



Press release

Siltronic AG

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Siltronic finished 2016 with a record Q4 and expects a strong business development in 2017

- **300mm wafer market continues to grow**
- **Siltronic's 300mm and 200mm production continues to be fully loaded**
- **Profitability further increased in 2016: EBITDA margin of 20.5 percent in Q4/2016**
- **Sales of at least EUR 1 billion and an EBITDA margin of at least 20 percent expected in 2017**

Munich, Germany, March 14, 2017 – Siltronic AG (TecDAX: WAF) closed financial year 2016 with a record Q4 and exceeded earnings' expectations.

„Demand for our wafers increased steadily during 2016. The record Q4 underpins this trend“, says Dr. Christoph von Plotho, CEO of Siltronic AG. „At present demand is higher than our production capacity. Our initiative to increase prices in 2017 is successful. We were able to clearly strengthen our market position especially in leading-edge technology. In 2017, we expect an increase in earnings as well as in EBITDA margin of at least 20 percent, if not significantly higher.“

Siltronic's sales reached EUR 933.4 million in 2016, thus being on prior-year's level (2015: EUR 931.3 million). Positive effects from the Japanese yen exchange rate and, in particular, year-on-year increases in unit sales during the third and fourth quarters slightly outweighed the decrease in the average selling price (ASP).

Siltronic was able to realize savings of around EUR 30 million out of the continuous cost reduction programs.

The company significantly reduced manufacturing costs per wafer area compared to the previous year. This is attributable to higher production loading, successful cost reduction measures and lower depreciation and amortization. The manufacturing costs of EUR 761.5 million were nearly 1 percent lower than in 2015 despite more wafer area produced.

Gross profit was EUR 171.9 million, i.e. nearly 6 percent above prior year. Gross margin increased to 18.4 percent (2015: 17.5 percent).

Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to EUR 146.0 million, thus being nearly 18 percent above prior-year (2015: EUR 124.0 million). The EBITDA margin was 15.6 percent (2015: 13.3 percent).

Net expenses relating to exchange rate effects, particularly in relation to currency hedging of EUR 20.9 million in 2016 were significantly lower than the figure of EUR 45.7 million reported in 2015 and thus had a positive impact on EBITDA. Without this exchange rate effect, EBITDA would have been EUR 166.9 million with an EBITDA margin of 17.9 percent and therefore at the same level as in 2015.

Earnings before interest and tax (EBIT) of EUR 27.0 million were significantly higher than in the previous year (2015: EUR 2.7 million).

Net earnings for the period of EUR 8.7 million in 2016 were positive while being EUR 20.1 million negative in 2015.

Thus earnings per share were EUR 0.40 (2015: EUR -0.50).

The significant improvement of the EBIT had a positive influence on ROCE (Return On Capital Employed) which increased from 0.4 percent to 3.7 percent.

Siltronic invested EUR 88.8 million in property, plant and equipment and in intangible assets. The largest items of capital expenditure were a new crystal-pulling hall including new crystal pullers at the production site in Freiberg, Germany, as well as ongoing automation projects, particularly at the German sites.

Free cash flow was clearly positive at EUR 19.0 million but, as anticipated, was lower than the prior-year figure of EUR 37.4 million. It included a one-time payment of EUR 11.1 million to the pension fund, a repayment of customer prepayments of EUR 20.5 million and capex-related payments of EUR 96.7 million.

Net financial assets improved to EUR 175.0 million.

Fourth quarter of 2016 on record level

The final quarter was by far the strongest of 2016 in terms of sales, which reached EUR 246.3 million. Continued full capacity utilization in 300mm and 200mm production, the very favorable development of the product mix, and first positive price trends all contributed to this.

In the fourth quarter of 2016, Siltronic generated EBITDA of EUR 50.5 million thanks to an improved product mix, favorable changes in the Japanese yen exchange rate, and an excellent operating performance. EBITDA in the corresponding quarter of 2015 had stood at EUR 23.2 million. The EBITDA margin for the period from October to December 2016 was 20.5 percent (Q4 2015: 10.8 percent). The main reasons were the increase in sales and exchange rate effects due to currency hedging, which are reported under other operating income and expenses. In the fourth quarter of 2016, these exchange rate effects amounted to net expenses of around EUR 1.5 million, compared to EUR 10.5 million in the final quarter of 2015.

Siltronic expects sales of at least EUR 1 billion and an EBITDA margin of at least 20 percent in 2017

Market research institute IHS Markit currently anticipates that demand for silicon wafers for the semiconductor industry will rise by approximately 5 percent in 2017. Apart from solid state drives (SSD), which are based on NAND technology, industrial applications and network infrastructure are predicted to be the biggest growth drivers.

Siltronic's capacity in 300mm and 200mm wafer production is remaining fully utilized. This trend should continue in the second quarter.

Siltronic was already able to raise prices for some spot orders in the fourth quarter of 2016. The company raised prices in the first quarter of 2017 for contracts which had been due for re-negotiation. Due to the differing contract terms of the customer agreements, which range from three months to more than one year, positive effects from the price negotiations are likely to materialize incrementally in 2017.

Siltronic is optimistic that the business development will be very positive in 2017 and estimates that sales will exceed the threshold of EUR 1 billion and EBITDA margin will achieve at least 20 percent. Free cash flow should again be significantly positive and by far higher than in 2016. Capital expenditure should be around EUR 100 million due to a positive product mix development and an increasing demand relating to the company's capabilities. Earnings per share should increase significantly in 2017.

Siltronic will continue with its cost-reduction programs and expects savings of around EUR 20 million to EUR 25 million in 2017.

The Company anticipates negative exchange rate effects resulting from currency hedging in 2017. Assuming a Euro-US dollar exchange rate of 1.05 and a Euro-Japanese yen exchange rate of 120, these effects should be in the region of EUR 10 million.

Siltronic AG – Key figures 2016

in EUR million	2015					2016				
	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4
Sales	238.7	246.7	230.6	215.3	931.3	220.6	229.6	237.0	246.3	933.4
EBITDA	40.1	31.4	29.3	23.2	124.0	23.6	35.1	36.9	50.5	146.0
EBITDA margin	16.8%	12.7%	12.7%	10.8%	13.3%	10.7%	15.3%	15.6%	20.5%	15.6%
EBIT	8.3	0.2	0.3	-6.1	2.7	-5.6	6.0	6.7	20.0	27.0
EBIT margin	3.5%	0.1%	0.1%	-2.8%	0.3%	-2.5%	2.6%	2.8%	8.1%	2.9%
Net result for the period	1.9	-7.0	-6.2	-8.8	-20.1	-11.5	0.9	3.9	15.5	8.7
Earnings per share (in EUR)	0.13	-0.20	-0.15	-0.25	-0.50	-0.34	0.07	0.16	0.51	0.40
CapEx in property, plant and equipment and intangibles	4.3	9.1	27.2	34.4	75.0	20.4	22.4	22.1	23.9	88.8
Free cash flow	39.6	7.1	1.2	-10.5	37.4	-6.7	0.1	15.7	10.0	19.0
Equity	197.5	500.9	501.7	497.3	497.3	418.2	323.6	297.0	425.3	425.3
Equity ratio	17.9%	46.7%	48.3%	47.8%	47.8%	40.5%	31.2%	28.8%	40.2%	40.2%
Net financial assets	16.1	166.1	166.2	155.9	155.9	149.2	150.9	165.0	175.0	175.0
Total assets	1,103.5	1,071.9	1,037.8	1,040.8	1,040.8	1,030.7	1,037.0	1,031.5	1,056.8	1,056.8
Employees	4,101	4,043	3,978	3,894	3,894	3,882	3,817	3,789	3,757	3,757

Conference call for analysts and investors

Siltronic AG's Executive Management will conduct a conference call with analysts and investors (in English only) on March 14, 2017 at 3pm (CET). This call will be streamed via the internet. The audio webcast call will be available live and on-demand on Siltronic's homepage.

The investor presentation (in English only), the Annual Report, the press release and an Excel-file with the most important key figures are also published on the Siltronic homepage.

Upcoming events

April 27, 2017	Interim Reporting Q1 2017
May 9, 2017	Annual General Meeting, Munich
July 28, 2017	Interim Report Q2 2017
October 26, 2017	Interim Reporting Q3 2017

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Company profile:

Siltronic is one of the world's leading manufacturers of hyperpure silicon wafers and partner of many leading semiconductor companies. The company has a network of state-of-the-art production sites in Europe, Asia and the USA. Siltronic develops and manufactures silicon wafers in diameters of up to 300mm. Silicon wafers are the basis for modern microelectronics and nanoelectronics. They are key components of e.g. computers, smartphones, flat-screens, navigation systems, control systems for the automotive industry and many other applications.

Important notice

This press release contains forward-looking statements based on assumptions and estimates of Siltronic's Executive Board. Although we assume the expectations in these forward looking statements are realistic, we cannot guarantee they will prove to be correct. The assumptions may harbor risks and uncertainties that may cause the actual figures to differ considerably from the forward-looking statements. Factors that may cause such discrepancies include, among other things, changes in the economic and business environment, variations in exchange and interest rates, the introduction of competing products, lack of acceptance for new products or services, and changes in corporate strategy. Siltronic does not plan to update the forward looking statements, nor does it assume the obligation to do so.

This press release is also available in German. If there are differences between the two, the German version takes priority. Please note that slight differences may arise as a result of the use of rounded amounts and percentages.