4	-186.2
Other equity items	-276.6	-240.8	-205.3
Equity attributable to Siltronic AG shareholders	931.7	887.2	703.1
Equity attributable to non-controlling interests	36.6	28.5	4.0
Equity	968.3	915.7	707.1
Provisions for pensions	421.8	362.3	380.7
Other provisions	81.7	82.0	48.5
Provisions for income taxes	14.4	14.0	2.7
Deferred tax liabilities	2.0	1.7	3.2
Customer prepayments	158.0	175.2	56.5
Lease liabilities	43.7	-	-
Other financial liabilities	0.2	0.2	0.7
Non-current liabilities	721.8	635.4	492.3
Other provisions	16.8	14.5	7.0
Provisions and liabilities for income tax	32.0	27.8	14.2
Trade liabilities	124.5	96.6	83.5
Prepayments received	56.2	56.5	50.1
Lease liabilities	2.7	-	-
Other financial liabilities	17.8	16.9	3.5
Other non-financial liabilities	62.5	54.8	58.1
Current liabilities	312.5	267.1	216.4
Total equity and liabilities	2,002.6	1,818.2	1,415.8

Financial information – pursuant to IFRS, unaudited

Siltronic AG - Consolidated Statement of Cash Flows

In EUR million	Q1 2019	Q1 2018
Net profit for the period	87.6	82.0
Depreciation/amortization of non-current assets, including impairment losses and reversals thereof	23.8	25.7
Other non-cash expenses and income	2.4	-0.1
Result from disposal of non-current assets	0.5	0.2
Net interest income	-1.3	-0.3
Interest paid	-0.4	-0.1
Interest received	2.1	0.4
Tax expense	17.8	12.3
Taxes paid	-18.3	-7.6
Changes in inventories	-5.9	-0.3
Changes in trade receivables	12.2	-14.5
Change in contract assets	-1.4	-0.5
Changes in other assets	-5.0	11.8
Changes in provisions	7.3	6.7
Changes in trade payables	18.6	9.9
Changes in other liabilities	7.9	11.8
Changes in prepayments	-16.8	37.2
Cash flow from operating activities	131.1	174.6
Payments for capital expenditures (including intangible assets)	-67.1	-25.1
Proceeds from the disposal of property, plant and equipment	0.0	0.1
Payments for securities and fixed-term deposits	-177.3	-132.5
Proceeds from securities and fixed-term deposits	154.2	6.1
Cash flow from investing activities	-90.2	-151.4
Repayment of lease obligations	-0.7	-
Cash flow from financing activities	-0.7	-
Changes due to exchange rate fluctuations	3.7	-0.7
Changes in cash and cash equivalents	43.9	22.5
at the beginning of the year	257.5	225.8
at the end of the year	301.4	248.3

Disclaimer

This press release contains forward-looking statements based on assumptions and estimates made by the Executive Board of Siltronic AG. These statements can be identified by wording such as "expect", "want", "anticipate", "intend", "plan", "believe", "strive", "estimate", and "will" or similar terms. Although we assume that the expectations contained in these forward-looking statements are realistic, we cannot guarantee that they will prove to be correct. These assumptions may contain risks and uncertainties that could cause the actual figures to differ considerably from the forward-looking statements. Factors that can cause such discrepancies include changes in the macroeconomic and business environment, changes in exchange rates and interest rates, the introduction of products that compete with our own products, a lack of acceptance of new products or services, and changes in corporate strategy. Siltronic does not intend to update these forward-looking statements, nor does it assume any responsibility to do so.

This press release includes supplementary financial indicators that either are or may be so-called alternative performance indicators that are not clearly defined in the relevant financial reporting framework. In assessing the financial position and performance of Siltronic, these supplementary financial indicators should not be used in isolation or as an alternative to those presented in the consolidated financial statements and determined in accordance with the relevant financial reporting framework. Other companies that present or report alternative performance indicators with similar names may calculate them differently. Explanations of the key financial figures used are available in the Annual Report of Siltronic AG.

Due to rounding, some of the figures presented in this press release as well as in other reports may not add up exactly to the stated totals and percentages presented may not accurately reflect the absolute values to which they relate.

This press release is a quarterly Group statement in accordance with Section 53 of the Exchange Rules for the Frankfurt Stock Exchange.