January – June 2019

TRADITION AND VISION

SUCCESS WITH WAFERS

Interim report Q2/2019

siltronic
perfect silicon solutions

Quarterly overview

Statement of profit or loss

In EUR million		Q2 2019	Q1 2019	Q2 2018	H1 2019	H1 2018
Sales		311.8	354.4	361.3	666.2	688.7
Gross profit		112.4	144.5	152.0	256.9	276.8
Gross margin	%	36.1	40.8	42.1	38.6	40.2
EBITDA		100.0	127.2	146.0	227.2	268.3
EBITDA margin	%	32.1	35.9	40.4	34.1	39.0
EBIT		74.6	103.4	124.1	178.0	220.7
EBIT margin	%	23.9	29.2	34.4	26.7	32.0
Financial result		0.4	2.0	−1.9	2.4	−4.2
Income taxes		−6.5	−17.8	−24.2	−24.3	−36.5
Result for the period		68.5	87.6	98.0	156.1	180.0
Earnings per share	EUR	1.98	2.68	3.04	4.66	5.66

Capital expenditure and net cash flow

In EUR million	Q2 2019	Q1 2019	Q2 2018	H1 2019	H1 2018
Capital expenditure in property, plant and equipment, and intangible assets	105.1	72.8	45.1	177.9	78.6
Net cash flow	0.4	80.8	67.1	81.2	179.5

Statement of financial position

In EUR million		June 30, 2019	Dec. 31, 2018
Total assets		1,852.4	1,818.2
Equity		803.7	915.7
Equity ratio	%	43.4	50.4
Net financial assets		592.1	691.3

Non-financial performance indicators

Number	June 30, 2019	Dec. 31, 2018
Employees (excluding temporary workers)	**3,818**	**3,914**

Company profile

Success with wafers

Siltronic is one of the world's leading manufacturers of hyperpure silicon wafers with diameters up to 300 mm and partner of many leading semiconductor companies. The Company has a network of state-of-the-art production sites in Asia, Europe and the USA. Silicon wafers are the basis of modern micro- and nanoelectronics and a key component in semiconductor chips in e.g. computers, smartphones, navigation systems and many other applications. Technology leadership and a consistent focus on improving efficiency form the bedrock for increasing the Company's value going forward.

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Commentary on the first half of 2019

Business development in the first half of 2019 was significantly weaker for the wafer and semiconductor industry than expected at the end of 2018.

Following a very successful 2017 financial year and a record 2018, business in the first half of 2019 was significantly weaker than expected at the end of 2018. The main reasons were the general global economic slowdown, geopolitical uncertainties, driven primarily by the trade dispute between the US and China, and unfinished inventory corrections in our customers' value chains. As a result, these circumstances led to a significant decline in wafer demand.

"The decline in demand affected all wafer diameters, although this was rather moderate for our state-of-the-art product – the 300 mm wafer."
(Dr. Christoph von Plotho, CEO Siltronic AG)

In addition to the significant decline in demand due to economic and macroeconomic uncertainties and ongoing inventory corrections in the value chain of our customers, business was also impacted by shifts in the product mix, higher energy costs and higher depreciation in connection with planned investments.

In response to the decline in demand, Siltronic's Executive Board reacted promptly and consistently by significantly reducing the number of temporary employees in Germany at the beginning of the current year. In the US, many employees were obliged to take unpaid leave. At the same time, the cost-cutting programs were consistently pursued further.

"Despite the decline in demand, the average selling price of our wafers, taking into account product mix effects, was fortunately higher in the first half of 2019 than in the first half of 2018."
(Rainer Irle, CFO Siltronic AG)

In addition to the higher average selling price compared to the first half of 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.

Due to the significant decline in wafer volume, Siltronic recorded a decline in both sales and earnings in the first half of the year. Sales of EUR 666.2 million were generated in the first half of 2019, compared to EUR 688.7 million in the first half of 2018. This corresponds to a decline of 3.3 percent. EBITDA fell by 15.3 percent from EUR 268.3 million to EUR 227.2 million. The EBITDA margin fell from 39.0 percent in the first half of 2018 to 34.1 percent in the first half of 2019.

EBIT amounted to EUR 178.0 million in the first half of the year 2019. Compared to the previous half-year with an EBIT of EUR 220.7 million, this corresponds to a decline of 19.3 percent.

Profit for the period reached EUR 156.1 million. This corresponds to a decline of 13.3 percent compared with EUR 180.0 million in H1 2018. Net cash flow amounted to EUR 81.2 million in H1 2019, compared with EUR 179.5 million in H1 2018.

Sales and earnings also delined year-on-year.

Notwithstanding the currently unsatisfactory business development, the Executive Board is convinced of the underlying growth drivers in the semiconductor industry and will continue to expand capacity as planned in 2019. This ensures our market position as one of the technology and quality leaders.

"Despite the current market weakness, we are convinced that megatrends such as digitization, electro-mobility, big data and artificial intelligence are intact and will drive demand for wafers in the future."
(Dr. Christoph von Plotho, CEO Siltronic AG)

The Siltronic share started the year 2019 at a price of EUR 72.20. In the further course of the year, the share initially proved to be very robust and showed a steady upward trend until late February. On February 20, 2019 the share price reached EUR 97.08.

Following the publication of the guidance for 2019, on February 20, 2019, Siltronic's share, however, moved into a steady downward trend. Although the share subsequently recovered briefly and climbed again to EUR 91.08 on April 17, 2019 despite an adjustment to the forecast on April 10, 2019, it lost significant value again in the further course of the year. After a further forecast adjustment on June 17, 2019, the Siltronic share finally fell on June 18, 2019 to its lowest year-to-date level of EUR 53.22. After a slight recovery, the first half of 2019 finally closed with a price of EUR 64.24. All in all, the Siltronic share price fell by 11.0 percent in the first six months of 2019.

The SOXX sector index rose significantly in the first six months of 2019 and showed a steady upward trend until the end of April 2019. While it then fell sharply again by the end of May, it picked up again from June onwards. Overall, it showed an increase of 26.3 percent from January to June 2019.

The two German benchmark indices MDAX and TecDAX, in which Siltronic is represented, also gained ground in the first six months of 2019. However, both indices were also characterised by high volatility in the first half of 2019. Overall, the MDAX rose by 18.7 percent and the TecDAX by 17.2 percent.

The trading volume of Siltronic shares in the Xetra trading system was on a high level in H1 2019 with an average of 264,099 Siltronic shares traded per day. The free float of the Siltronic share remained unchanged at 69.2 percent.

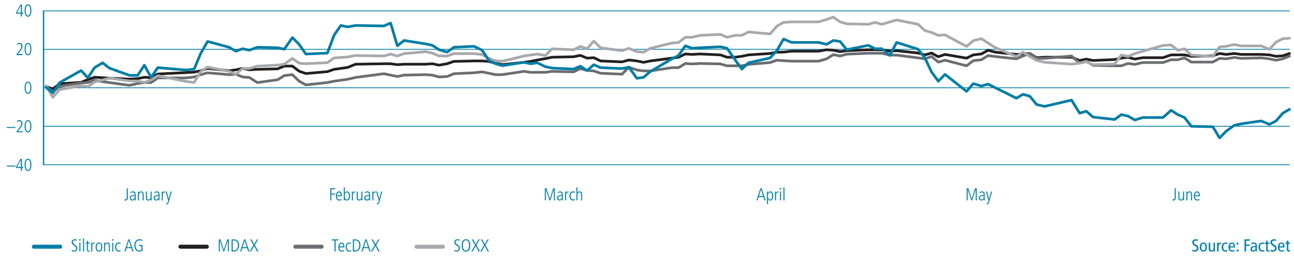
Wacker Chemie AG is the largest single shareholder with 30.8 percent. According to the voting rights notifications as of June 30, 2019, Siltronic's largest institutional investors were Norges Bank with 4.93 percent and BlackRock with 3.85 percent.

Eleven analysts from renowned international banks currently cover the Siltronic share. At the beginning of July 2019, the average price target was EUR 68.41.

Up-to-date information on investor relations publications, voting rights announcements and analyst estimates can be found on the website at *www.siltronic.com/en/investors.html.*

Performance of Siltronic shares vs. indices 2019

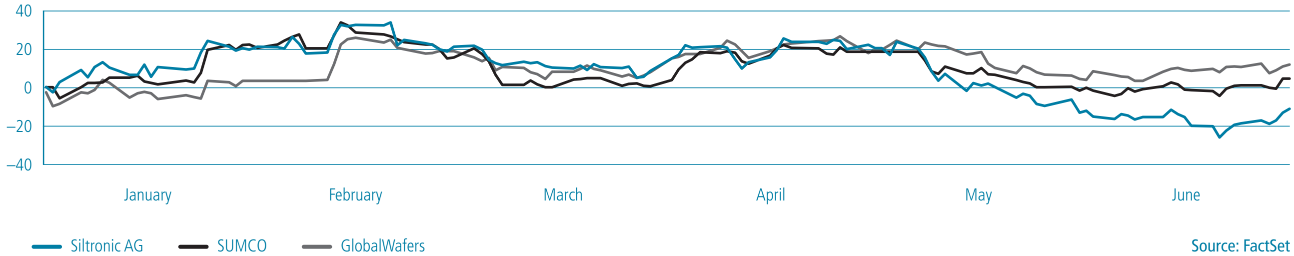
in %



Source: FactSet

Performance of Siltronic shares vs. competitors 2019

in %



Source: FactSet

Management report on interim consolidated financial statements

Group basics

The Annual Report 2018 provides a detailed overview of the business activities, objectives and strategy of Siltronic AG. The statements made therein are still valid. There were no significant changes in H1 2019.

The development of the key financial performance indicators in H1 2019 is shown in the following table. The exact definition of the key performance indicators can be found in the Annual Report 2018 on 39.

Financial key performance indicators

In EUR million	H1 2019	H1 2018	FY 2018
EBITDA margin in %	34.1	39.0	40.5
Net cash flow	81.2	179.5	240.4
Sales	666.2	688.7	1,456.7
EBIT	178.0	220.7	497.8
Capital expenditure	177.9	78.6	256.9
Net financial assets	592.1	602.7	691.3

Macroeconomic situation and industry trends

Global gross domestic product (GDP) in 2018 was 3.6 percent higher than in 2017 as a whole. However, there are still increased risks for global economic growth in 2019, for example as a result of geopolitical developments and in particular the consequences of the trade conflict.

GDP in the euro zone grew by 1.2 percent in Q1 2019 compared with Q1 2018. The euro zone was characterised by the continued expansionary monetary policy of the European Central Bank, the slow decline in unemployment and the high debt levels of some economies.

The exchange rate of the euro against other currencies fell in the full year 2018. The euro has also fallen slightly against the US dollar in the course of 2019 to date and most recently stood below the previous year's average. The value of the euro has also declined against the Japanese yen in 2018 and has continued to fall over the course of 2019 to date.

Economic growth in the US in Q1 2019 was 3.2 percent compared with Q1 2018. The US continued to benefit from persistently low unemployment.

At 0.9 percent, Japan's gross domestic product in Q1 2019 remained subdued by international standards.

The gross domestic product in China grew by 6.4 percent in Q1 2019 and thus remained at a high level.

The market for semiconductor components has slowed significantly in the course of the year to date. According to WSTS (World Semiconductor Trade Statistics) data, global sales between January and May 2019 were 13.7 percent lower than in the first half of 2018 due to the decline in demand.

In the second quarter of 2019, demand for silicon area declined by 2.2 percent compared to the first quarter, according to the industry association SEMI.

Sources:
IMF World Economic Outlook, April 2019
Eurostat
National Bureau of Statistics of China
U.S. Bureau of Economic Analysis
Cabinet Office of Japan
WSTS, press release July 1, 2019
SEMI SMG, press release July 23, 2019

Overall statement by the Executive Board on business performance and the economic position

H1 2019 was significantly weaker than the previous year and significantly weaker than expected at the end of 2018. Both sales and earnings declined in H1 2019.

The main reasons for this development were the general global economic slowdown, geopolitical uncertainties – driven primarily by the trade dispute between the United States and China – and ongoing inventory corrections in the value chain of Siltronic's customers.

Revenues of EUR 666.2 million were generated in H1 2019, compared with EUR 688.7 million in H1 2018, representing a decline of 3.3 percent.

EBITDA fell by 15.3 percent from EUR 268.3 million to EUR 227.2 million. The EBITDA margin fell from 39.0 percent in H1 2018 to 34.1 percent in H1 2019.

Overall, the Executive Board is not satisfied with the business development in H1 2019. Despite the current market weakness, the Executive Board assumes that the underlying growth drivers such as digitization, electro-mobility, big data and artificial intelligence will continue to be intact and will lead to stronger demand for wafers in the future. However, the timing of this market recovery cannot currently be predicted with certainty.

Economic development January to June 2019

Financial performance

Decline in sales due to lower wafer area sold

		H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change Q2 to Q1	Change 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

At EUR 666.2 million, sales in H1 2019 were down by −3.3 percent or EUR −22.5 million compared to H1 2018. This is mainly due to lower wafer area sold. The declining wafer area sold only partially compensated by the positive exchange rate effect from the US dollar. H1 2019, the euro stood at an average of 1.13 and was thus 7 percent weaker against the euro than in H1 2018 (1.21).

The sales trend is also declining in quarterly comparisons.

In Q2 2019, sales of EUR 311.8 million were EUR 42.6 million lower than in Q1 2019. The sales decline of 12.0 percent was mainly due to lower wafer area sold. In addition, sales per wafer area sold decreased due to shifts in the product mix. On the other hand, exchange rate effects had no significant impact sequentially. At an average of 1.12, the euro was 1 percent weaker against the US dollar in Q2 2019 than in Q1 2019 (1.14).

Higher energy costs burden production costs

		H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change Q2 to Q1	Change Q2 to 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, because lower costs for raw materials and supplies compared with H1 2018 were offset by higher expenses for energy.

At EUR 256.9 million, gross profit in H1 2019 was 7.2 percent below H1 2018 (EUR 276.8 million). The gross margin fell from EUR 40.2 percent to 36.1 percent. A comparison of cost of sales for Q2 2019 with Q1 2019 shows a decline of EUR 10.5 million or 5.0 percent. This was mainly due to lower costs for personnel, raw materials and consumables. Depreciation and amortization included in cost of sales, however, rose by EUR 1.6 million due to the investments made. Compared to Q1, cost of sales declined by EUR 10.5 million. This decline could partially compensate the lower sales of EUR 42.6 million.

The gross profit decreased by EUR 32.1 million year-on-year. The gross margin fell from 40.8 percent in Q1 to 38.6 percent in Q2 2019. Nevertheless, gross profit amounted to EUR 112.4 million.

Selling, R&D and administration expenses increased slightly

In EUR million	H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change Q2 to Q1	Change 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
Total	**65.1**	**64.5**	**0.6**	**33.0**	**32.2**	**32.9**	**0.8**	**0.1**
In % of sales	9.8	9.4		10.6	9.1	9.1		

Selling, research and development (R&D) and administration expenses amounted to EUR 65.1 million in H1 2019. This corresponds to 9.8 percent of sales. Compared to H1 2018, there was a slight increase of EUR 0.6 million.

Effects from currency hedges burdened H1 2019

In EUR million	H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change Q2 to Q1	Change 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
Net other operating income and expenses	**−13.8**	**8.4**	**−22.2**	**−4.9**	**−8.9**	**5.0**	**4.0**	**−9.9**

The development of the US dollar and the Japanese yen had a positive impact on Siltronic's sales and gross margin in H1 2019. Siltronic is implementing currency hedging measures to mitigate future negative exchange rate developments. In contrast to the development of sales and gross margin, currency hedges have the opposite effect on the balance of other operating income and expenses.

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 of EUR 8.2 million.

Weaker demand weighs on EBITDA and EBITDA margin

		H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change Q2 to Q1	Change Q2 to 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, amorization and impairment less reversals thereof	In EUR million	−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.

The decline in the EBITDA margin from Q1 to Q2 2019 was mitigated by lower cost of sales and lower exchange rate effects. As a result, the decline in the EBITDA margin was lower than in H1. The EBITDA margin fell by 4.9 percentage points. By contrast, the decline from Q1 to Q2 2019 was only 3.8 percentage points.

The EBIT margin in H1 2019 was 26.7 percent (H1 2018: 32.0 percent). In addition to the weak start to 2019 and the rise in energy costs, slightly increased depreciation and amoritization contributed to this.

Profit of EUR 156 million in H1 2019

		H1 2019	H1 2018	Change	Q2 2019	Q1 2019	Q2 2018	Change Q2 to Q1	Change Q2 to Q2
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		
Result for the period	**In EUR million**	**156.1**	**180.0**	**−23.9**	**68.5**	**87.6**	**98.0**	**−19.1**	**−29.5**
	in %			**−13.3**				**−21.8**	**−30.1**
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. Compared to the previous year (H1 2018: EUR 180.0 million), this corresponds to a decline of 13.3 percent. The decline in profit for the period is more moderate than the decline in EBIT. On the one hand, this is due to higher interest income, which is reported in the financial result, and, on the other hand, due to a lower tax rate. The improved tax rate is attributable to the fact that profitability declined over proportionally at Group units located in countries with above average tax rates. For Q2 2019, net income for the period was EUR 68.5 million, compared to EUR 87.6 million in Q1 2019 and EUR 98.0 million in Q2 2018.

Earnings per share in Q2 2019 were EUR 1.98 compared to EUR 2.68 in Q1 2019 and EUR 3.04 in Q2 2018.

Financial position

Total assets increased to EUR 1,852.4 million as of June 30, 2019. This increase is attributable to the fact that in H1 2019 more profits were generated than dividends paid and to the initial recognition of rights-of-use assets (IFRS 16: Leases).

Capital expenditure including intangible assets drives non-current assets

In EUR million	June 30, 2019	Dec. 31, 2018	Change
Intangible assets	21.9	22.2	−0.3
Property, plant and equipment	817.4	683.9	133.5
Right-of-use assets	45.3	–	45.3
Financial investments	70.6	31.3	39.3
Other assets	26.7	25.4	1.3
Non-current assets	**981.9**	**762.8**	**219.1**

The increase in property, plant and equipment compared with December 31, 2018 is mainly due to higher additions compared with scheduled depreciation. Capital expenditure including intangible assets totalled EUR 177.9 million in the first half of the year.

The new accounting rules for leases (IFRS 16) increased other non-current assets by EUR 45.3 million. Siltronic adopted the new standard on accounting for leases on January 1, 2019. Accordingly, a lessee capitalizes his right to use leased assets and recognizes as a liability the obligations resulting from lease payments.

Non-current assets accounted for 53.0 percent of total assets as of June 30, 2019, compared with 42.0 percent at the end of December 2018.

Current assets lower due to dividend payment

In EUR million	June 30, 2019	Dec. 31, 2018	Change
Inventories	158.8	148.6	10.2
Trade receivables including contract assets	141.5	175.7	−34.2
Other assets	47.2	69.8	−22.6
Cash and cash equivalents and financial investments	523.0	661.3	−138.3
Current assets	**870.5**	**1,055.4**	**−184.9**

Cash and cash equivalents and the current and non-current financial investments decreased by only EUR 99.2 million in H1 2019, although the dividend paid to shareholders in May 2019 amounted to EUR 150.0 million.

Equity ratio of 43.4 percent

In EUR million	June 30, 2019	Dec. 31, 2018	Change
Equity	**803.7**	**915.7**	**−112.0**
Provisions for pensions	503.3	362.3	141.0
Customer prepayments	148.0	175.2	−27.2
Lease liabilities	42.6	–	42.6
Other liabillities	92.6	97.9	−5.3
Non-current liabilities	**786.5**	**635.4**	**151.1**
Trade liabilities	117.9	96.6	21.3
Customer prepayments	50.2	56.5	−6.3
Lease liabilities	2.9	–	2.9
Other liabillities	91.2	114.0	−22.8
Current liabilities	**262.2**	**267.1**	**−4.9**

The EUR 112.0 million decrease in equity is attributable to the half-year profit of EUR 156.1 million, the payment of the dividend of EUR 150.0 million and the interest-related change in pension obligations of EUR 128.8 million.

Non-current liabilities as of June 30, 2019 amounted to 42.5 percent of total assets.

The impact of interest rates on the valuation of provisions for pensions was material. The provisions for pensions in Germany were discounted at 1.29 percent as of June 30, 2019 and at 1.98 percent as of December 31, 2018. In the US, the interest rate fell from 4.08 percent to 3.37 percent.

Net cash flow remains strong

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
Free cash flow	**48.2**	**332.4**	**−284.2**
Cash-effective change in customer prepayments	33.0	−152.9	185.9
Net cash flow	**81.2**	**179.5**	**−98.3**
Proceeds/payments for capital expenditure including intangible assets	−162.0	−73.3	−88.7
Proceeds/payments from fixed-term deposits	106.3	−76.3	182.6
Cash flow from operating activities	**−55.7**	**−149.6**	**93.9**

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

The cash flow from operating activities includes with an amount of EUR 33.0 million the repayment of customer prepayments. No new customer prepayments were received in 2019.

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

Net financial assets lower due to dividend payment

In EUR million	June 30, 2019	Dec. 31, 2018	Change
Cash and cash equivalents	261.9	257.5	4.4
Financial investments	330.2	433.8	−103.6
Net financial assets	**592.1**	**691.3**	**−99.2**

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

Risk change report

Material risks are presented in the risk report on 63 to 72 of the Annual Report 2018. No material changes in risks were identified during H1 2019. Currently, Siltronic is not aware of any risks that could affect the Company's ability to continue as a going concern.

Unchanged risk assessment for 2019 (as of July 23, 2019)

	Probability of occurrence				Financial and economic impact			
Risk	Unlikely	Possible	Likely	Change from Dec. 31, 2018	Low	Moderate	High	Change from Dec. 31, 2018
Overall environment								
Economic downturn		•		→			•	→
External risk	•			→		•		→
Industry and market risk								
Competition, demand controlled by customers, threat of substitute products, cyclicality of the wafer market		•		→			•	→
Adaptation of production facilities		•		→		•		→
Additional costs from closures	•			→		•		→
Product development risk		•		→		•		→
Procurement market risk		•		→		•		→
Production risk and product liability risk		•		→		•		→
Legal and regulatory risk								
General legal risk		•		→		•		→
Risk relating to environmental laws	•			→		•		→
Regulatory risk	•			→	•			→
Security of IT systems and data		•		→		•		→
HR risk	•			→	•			→
Pension risk	•			→		•		→
Financial risk								
Credit risk financial institutions	•			→		•		→
Credit risk customers	•			→	•			→
Market risk/currency risk		•		→			•	→
Liquidity risk	•			→	•			→

→ unchanged ↑ increased ↓ decreased

Unlikely: less than 25 percent
Possible: 25 percent to 75 percent
Likely: greater than 75 percent.

Low: up to EUR 5 million
Moderate: EUR 5 million up to EUR 25 million
High: more than EUR 25 million

Forecast update

Expected macroeconomic and sector development

In April, the International Monetary Fund (IMF) confirmed its forecast of 3.3 percent growth in global gross domestic product (GDP) for 2019. This is a slight reduction compared with 2018, marked by geopolitical uncertainties and the trade dispute between the US and China.

Economic growth in the euro zone is expected to grow by 1.3 percent in 2019 as a whole and will weaken by around 0.5 percentage points compared with the previous year (2018: 1.8 percent).

The forecast for the US economy in 2019 fell by 0.6 percentage points year-on-year to 2.3 percent (2018: 2.9 percent).

Economic growth of 1.0 percent is expected for Japan in 2019, which represents a similar development compared to the previous year (2018: 0.8 percent).

China's gross domestic product is expected to grow by 6.3 percent in 2019. This is slightly below the previous year's growth (2018: 6.6 percent).

A decline is forecast for the global semiconductor industry in 2019. According to the latest outlook from WSTS (World Semiconductor Trade Statistics), worldwide sales of semiconductor components are expected to fall by 12.1 percent compared to the previous year.

Sources:
IMF World Economic Outlook, April 2019
WSTS Semiconductor Market Forecast, press release, June 4, 2019

Siltronic's future performance

Siltronic remains committed to its corporate goals and successful strategy. The short-term and long-term focus will continue to be on expanding technology leadership, maintaining the leading quality position, continuing the operational excellence and cost reduction program, and ensuring high profitability and stable cash flow. A detailed description of the strategic objectives can be found on 38 of the Annual Report 2018.

The annual forecast of February 2019 was made subject to the provision that the number of incoming orders will pick up significantly in Q2 2019. As this has not yet been the case and the time when the market environment will recover cannot be predicted with certainty, the forecast was adjusted initially in April and again in June of the current year.

Siltronic confirms the forecast for 2019 adjusted in June and merely adjusts the tax rate.

From today's perspective, the key financial figures will develop as follows in 2019.

Depending on the further development of the market environment, including exchange rate effects, sales in 2019 will be approximately 10 percent to 15 percent lower than in the previous year.

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

The Executive Board has already responded to the growing challenges by significantly reducing the use of temporary employees and obliging employees in the USA to take unpaid leave, taking into account the lower loading. The continuous cost-cutting programs that have been in place since 2010 will continue unabated.

All other relevant key performance indicators (KPIs) of the outlook for 2019 remain unchanged. The expected development of the KPIs is shown in the following table.

Outlook for H2 2019

Geopolitical uncertainties and the negative impact of the US government's export restrictions on Chinese technology companies led to continued weak demand in the semiconductor industry. These developments also indirectly affect important customers of Siltronic AG, who have therefore significantly reduced orders in H1 2019.

We anticipate that sales in Q3 2019 will again be down compared to Q2 2019.

We continue to expect average selling prices in euros to rise slightly compared with 2018.

In view of the economic and geopolitical uncertainties, the actual performance of the Group may differ from the performance indicated in our assumptions, both positive and negative.

Forecast 2019 (as of July 23, 2019)

	Forecast February 20, 2019 (Ad hoc) & March 5, 2019 (Annual Report)	Forecast April 10, 2019 (Ad-hoc) & May 3, 2019 (Q1 Report)	Forecast June 17, 2019 (Ad hoc)	**Forecast July 23, 2019 (Q2 report)**	**Change to June, 2018**
EBITDA margin	Slightly below previous year	Between 33 and 37 percent	Between 30 and 35 percent	Between 30 and 35 percent	→
Group sales	In the range of 2018, depending on FX effects	Depending on when the recovery in the market environment takes place and on exchange rate influences, between 5 and 10 percent lower year-on-year	Depending on when the recovery in the market environment takes place and on exchange rate influences, between 10 and 15 percent lower year-on-year	Depending on when the recovery in the market environment takes place and on exchange rate influences, between 10 and 15 percent lower year-on-year	→
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	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	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	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	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	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	Significantly below the previous year	Significantly below the previous year	→
Tax rate	Between 15 and 20 percent	Between 15 and 20 percent	Between 15 and 20 percent	Between 10 and 15 percent	↓
Financial result	On the previous year's level	Better than the previous year	Better than the previous year	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	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	Clearly positive, but decrease by approximately EUR 180 million compared to 2018	Clearly positive but decrease by approximately EUR 180 million compared to 2018	→
Earnings per share	Slightly below previous year	Significantly below previous year	Significantly below previous year	Significantly below previous year	→

→ unchanged ↑ increased ↓ decreased

Events after the balance sheet date

No material events occurred between June 30, 2019 and the issuance date of this interim report.

Munich, July 23, 2019
The Executive Board of Siltronic AG

Dr. Christoph von Plotho	Rainer Irle
(CEO)	(CFO)

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Condensed interim financial statements

Consolidated statement of profit or loss

In EUR million	Q2 2019	Q2 2018	H1 2019	H1 2018
Sales	311.8	361.3	666.2	688.7
Cost of sales	−199.4	−209.3	−409.3	−411.9
Gross profit	**112.4**	**152.0**	**256.9**	**276.8**
Selling expenses	−8.8	−8.9	−17.3	−17.3
Research and development expenses	−16.8	−16.9	−33.5	−33.5
General administration expenses	−7.4	−7.1	−14.3	−13.7
Other operating income	12.0	25.6	23.5	50.6
Other operating expenses	−16.8	−20.6	−37.3	−42.2
Operating result	**74.6**	**124.1**	**178.0**	**220.7**
Interest income	2.2	0.6	4.1	1.0
Interest expenses	−0.5	−0.1	−1.1	−0.2
Other financial result	−1.3	−2.4	−0.6	−5.0
Financial result	**0.4**	**−1.9**	**2.4**	**−4.2**
Result before income taxes	75.0	122.2	180.4	216.5
Income taxes	−6.5	−24.2	−24.3	−36.5
Result for the period	**68.5**	**98.0**	**156.1**	**180.0**
of which				
attributable to Siltronic AG shareholders	*59.4*	*91.3*	*139.7*	*169.9*
attributable to non-controlling interests	*9.1*	*6.7*	*16.4*	*10.1*
Result per common share in EUR (basic/diluted)	1.98	3.04	4.66	5.66

Consolidated statement of financial position

In EUR million	June 30, 2019	June 30, 2018	Dec. 31, 2018
Intangible assets	21.9	23.3	22.2
Property, plant and equipment	817.4	546.6	683.9
Right-of-use assets [1)]	45.3	–	–
Securities and fixed-term deposits	70.6	1.4	31.3
Other financial assets	–	0.4	0.1
Deferred tax assets	26.7	13.4	25.3
Non-current assets	**981.9**	**585.1**	**762.8**
Inventories	158.8	136.1	148.6
Trade receivables	120.1	175.1	156.3
Contract assets	21.4	18.9	19.4
Securities and fixed-term deposits	261.1	194.7	403.8
Other financial assets	3.7	5.7	46.8
Other non-financial assets	30.4	17.8	21.2
Income tax receivables	13.1	2.6	1.8
Cash and cash equivalents	261.9	408.0	257.5
Current assets	**870.5**	**958.9**	**1,055.4**
Total assets	**1,852.4**	**1,544.0**	**1,818.2**

In EUR million	June 30, 2019	June 30, 2018	Dec. 31, 2018
Subscribed capital	120.0	120.0	120.0
Capital reserves	974.6	974.6	974.6
Retained earnings and net Group result	23.1	–169.9	33.4
Other equity items	–359.2	–215.4	–240.8
Equity attributable to Siltronic AG shareholders	**758.5**	**709.3**	**887.2**
Equity attributable to non-controlling interests	45.2	10.8	28.5
Equity	**803.7**	**720.1**	**915.7**
Provisions for pensions	503.3	389.4	362.3
Other provisions	77.0	40.8	82.0
Provisions for income taxes	13.3	3.7	14.0
Deferred tax liabilities	2.3	1.8	1.7
Customer prepayments	148.0	171.1	175.2
Lease liabilities [1)]	42.6	–	–
Other financial liabilities	–	0.6	0.2
Non-current liabilities	**786.5**	**607.4**	**635.4**
Other provisions	17.9	6.4	14.5
Provisions and liabilities for income tax	23.0	16.8	27.8
Trade liabilities	117.9	85.2	96.6
Customer prepayments	50.2	51.7	56.5
Lease liabilities [1)]	2.9	–	–
Other financial liabilites	12.7	13.8	16.9
Other non-financial liabilities	37.6	42.6	54.8
Current liabilites	**262.2**	**216.5**	**267.1**
Total liabilities	1,048.7	823.9	902.5
Total equity and liabilities	**1,852.4**	**1,544.0**	**1,818.2**

[1)] Right-of-use assets and lease liabilities recognized as of January 1, 2019 due to the first-time application of IFRS 16 “Leases”

Consolidated statement of cash flows

In EUR million	Q2 2019	H1 2019	H1 2018
Result for the period	68.5	156.1	180.0
Depreciation/amortization of non-current assets, including impairment losses and reversals thereof	25.4	49.2	47.6
Other non-cash expenses and income	–8.3	–5.9	10.6
Result from disposal of non-current assets	0.5	1.0	0.7
Interest income	–1.7	–3.0	–0.8
Interest paid	–0.4	–0.8	–0.3
Interest received	1.0	3.1	1.2
Tax expense	6.5	24.3	36.5
Taxes paid	–21.0	–39.3	–36.8
Changes in inventories	–3.6	–9.4	3.6
Changes in trade receivables	25.0	37.2	–11.9
Changes in contract assets	–0.4	–1.9	–0.9
Changes in other assets	40.3	35.4	14.4
Changes in provisions	3.0	10.3	3.5
Changes in trade liabilities	–14.7	3.8	9.9
Changes in other liabilities	–24.8	–16.9	–4.5
Changes in customer prepayments	–16.2	–33.0	152.9
Cash flow from operating activities	**79.1**	**210.2**	**405.7**
Payments for capital expenditure (including intangible assets)	–94.9	–162.0	–73.4
Proceeds from the disposal of property, plant and equipment	–	–	0.1
Payments for securities and fixed-term deposits	–57.4	–234.7	–262.5
Proceeds from securities and fixed-term deposits	186.8	341.0	186.2
Cash flow from financing activities	**34.5**	**–55.7**	**–149.6**
Dividends	–150.0	–150.0	–75.0
Repayment portion of lease liability	–0.9	–1.6	–
Cash flow from financing activities	**–150.9**	**–151.6**	**–75.0**
Changes due to exchange-rate fluctuations	–2.2	1.5	1.1
Changes in cash and cash equivalents	**–39.5**	**4.4**	**182.2**
at the beginning of the period	301.4	257.5	225.8
at the end of the period	**261.9**	**261.9**	**408.0**

Additional financial information
Not part of the condensed interim financial statements and not audited

In EUR million	Q2 2019	H1 2019	H1 2018
Cash flow from operating activities	79.1	210.2	405.7
Cash-effective changes in customer prepayments	16.2	33.0	–152.9
Cash flow from investing activities	–94.9	–162.0	–73.3
Net cash flow	**0.4**	**81.2**	**179.5**

Consolidated statement of comprehensive income

	H1 2019		H1 2018	
In EUR million	Before tax	After tax	Before tax	After tax
Result for the period	–	156.1	–	180.0
Items not reclassified to profit or loss: Remeasurement of defined benefit plans	−128.8	−128.8	−12.3	−15.3
Items reclassified to profit or loss:				
Difference from foreign currency translation	7.1	7.1	4.6	4.6
thereof recognized in profit or loss	–	–	–	–
Changes in market values of derivative financial instruments (cash flow hedge)	4.8	3.6	−22.7	−16.9
thereof recognized in profit or loss	*14.3*	*10.8*	*−8.3*	*−6.1*
Sum of items reclassified to profit or loss	**11.9**	**10.7**	**−18.1**	**−12.3**
Other comprehensive income/loss	−116.6	−118.1	−30.3	−27.6
Total comprehensive income/loss		**38.0**		**152.4**
of which				
attributable to Siltronic AG shareholders		*21.3*		*142.2*
attributable to non-controlling interests		*16.7*		*10.2*

Consolidated statement of changes in equity

In EUR million	Subscribed capital	Capital reserves	Variance from foreign currency translation	Effects of net investments in foreign operations	Change in market value of available-for-sale financial instruments	Changes in market values of derivative financial instruments (cash flow hedge)	Remeasurement of defined benefit plans	Retained earnings/ net Group result	**Total**	Non-controlling interests	**Total equity**
Balance as of December 31, 2017	120.0	974.6	−10.3	−7.1	0.1	11.2	−181.5	−269.7	637.3	0.6	637.9
Impact of IFRS 15 first-time adoption	–	–	–	–	–	–	–	4.8	4.8	–	4.8
Impact of IFRS 9 first-time adoption	–	–	–	–	−0.1	–	–	0.1	–	–	–
Balance as of January 1, 2018	120.0	974.6	−10.3	−7.1	–	11.2	−181.5	−264.8	642.1	0.6	642.7
Result for the period	–	–	–	–	–	–	–	169.9	169.9	10.1	180.0
Other comprehensive income and loss	–	–	4.5	–	–	−16.9	−15.3	–	−27.7	0.1	−27.6
Total comprehensive income and loss	**–**	**–**	**4.5**	**–**	**–**	**−16.9**	**−15.3**	**169.9**	**142.2**	**10.2**	**152.4**
Dividends	–	–	–	–	–	–	–	−75.0	−75.0	–	−75.0
Balance as of June 30, 2018	**120.0**	**974.6**	**−5.8**	**−7.1**	**–**	**−5.7**	**−196.8**	**−169.9**	**709.3**	**10.8**	**720.1**
Balance as of January 1, 2019	120.0	974.6	5.6	−7.1	–	−8.4	−230.9	33.4	887.2	28.5	915.7
Result for the period	–	–	–	–	–	–	–	139.7	139.7	16.4	156.1
Other comprehensive income and loss	–	–	6.8	–	–	3.6	−128.8	–	−118.4	0.3	−118.1
Total comprehensive income and loss	**–**	**–**	**6.8**	**–**	**–**	**3.6**	**−128.8**	**139.7**	**21.3**	**16.7**	**38.0**
Dividends	–	–	–	–	–	–	–	−150.0	−150.0	–	−150.0
Balance as of June 30, 2019	**120.0**	**974.6**	**12.4**	**−7.1**	**–**	**−4.8**	**−359.7**	**23.1**	**758.5**	**45.2**	**803.7**

Condensed consolidated notes

Basis of presentation and accounting policies

These condensed financial statements ("interim financial statements") for the six-month period ended June 30, 2019 comprise Siltronic AG and its subsidiaries, together referred to as the "Group". Siltronic AG is a listed company subject to German law.

The interim financial statements of the Siltronic Group as of June 30, 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) for interim financial statements (IAS 34) as endorsed by the European Union, and are presented in condensed form. The accounting and valuation methods applicable for the financial year 2018 have been amended by new accounting standards where applicable and effective for the first time in 2019. Apart from this, the accounting and valuation methods remained unchanged.

This is the Group's first published interim financial statement in accordance with the new accounting standard IFRS 16 "Leases", the impact of which is explained separately in these interim financial statements.

Siltronic AG is a company domiciled in Munich/Germany, Hanns-Seidel-Platz 4 and is registered at the Munich District Court (Amtsgericht) under HRB 150884.

Use of assumptions and estimates

When the interim financial statements are being prepared, it is necessary to make estimates and assumptions affecting the amounts and the reporting of the recognized assets and debts, income and expenses, and contingent liabilities. All assumptions and estimates are based on projections that were valid on the reporting date. The actual values may differ from assumptions and estimates if the economic conditions referred to do not develop in line with the expectations as of the reporting date. The determination of taxes followed the procedure applied at year-end by assessing the income tax expense at the balance sheet date of this interim period.

As of each reporting date, the net defined benefit liability must be reassessed and the discount factor newly determined. The derivation of the discount rate in Germany is based on a so-called 'bond universe'. The methodology for determining the 'bond universe' was changed in the first quarter of 2019 because the number of available data points was no longer sufficiently large. This change resulted in a reduction of the discount rate by 3 basis points as of June 30, 2019.

The net defined benefit liability as of June 30, 2019 was calculated using discount factors of 1.29 percent in Germany and 3.37 percent in the US (June 30, 2018: 2.00 percent in Germany and 3.99 percent in the US). As of December 31, 2018, the actuarial interest rate was 1.98 percent in Germany and 4.08 percent in the US.

As an information tool, interim financial reporting is based on the consolidated financial statements as of the end of the fiscal year. The accounting, valuation and consolidation methods used and the exercising of options envisaged in IFRS are explained in detail in the Consolidated Notes.

Implications of newly applied standards

IFRS 16 'Leases'

IFRS 16, published in January 2016, replaces the previous classification of leases on the lessee side of operating and finance leases and replaces the existing guidelines on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease' and SIC 15 as well as SIC 27.

Siltronic applied the new standard for the first time for the fiscal year beginning January 1, 2019 using the 'modified retrospective method'. Comparative information has not been restated. The following simplifications were applied:

- the off-balance accounting of leases with a remaining term of less than 12 months as of January 1, 2019 as short-term leases
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.7 percent. Siltronic did not classify any leases as finance leases under IAS 17.

In EUR million	
Obligations from operating leases as of December 31, 2018	**38.1**
Obligations discounted using the incremental borrowing rate from operating leases	21.5
Adjustment due to different estimates of extension options (present value)	25.7
Short-term leases and leases of low-value assets, expensed on a straight-line basis	−1.7
Lease liabilities recognized as of January 1, 2019	**45.5**
thereof	
short-term lease liabilities	*2.8*
long-term lease liabilities	*42.7*

For three land leases, a 30-year extension option of the lessee was considered sufficiently certain and included in the calculation of the lease liability.

Siltronic recognizes the rights-of-use assets at the amount of the related lease liability, adjusted by any prepaid or accrued lease payments. On the date IFRS 16 was applied for the first time, no onerous lease contracts existed so that no valuation allowances were required.

The recognized right-of-use assets relate to the following types of assets:

In EUR million	June 30, 2019	Jan. 1, 2019
Land	35.5	35.7
Buildings	2.0	2.1
Technical equipment and machinery	7.1	6.9
Vehicles	0.6	0.6
IT equipment and other	0.1	0.2
Total right-of-use assets	**45.3**	**45.5**

In the first half of 2019, the application of IFRS 16 resulted in an increase of EUR 1.8 million in depreciation of the recognized rights-of-use assets and EUR 0.8 million in interest expenses related to lease liabilities. Accordingly, EBITDA in the first half of 2019 increased by 1.1 percent and EBIT by 0.3 percent due to the application of IFRS 16. The net cash flow increased by 2.1 percent in the first half of 2019 due to the application of IFRS 16, as the repayment portion of the lease liability is shown in the cash flow from financing activities.

Segment reporting

The Group is engaged in only one reportable segment. That includes the development, production and sale of semiconductor silicon wafers with a wide variety of features satisfying numerous product specifications to meet customers' very precise technical specifications. Wafers are utilized in the manufacturing of semiconductor devices. Based on the fact that in the wafer industry the allocation of resources is derived from a wide variety of product specifications from customers, the Group is only operating in one segment.

The following table shows the breakdown of sales by geographical region:

	H1 2019							
In EUR million	Germany	Europe excluding Germany	United States	Taiwan and (mainland) China	Korea	Asia excluding Taiwan, (mainland) China and Korea	Consolidation and others	Siltronic Group
External sales of contracts with customers by customer location	58.4	70.8	82.8	174.7	176.9	91.2	11.4	666.2

	H1 2018							
In EUR million	Germany	Europe excluding Germany	United States	Taiwan and (mainland) China	Korea	Asia excluding Taiwan, (mainland) China and Korea	Consolidation and others	Siltronic Group
External sales of contracts with customers by customer location	52.1	81.1	81.3	202.3	145.5	115.4	11.0	688.7

Information on fair value

The fair value of a financial instrument is the price that would be achieved in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table shows the carrying amounts and fair values of the Group's financial assets and financial liabilities.

In EUR million	June 30, 2019 Carrying amount	June 30, 2019 Fair value	Dec. 31, 2018 Carrying amount	Dec. 31, 2018 Fair value
Trade receivables (AC) [1]	120.1	120.2	156.3	156.4
Securities (FVTPL) [2]	80.8	80.8	66.9	66.9
Securities and fixed-term deposits (AC) [1]	250.9	251.2	368.2	368.2
Other financial assets	3.7	3.7	46.9	46.9
Derivatives for which hedge accounting is used (Hedge Accounting) [3]	0.4	0.4	1.2	1.2
Derivatives for which hedge accounting is not used (FVTPL) [2]	2.5	2.5	0.8	0.8
Compensation claims against insurances (AC) [1]	–	–	44.1	44.1
Other (AC) [1]	0.8	0.8	0.8	0.8
Cash and cash equivalents (AC) [1]	261.9	261.9	257.5	257.5
Total financial assets	**717.4**	**717.8**	**895.8**	**895.9**
Trade liabilities (AC) [1]	117.9	117.9	96.6	96.6
Other financial liabilities	12.7	12.7	17.1	17.1
Derivatives for which hedge accounting is used (Hedge Accounting) [3]	7.1	7.1	12.6	12.6
Derivatives for which hedge accounting is not used (FVTPL) [2]	4.8	4.8	4.3	4.3
Other (AC) [1]	0.8	0.8	0.2	0.2
Total financial liabilities	**130.6**	**130.6**	**113.7**	**113.7**

[1] AC = Amortized cost
[2] FVTPL = Fair Value through profit or loss
[3] Hedge Accounting = Not assigned to the measurement categories. Hedging relationships continue to be accounted for in accordance with IAS 39.

The financial assets and liabilities measured at fair value in the statement of financial position were allocated to one of the three categories in accordance with the fair value hierarchy described in IFRS 13. Allocation to these categories shows which of the fair values reported were settled through market transactions and the extent to which the measurement was based on models in the absence of observable market transactions. With respect to the definition of the fair value levels and the corresponding financial assets and financial liabilities and the valuation of these items, reference is made to the 2018 consolidated financial statements.

The following table shows the fair value hierarchy classification of financial assets and liabilities measured at fair value in the statement of financial position:

Fair value hierarchy

	As of June 30, 2019			
In EUR million	Level I	Level II	Level III	**Total**
Financial assets, measured at fair value				
Fair value through profit or loss (FVTPL)				
Derivatives for which hedge accounting is not used	–	2.5	–	2.5
Securities	80.8	–	–	80.8
Fair value through other operating income				
Derivatives for which hedge accounting is used	–	0.4	–	0.4
Total	**80.8**	**2.9**	**–**	**83.7**
Financial liabilities, measured at fair value				
Fair value through profit or loss (FVTPL)				
Derivatives for which hedge accounting is not used	–	4.8	–	4.8
Fair value through other operating income				
Derivatives for which hedge accounting is used	–	7.1	–	7.1
Total	**–**	**11.9**	**–**	**11.9**

	As of December 31, 2018			
In EUR million	Level I	Level II	Level III	**Total**
Financial assets, measured at fair value				
Fair value through profit or loss (FVTPL)				
Derivatives for which hedge accounting is not used	–	0.8	–	0.8
Securities	66.9	–	–	66.9
Fair value through other operating income				
Derivatives for which hedge accounting is used	–	1.2	–	1.2
Total	**66.9**	**2.0**	**–**	**68.9**
Financial liabilities, measured at fair value				
Fair value through profit or loss (FVTPL)				
Derivatives for which hedge accounting is not used	–	4.3	–	4.3
Fair value through other operating income				
Derivatives for which hedge accounting is used	–	12.6	–	12.6
Total	**–**	**16.9**	**–**	**16.9**

The market value determined in Level I is based on quoted, unadjusted prices in active markets for the assets and liabilities in question or for identical ones. The financial instruments allocated to Level II are measured using methods based on parameters that are either directly or indirectly derived from observable market data. These include hedging and non-hedging derivative financial instruments. In Level III, the market value is determined on the basis of parameters for which no observable prices are available. Siltronic reviews on an annual basis whether its financial instruments are appropriately allocated to the hierarchy levels. No changes to the valuation method occurred compared with year-end and no non-recurring fair value measurements took place. No reclassifications between the levels of the fair value hierarchy were carried out in the period under review.

Related party disclosures

The disclosure requirements according to IAS 24 refer to transactions (a) with its minority shareholder Wacker Chemie AG and the ultimate controlling shareholder of Wacker Chemie AG, which is Dr. Alexander Wacker Familiengesellschaft mbH (holding more than 50 percent of the voting shares in Wacker Chemie AG), (b) with Wacker Pensionskasse and (c) with members of the Executive Board and Supervisory Board of the Company.

The amounts recorded in the statement of profit or loss resulting from transactions with Wacker Chemie AG were the following:

In EUR million	H1 2019	H1 2018
Sales	0.3	0.4
Supply of material and services, primarily recorded in cost of sales	71.1	84.3

The following table shows inventories and liabilities to related parties recorded in the statement of financial position:

In EUR million	June 30, 2019	Dec. 31, 2018
Inventories	11.0	12.5
Trade liabilites	14.9	12.8

Inventories relate to raw material supplied by Wacker Chemie AG.

Income taxes

Taxes are calculated using the same methods as at year-end, by determining the tax expenses as of the interim reporting date. Deferred tax assets were capitalized on temporary differences to the extent that they will probably result in realizable tax benefits within the medium-term planning period.

Foreign exchange rates

The financial statements of consolidated companies outside Germany are translated into euro following the concept of functional currency. For all foreign group companies the functional currency equals the local currency because these entities operate their business on a stand-alone basis from a financial, commercial and organizational perspective. Assets and liabilities are translated using the spot rates prevailing at the balance sheet date, equity is translated using historical rates, and amounts in the statement of profit and loss are translated using the average exchange rates of the quarter. Amounts resulting from the variance between spot rates at different balance sheet dates are shown separately under "Other equity items" within equity.

The following table shows the main exchange rates in relation to the euro:

Exchange rates

		Spot rate			Average for the period		
	ISO-Code	June 30, 2019	June 30, 2018	Dec. 31, 2018	Q2 2019	H1 2019	H1 2018
US dollar	USD	1.14	1.16	1.14	1.12	1.13	1.21
Japanese yen	JPY	123	129	126	124	124	132
Singapore dollar	SGD	1.54	1.59	1.56	1.53	1.54	1.61

Major events in the period under review and events after June 30, 2019

Events during the reporting period that are considered significant in terms of their impact, nature and frequency are described in the interim management report. No material events occurred between June 30, 2019 and the date of issuance of this interim report.

Munich, July 23, 2019
The Executive Board of Siltronic AG

Dr. Christoph von Plotho
(CEO)

Rainer Irle
(CFO)

Further information

Responsibility statement

To the best of our knowledge, we assure that in accordance with the applicable accounting principles for interim reporting for the Group's interim financial statements in compliance with generally accepted accounting principles, we have provided a truthful picture of the assets, financial and earnings situation of the Group and that the Group's interim management report outlines the business performance, including the company profit and the Group's situation, such that it provides a picture in line with the actual circumstances and describes the key opportunities and risks of the expected performance of the Group in the remainder of the financial year.

Munich, July 23, 2019
The Executive Board of Siltronic AG

Dr. Christoph von Plotho
(CEO)

Rainer Irle
(CFO)

Certificate of audit review

For Siltronic AG, Munich

We have performed an audit review of the abbreviated interim consolidated financial statements – consisting of the Group balance sheet, profit and loss account, statement of comprehensive income, cash flow statement, development of the Group's equity and selected explanatory notes – and the Group's interim management report for Siltronic AG, for the period from January 1 to June 30, 2019, which are components of the semi-annual financial report in accordance with Section 37 w of the Securities Trading Act (WpHG). The preparation of the abbreviated interim consolidated financial statements under IFRS for interim reporting, as applicable in the EU, and the Group's interim management report according to the applicable provisions from the WpHG is the responsibility of the legal representatives of the company. Our task is to certify the abbreviated interim consolidated financial statements and the Group's interim management report on the basis of our audit review.

We have performed the audit review of the abbreviated interim consolidated financial statements and the Group's interim management report, observing the German principles specified by the Institute of Public Auditors in Germany (IDW) for the audit review of financial statements. These state that the audit review is to be planned and performed such that in our critical appraisal, we can rule out with a certain degree of certainty that the abbreviated interim consolidated financial statements have not been prepared in accordance with IFRS for interim reporting as applicable in the EU in key aspects and that the Group's interim management report was not prepared in accordance with the provisions of the WpHG applicable to the Group's interim management reports in key aspects. An audit review is primarily limited to interviews with employees of the company and analytical assessments and therefore does not offer the certainty of an audit of financial statements. As we have not performed a proper audit of the financial statements according to our order, we cannot issue an audit certificate.

On the basis of our audit review, we have not become aware of any factors, which prompt us to assume that the abbreviated interim consolidated financial statements have not been prepared in accordance with IFRS for interim reporting as applicable in the EU in key aspects and the Group's interim management report was not prepared in accordance with the provisions of the WpHG applicable to the Group's interim management reports in key aspects.

Munich, July 23, 2018
KPMG AG Auditing Company

Specht	Ratkovic
Wirtschaftsprüfer	Wirtschaftsprüfer
(Public Auditor)	(Public Auditor)

Financial calendar

October 24, 2019 Quarterly Statement Q3 2019

Contact

Petra Müller
Head of Investor Relations & Communications
Phone +49 89 8564 3133
investor.relations@siltronic.com

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Siltronic AG
Hanns-Seidel-Platz 4
81737 Munich, Germany
Phone +49 89 8564 3000
info@siltronic.com

Concept, design and realization
HGB Hamburger Geschäftsberichte GmbH & Co. KG, Hamburg, Germany

Note on the interim report
This interim report is also available in German. If there are differences between the two, the German version takes priority. The interim report is available as a PDF document.

Disclaimer

Siltronic AG
Hanns-Seidel-Platz 4
81737 Munich, Germany
Phone +49 89 8564 3000
info@siltronic.com