

Press release

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Siltronic continues its strong business development in Q3 2018

- Demand for wafers in all diameters remains high
- Q3 sales were up by 5 percent sequentially
- EBITDA rose by around 10 percent over the second quarter of 2018
- EBITDA margin up to 42 percent
- Clear increase in sales and earnings year-on-year
- Sales forecast raised slightly

Munich, Germany, October 25, 2018 – Siltronic AG (MDAX/TecDAX: WAF) was able to confirm the positive development from the first half of the year in the third quarter of 2018. This was driven by the sustained high demand for wafers, which led to a further rise in average selling prices.

“The demand for wafers remained strong in Q3 2018 across all diameters. The resultant increase in average selling prices once again contributed positively to our sales and earnings,” stated Dr. Christoph von Plotho, CEO of Siltronic AG.

Rise in sales driven by higher average selling prices

EUR million	Q3	Q2	Change		Q3	Change to Q3 2018	
	2018	2018	Amount	Percent	2017	Amount	Percent
Sales	379.8	361.3	18.5	5.1	308.1	71.7	23.3

Sales in Q3 2018 increased to EUR 379.8 million, which represents a rise of 5.1 percent compared to the second quarter of 2018 (EUR 361.3 million). Thanks to the continued high demand for wafers, average selling prices rose further. On the request of a customer shipping was switched from sea to air freight. This resulted in a one-off increase in sales of EUR 8 million in Q3. Exchange rate effects had a slightly positive influence compared to the previous quarter, as the US dollar averaged 1.16 against the euro in Q3 after a rate of 1.19 in the second quarter of 2018.

Sales were up by 23.3 percent compared to Q3 2017, which saw sales of EUR 308.1 million. This increase was driven by the clear rise in average selling prices, as well as a slightly higher sales volume. Exchange rate effects had no notable influence compared to Q3 2017 as the US dollar averaged 1.17 against the euro during that period and was therefore almost on a par with Q3 2018.

Gross profit rises substantially

EUR million	Q3	Q2	Change		Q3	Change to Q3 2018	
	2018	2018	Amount	Percent	2017	Amount	Percent
Cost of sales	204.8	209.3	-4.5	-2.2	197.8	7.0	3.5
Gross profit	175.0	152.0	23.0	15.1	110.3	64.7	58.7
Gross margin in %	46.1	42.1			35.8		

Cost of sales fell to EUR 204.8 million in the third quarter, compared to EUR 209.3 million in Q2, despite sales as well as wafer area increased. Gross profit came in at EUR 175.0 million, substantially up on Q2 (EUR 152.0 million). The gross margin rose from 42.1 percent to 46.1 percent.

Compared to EUR 197.8 million in Q3 2017, cost of sales increased by 3.5 percent. As the increase in sales is primarily attributable to price increases, gross profit was up by 58.7 percent compared to Q3 2017 (EUR 110.3 million). The gross margin for the third quarter 2017 totaled 35.8 percent and was therefore exceeded by 10.3 percentage points.

Selling expenses, R&D and administration expenses unchanged

EUR million	Q3	Q2	Change		Q3	Change to Q3 2018	
	2018	2018	Amount	Percent	2017	Amount	Percent
Selling expenses	8.7	8.9	-0.2	-2.2	9.3	-0.6	-6.5
Research and development expenses (R&D)	16.7	16.9	-0.2	-1.2	16.9	-0.2	-1.2
General administration expenses	6.4	7.1	-0.7	-9.9	6.0	0.4	6.7
Total selling expenses, R&D and general administrative expenses	31.8	32.9	-1.1	-3.3	32.2	-0.4	-1.2
As a percentage of sales	8.4	9.1			10.5		

Selling expenses, R&D and general administration expenses totaled EUR 31.8 million in Q3 2018, representing 8.4 percent of sales. This represents a slight decrease compared to Q2, which saw expenses of EUR 32.9 million or 9.1 percent of sales.

This figure also fell slightly compared to the EUR 32.2 million posted in Q3 2017.

Minor impact from currency hedging effects in Q3

EUR million	Q3	Q2	Change		Q3	Change to Q3 2018	
	2018	2018	Amount	Percent	2017	Amount	Percent
Other operating income	10.2	25.6	-15.4	-60.2	15.7	-5.5	-35.0
Other operating expenses	-15.4	-20.6	5.2	25.2	-16.0	0.6	3.8
Other operating income and expenses, net	-5.2	5.0	-10.2	>-100	-0.3	-4.9	>-100
<i>of which exchange rate effects</i>	-1.6	4.4	-6.0	>-100	2.5	-4.1	>-100

Siltronic's other operating income and expenses are impacted by exchange rate gains and losses, particularly in connection with currency hedging measures. These primarily relate to the US dollar and Japanese yen.

Expense of EUR 1.6 million was incurred in Q3 2018, while in Q2 an income of EUR 4.4 million was reported. Income of EUR 2.5 million was posted in Q3 2017.

EBITDA and EBITDA margin rise considerably

EUR million	Q3	Q2	Change		Q3	Change to Q3 2018	
	2018	2018	Amount	Percent	2017	Amount	Percent
EBIT	138.0	124.1	13.9	11.2	77.8	60.2	77.4
EBIT margin in %	36.3	34.4			25.2		
Depreciation, amortization and impairment less reversals thereof	22.2	21.9	0.3	1.4	28.7	-6.5	-22.6
EBITDA	160.2	146.0	14.2	9.7	106.5	53.7	50.4
EBITDA margin in %	42.2	40.4			34.6		

Profitability continued to rise driven by higher average selling prices. EBIT was EUR 138.0 million in Q3 2018, 11.2 percent up on the previous quarter (EUR 124.1 million). The EBIT margin reached 36.3 percent (Q2 2018: 34.4 percent).

EBIT in Q3 2017 was EUR 77.8 million and was therefore exceeded by 77.4 percent. The corresponding EBIT margin came in at 25.2 percent and was also improved on by 11.1 percentage points.

EBITDA of EUR 160.2 million was achieved in Q3 2018 (Q2 2018: EUR 146.0 million). This represents an increase of 9.7 percent. The EBITDA margin totaled 42.2 percent in Q3 2018, compared to 40.4 percent in the previous quarter.

In Q3 2017, EBITDA came in at EUR 106.5 million and was therefore exceeded by 50.4 percent. The corresponding EBITDA margin stood at 34.6 percent.

Result for the period and result per share substantially up

EUR million	Q3	Q2	Change		Q3	Change to Q3	
	2018	2018	Amount	Percent	2017	Amount	Percent
Result before income tax	136.7	122.2	14.5	11.9	75.8	60.9	80.3
Expense for income tax	-22.1	-24.2	2.1	8.7	-9.8	-12.3	>-100
Tax rate in %	16	20			13		
Result for the period	114.6	98.0	16.6	16.9	66.0	48.6	73.6
Earnings per share	3.53	3.04	0.49	16.1	2.12	1.41	66.5

After using up Siltronic AG's tax losses carried forward, the tax rate rose moderately compared to the previous year.

A profit for the period of EUR 114.6 million was generated in Q3 2018. This represents a rise of 16.9 percent compared to the previous quarter (EUR 98.0 million).

Profit for the period of EUR 66.0 million was posted in Q3 2017. The considerable jump in profit compared to Q3 2018 is attributable to the continuous price increases recorded since the first quarter of 2017 in parallel to slightly falling cost of sales per wafer area.

Earnings per share came in at EUR 3.53 in Q3 2018. In the previous quarter, earnings per share totaled EUR 3.04. Earnings per share stood at EUR 2.12 in Q3 2017, and were therefore exceeded by 66.5 percent.

ROCE increased to 66.8 percent following 62.0 percent in Q2 2018. In Q3 2017, ROCE totaled 43.4 percent. The improvement was driven by the substantial increase in EBIT.

Equity increases further

EUR million	Sep 30, 2018	Dec 31, 2017	Change
Equity	841.7	637.9	203.8
Provisions for pensions	373.6	367.2	6.4
Customer prepayments	182.3	42.9	139.4
Other provisions and liabilities	86.4	52.2	34.2
Non-current liabilities	642.3	462.3	180.0
Trade payables	91.6	67.1	24.5
Customer prepayments	59.1	26.9	32.2
Other liabilities and provisions	105.1	58.2	46.9
Current liabilities	255.8	152.2	103.6
Total liabilities	1,739.8	1,252.4	487.4

The EUR 203.8 million increase in equity is primarily attributable to the profit for the period of EUR 294.6 million minus the dividend payout of EUR 75.0 million for the financial year 2017.

Non-current liabilities rose by EUR 180.0 million. Of this amount, EUR 139.4 million is attributable to a rise in customer prepayments.

Interest rates had an immaterial impact on the valuation of pension provisions. As of September 30, 2018, the pension provision in Germany was discounted at an interest rate of 2.04 percent, compared to 2.00 percent as of December 31, 2017. By contrast, the interest rate in the USA rose from 3.45 percent to 4.02 percent.

Strong net cash flow despite investments in the future

EUR million	Q1-Q3	Q1-Q3	Change	Change
	2018	2017		Percent
Cash flow from operating activities excluding customer prepayments	399.7	189.7	210.0	> 100%
Proceeds/payments for property, plant and equipment and intangible assets	-127.0	-60.3	-66.7	> 100%
Net cash flow	272.7	129.4	143.3	> 100%

Investments in property, plant and equipment and intangible assets totaled EUR 141.3 million in the first nine months of 2018 and mainly related to the capacity expansions for 2019, the new crystal-pulling hall in Singapore and the further automation of production. Payments for property, plant and equipment and intangible assets totaled EUR 127.0 million.

Cash flow from operating activities includes customer prepayments of EUR 171.5 million. Of this amount, EUR 199.9 million was received in the period from January to September 2018 and EUR 28.4 million was repatriated. Siltronic anticipates further prepayments during the remainder of the financial year.

In Q3, net cash flow rose to EUR 93.0 million (Q2 2018: EUR 67.1 million).

Thanks to the high profit for the period, net cash flow for the first nine months came in at EUR 272.7 million (Q1-Q3 2017: EUR 129.4 million).

Net financial assets top EUR 700 million for the first time

EUR million	<u>Sep 30, 2018</u>	<u>Dec 31, 2017</u>	<u>Change</u>
Cash and cash equivalents	338.8	225.8	113.0
Fixed-term deposits and securities	377.0	117.6	259.4
Net financial assets	715.8	343.4	372.4

Due to the high cash flow, net financial assets set a new high as of September 30, 2018, coming in at EUR 715.8 million. Roughly half of this amount consists of cash and cash equivalents, while the other half is made up of fixed-term deposits and securities.

Sales forecast for the financial year 2018 raised slightly again

Based on the development to date, Siltronic is looking to the fourth quarter 2018 with confidence and believes that further price increases are possible within this environment. "The demand for wafers remains high and we are continuing to experience positive development in average selling prices. We are therefore raising our forecast for the financial year 2018 slightly and are now anticipating sales of slightly above EUR 1.4 billion," stated Dr. Christoph von Plotho.

For more information on the overall forecast for the full year 2018, please refer to the Annual Report 2017 as well as the Interim Report 2018.

Overview of forecast changes

	Forecast March 2018	Forecast April 2018	Forecast July 2018	Forecast Sep. 2018	Change compared to July
EBITDA margin	Close to 40%	Close to 40%	Approximately 40%	Approximately 40%	→
ROCE	Clearly higher than in 2017	Clearly higher than in 2017	Clearly higher than in 2017	Clearly higher than in 2017	→
Net cash flow	Clearly higher than in 2017	Clearly higher than in 2017	Clearly higher than in 2017	Clearly higher than in 2017	→
Group sales	Clearly above EUR 1.3 billion, depending on exchange rate effects	Clearly above EUR 1.3 billion, depending on exchange rate effects	Close to EUR 1.4 billion, depending on exchange rate effects	Slightly above EUR 1.4 billion, depending on exchange rate effects	↑
R&D	Approx. 5 percent of sales	Approx. 5 percent of sales	Approx. 5 percent of sales	Approx. 5 percent of sales	→
Cost items	Headwind on potential costs savings from payroll rises and inflation	Headwind on potential costs savings from payroll rises and inflation	Headwind on potential costs savings from payroll rises and inflation	Headwind on potential costs savings from payroll rises and inflation	→
FX effects	Based on a EUR / USD exchange rate of 1.25 and a EUR / JPY exchange rate of 135, negative FX impact of around EUR 100 million on sales and of around EUR 60 million on EBITDA	Based on a EUR / USD exchange rate of 1.25 and a EUR / JPY exchange rate of 135, negative FX impact of around EUR 100 million on sales and of around EUR 60 million on EBITDA	Based on a EUR / USD exchange rate of 1.20 and a EUR / JPY exchange rate of 130, negative FX impact of around EUR 60 million on sales and of around EUR 40 million on EBITDA compared to 2017 FX rates	Based on a EUR / USD exchange rate of 1.20 and a EUR / JPY exchange rate of 130, negative FX impact of around EUR 60 million on sales and of around EUR 40 million on EBITDA compared to 2017 FX rates	→
Depreciation / amortization	Around EUR 90 million	Around EUR 90 million	Around EUR 90 million	Around EUR 90 million	→
Tax rate	Between 15 percent and 20 percent	Between 15 percent and 20 percent	Between 15 percent and 20 percent	Between 15 percent and 20 percent	→
Financial result	Roughly stable	Roughly stable	Roughly stable	Roughly stable	→
Capital expenditure	Around EUR 240 million to EUR 260 million	Around EUR 240 million to EUR 260 million	Around EUR 260 million to EUR 280 million	Around EUR 260 million to EUR 280 million	→
Earnings per share	Significantly higher than in 2017	Significantly higher than in 2017	Significantly higher than in 2017	Significantly higher than in 2017	→

Profit or loss statement / Cash flow in EUR millions	9M 2018	9M 2017	Q3/2018	Q2/2018	Q1/2018	Q3/2017
Sales	1,068.5	849.2	379.8	361.3	327.4	308.1
EBITDA	428.6	232.2	160.2	146.0	122.3	106.5
EBITDA margin	40.1%	27.3%	42.2%	40.4%	37.4%	34.6%
EBIT	358.8	144.6	138.0	124.1	96.6	77.8
EBIT margin	33.6	17.0	36.3%	34.4%	29.5%	25.2%
Result for the period	294.6	118.3	114.6	98.0	82.0	66.0
Earnings per share (in EUR)	9.19	3.81	3.53	3.04	2.62	2.12
ROCE	59.1%	26.7%	66.8%	62.0%	49.3%	43.4%
Investments in property, plant and equipment and intangible assets	141.4	61.7	62.8	45.2	33.4	16.9
Net cash flow	272.7	129.4	93.0	67.1	112.4	60.6

Conference call for analysts and investors

The Executive Board of Siltronic AG will conduct a conference call with analysts and investors (in English only) on October 25, 2018 at 3:00 pm (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 press release are also published on the Siltronic website.

Financial calendar

January 31, 2019	Preliminary financial figures published
March 5, 2019	Annual Report 2018 published
May 3, 2019	Q1 2019 quarterly statement
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, smartphones, 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

EUR million	Q3 2018	Q2 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Sales	379.8	361.3	308.1	1,068.5	849.2
Cost of sales	-204.8	-209.3	-197.8	-616.7	-600.9
Gross profit	175.0	152.0	110.3	451.8	248.3
Selling expenses	-8.7	-8.9	-9.3	-26.0	-27.3
Research and development expenses	-16.7	-16.9	-16.9	-50.2	-50.5
General administration expenses	-6.4	-7.1	-6.0	-20.0	-18.3
Other operating income	10.2	25.6	15.7	60.8	47.5
Other operating expenses	-15.4	-20.6	-16.0	-57.6	-55.1
Operating result	138.0	124.1	77.8	358.8	144.6
Interest income	1.3	0.6	0.5	2.3	1.4
Interest expense	-0.1	-0.1	-0.3	-0.3	-1.0
Other financial result	-2.5	-2.4	-2.2	-7.5	-6.9
Financial result	-1.3	-1.9	-2.0	-5.5	-6.5
Result before income tax	136.7	122.2	75.8	353.3	138.1
Income taxes	-22.1	-24.2	-9.8	-58.7	-19.8
Result for the period	114.6	98.0	66.0	294.6	118.3
of which					
attributable to Siltronic AG shareholders	105.8	91.3	63.6	275.7	114.3
attributable to non-controlling interests	8.8	6.7	2.4	18.9	4.0
Earnings per share in EUR (basic / diluted)	3.53	3.04	2.12	9.19	3.81

Financial information – pursuant to IFRS, unaudited
Siltronic AG – Consolidated Statement of Financial Position

EUR million	9/30/2018	9/30/2017	12/31/2017
Intangible assets	22.7	24.5	24.0
Property, plant and equipment	587.1	481.2	513.3
Securities and fixed-term deposits	21.5	1.3	1.3
Other financial assets	0.1	3.0	1.5
Deferred tax assets	21.0	6.1	6.5
Non-current assets	652.4	516.1	546.6
Inventories	131.8	143.3	149.9
Trade receivables	167.4	150.3	159.9
Contract assets	20.2	-	-
Securities and fixed-term deposits	355.5	53.2	116.3
Other financial assets	47.6	17.3	21.3
Other non-financial assets	23.2	22.3	30.0
Income tax receivables	2.9	1.2	2.6
Cash and cash equivalents	338.8	281.0	225.8
Current assets	1,087.4	668.6	705.8
Total assets	1,739.8	1,184.7	1,252.4
Subscribed capital	120.0	120.0	120.0
Capital reserves	974.6	974.6	974.6
Retained earnings, net Group result	-64.1	-340.7	-269.7
Other equity items	-208.4	-163.3	-187.6
Equity attributable to Siltronic AG shareholders	822.1	590.6	637.3
Equity attributable to non-controlling interests	19.6	-2.3	0.6
Equity	841.7	588.3	637.9
Provisions for pensions	373.6	340.5	367.2
Other provisions	80.1	40.1	48.8
Provisions for income taxes	4.5	0.5	0.7
Deferred tax liabilities	1.7	2.5	2.7
Financial liabilities	-	39.4	-
Customer prepayments	182.3	14.2	42.9
Other financial liabilities	0.1	0.2	0.0
Non-current liabilities	642.3	437.4	462.3
Other provisions	11.3	11.0	4.6
Provisions and liabilities for income tax	29.0	13.9	5.4
Trade liabilities	91.6	79.0	67.1
Customer prepayments	59.1	12.6	26.9
Other financial liabilities	11.3	1.8	1.2
Other non-financial liabilities	53.5	40.7	47.0
Current liabilities	255.8	159.0	152.2
Total liabilities	898.1	596.4	614.5
Total equity and liabilities	1,739.8	1,184.7	1,252.4

Financial information – pursuant to IFRS, unaudited

Siltronic AG – Consolidated Statement of Cash Flows

EUR million	Q3 2018	Q1-Q3 2018	Q1-Q3 2017
Result for the period	114.6	294.6	118.3
Depreciation / amortization of non-current assets, including impairment losses and less reversals thereof	22.2	69.8	87.6
Other non-cash expenses and income	-6.2	4.4	-23.8
Result from the disposal of non-current assets	0.3	1.0	1.3
Interest income	-1.1	-2.0	-0.4
Interest paid	0.0	-0.3	0.0
Interest received	0.1	1.3	1.3
Tax expense	22.1	58.7	19.8
Taxes paid	-10.1	-46.9	-13.9
Changes in inventories	4.1	7.8	-6.5
Changes in trade receivables	6.8	-5.1	-42.7
Changes in contract assets	-1.3	-2.2	-
Changes in other financial and non-financial assets	-48.6	-34.1	-5.1
Changes in customer prepayments	18.7	171.5	2.0
Changes in deferred taxes	0.0	0.0	-0.6
Changes in provisions	35.1	38.6	27.5
Changes in trade liabilities	-1.7	8.2	8.2
Changes in other liabilities	10.4	5.9	18.7
Cash flow from operating activities	165.4	571.2	191.7
Capital expenditures (including intangible assets)	-53.7	-127.1	-60.3
Proceeds from the disposal of property, plant and equipment	0.0	0.1	0.0
Payments for securities and fixed-term deposits	-213.1	-475.7	-133.1
Proceeds from securities and fixed-term deposits	32.5	218.7	153.8
Cash flow from investing activities	-234.3	-384.0	-39.6
Dividend payment	-	-75.0	-
Cash flow from financing activities	-	-75.0	-
Changes due to exchange-rate fluctuations	-0.3	0.8	-7.5
Changes in cash and cash equivalents	-69.2	113.0	144.6
At the beginning of the period	408.0	225.8	136.4
At the end of the period	338.8	338.8	281.0

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 Frankfurter Wertpapierbörse.