



Press release

Siltronic AG

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Siltronic with positive business development in Q3 2020

- Wafer area sold slightly above the high level of Q2
- Euro strength and product mix weigh on sales and earnings in Q3 2020
- Q3 EBITDA of EUR 80.1 million (EBITDA margin 26.8 percent)
- Net cash flow of EUR 28.6 million
- Forecast for 2020 unchanged

Munich, Germany, October 29, 2020 - In Q3 2020, Siltronic AG (MDAX/TecDAX: WAF) slightly exceeded the already high level of wafer area sold in Q2 2020. However, business performance was impacted by exchange rate-related headwind triggered by the strength of the euro and an unfavorable product mix. As a result, sales in Q3 2020 fell by a total of 7.4 percent to EUR 299.2 million compared to Q2 2020.

"We continue to benefit significantly in many business areas from ongoing investments in digitization and the improvement in demand triggered by the economic recovery in many countries," said Dr. Christoph von Plotho, CEO of Siltronic AG.

Business Development in Q3 2020

					Change		Q1-Q3 2020	Q1-Q3 2019	Change
		Q3 2020	Q2 2020	Q3 2019	Q3 to Q2	Q3 to Q3			
Sales	In EUR million	299.2	323.1	299.8	-23.9	-0.6	922.5	966.0	-43.5
	in %				-7.4	-0.2			-4.5
Cost of sales	In EUR million	-221.0	-224.0	-196.1	3.0	-24.9	-655.8	-605.4	-50.4
	in %				-1.3	12.7			8.3
Gross profit	In EUR million	78.2	99.1	103.7	-20.9	-25.5	266.7	360.6	-93.9
	in %				-21.1	-24.6			-26.0
Gross margin	in %	26.1	30.7	34.6			28.9	37.3	
EBITDA	In EUR million	80.1	100.4	91.5	-20.3	-11.4	264.8	318.7	-53.9
	in %				-20.2	-12.5			-16.9
EBITDA margin	in %	26.8	31.1	30.5			28.7	33.0	
Depreciation, amortization and impairment less reversals thereof	In EUR million	-36.5	-33.5	-27.9	-3.0	-8.6	-101.0	-77.1	-23.9
EBIT	In EUR million	43.6	66.9	63.6	-23.3	-20.0	163.8	241.6	-77.8
	in %				-34.8	-31.4			-32.2
EBIT margin	in %	14.6	20.7	21.2			17.8	25.0	
Financial result	In EUR million	-0.5	2.2	1.0	-2.7	-1.5	-4.4	3.4	-7.8
Result before income taxes	In EUR million	43.1	69.1	64.6	-26.0	-21.5	159.4	245.0	-85.6
	in %				-37.6	-33.3			-34.9
Income taxes	In EUR million	-4.0	-8.3	-5.1	4.3	1.1	-13.5	-29.4	15.9
Tax rate	in %	9	12	8			8	12	
Result for the period	In EUR million	39.1	60.8	59.5	-21.7	-20.4	145.9	215.6	-69.7
	in %				-35.7	-34.3			-32.3
Earnings per share	in EUR	1.08	1.80	1.65	-0.72	-0.57	4.19	6.31	-2.12

Although demand for wafer area proved to be very robust in Q3 2020, Siltronic AG's earnings declined due to the strength of the euro and an unfavorable product mix. The Corona pandemic caused shifts in end markets. This had a negative impact on Siltronic AG's product mix in Q3 2020. As a result, sales of EUR 299.2 million were a good 7 percent below Q2 2020. On a sequential basis, the euro gained 6 percent against the US dollar, in which Siltronic generates most of its revenues (average exchange rate 1.17 in Q3 after 1.10 in Q2 2020). This strength of the euro alone led to a sequential decline in sales of around EUR 16 million in Q3.

ASP (average selling price) per wafer area had already declined significantly during 2019 and thus, as expected, had a negative effect on revenues in 2020. In the first nine months of 2020, revenues were EUR 922.5 million, 4.5 percent down quarter-on-quarter.

Cost of sales fell in Q3 2020 due to exchange rate effects. Higher scheduled depreciation partly offset this decline.

In the first nine months 2020, cost of sales amounted to EUR 655.8 million, a year-on-year increase of EUR 50.4 million. This is mainly due to higher wafer area sold and an increase in scheduled depreciation. Disregarding the increase in depreciation, cost of sales per wafer area fell year-on-year.

Gross profit in Q3 2020 was EUR 78.2 million, 21.1 percent down quarter-on-quarter. Gross margin fell from 30.7 percent to 26.1 percent. This was mainly due to the development of the euro against the US dollar and the unfavorable product mix.

In line with the development of the gross profit, EBITDA decreased by EUR 20.3 million in Q3 2020 quarter-on-quarter and amounted to EUR 80.1 million. The EBITDA margin fell by a good 4 percentage points from 31.1 percent to 26.8 percent.

On a nine-month comparison, EBITDA was 16.9 percent down year-on-year. The ASP decline is the main reason for this development.

In line with EBITDA, EBIT in Q3 fell by EUR 23.3 million quarter-on-quarter to EUR 43.6 million, partly due to higher depreciation.

After the first nine months of 2020, EBIT reached EUR 163.8 million (Q1-Q3 2019: EUR 241.6 million).

The effects of Coronavirus were not only reflected in the unfavorable product mix but also in the financial result. Q1 2020 was impacted by declining financial markets, while Q2 saw an income of EUR 2.2 million. In Q3, income from financial investments almost compensated for the accrued interest on long-term provisions. This resulted in a total expense of EUR 0.5 million.

In Q3 2020, Siltronic generated a net income of EUR 39.1 million. Earnings per share were EUR 1.08 compared to EUR 1.80 in Q2 2020.

After nine months, net income for the period was EUR 145.9 million, of which EUR 125.8 million were attributable to Siltronic AG shareholders. Earnings per share were EUR 4.19 compared to EUR 6.31 in the previous year.

Development of equity, capital expenditure, net cash flow and net financial assets

In EUR million	Sept. 30, 2020	Dec. 31, 2019	Change
Equity	832.6	930.2	-97.6
Provisions for pensions	606.3	491.5	114.8
Customer prepayments	135.5	152.5	-17.0
Lease liabilities	49.0	45.5	3.5
Other liabilities	75.4	81.8	-6.4
Non-current liabilities	866.2	771.3	94.9

With equity of EUR 832.6 million at September 30, 2020, Siltronic AG's equity ratio was 43.7 percent compared to 47.8 percent at December 31, 2019. The EUR 97.6 million reduction in equity is primarily due to the net income of EUR 145.9 million for the first nine months of 2020 less the dividend payment of EUR 90 million, the increase in pension obligations of EUR 101.9 million and negative currency effects of EUR 52.7 million.

The impact of interest rates on the valuation of pension provisions was significant. As of September 30, 2020, pension provisions in Germany were discounted at 0.95 percent (December 31, 2019: 1.24 percent). In the USA, the interest rate fell from 2.98 percent to 2.41 percent.

In the first nine months of 2020, Siltronic invested EUR 129.4 million in property, plant and equipment and intangible assets. These investments mainly relate to capability and automation projects as well as ongoing projects to expand capacity. Due to travel restrictions caused by the Corona pandemic, the company was not able to implement all measures as planned, but is confident that it will be able to largely complete them by the end of 2020.

In EUR million	Q3 2020	Q2 2020	Change	Q1-Q3 2020	Q1-Q3 2019	Change
Cash flow from operating activities	60.9	58.6	2.3	205.2	284.6	-79.4
Proceeds/payments for capital expenditure including intangible assets	-42.8	-48.8	6.0	-157.9	-260.7	102.8
Free cash flow	18.1	9.8	8.3	47.3	23.9	23.4
Increase/decrease of prepayments received (customer prepayments)	10.5	16.9	-6.4	49.0	48.5	0.5
Net cash flow	28.6	26.7	1.9	96.3	72.4	23.9

In Q3 2020, net cash flow amounted to EUR 28.6 million (Q2 2020: EUR 26.7 million). In the first nine months of 2020, net cash flow was EUR 96.3 million (Q1-Q3 2019: EUR 72.4 million). During this period, Siltronic refunded customer prepayments of EUR 49.0 million.

In EUR million	Sept. 30, 2020	Dec. 31, 2019	Change
Cash and cash equivalents	295.0	200.7	94.3
Financial investments	224.3	388.2	-163.9
Net financial assets	519.3	588.9	-69.6

Due to the positive free cash flow, net financial assets decreased by only EUR 69.6 million despite the dividend payment of EUR 90.0 million.

Demand for wafer area in H2 2020 slightly better than expected, forecast unchanged

The digitization of society, accelerated by the Corona pandemic, is continuing. After some massive slumps in certain end markets, such as the automotive industry, the first signs of recovery are slowly emerging, which should also have a positive effect on the demand for wafer area.

The strong demand for epitaxial 300 mm wafers is continuing and the demand for polished 300 mm wafers is also developing positively. For 200 mm wafers, Siltronic was able to book short-term orders for Q4 2020. Thus, contrary to earlier assumptions, wafer area sold in H2 will be slightly above the level of H1.

The forecast for 2020 is unchanged, as the strong euro and an unfavorable product mix in the second half of the year will not be able to compensate for the positive trend in wafer area sold.

"Q4 should no longer provide any surprises in terms of wafer area sold and the volume should be slightly above our previous expectations. However, sales and EBITDA will be negatively affected by the strong euro and a less favorable product mix in the second half of the year. Uncertainty remains due to the Corona pandemic, as the number of infections is rising massively in many countries and further lockdowns cannot be ruled out," said von Plotho.

Forecast unchanged

	Forecast March 4, 2020 (Annual Report) - 2 scenarios		Forecast July 21, 2020 (Q2 report)
	Before COVID-19	In case of further spread of COVID-19	
EBITDA margin	Slightly below prior year	Significantly below prior year	Decline by mid single-digit percentage points
Group sales	Slightly below prior year	Significantly below prior year	Mid single-digit percentage range below 2019 with a sequential decline in H2 vs. H1
Depreciation and amortization	Around EUR 140 million	Around EUR 140 million	Around EUR 140 million
EBIT	Due to the higher level of depreciation, significantly below prior year	Due to higher level of depreciation, significantly below prior year	Due to higher depreciation, significantly below prior year
Tax rate	Around 10 percent	Around 10 percent	Below 10 percent
Capital expenditure	Around EUR 200 million, mainly in automation and capabilities	Around EUR 200 million, mainly in automation and capabilities	Around EUR 200 million, mainly in automation and capabilities
Net cash flow	Clearly positive in the range of 2019 but with around EUR 40 million burden from carry-over of unpaid 2019 investments	Significantly below prior year, around EUR 40 million burden from carry-over of unpaid 2019 investments	Slightly below prior year, around EUR 40 million burden from carry-over of unpaid 2019 investments
Earnings per share	Significantly below prior year	Significantly below prior year	Significantly below prior year

Siltronic AG – Key financial figures Q3 2020

Profit and Loss statement

In EUR million		Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q2 2020	Q1 2020	Q3 2019
Sales		922.5	966.0	299.2	323.1	300.1	299.8
EBITDA		264.8	318.7	80.1	100.4	84.2	91.5
EBITDA margin	%	28.7	33.0	26.8	31.1	28.1	30.5
EBIT		163.8	241.6	43.6	66.9	53.3	63.6
EBIT margin	%	17.8	25.0	14.6	20.7	17.8	21.2
Result for the period		145.9	215.6	39.1	60.8	46.0	59.5
Earnings per share	EUR	4.19	6.31	1.08	1.80	1.32	1.65

Capital expenditure and net cash flow

Capital expenditure in property, plant and equipment, and intangible assets		129.4	266.5	35.1	48.3	46.0	88.6
Net cash flow		96.3	72.4	28.6	26.7	40.9	-8.8

Statement of financial position

In EUR million		Sept. 30, 2020	Dec. 31, 2019
Total assets		1,905.4	1,945.0
Equity		832.6	930.2
Equity ratio	%	43.7	47.8
Net financial assets		519.3	588.9

Conference call for analysts and investors

The Executive Board of Siltronic AG will hold a conference call with analysts and investors (in English only) on October 29, 2020 at 10:00 am (CET). 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 Q3 interim statement and the latest investor presentation are also published on the Siltronic website.

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Company profile:

Siltronic is one of the world's largest manufacturers of hyperpure silicon wafers and partner to many leading semiconductor companies. The company operates production sites in Asia, Europe and the USA. Siltronic develops and manufactures silicon wafers in diameters of up to 300 mm. Silicon wafers form the basis for modern microelectronics and nanoelectronics and are a key component in semiconductor chips driving computers, smart phones, navigation systems and many other applications. Siltronic AG employs around 3,600 people and has been a stock-listed company in Germany (Prime Standard) since 2015. The Siltronic AG stock is listed on both the MDAX and TecDAX.

Financial information – pursuant to IFRS, unaudited

Siltronic AG – Consolidated Statement of Profit or Loss

In EUR million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Sales	299.2	299.8	922.5	966.0
Cost of sales	-221.0	-196.1	-655.8	-605.4
Gross profit	78.2	103.7	266.7	360.6
Selling expenses	-8.2	-8.8	-24.3	-26.1
Research and development expenses	-18.1	-17.2	-54.6	-50.7
General administration expenses	-7.3	-6.7	-21.6	-21.0
Other operating income	19.0	8.4	45.4	31.9
Other operating expenses	-20.0	-15.8	-47.8	-53.1
Operating result	43.6	63.6	163.8	241.6
Interest income	1.0	2.0	4.9	6.1
Interest expenses	-0.6	-0.5	-1.9	-1.7
Other financial result	-0.9	-0.5	-7.4	-1.0
Financial result	-0.5	1.0	-4.4	3.4
Result before income tax	43.1	64.6	159.4	245.0
Income taxes	-4.0	-5.1	-13.5	-29.4
Result for the period	39.1	59.5	145.9	215.6
<i>of which</i>				
<i>attributable to Siltronic AG shareholders</i>	32.3	49.6	125.8	189.3
<i>attributable to non-controlling interests</i>	6.8	9.9	20.1	26.3
Result per common share in EUR (basic/diluted)	1.08	1.65	4.19	6.31

Siltronic AG - Consolidated Statement of Financial Position

In EUR million	Sept. 30, 2020	Dec. 31, 2019
Non-current assets	1,079.9	1,080.3
Intangible assets	23.5	22.7
Property, plant and equipment	948.6	951.4
Right-of-use assets	51.8	48.7
Securities and fixed-term deposits	49.0	52.1
Other financial assets	0.5	0.1
Other non-financial assets	1.4	0.7
Deferred tax assets	5.1	4.6
Current assets	825.5	864.7
Total assets	1,905.4	1,945.0
Equity	832.6	930.2
Equity attributable to non-controlling interests	80.8	65.2
Equity attributable to Siltronic AG shareholders	751.8	865.0
Other equity items	-487.6	-338.6
Retained earnings and net Group result	144.8	109.0
Capital reserves	974.6	974.6
Subscribed capital	120.0	120.0
Non-current liabilities	866.2	771.3
Other financial liabilities	0.1	-
Lease liabilities	49.0	45.5
Customer prepayments	135.5	152.5
Deferred tax liabilities	2.8	3.4
Provisions for income taxes	11.5	10.2
Other provisions	61.0	68.2
Provisions for pensions	606.3	491.5
Current liabilities	206.6	243.5
Other non-financial liabilities	41.4	44.8
Other financial liabilities	9.1	3.8
Lease liabilities	3.9	3.8
Customer prepayments	16.9	28.6
Trade liabilities	92.5	126.8
Provisions and liabilities for income tax	26.2	19.5
Other provisions	16.6	16.2
Total liabilities	1,072.8	1,014.8
Total equity and liabilities	1,905.4	1,945.0

Siltronic AG - Consolidated Statement of Cash Flows

In EUR million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Result for the period	39.1	59.5	145.9	215.6
Depreciation / amortization of non-current assets, including impairment losses and reversals thereof	36.5	27.9	101.0	77.1
Other non-cash expenses and income	-4.5	2.1	-7.3	-3.8
Result from disposal of non-current assets	0.2	0.2	1.3	1.1
Interest income	-0.4	-1.5	-3.0	-4.4
Interest paid	-0.4	-0.4	-1.4	-1.2
Interest received	0.8	1.4	5.6	4.5
Tax expense	4.0	5.1	13.5	29.4
Taxes paid	-4.2	8.2	-6.0	-31.1
Changes in inventories	4.2	-3.8	-6.3	-13.3
Changes in trade receivables	-6.5	-10.8	-1.7	26.4
Changes in contract assets	-1.3	2.7	-0.9	0.8
Changes in other assets	4.3	7.5	-6.5	42.9
Changes in provisions	1.5	-16.3	13.8	-6.1
Changes in trade liabilities	-10.6	-0.4	3.9	3.5
Changes in other liabilities	8.7	8.5	2.3	-8.3
Changes in customer prepayments	-10.5	-15.5	-49.0	-48.5
Cash flow from operating activities	60.9	74.4	205.2	284.6
Payments for capital expenditure (including intangible assets)	-42.8	-98.7	-157.9	-260.7
Proceeds from the disposal of property, plant and equipment	-	-	-	-
Payments for securities and fixed-term deposits	-15.0	-88.1	-122.3	-322.8
Proceeds from securities and fixed-term deposits	47.7	58.5	271.6	399.5
Cash flow from financing activities	-10.1	-128.3	-8.6	-184.0
Dividends	-	-	-90.0	-150.0
Repayment portion of lease liability	-1.6	-0.9	-3.9	-2.5
Cash flow from financing activities	-1.6	-0.9	-93.9	-152.5
Changes due to exchange-rate fluctuations	-2.2	4.0	-8.4	5.5
Changes in cash and cash equivalents	47.0	-50.8	94.3	-46.4
at the beginning of the period	248.0	261.9	200.7	257.5
at the end of the period	295.0	211.1	295.0	211.1

Additional financial information

In EUR million	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Cash flow from operating activities	60.9	74.4	205.2	284.6
Cash-effective changes in customer prepayments	10.5	15.5	49.0	48.5
Cash flow from investing activities	-42.8	-98.7	-157.9	-260.7
Net cash flow	28.6	-8.8	96.3	72.4

Disclaimer

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

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

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

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