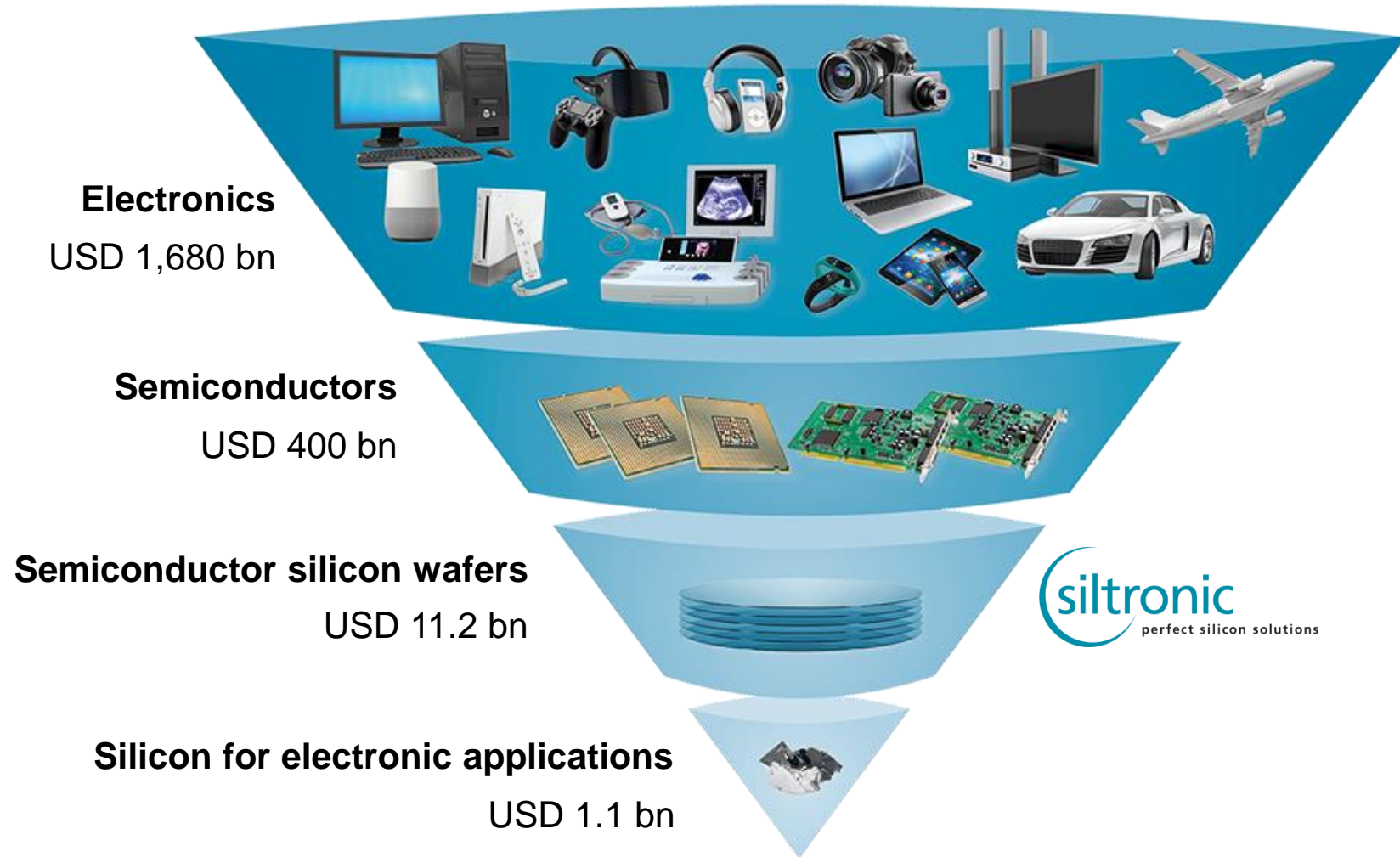


# Siltronic AG Investor Presentation - FY 2019

March 9, 2020

# Increasing demand for electronic devices and new applications drive semiconductor growth, which in turn fuels silicon demand

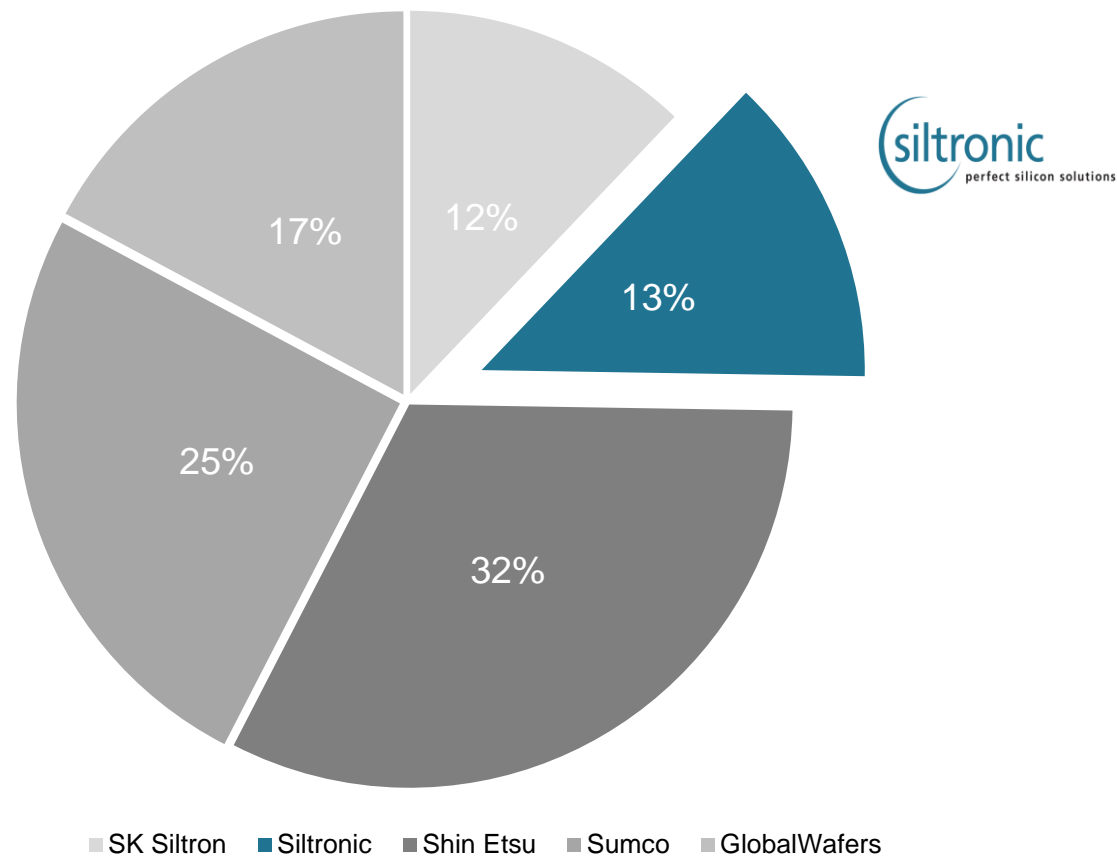
## Electronics value chain 2019



Source: Electronics (IC Insights), Semiconductors (WSTS, only silicon-based), Silicon wafers (SEMI SMG), Electronic applications (estimate)

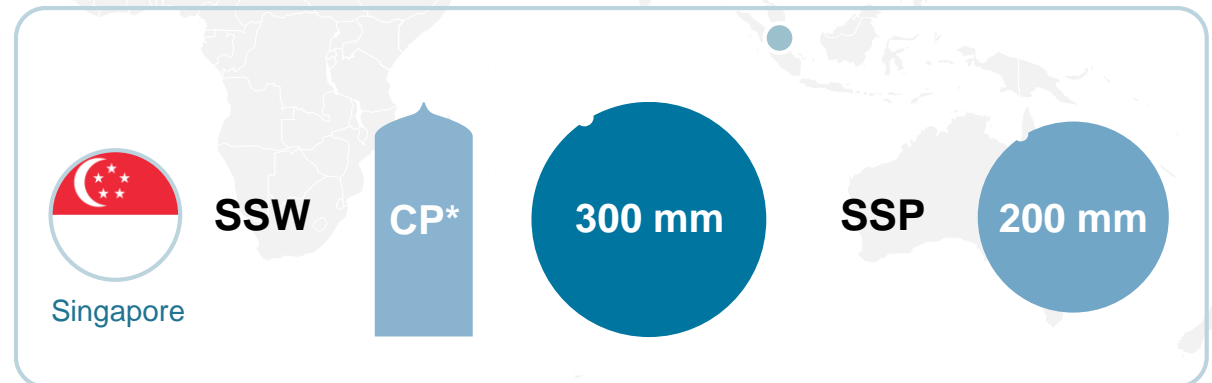
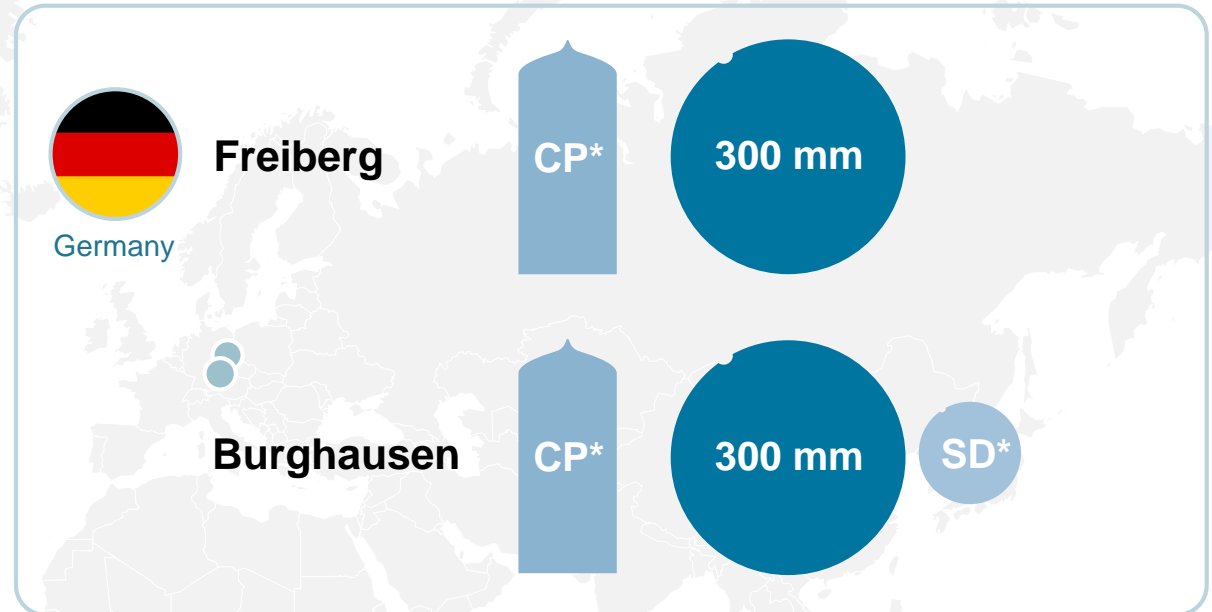
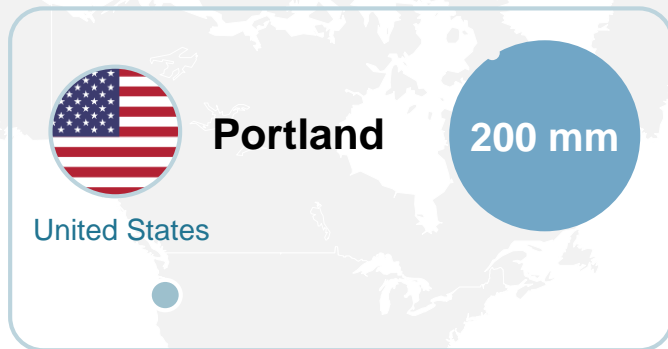
# Siltronic has a relevant global market share...

Top 5 wafer producers serve more than 90% of market across all diameters



Sources: reported company revenues Q1-Q3 2019, converted to USD million  
does not match 100% due to rounding

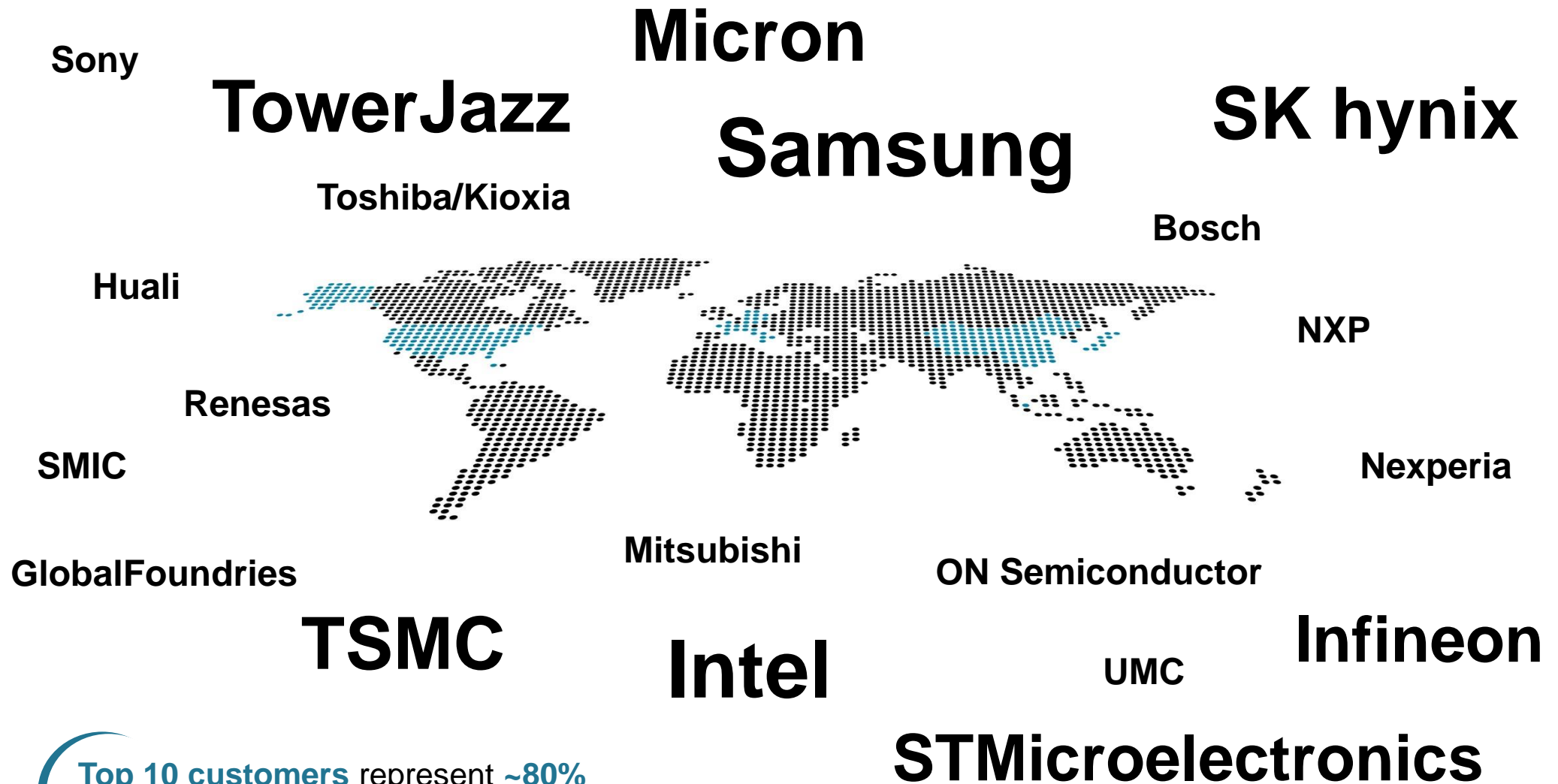
# ... and an international manufacturing network



- ▶ **Central R&D hub** in Burghausen
- ▶ **High volume facilities** for 300 mm in Germany and Singapore
- ▶ Among world's **newest & largest fabs** in Singapore

\*CP = Crystal Pulling | \*SD = 150 mm and smaller

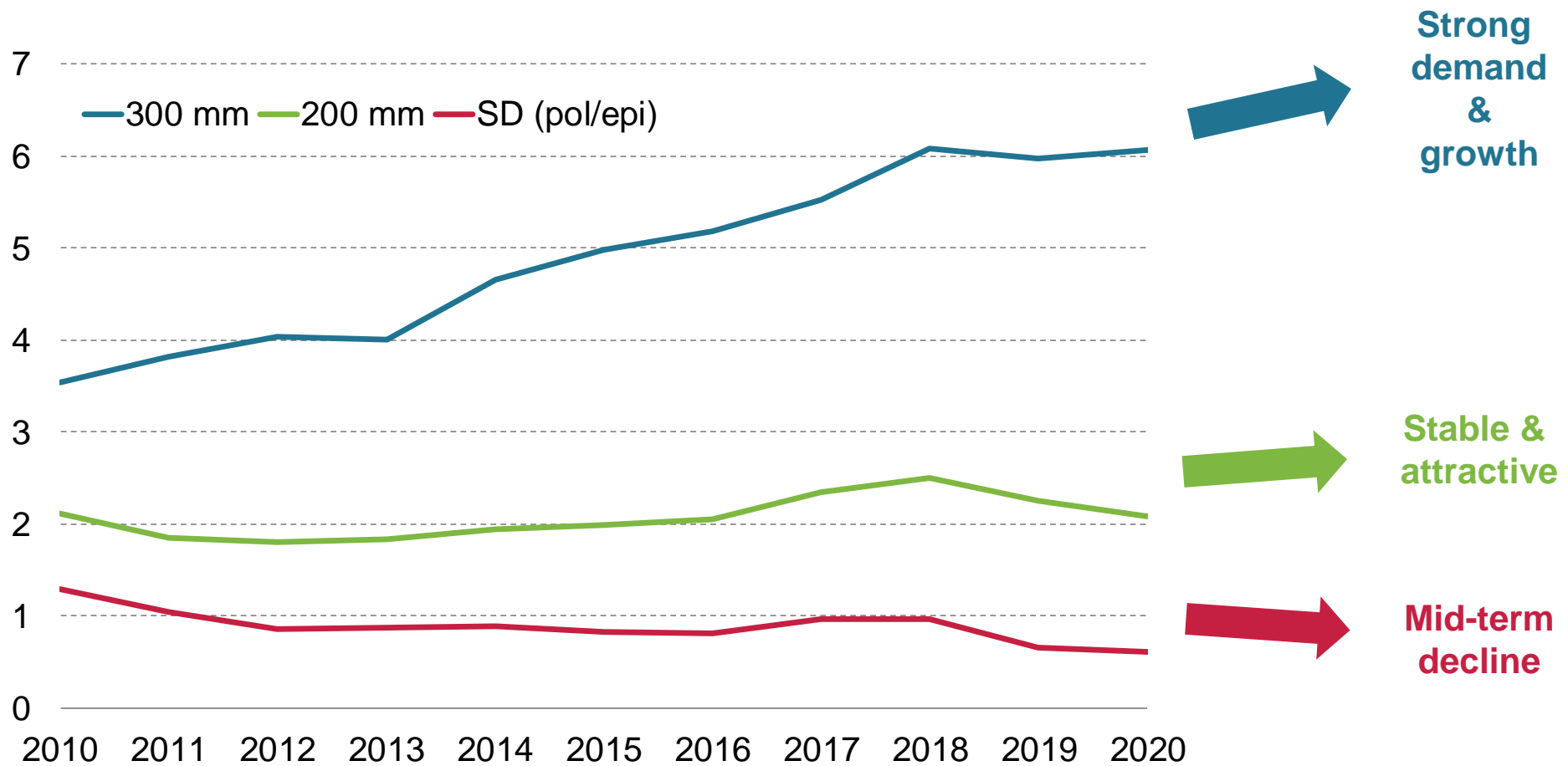
# Customer base well diversified across all major semiconductor silicon wafer consumers



**Top 10 customers** represent ~80% of 2019 revenues

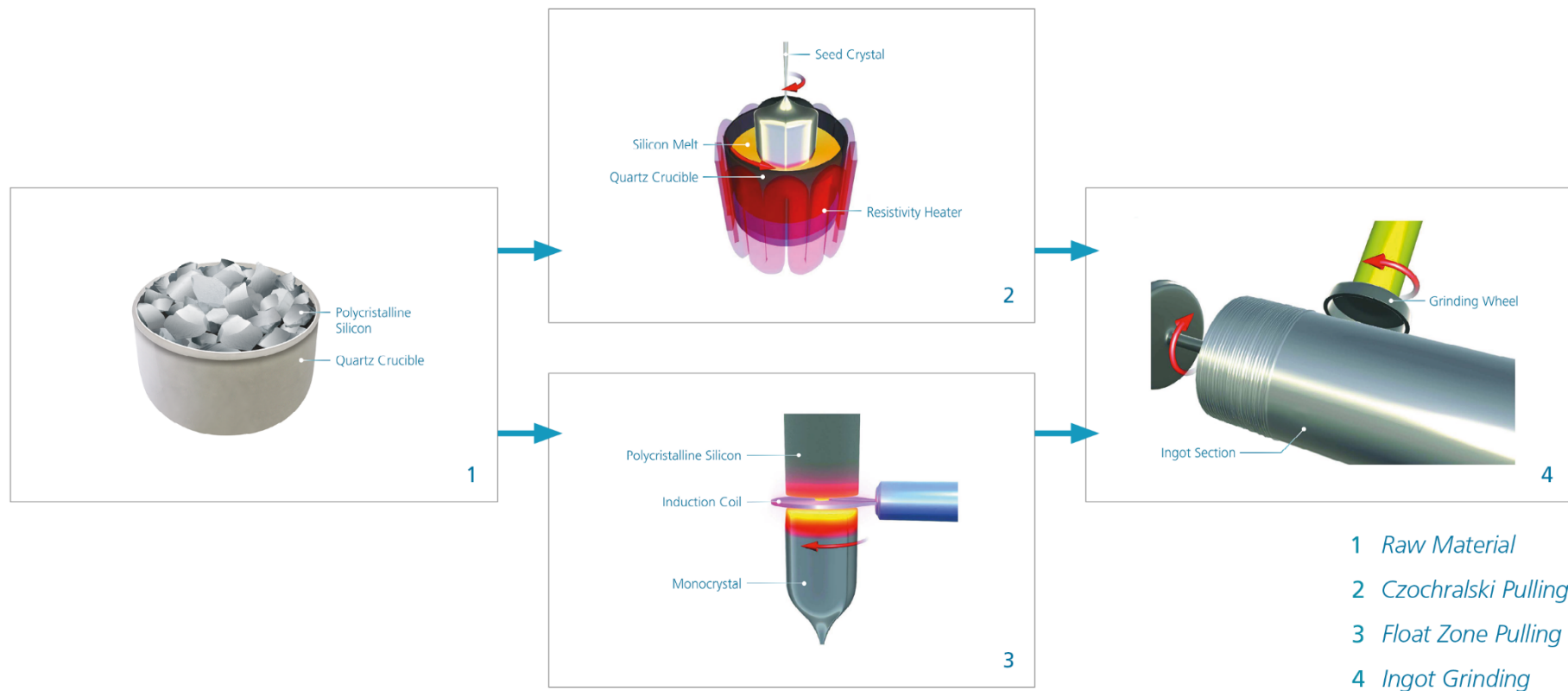
# Siltronic is focused on growing 300 mm and attractive 200 mm business.

Development of total wafer demand per diameter, in mn 300 mm equivalents per month

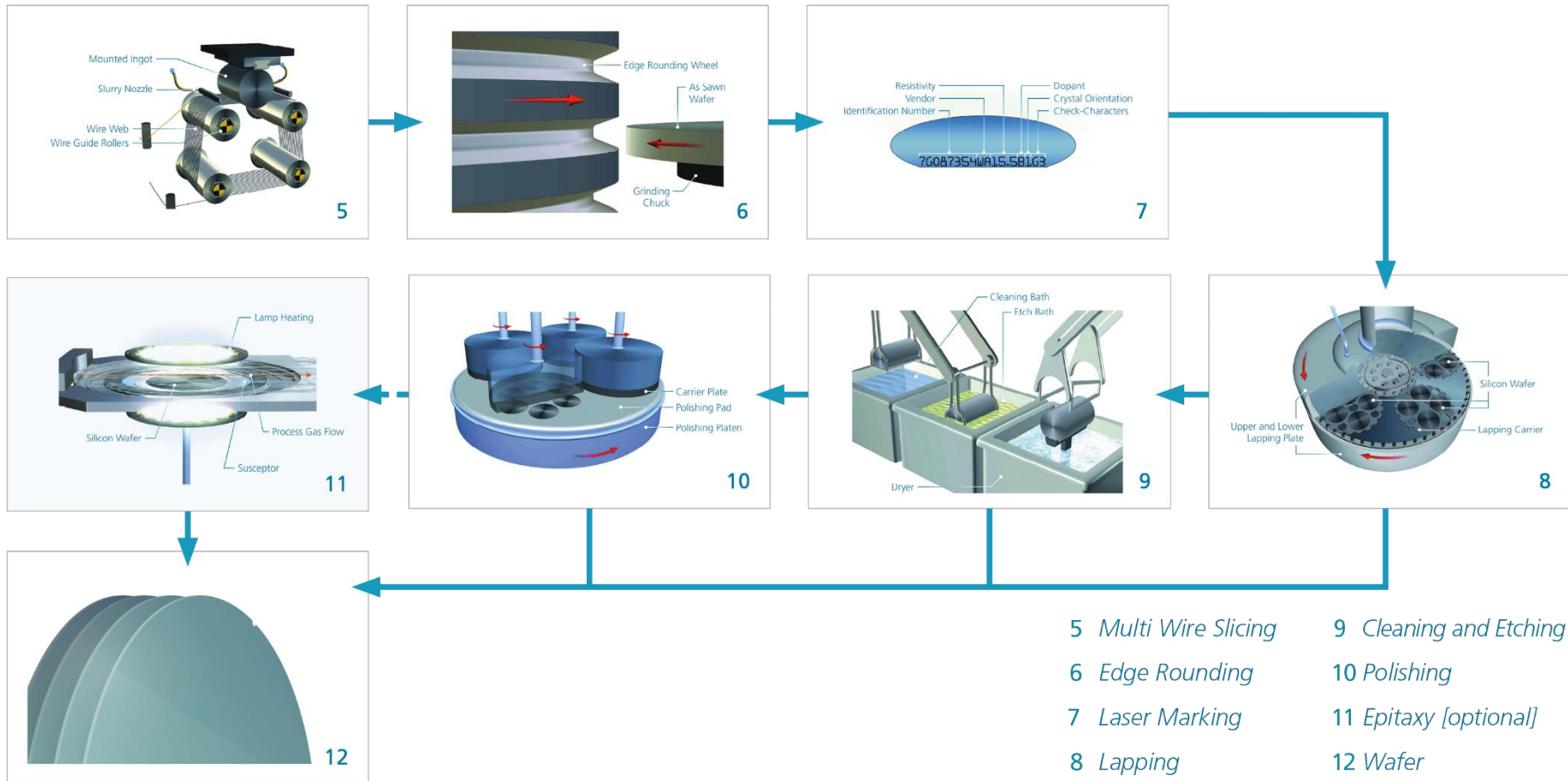


Source: SEMI up to Jan 2020

# Production process - ingot growing



# Production process - wafering

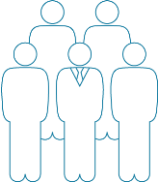


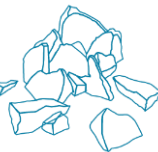
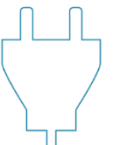


- 5 Multi Wire Slicing
- 6 Edge Rounding
- 7 Laser Marking
- 8 Lapping
- 9 Cleaning and Etching
- 10 Polishing
- 11 Epitaxy [optional]
- 12 Wafer

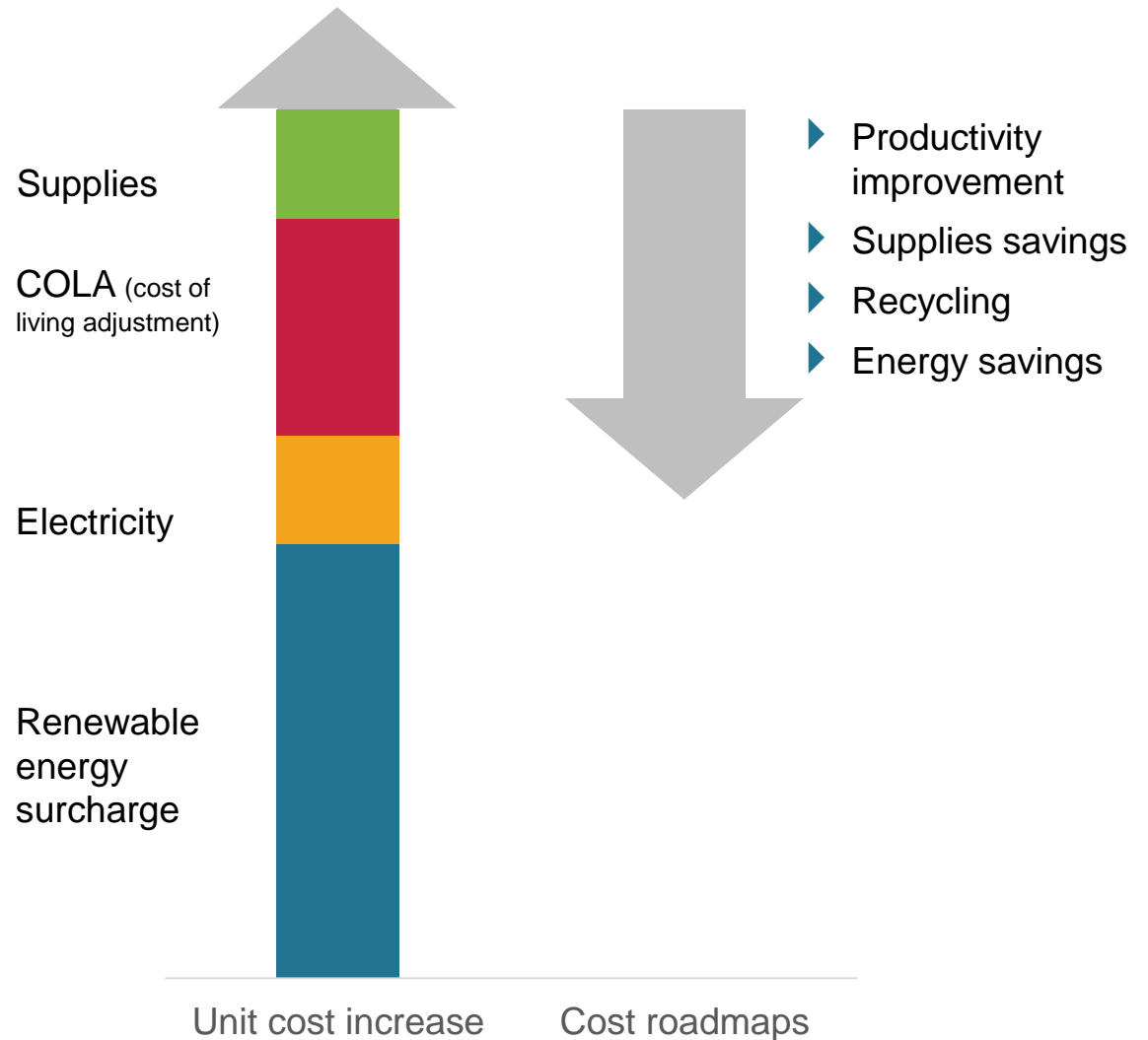


# Cost-competitiveness a pre-requisite

## Major cost items

- ▶ Labour 
- ▶ Supplies 
- ▶ Depreciation 
- ▶ Polysilicon 
- ▶ Energy 

## Cost development 2019



# Ongoing focus on pricing and productivity

## Actions to cope with lower loading

- ▶ Maintain pricing
- ▶ No pre-production
- ▶ Shut down unused equipment
- ▶ Keep loading high @low-cost sites
- ▶ High focus on productivity
- ▶ Operator waiting for equipment => equipment waiting for operator
- ▶ Reduce temporary workers in Germany
- ▶ Reduce overtime / time accounts
- ▶ Unpaid vacation in US
- ▶ Acceleration of cost savings (more time for testing)

# Several levers to improve profitability



**Improve EBITDA margin and  
high cash flow generation**

## Financial focus

---

### Value creation

Shift value creation  
to Singapore

### Product mix

300 mm leading-edge  
technology and shift to  
higher value-adding  
products in 200 mm

### Cost reduction

Cost competitiveness,  
automation, digitization

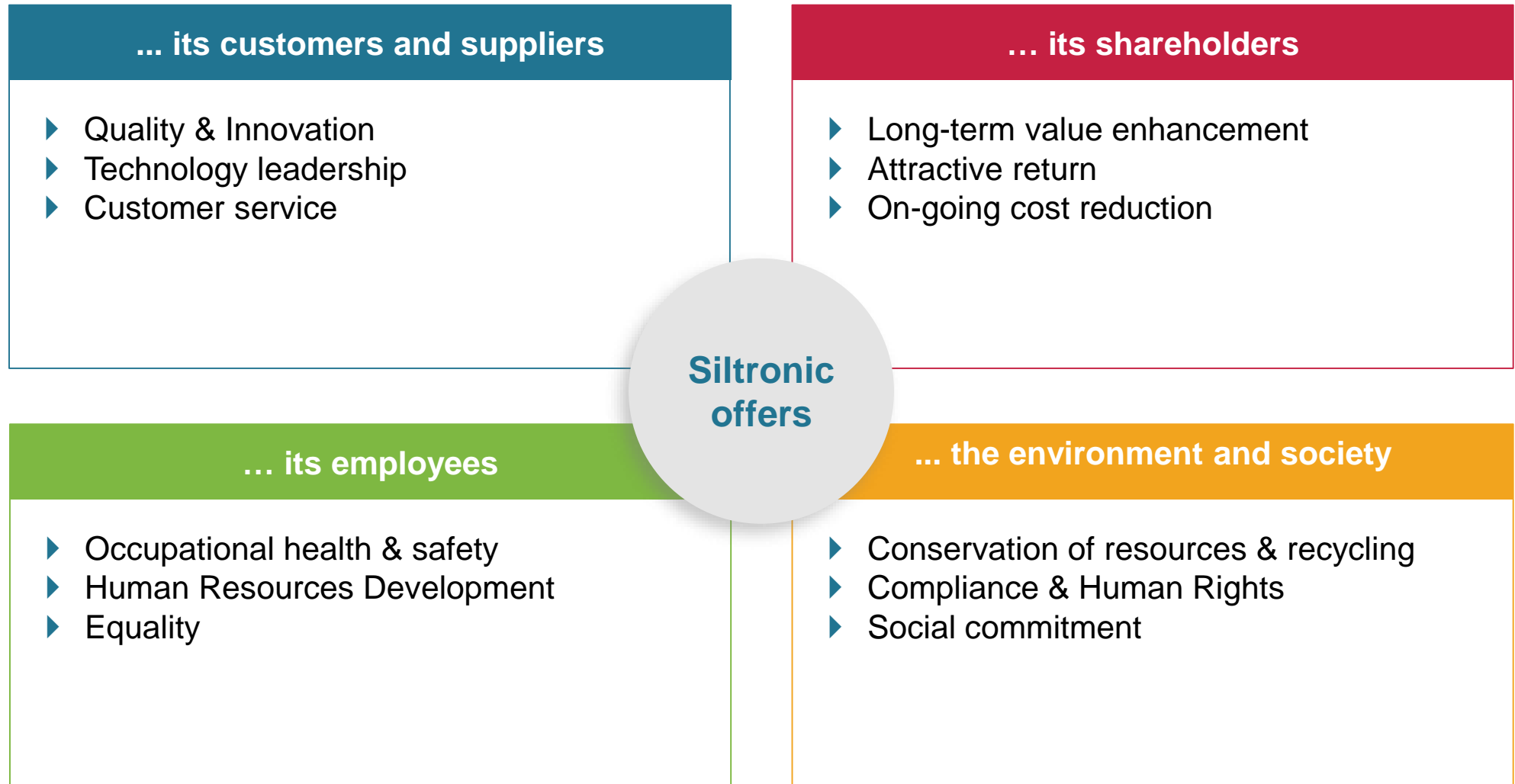
# Overview Financials

Adjusted financial figures (EUR million)	2015	2016	2017	2018	2019
<b>Sales</b>	931.3	933.4	1,177.3	1,456.7	1,270.4
<b>EBIT</b>	2.7	27.0	235.7	497.7	298.3
<b>EBIT margin in %</b>	0.3	2.9	20.0	34.2	23.5
<b>EBITDA</b>	124.0	146.0	353.1	589.3	408.7
<b>EBITDA margin in %</b>	13.3	15.6	30.0	40.5	32.2
<b>Earnings per share</b>	(0.50)	0.40	6.18	12.44	7.52
<b>Capex</b>	75.0	88.8	123.2	256.9	363.0
<b>Free cash flow <sup>1</sup></b>	37.4	19.0	169.6	416.4	36.4
<b>Net cash flow <sup>1</sup></b>	-	39.6	124.8	240.4	81.3
<b>Dividend</b>	-	-	75.0	150.0	90 <sup>2</sup>

<sup>1</sup> In 2018, Siltronic started reporting the key figure „net cash flow“ instead of „free cash flow“. Net cash flow represents free cash flow without the time shifts created by inflow and return of customer prepayments which, due to the size, impairs the meaningfulness of free cash flow.

<sup>2</sup> Dividend proposal of EUR 3.00 per share to AGM on April 23, 2020

# Creating value for all stakeholders



# Clear commitment to sustainability

## Sustainability at Siltronic AG

- ▶ **Claim:** We understand sustainability not only as responsible action, but also want to generate competitive advantages through our sustainable actions.
- ▶ **Strategy:** We plan resource-saving right from the start, based on product and production safety as well as health and environmental protection.
- ▶ **Voluntary commitments:** We follow the principles of the Responsible Business Alliance (RBA) and Responsible Care initiatives and the United Nations Global Compact.
- ▶ **Goal:** We want to reconcile the effects of our business activities with the expectations and needs of society.

**CDP:** Siltronic has been evaluated by CDP since 2018; current evaluation results CDP Climate Change "B | Management" and Water Security "B- | Management"

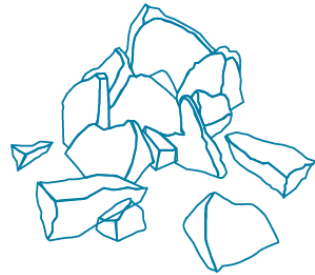
**ISS-oekom:** Siltronic has been evaluated by ISS-oekom since 2017. With the "Prime" rating, Siltronic is one of the leading companies in the semiconductor industry in the area of sustainability.



# Environment - Efficiency as a success factor

## Selection of non-financial performance indicators in 2019

### Raw Material



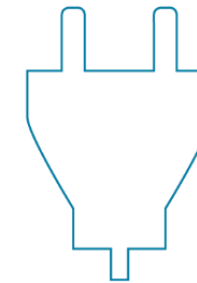
Silicon yield improved by

**4%**

vs. 2018



### Energy



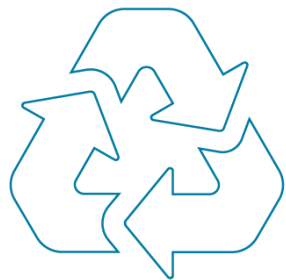
Energy consumption per wafer area decreased by

**4.5%**

vs. 2018



### Recycling

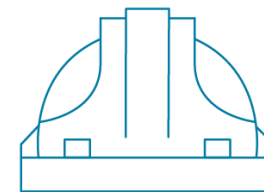


The share of returnable packaging per wafer area was

**69%**



### Occupational Safety



The number of accidents at work per 1 million hours worked was

**2.5**



# CSR targets until 2030

## Consistently sustainable action secures long-term competitive advantages for Siltronic



Reduce specific greenhouse gas emissions by 20%<sup>1</sup>

Reduce specific energy consumption by 20%<sup>1</sup>

Reduce specific water consumption by 20%<sup>1</sup>

Increase water recycling by 25%<sup>1</sup>

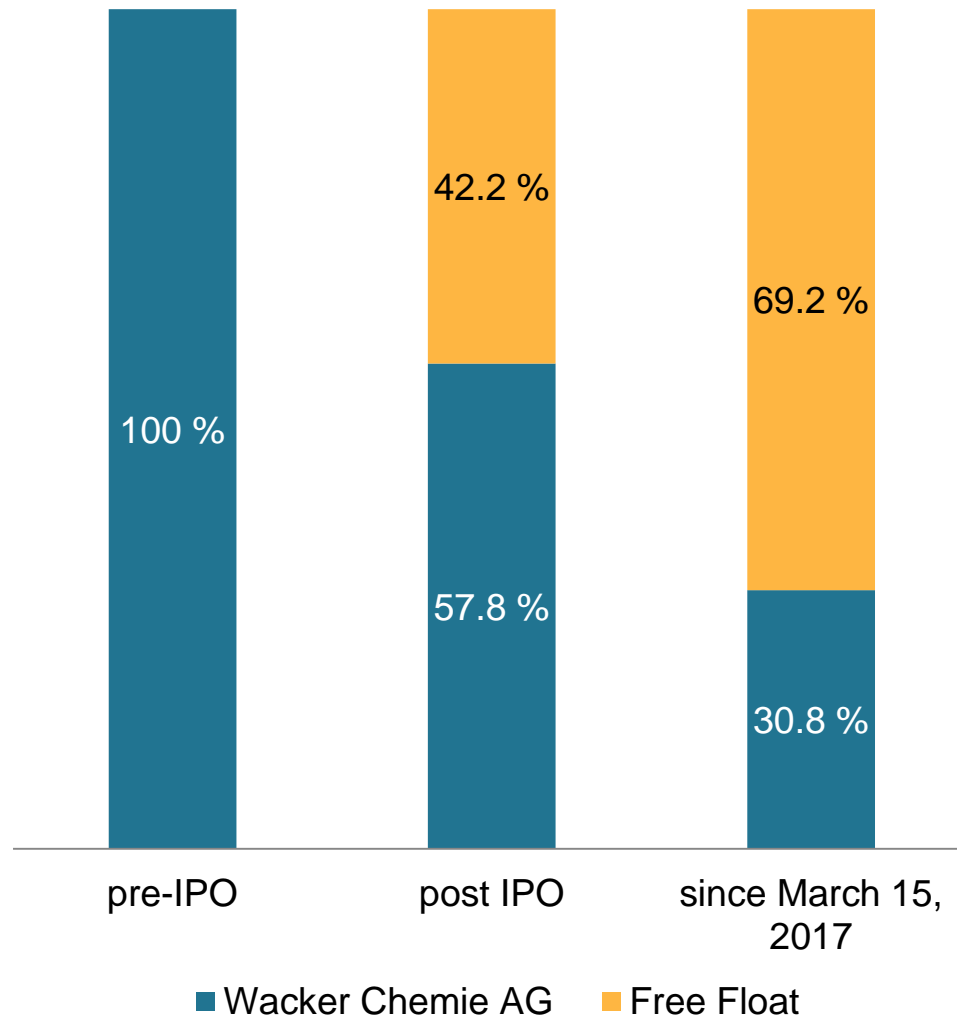
Increase waste recycling by 25%<sup>1</sup>



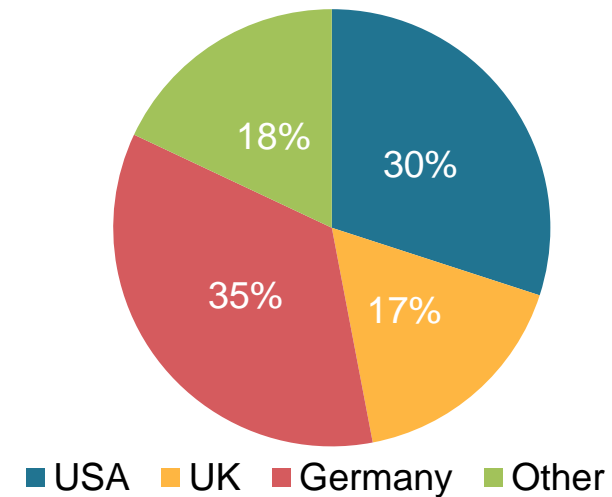
<sup>1</sup> base value 2015



# Investor structure well diversified with a strong anchor shareholder



Identified free float by region  
(as of November 2019)



Significant notifications of voting rights  
(as of February 11, 2020)

State of Norway	4.93%
Goldman Sachs	4.87%
BlackRock, Inc.	3.85%
AGI	3,21%

# Siltronic strategy - capitalize on market opportunities while focusing on 300 mm & technological leadership

**Optimize returns,  
stay ahead in technology and  
grow with the market**

## Strategic Focus

**Grow**  
with the market

**Ensure**  
technology &  
quality leadership

**Improve**  
financial performance  
& cash flow

**Execute**  
cost reduction  
roadmaps &  
debottlenecking  
concepts

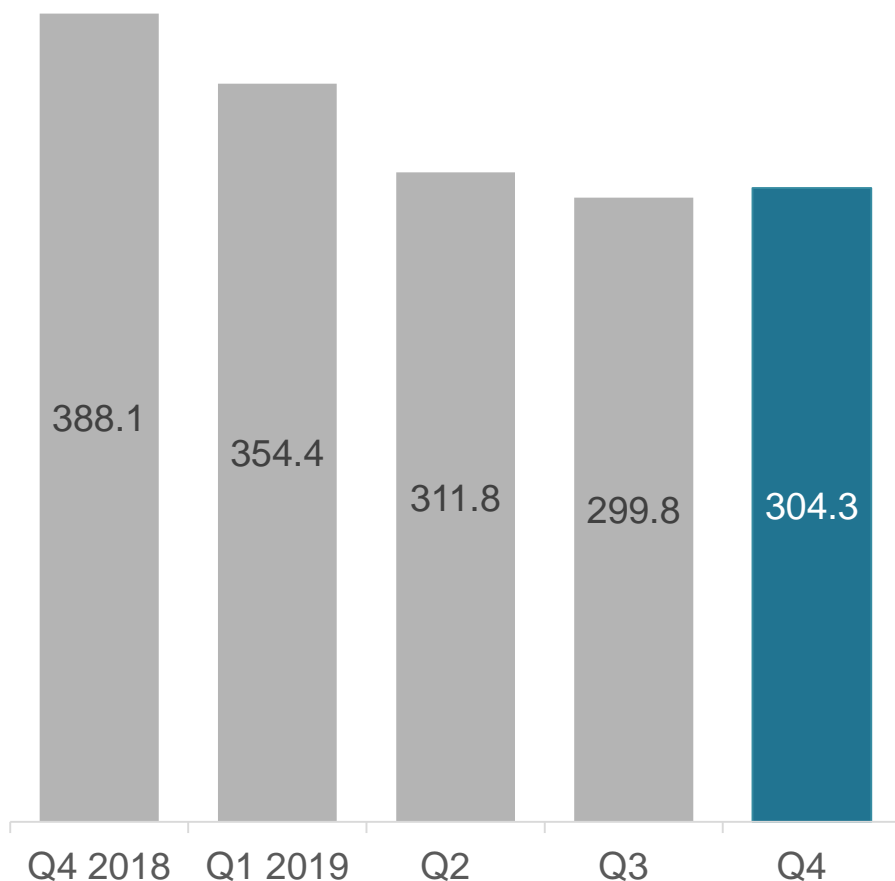
We continuously increase the value for our stakeholders by providing best-in-class wafers at competitive costs.



**FINANCIALS**  
**FY 2019**

# Sales development negatively impacted by lower wafer area sold

Sales, in EUR m



Ø FX rates	Q4/18	Q1/19	Q2	Q3	Q4
EUR / USD	1.14	1.14	1.12	1.11	1.11
EUR / JPY	129	125	124	119	120

## Comments

### ▶ Positive

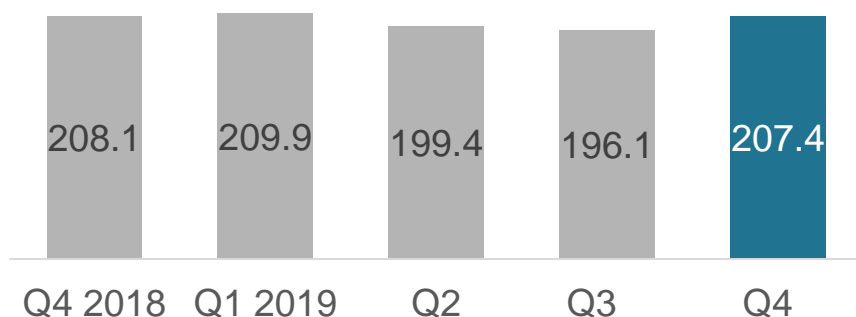
- ▶ ASP in EUR slightly up y-o-y
- ▶ Tailwind from USD y-o-y but only slightly sequential changes q-o-q
- ▶ Sales in Q4 slightly better than expected due to wafer supply to customers which could not be served during tightness

### ▶ Negative

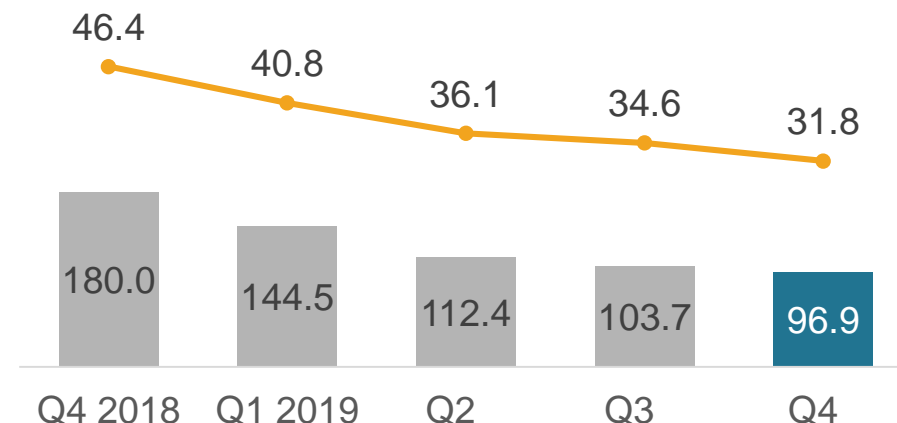
- ▶ Sales down y-o-y as expected due to lower wafer area sold

# Higher energy costs and depreciation burden cost of sales

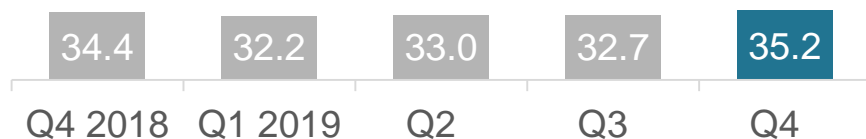
Cost of sales, in EUR m



Gross profit, in EUR m / Gross margin, in %



Selling, R&D and admin expenses, in EUR m

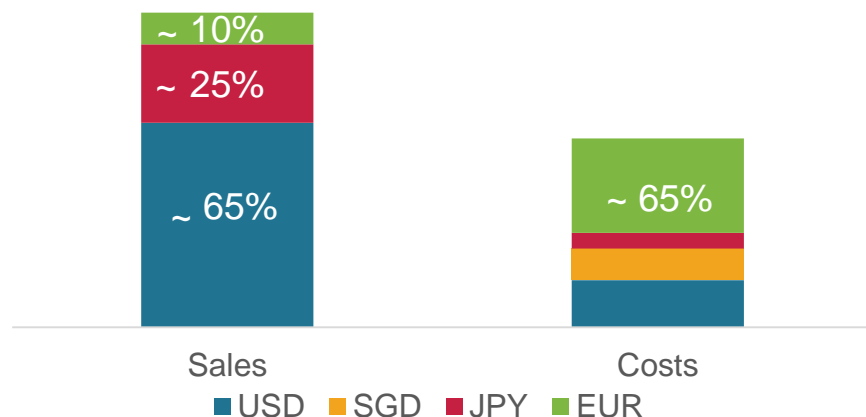


## Comment

- ▶ COGS y-o-y slightly declined due to lower wafer area produced
- ▶ Costs per wafer area increased due to lower production volume, higher energy costs, higher depreciation
- ▶ R&D expenses of EUR 68m (= ~5% of sales) in 2019 on a stable level

# High US-Dollar and Japanese Yen exposure

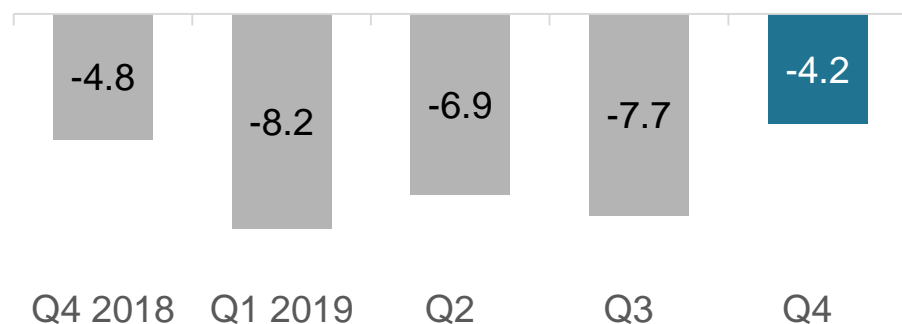
## FX exposure, in %



## FX sensitivity

	Sales	EBITDA unhedged
1 USD-cent change	~ EUR 6 million	~ EUR 4.5 million
1 JPY change	~ EUR 2.5 million	~ EUR 2 million

## Other currency effects (mostly hedging), in EUR m

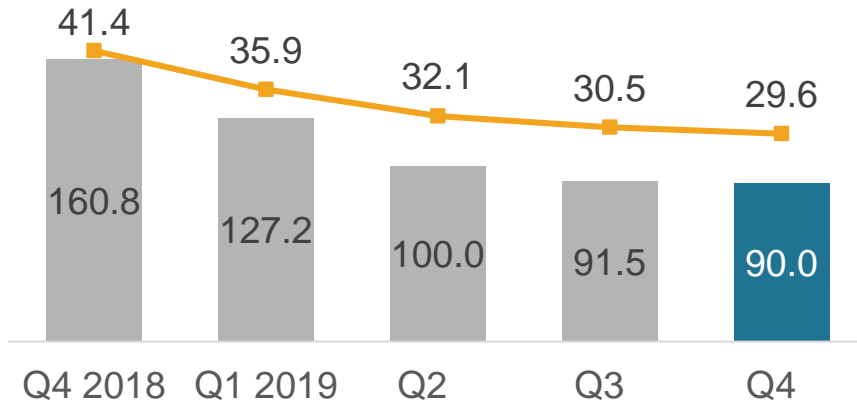


## Comment

- ▶ FX development was positive on sales and gross margin in Q1 to Q3
- ▶ Currency hedges had opposite effect on other operating income and expenses
- ▶ Other currency effects of EUR -27m in 2019

# Profitability affected by lower loading, higher energy costs and increased depreciation

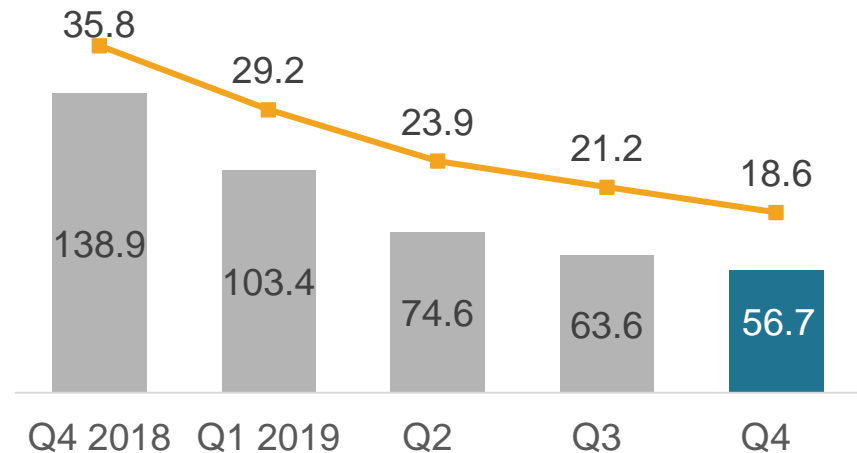
EBITDA, in EUR m / EBITDA margin, in %



Depreciation, in EUR m



EBIT, in EUR m / EBIT margin, in %



## Comments

### ► Positive

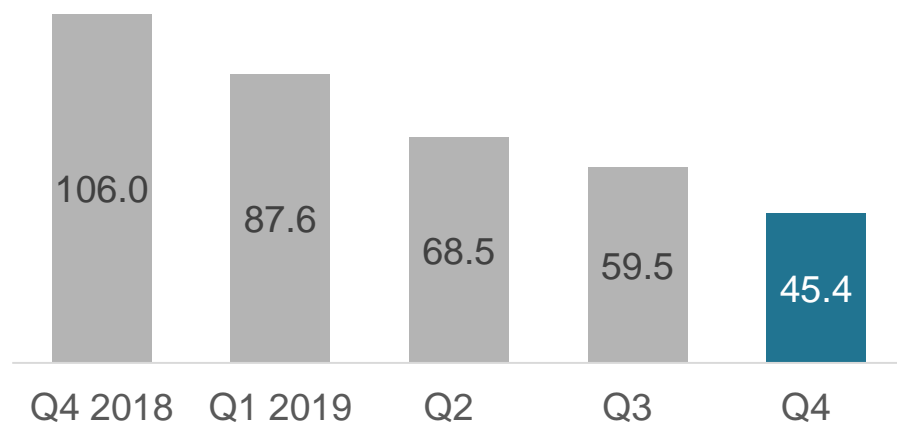
- ASP in EUR slightly up y-o-y
- Tailwind from USD y-o-y but only slightly sequential changes q-o-q

### ► Negative

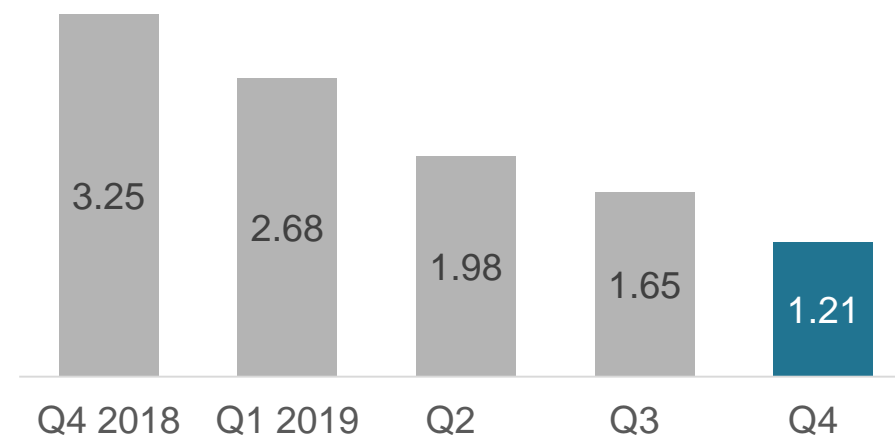
- EBITDA down y-o-y by lower loading and higher energy costs

# Net profit of EUR 261 million

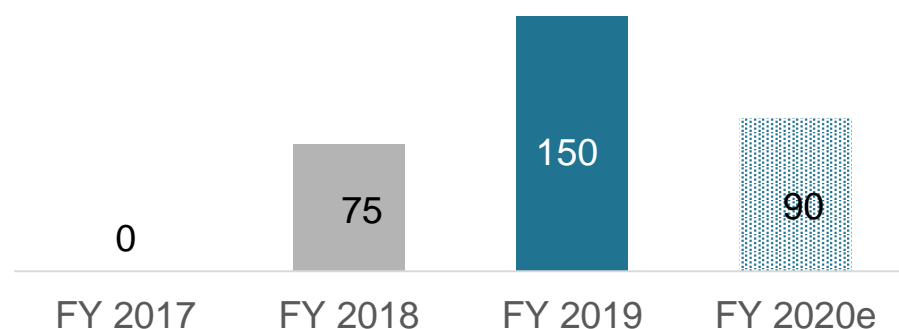
## Net profit, in EUR m



## EPS, in EUR



## Dividend payment, in EUR m



## Comments

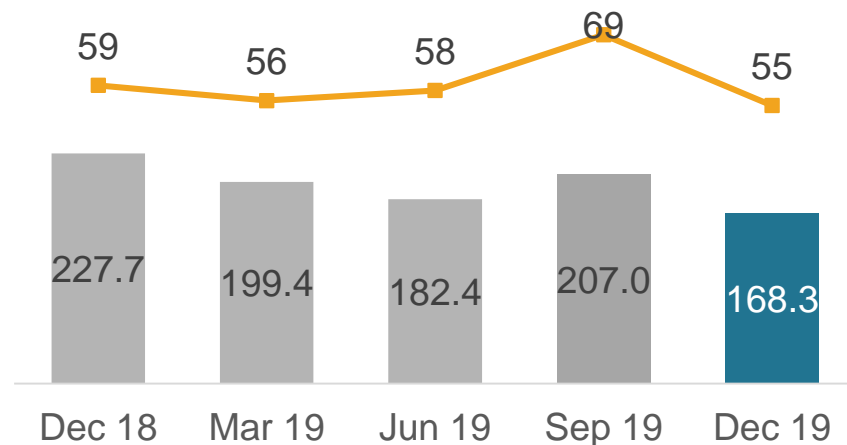
- ▶ Net profit of EUR 261 million; thereof EUR 225.6 million attributable to Siltronic shareholders
- ▶ Tax rate of 14% influenced by release of deferred tax assets in Germany; effective tax rate would have been around 10% due to higher profit share in Group companies with low effective tax rates
- ▶ Dividend proposal of EUR 3.00 per share = EUR 90 million dividend payout in 2020



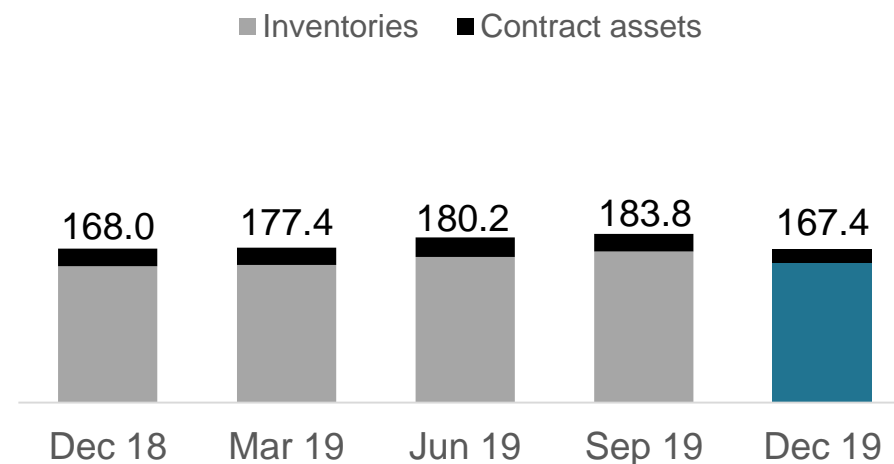
# Working capital down

## High trade liabilities related to capex

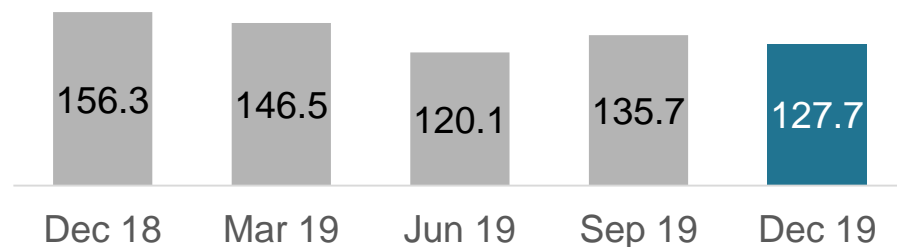
Working capital, in EUR m,  
Working capital ratio to quarterly sales, in %



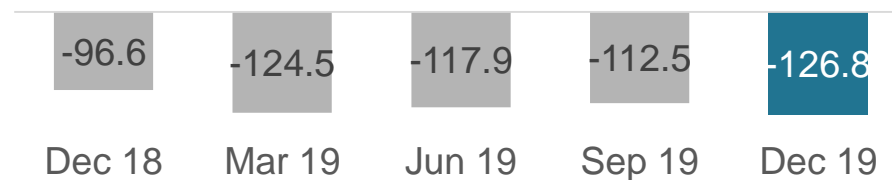
Inventories and contract assets, in EUR m



Trade receivables, in EUR m

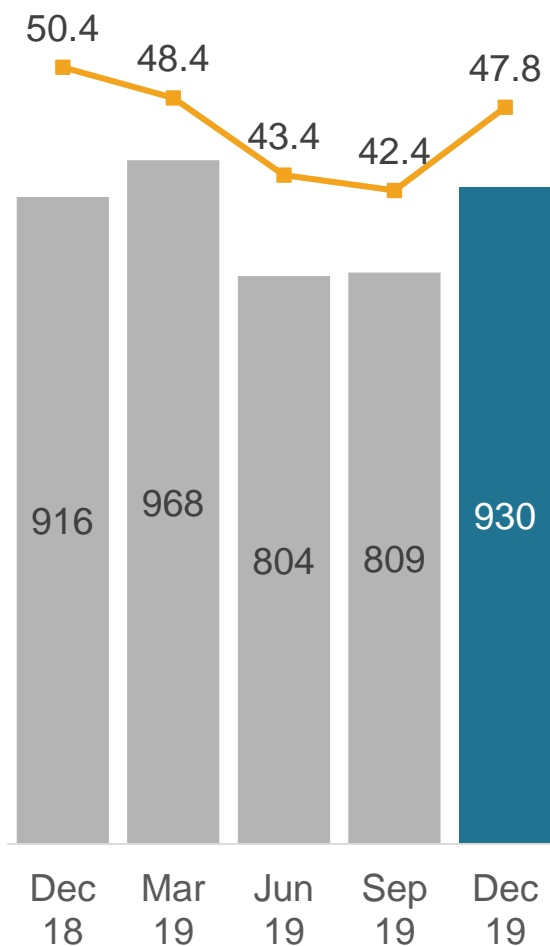


Trade liabilities, in EUR m



# Strong equity ratio and solid net financial assets

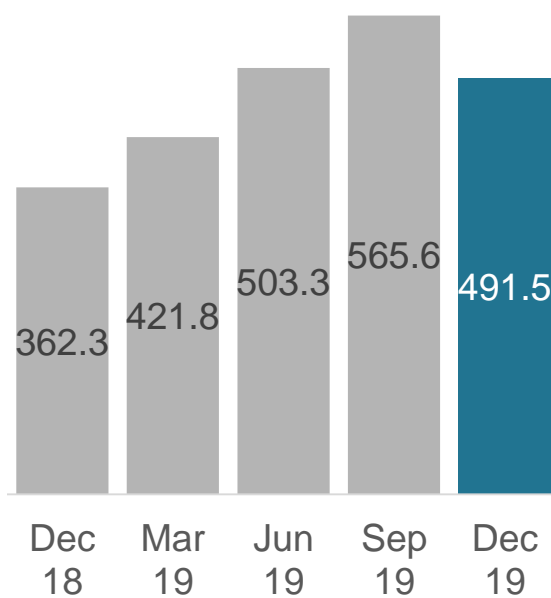
Equity, in EUR m  
Equity ratio, in %



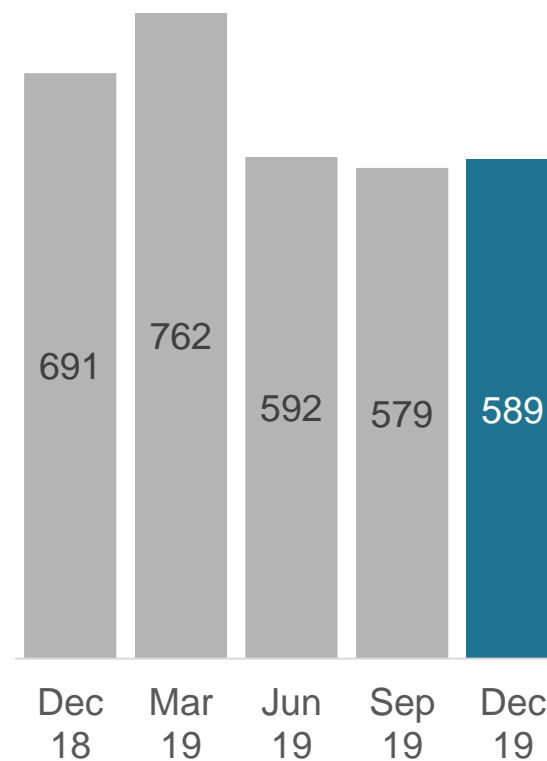
Provisions for pensions,  
in EUR m

Interest rates IFRS

USA	4.08%	3.69%	3.37%	2.99%	2.98%
Germany	1.98%	1.66%	1.29%	0.97%	1.24%

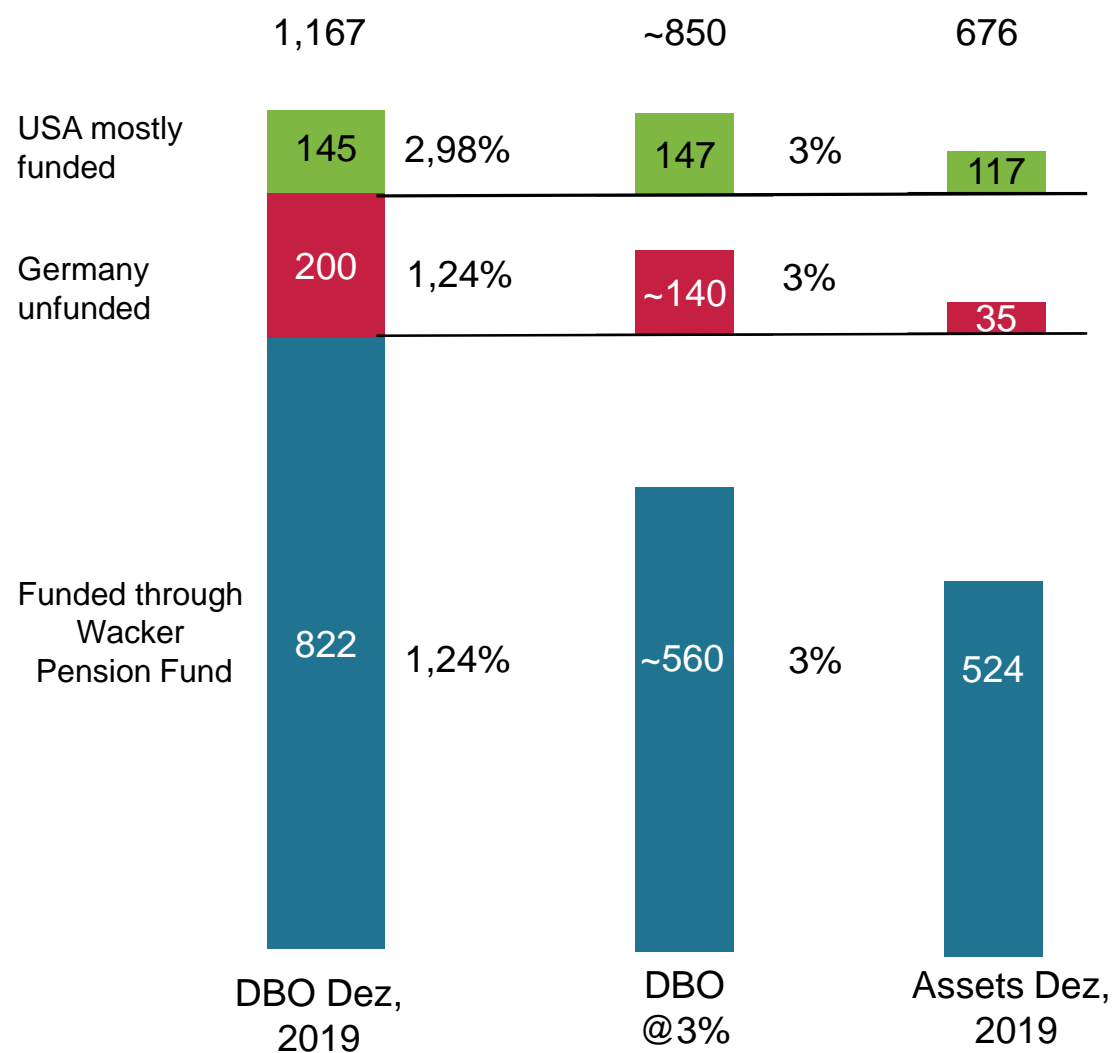


Net financial assets,  
in EUR m



# Pension reserves impacted by low IFRS interest rates

## DBO and pension reserves, in EUR m

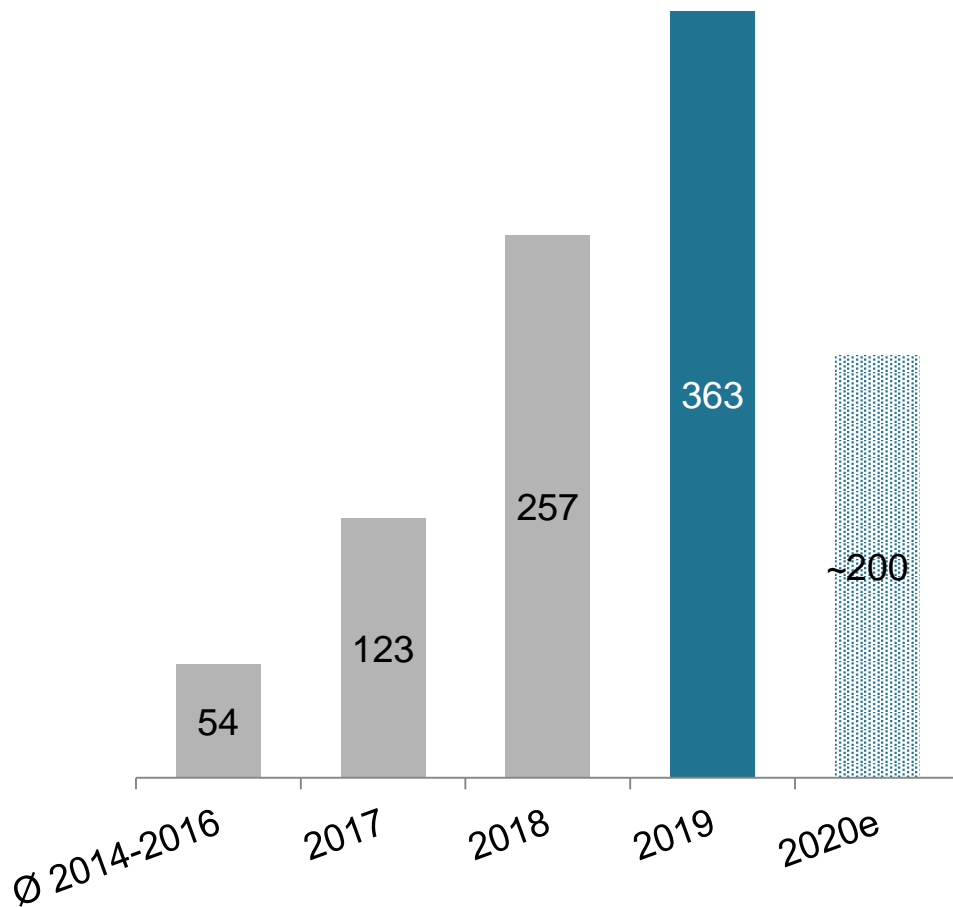


## Comment

- ▶ DBO of EUR 1,167 million – assets of EUR 676 million = EUR 492 million
- ▶ Pension reserves @3% = DBO of EUR ~850 million – assets EURO 676 million = EUR 174 million
- ▶ IFRS interest uses bond yields only, assets include bonds, equity, real estate + derivatives
- ▶ Wacker pension fund
  - ▶ fully funded under German pension fund regulations using 3.54% interest rate
  - ▶ asset liability study: probability of return in next 20 years:
    - ≥3.75% 56%
    - ≥3.0% 80%
    - ≥2.5% 91%

# Capex 2020 significantly down vs. 2019

## Investment, in EUR m

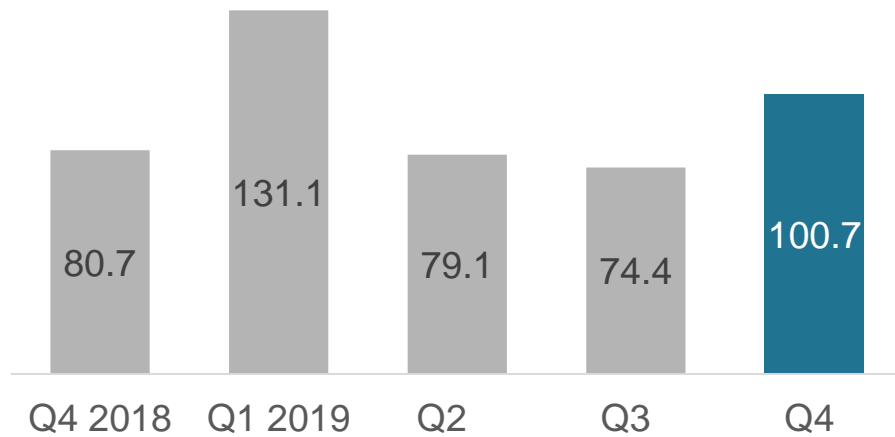


## Comment

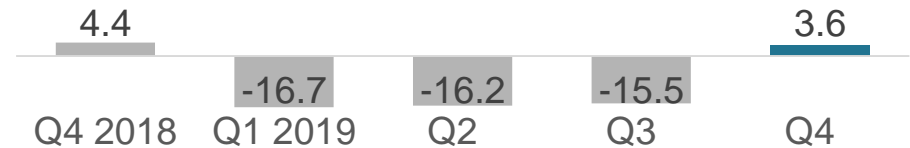
- ▶ Capex 2019
  - ▶ EUR 363m with a strong focus on capabilities and automation and also on 300 mm expansion based on LTAs
- ▶ Capex 2020
  - ▶ Significantly down to around EUR 200m
  - ▶ Capacity expansion projects to be completed in Q1
  - ▶ Crystal pulling hall in Singapore to be finished in Q2
  - ▶ Epi expansion in H2 to accommodate demand and market growth

# Strong net cash flow despite high payments for capex

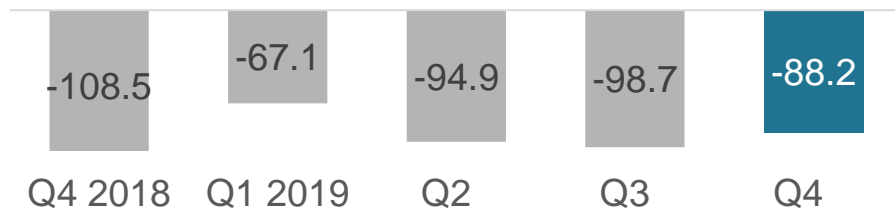
Operating cash flow (OCF), in EUR m



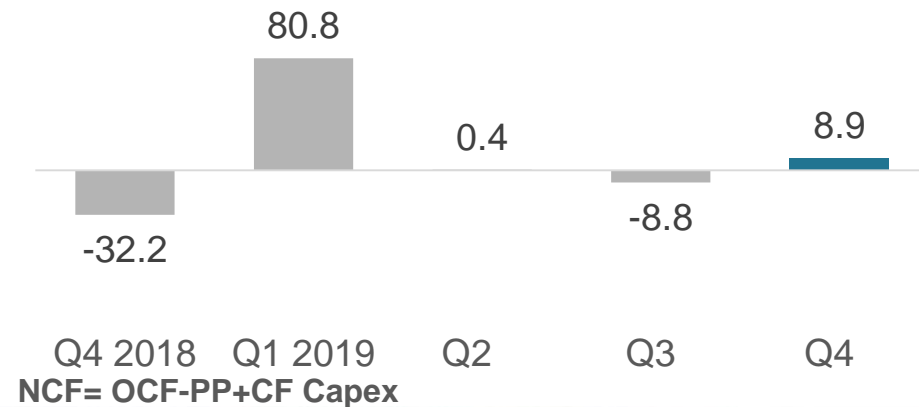
Customer prepayments net (PP), in EUR m



CF Capex, in EUR m



Net cash flow (NCF), in EUR m



The background features a series of vertical blue stripes of varying shades, creating a textured effect. On the left side, there is a large, dark grey circular shape. A thin white line curves across the page, starting from the left edge and ending near the bottom right.

# OUTLOOK

# Semi market still affected by high inventories but also some positive development (pre-corona view)

## Logic develops better than anticipated

- ▶ Growing foundry business
- ▶ Strong server growth (stable wafer demand)
- ▶ Inventories ok

## Industry/Auto

- ▶ doing better: ADAS
- ▶ traditional applications: high inventories
- ▶ demand uncertainty (+/-): hybrid and electrical cars

## Memory

- ▶ DRAM stays weak: development strongly depends on growth of server market; inventories at customers still high but slowly declining
- ▶ NAND somewhat better: growing SSD share in PCs and servers, price elasticity works, finished goods inventories nearly at normal level



300 epi, 200 FZ	strong
200 epi	doing better
300 pol	weak
SD	weak

# Underlying growth trend intact but muted start in 2020

- ▶ Muted start in 2020
- ▶ Wafer industry not fully loaded since 2019
- ▶ Despite first positive news flow from semi companies elevated inventory levels, especially in memory, have to come down
- ▶ Upturn in wafer demand will follow recovery of semi industry with a certain time lag
- ▶ ASP in 2020 will be lower than in 2019 - partly driven by base effect of 2019, partly by short-term prices coming down a little bit q-o-q
- ▶ Impact of COVID-19 depends on further spread of the virus and impact on semi supply chain and global economy
  - ▶ so far no direct impact on Siltronic fabs or sales offices
  - ▶ so far no order cancellations by customers but first customers reduced their outlook 2020



## Siltronic Outlook 2020 (as of March 4, 2020)

	Before Covid-19	In case of further spread of Covid-19
Sales	slightly below 2019	significantly below 2019
EBITDA margin	slightly below 2019	significantly below 2019
Depreciation	around EUR 140m	around EUR 140m
EBIT	significantly below 2019 due to higher depreciation	significantly below 2019 due to higher depreciation
Tax rate	around 10%	around 10%
Capex	around EUR 200m in capabilities and automation	around EUR 200m in capabilities and automation
Net cash flow	clearly positive in the range of 2019; around EUR 40 million burden from carry-over of (unpaid) 2019 investments	significantly below 2019; around EUR 40 million burden from carry-over of (unpaid) 2019 investments
Earnings per share	significantly below 2019	significantly below 2019



APPENDIX

# Contact and Additional Information

## Issuer and Contact

Siltronic AG  
Hanns-Seidel-Platz 4  
D-81737 München

### Investor Relations:

Petra Mueller  
email: [petra.mueller@siltronic.com](mailto:petra.mueller@siltronic.com)  
Tel. +49 89 8564-3133

## Additional Information

ISIN:	DE000WAF3001
WKN:	WAF300
Deutsche Börse:	WAF
Listing:	Frankfurt Stock Exchange Prime Standard

## Financial Calendar 2020

Annual General Meeting	April 23, 2020
Q1 Quarterly Statement	April 28, 2020
Q2 Interim Report	July 30, 2020
Q3 Quarterly Statement	October 29, 2020



# Disclaimer

The information contained in this presentation is for background purposes only and is subject to amendment, revision and updating. Certain statements contained in this presentation may be statements of future expectations, future financial performance and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. In addition to statements which are forward-looking by reason of context, including without limitation, statements referring to risk limitations, operational profitability, financial strength, performance targets, profitable growth opportunities and risk adequate pricing, words such as "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "continue", "projects" or "seeks", "potential", "future", or "further" and similar expressions may identify forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changing business or other market conditions, currency and interest fluctuations, introduction of competitive products, poor acceptance of new products and services, change of the corporate strategy and the prospects for growth anticipated by the management. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Siltronic AG does not undertake and does not intend to undertake any obligation to update or revise any statements contained in this presentation, whether as a result of new information, future events or otherwise. In particular, you should not place any reliance on forward-looking statements which speak only as of the date of this presentation.

**SILTRONIC AG** |

Hanns-Seidel-Platz 4  
81737 Munich  
Germany