



## Press release

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### **As expected Siltronic started into a muted H1 2019**

- Demand for wafers declined as expected
- Sales down 3.3 percent to EUR 666.2 million
- EBITDA down to EUR 227.2 million, EBITDA margin down to 34.1 percent
- Quarter-on-quarter decline in sales and earnings
- Strong net cash flow
- Outlook for 2019 confirmed

**Munich, Germany, July 25, 2019** - Siltronic AG (MDAX/TecDAX: WAF) recorded an expected muted H1 2019. Demand for wafers declined over the course of the first half of the year leading to lower sales and earnings. Sales and earnings also declined quarter-on-quarter.

"Following a very successful 2017 and a record 2018, demand for wafers was significantly weaker than expected in H1 2019. The main reasons for this development were the general global economic slowdown, geopolitical uncertainties and ongoing inventory corrections in the value chain of our customers," said Dr. Christoph von Plotho, CEO of Siltronic AG.

## Sales decline due to lower wafer area sold

		H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change	
								Q2 to Q1	Q2 to Q2
Sales	In EUR million	666.2	688.7	-22.5	311.8	354.4	361.3	-42.6	-49.5
	in %			-3.3				-12.0	-13.7

Due to the lower wafer area sold in H1 2019, sales declined by 3.3 percent or EUR 22.5 million to EUR 666.2 million compared to EUR 688.7 million in H1 2018. All wafer diameters were affected, but the decline in 300 mm wafers was rather moderate compared to the smaller diameters.

In addition to higher average selling prices compared to H1 2018, Siltronic's business also benefited from the continued strength of the US dollar against the euro, which accounts for the majority of Siltronic's sales. In H1 2019, the euro stood against the US dollar on average at 1.13. That is about 7 percent weaker compared with an average of 1.21 in H1 2018. However, the positive exchange rate effect of the US dollar could only partially compensate the reduction in wafer area sold.

Sales of EUR 311.8 million in Q2 2019 were EUR 42.6 million lower than in Q1 2019.

## Cost of sales slightly down despite higher energy costs

		H1	H1		Q2	Q1	Q2	Change	
		2019	2018	Change	2019	2019	2018	Q2 to	Q2 to
								Q1	Q2
Cost of sales	In EUR million	409.3	411.9	-2.6	199.4	209.9	209.3	-10.5	-9.9
	in %			-0.6				-5.0	-4.7
Gross profit	In EUR million	256.9	276.8	-19.9	112.4	144.5	152.0	-32.1	-39.6
	in %			-7.2				-22.2	-26.1
Gross margin	in %	38.6	40.2		36.1	40.8	42.1		

Cost of sales fell only slightly in H1 2019 from EUR 411.9 million to EUR 409.3 million as the decline in costs for raw materials and supplies was largely offset by higher expenses for energy compared to H1 2018.

Quarter-on-quarter, cost of sales fell by 5 percent. This was mainly due to lower personnel, raw materials' and supplies' costs.

Gross profit of EUR 256.9 million in H1 2019 was 7.2 percent down compared to H1 2018 (EUR 276.8 million). The gross margin declined from 40.2 percent to 38.6 percent.

Gross profit fell from EUR 144.5 million to EUR 112.4 million quarter-on-quarter, a decline of EUR 32.1 million or 22.2 percent.

### Slight increase in selling, R&D and general administration expenses

In EUR million	H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change	
							Q2 to Q1	Q2 to Q2
Selling expenses	17.3	17.3	–	8.8	8.5	8.9	0.3	–0.1
R&D expenses	33.5	33.5	–	16.8	16.7	16.9	0.1	–0.1
Administration expenses	14.3	13.7	0,6	7.4	7.0	7.1	0.4	0.3
<b>Total</b>	<b>65.1</b>	<b>64.5</b>	<b>0,6</b>	<b>33.0</b>	<b>32.2</b>	<b>32.9</b>	<b>0.8</b>	<b>0.1</b>
in % of sales	9.8	9.4		10.6	9.1	9.1		

Selling, research and development (R&D) as well as general administration expenses amounted to EUR 65.1 million in H1 2019. This corresponds to 9.8 percent of sales.

Compared to the H1 2018, there was a slight increase of EUR 0.6 million.

### Effects from currency hedges impacted H1 2019

In EUR million	H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change	
							Q2 to Q1	Q2 to Q2
Net exchange rate effects	–15.1	7.1	–22.2	–6.9	–8.2	4.4	1.3	–11.3
Other operating income and expenses	1.3	1.3	–	2.0	–0.7	0.6	2.7	1.4
<b>Net other operating income and expenses</b>	<b>–13.8</b>	<b>8.4</b>	<b>–22.2</b>	<b>–4.9</b>	<b>–8.9</b>	<b>5.0</b>	<b>4.0</b>	<b>–9.9</b>

In H1 2019, net expenses from exchange rate effects amounted to EUR 15.1 million, with expenses in Q2 2019 of EUR 6.9 million being significantly lower than in Q1 2019 (EUR 8.2 million).

## Weaker demand reduced EBITDA and EBITDA margin

		H1	H1		Q2	Q1	Q2	Change	
		2019	2018	Change	2019	2019	2018	Q2 to	Q2 to
								Q1	Q2
EBITDA	In EUR million	227.2	268.3	-41.1	100.0	127.2	146.0	-27.2	-46.0
	in %			-15.3				-21.4	-31.5
EBITDA margin	in %	34.1	39.0		32.1	35.9	40.4		
Depreciation, amortization and impairment less reversals thereof		-49.2	-47.6	-1.6	-25.4	-23.8	-21.9	-1.6	-3.5
EBIT	In EUR million	178.0	220.7	-42.7	74.6	103.4	124.1	-28.8	-49.5
	in %			-19.3				-27.9	-39.9
EBIT margin	in %	26.7	32.0		23.9	29.2	34.4		

Due to the declining wafer area sold and higher energy costs, EBITDA of EUR 227.2 million was achieved in H1 2019 after EUR 268.3 million in H1 2018. The EBITDA margin fell from 39.0 percent to 34.1 percent.

EBIT declined from EUR 220.7 million in H1 2018 to EUR 178.0 million in H1 2019. The EBIT margin was 26.7 percent in H1 2019, compared with 32.0 percent in H1 2018. In addition to the weak start into 2019 and the rise in energy costs, expected higher depreciation for investments also contributed to this.

The decline in the EBITDA margin from Q1 to Q2 2019 was mitigated by lower cost of sales and lower negative currency effects.

## Profit of EUR 156 million in H1 2019

		<b>H1</b>	H1		<b>Q2</b>	Q1	Q2	Change	
		<b>2019</b>	2018	Change	<b>2019</b>	2019	2018	Q2 to	Q2 to
								Q2	Q1
Financial result	In EUR million	2.4	-4.2	6.6	0.4	2.0	-1.9	-1.6	2.3
Result before income taxes	In EUR million	180.4	216.5	-36.1	75.0	105.4	122.2	-30.4	-47.2
	in %			-16.7				-28.8	-38.6
Income taxes	In EUR million	-24.3	-36.5	12.2	-6.5	-17.8	-24.2	11.3	17.7
Tax rate	in %	13	17		9	17	20		
<b>Result for the period</b>	<b>In EUR million</b>	<b>156.1</b>	<b>180.0</b>	<b>-23.9</b>	<b>68.5</b>	<b>87.6</b>	<b>98.0</b>	<b>-19.1</b>	<b>-29.5</b>
	<b>in %</b>			<b>-13.3</b>				<b>-21.8</b>	<b>-30.1</b>
Earnings per share	In EUR	4.66	5.66	-1.00	1.98	2.68	3.04	-0.70	-1.06

A profit for the period of EUR 156.1 million was generated in H1 2019. This corresponds to a decline of 13.3 percent compared with H1 2018 (EUR 180.0 million). Earnings per share fell accordingly from EUR 5.66 to EUR 4.66.

In Q2 2019, profit for the period amounted to EUR 68.5 million compared to EUR 87.6 million in Q1. Earnings per share in Q2 2019 were EUR 1.98 compared to EUR 2.68 in Q1 2019.

## Strong net cash flow and high investments

In EUR million	H1 2019	H1 2018	Change
Cash flow from operating activities	210.2	405.7	-195.5
Proceeds/payments for capital expenditure including intangible assets	-162.0	-73.3	-88.7
<b>Free cash flow</b>	<b>48.2</b>	<b>332.4</b>	<b>-284.2</b>
Cash-effective change in advance payments	33.0	-152.9	185.9
<b>Net cash flow</b>	<b>81.2</b>	<b>179.5</b>	<b>-98.3</b>

Capital expenditure including intangible assets amounted to EUR 177.9 million in H1 2019 and mainly related to the planned capacity expansions, the new pulling hall in Singapore and the further automation of production. Payments for capital expenditure including intangible assets amounted to EUR 162.0 million.

The cash flow from operating activities includes a return of EUR 33.0 million of customer prepayments. No new prepayments from customers were received in H1 2019.

Due to the high capital expenditure, net cash flow was EUR 81.2 million in H1 2019, compared to EUR 179.5 million in H1 2018.

Net cash flow in Q2 2019 was EUR 0.4 million compared to EUR 80.8 million in Q1 2019. Net cash flow in the second quarter included a payment of EUR 40.3 million from an insurance company as compensation for the take-over of long-term environmental risks.

## Equity ratio down to 43.4 percent due to lower profit and dividend payment

In EUR million	June 30, 2019	Dec. 31, 2018	Change
<b>Equity</b>	803.7	915.7	-112.0
Pension provisions	503.3	362.3	141.0
Customer prepayments	148.0	175.2	-27.2
Lease liabilities	42.6	–	42.6
Other liabilities	92.6	97.9	-5.3
<b>Non-current liabilities</b>	<b>786.5</b>	<b>635.4</b>	<b>151.1</b>

Equity fell to EUR 803.7 million as of June 30, 2019 down from EUR 915.7 million as of December 31, 2018. The EUR 112.0 million decrease in equity is attributable to the half-year profit of EUR 156.1 million, less the dividend payment of EUR 150.0 million and the interest-related change in pension obligations of EUR 128.8 million.

The pension provision in Germany was discounted at 1.29 percent as of June 30, 2019 compared to 1.98 percent as of December 31, 2018. In the USA, the interest rate fell from 4.08 percent to 3.37 percent.

## Net financial assets lower due to dividend payment

In EUR million	June 30, 2019	Dec. 31, 2018	Change
Cash	261.9	257.5	4.4
Cash equivalents	330.2	433.8	-103.6
<b>Net financial assets</b>	<b>592.1</b>	<b>691.3</b>	<b>-99.2</b>

Despite the dividend payment of EUR 150.0 million to Siltronic AG shareholders, net financial assets decreased by only EUR 99.2 million.



## **Full year 2019 remains challenging**

In view of the economic and geopolitical uncertainties as well as the current demand situation, Siltronic expects sales in Q3 2019 to decrease further. However, the company confirms the guidance for 2019, which was adjusted in June.

For full year 2019, sales are expected to be around 10 to 15 percent below the previous year's level. The EBITDA margin should be between 30 and 35 percent. EBIT is expected to be significantly lower than in the previous year. Siltronic now expects a tax rate of 10 to 15 percent for 2019. Net cash flow will be clearly positive, but approximately EUR 180 million lower than in 2018. It will rise significantly in 2020.

"We are not satisfied with the business development in the first half of 2019. Despite the current market weakness, we are convinced though that the underlying megatrends such as digitization, electro-mobility, big data and artificial intelligence are intact and will lead to stronger demand for wafers again in the future. However, we cannot currently determine with certainty when this will happen," said Dr. Christoph von Plotho, CEO of Siltronic AG.

## Siltronic AG – Key financial figures H1/2019

Profit and loss / Cash flow in EUR Mio.	H1/2019	H1/2018	Q2/2019	Q1/2019	Q2/2018
<b>Sales</b>	666.2	688.7	311.8	354.4	361.3
<b>EBITDA</b>	227.2	268.3	100.0	127.2	146.0
<b>EBITDA margin</b>	34.1%	39.0%	32.1%	35.9%	40.4%
<b>EBIT</b>	178.0	220.7	74.6	103.4	124.1
<b>EBIT margin</b>	26.7%	32.0%	23.9%	29.2%	34.4%
<b>Profit for the period</b>	156.1	180.0	68.5	87.6	98.0
<b>Earnings per share (in EUR)</b>	4.66	5.66	1.98	2.68	3.04
<b>Capital expenditure including intangible assets</b>	177.9	78.6	105.1	72.8	45.1
<b>Net cash flow</b>	81.2	179.5	0.4	80.8	67.1

Balance sheet in EUR million	June 30, 2019	Dec 31, 2018
<b>Equity</b>	803.7	915.7
<b>Equity ratio</b>	43.4%	50.4%
<b>Net financial assets</b>	592.1	691.3
<b>Total assets</b>	1,852.4	1,818.2
<b>Employees (excluding temporary employees)</b>	3.818	3.914

### **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 July 25, 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 half-year report, the latest investor presentation and the press release are also published on the Siltronic website.

### **Other dates**

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.

### **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.*