

Siltronic AG Investor Presentation – Q2 2021

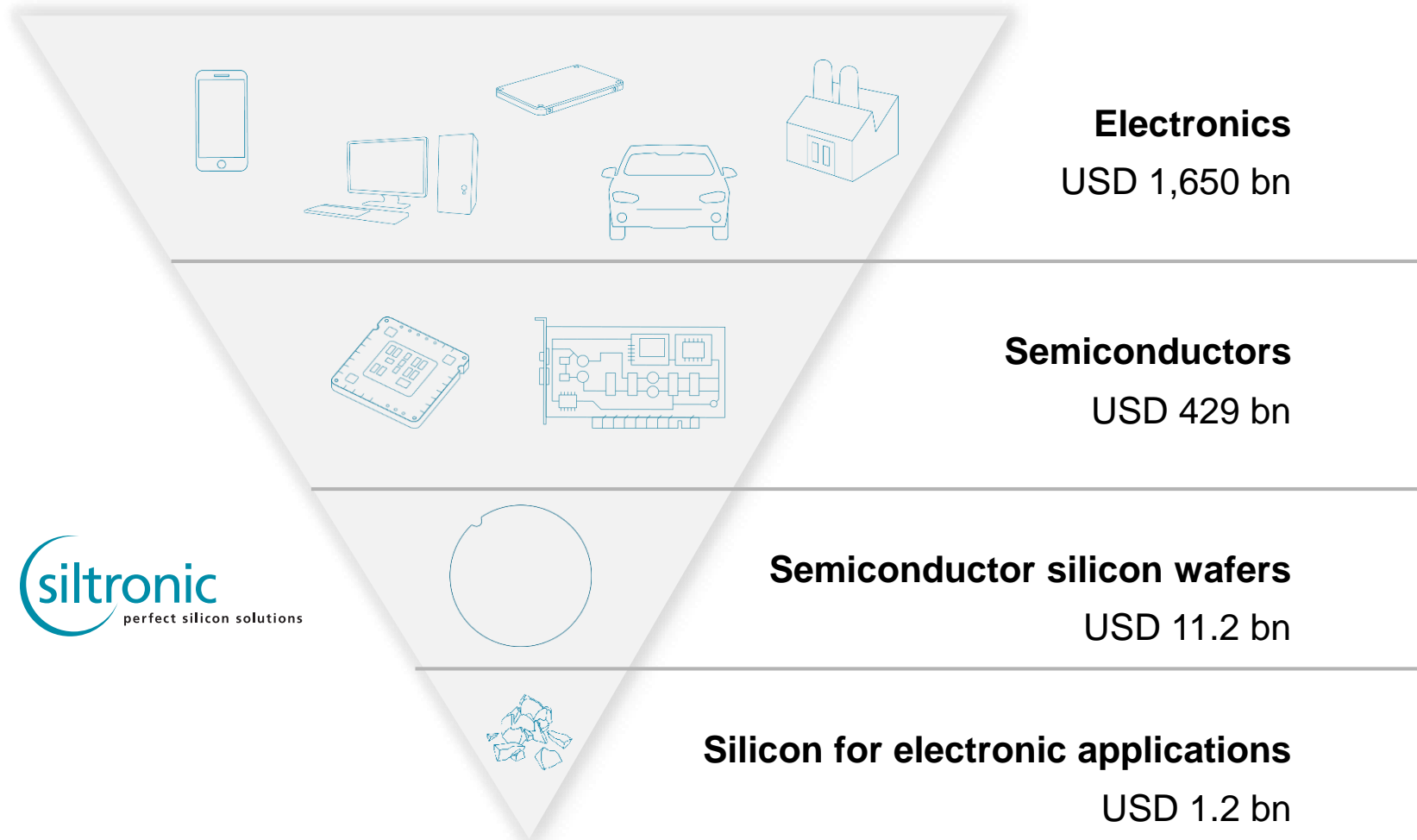
July 28, 2021

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 arc curves across the middle of the page, starting from the left edge and ending near the center.

Market overview

Electronics value chain 2020

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



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

New applications for electronic devices and the infrastructure to support them continue to drive silicon demand

Current growth drivers include

Data explosion: connected devices, data transport and storage, big data, logic/AI

Power: renewable energy, smart grid, battery chargers

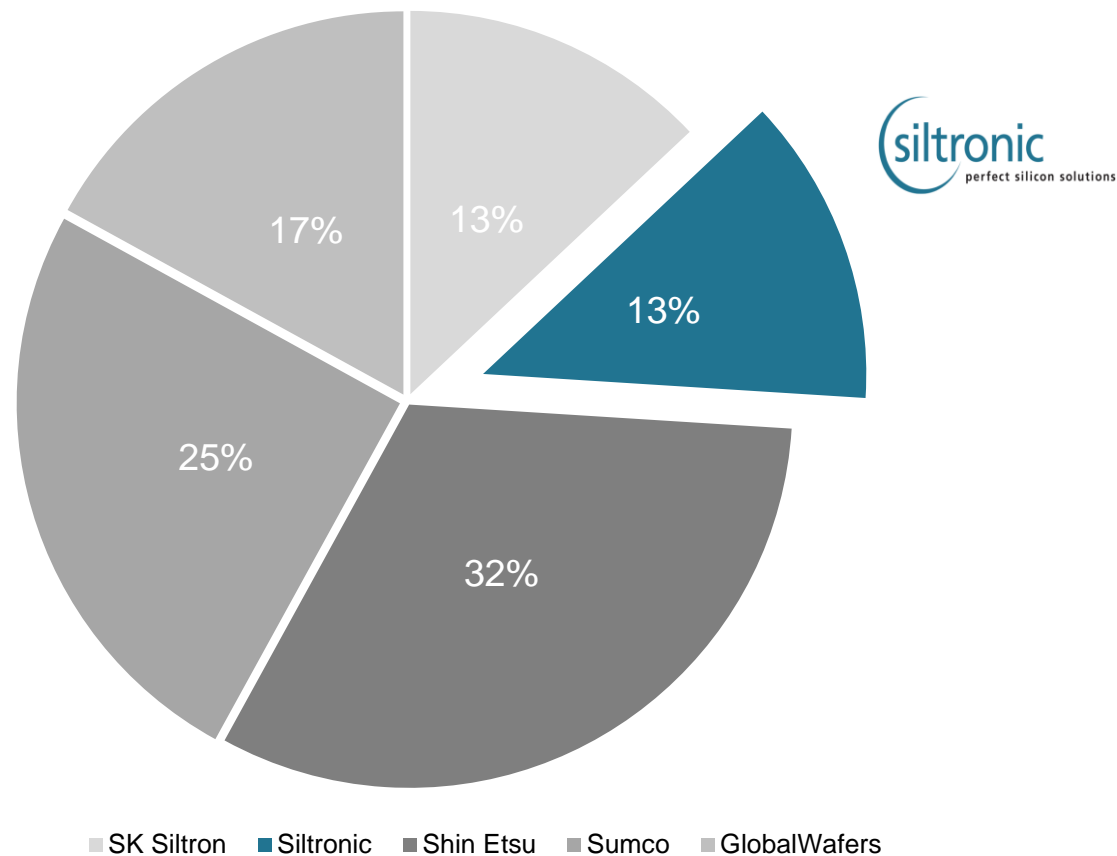
Automotive: ADAS, infotainment, electro mobility



Pictures: coolhand118/stock.adobe.com, tippapatt/stock.adobe.com, monsitj/stock.adobe.com, Wellnhofer Designs/stock.adobe.com, 安琦 王/stock.adobe.com, AdobeStock_101580295

Consolidated market with 5 major wafer manufacturers

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

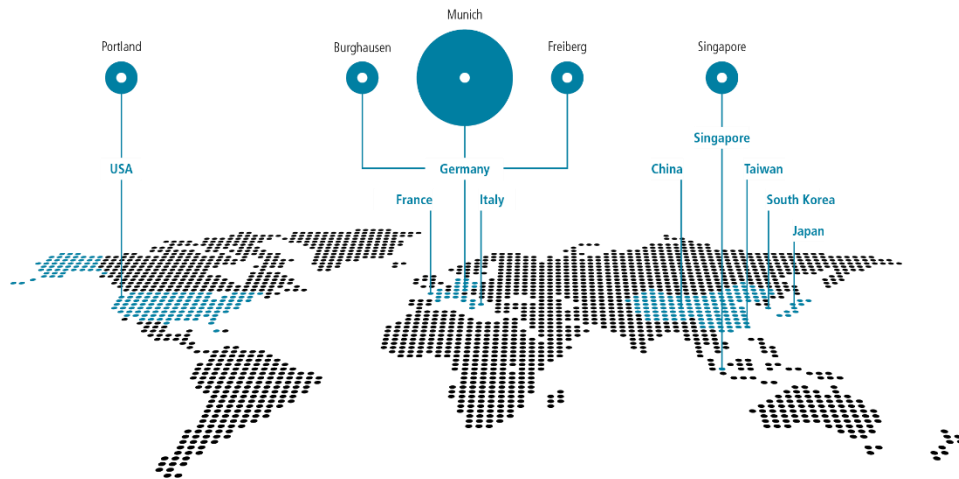


Sources: reported company revenues Q1-Q4 2020, converted to USD million



Company overview


Siltronic at a glance




Key financial figures 2020


- ▶ Sales: EUR 1,207.0 million
- ▶ EBITDA: EUR 332.0 million
- ▶ EBITDA margin: 27.5%
- ▶ Net cashflow: EUR 77.4 million
- ▶ Net financial assets: EUR 499.2 million

 4 world-class production sites

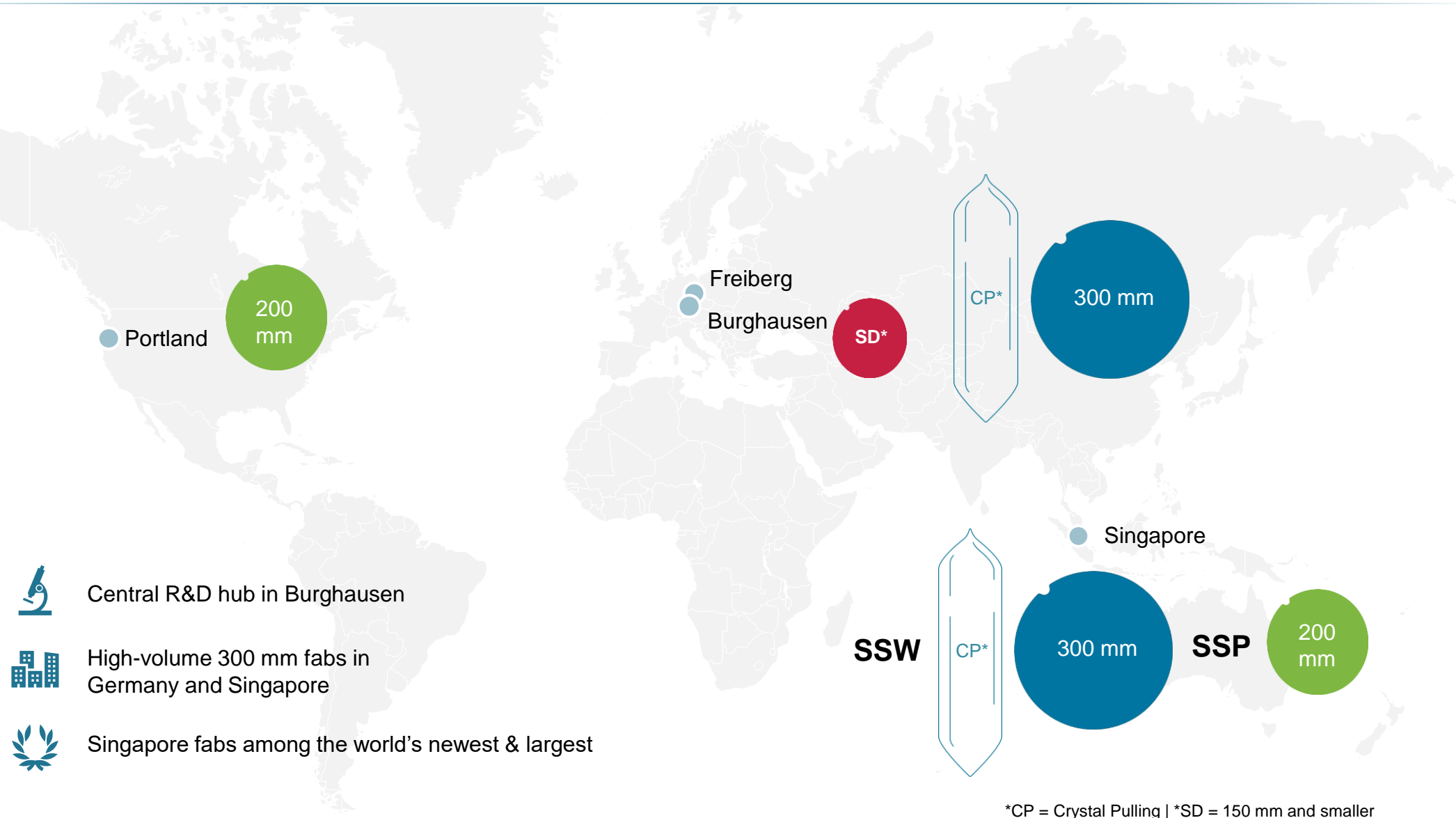
 ~ 3,800 employees

 global scale and reach

 50+ years of history in silicon technologies

 = Production sites, Headquarter in Munich

International manufacturing network supports strong market position and business focus



Central R&D hub in Burghausen



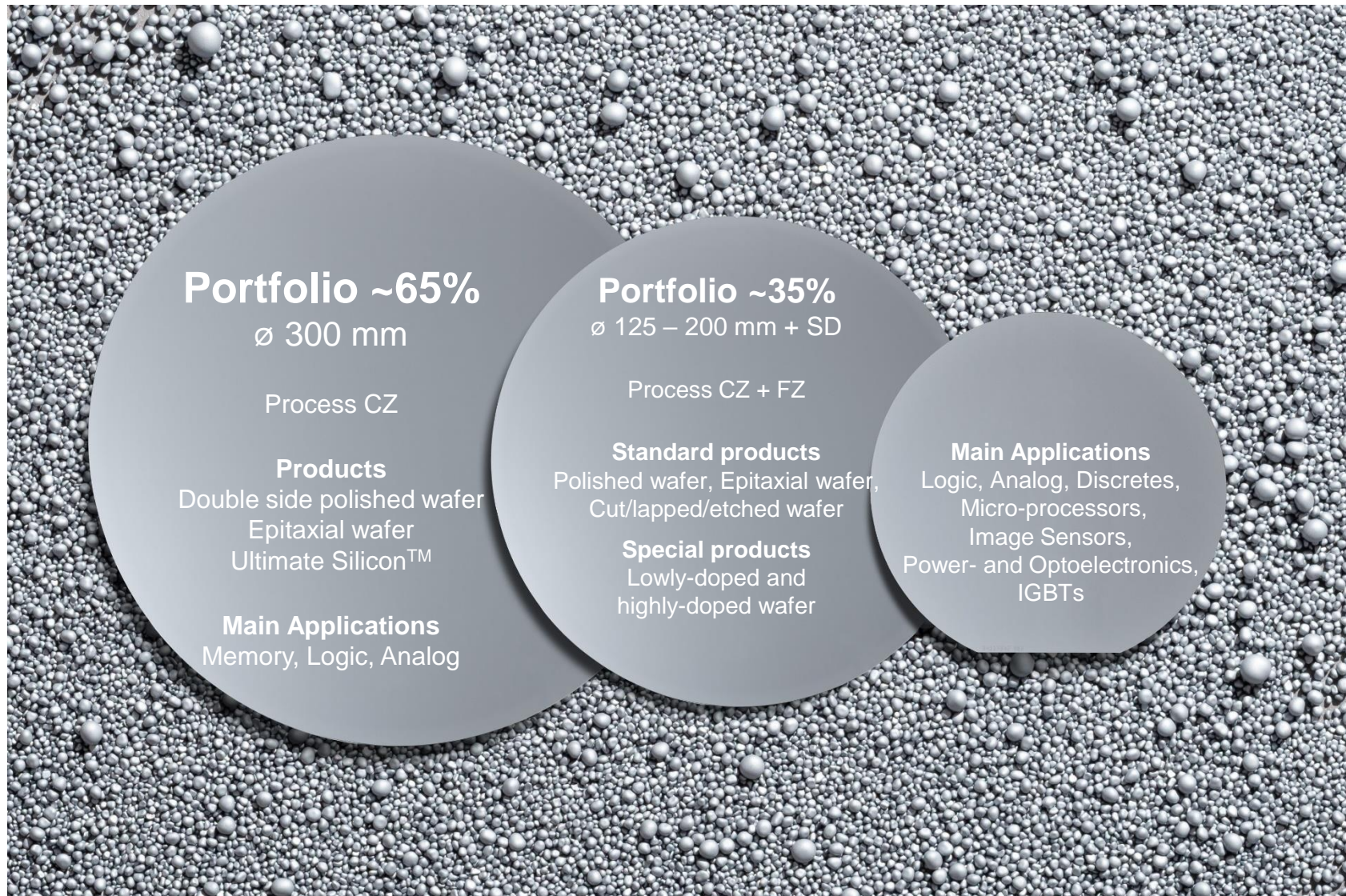
High-volume 300 mm fabs in Germany and Singapore



Singapore fabs among the world's newest & largest

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

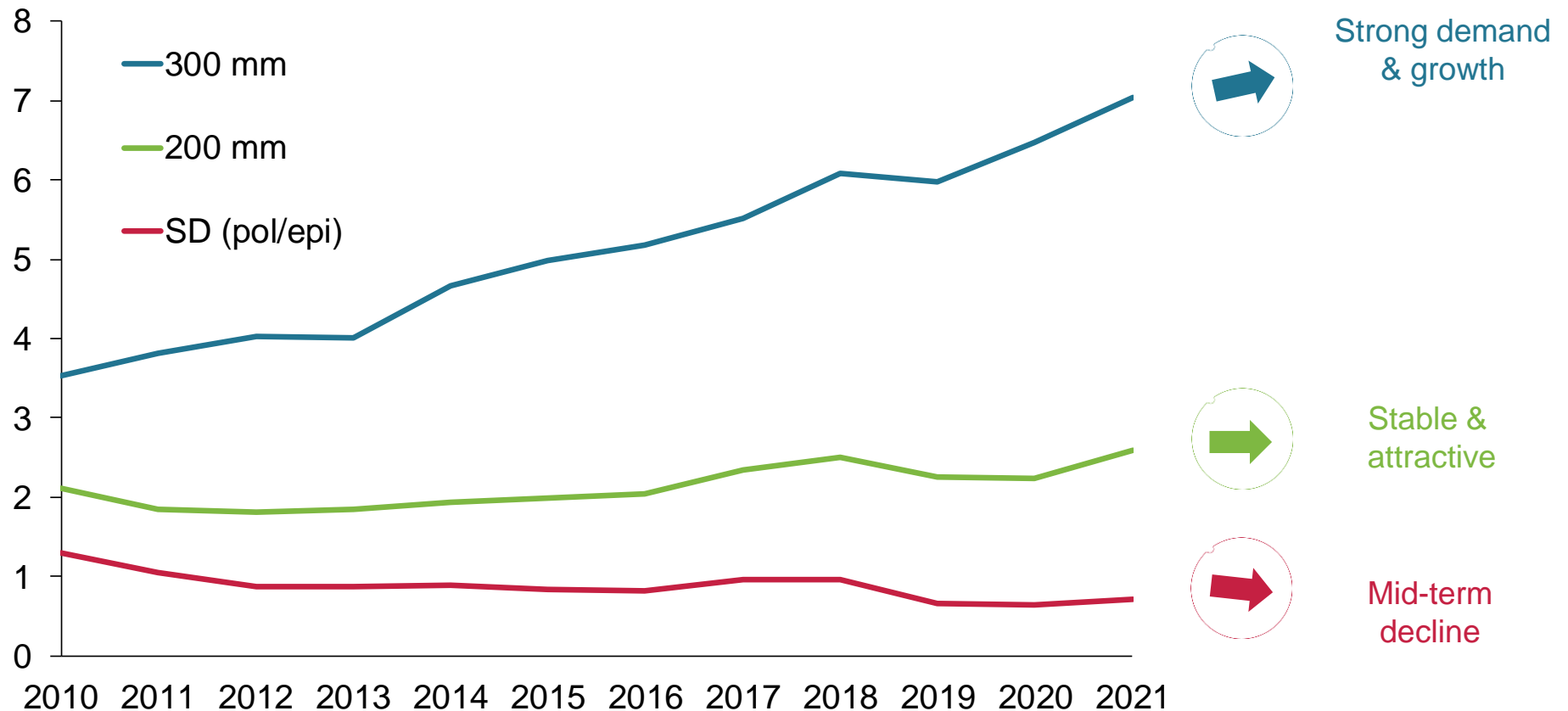
A broad product portfolio covers standard and leading-edge requirements of the customers



Note: CZ: Czochralski crystal growing, FZ: float zone technology

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



Source: SEMI up to June 2021

Top technology position complemented with a high level of quality

A leading position in wafer technology

- ▶ First supplier to ship 300 mm wafers
- ▶ Development of 3 nm design rule started in 2019 (commercialization expected to start in 2022)
- ▶ Concurrently optimizing on 50+ wafer parameters of each design rule
- ▶ Single wafer traceability for 300 mm
- ▶ Standardized processes across sites enabling “copy exactly” at product level



>400 engineers worldwide



Approximately 1,850 pending and active patents in almost 370 patent families*

Quality awards from several top semiconductor customers received over the years



R&D expenditure, in EUR million (% of sales)

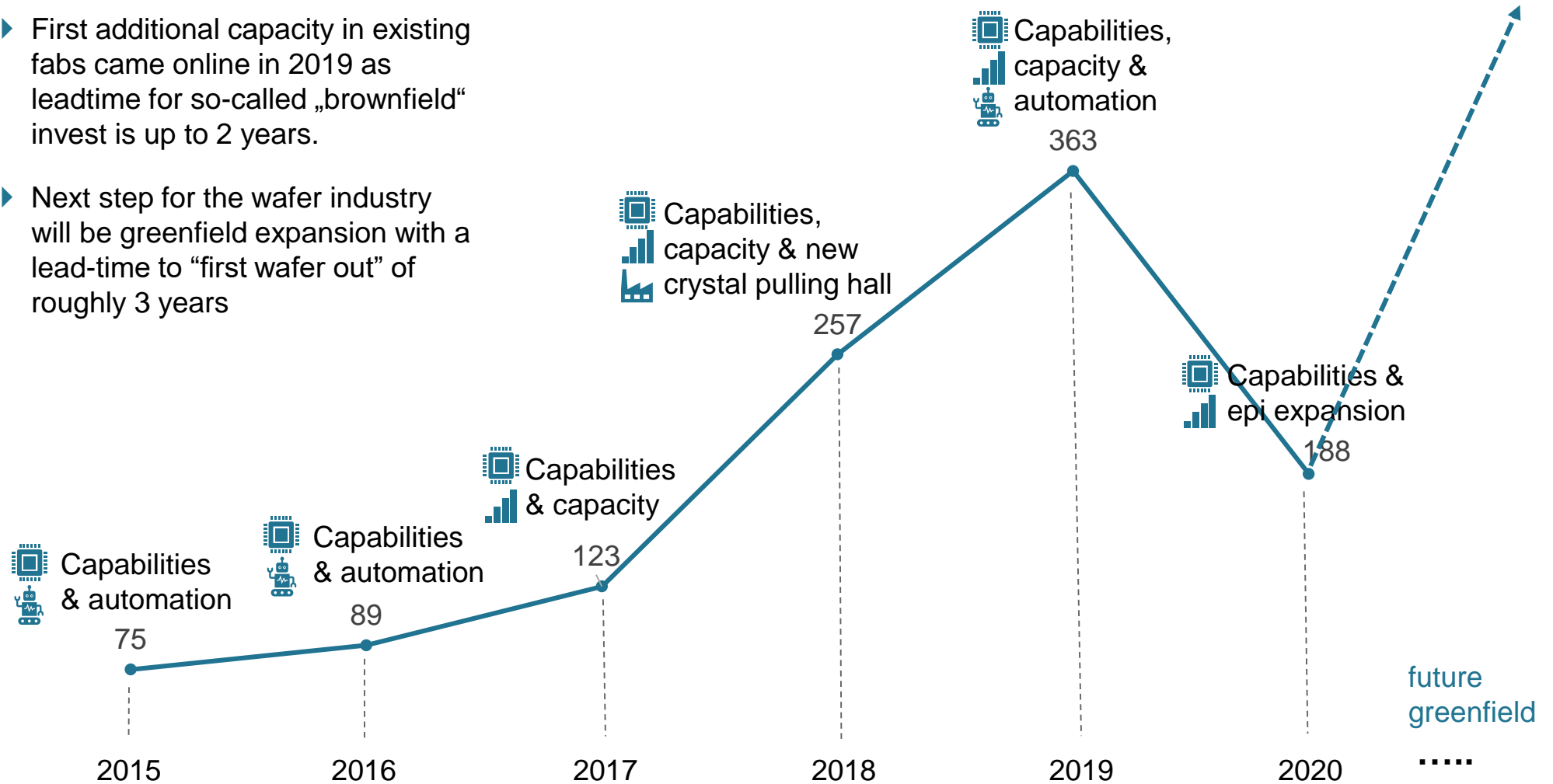


*as of December 31, 2020

Capital-intensive industry with capex mainly in capabilities and cost savings but also in some capacity over the cycle

Siltronic Capex, in EUR million

- ▶ First additional capacity in existing fabs came online in 2019 as leadtime for so-called „brownfield“ invest is up to 2 years.
- ▶ Next step for the wafer industry will be greenfield expansion with a lead-time to “first wafer out” of roughly 3 years



Siltronic Fab Next at Group site in Singapore

Fab Next

- most modern and cost-efficient 300 mm fab
- construction to start in 2021
- first wafers out in 2024
- R&D hub Burghausen will support expansion on technology topics

Investment rationale

- very strong market demand
- customer capacity expansion plans cannot be supported by existing wafer capacity
- plan to secure substantial part of additional capacity by LTAs with prepayments (negotiations with customers progressing)

Capex

- capex of around EUR 2 bn until end of 2024
- due to construction start in 2021 capex for current year up to EUR 400m
- high up-front for plant buildings and facilities

Cost-competitiveness a pre-requisite in the wafer industry

Major cost items



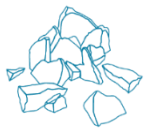
Labor



Supplies



Depreciation

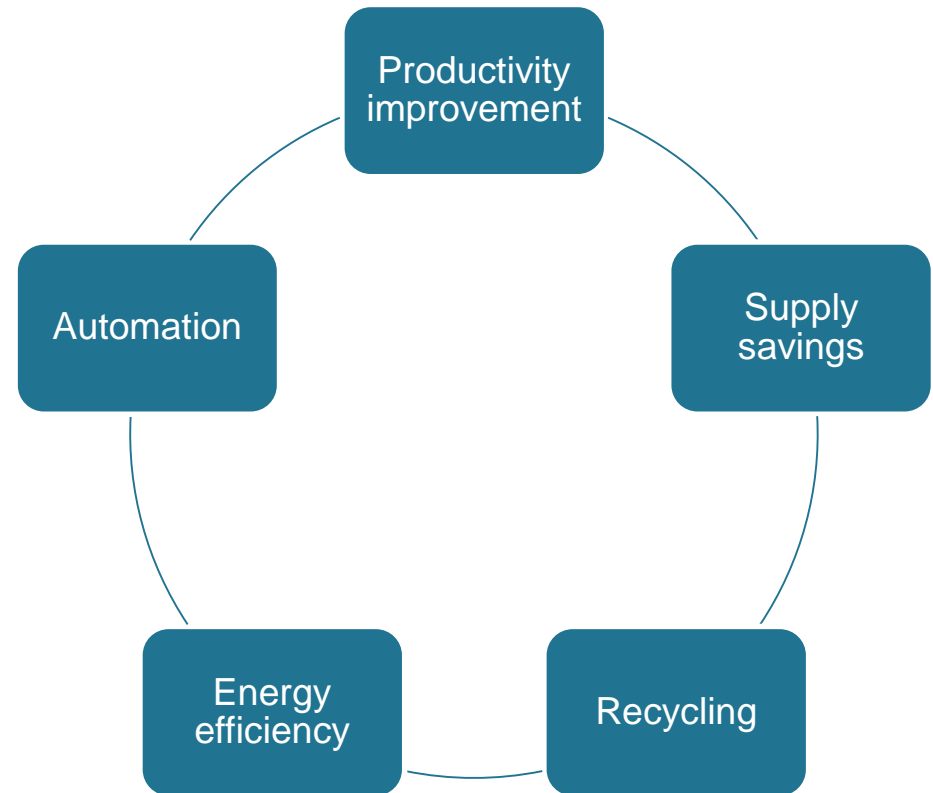


Polysilicon

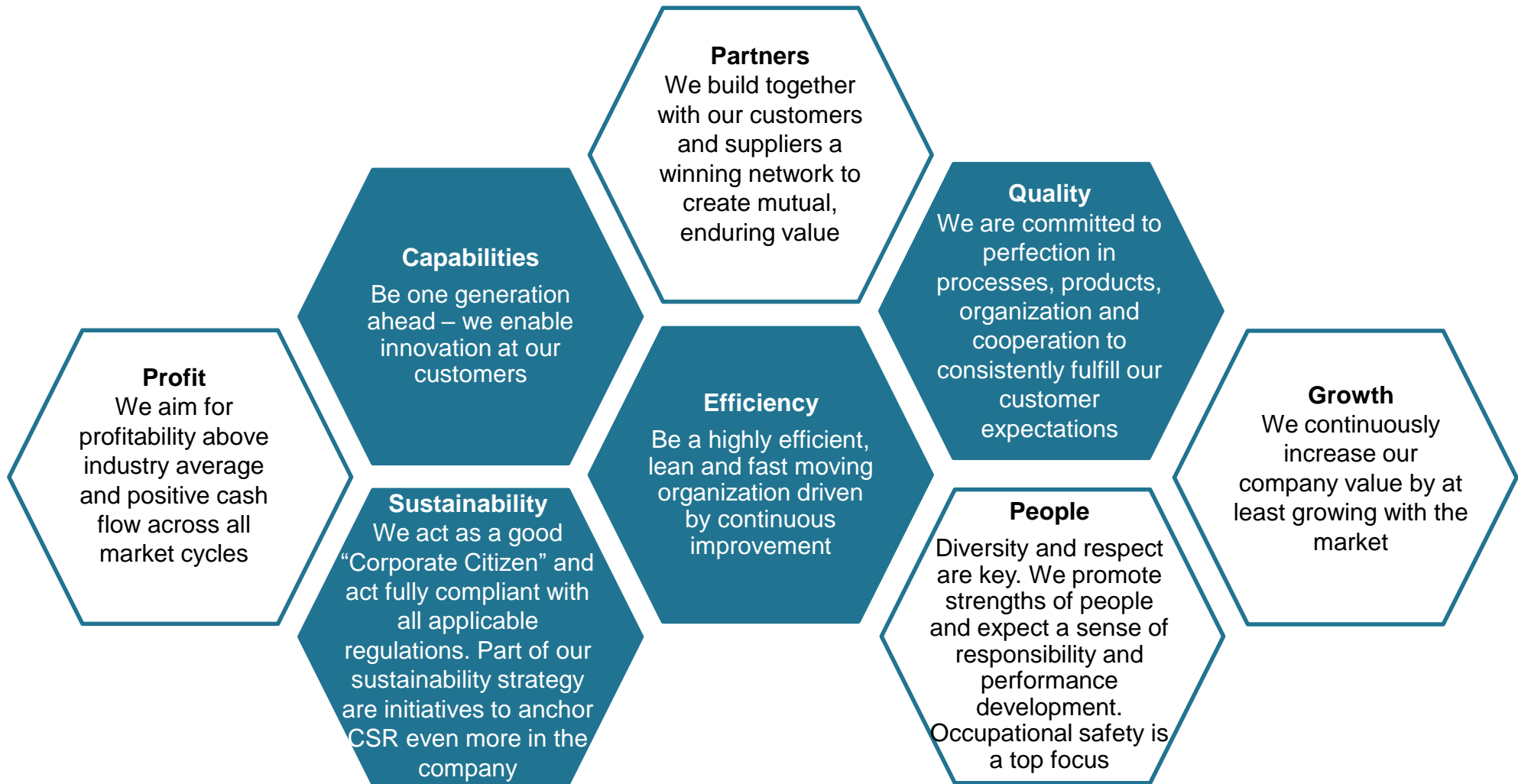


Energy

Continuous cost roadmaps to counter unit cost increases



Our objectives and values



Strategy based on four pillars

Continuously increasing
the value for our stakeholders



Grow

by optimizing
product mix and
increase
capacities when
needed



Ensure

top technology
position &
highest quality



Improve

financial
performance &
cash flow



Execute

cost reduction
roadmaps &
debottlenecking
concepts

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

Update on tender offer from GlobalWafers

Approvals received

- ▶ German Federal Cartel Office
- ▶ Austrian Federal Cartel Agency
- ▶ Korean Fair Trade Commission
- ▶ Taiwanese Fair Trade Commission
- ▶ Committee on Foreign Investment in the United States (CFIUS)
- ▶ Competition and Consumer Commission of Singapore

Approvals pending

- ▶ Japanese Fair Trade Commission
- ▶ US Federal Trade Commission
- ▶ State Administration for Market Regulation of the People's Republic of China
- ▶ German Federal Ministry for Economic Affairs and Energy

Expect completion of transaction in H2 2021

Overview Financials

Adjusted financial figures (EUR million)	2017	2018	2019	2020	H1 2021
Sales	1,177.3	1,456.7	1,270.4	1,207.0	657.1
EBIT	235.7	497.7	298.3	192.2	123.8
EBIT margin in %	20.0	34.2	23.5	15.9	18.8
EBITDA	353.1	589.3	408.7	332.0	199.7
EBITDA margin in %	30.0	40.5	32.2	27.5	30.4
Earnings per share	6.20	12.40	7.52	5.36	3.50
Capex	123.2	256.9	363.0	187.6	89.7
Free cash flow ¹	169.6	416.4	36.4	32.0	83.8
Net cash flow ¹	124.8	240.4	81.3	77.4	71.2
Dividend	75.0	150.0	90.0	60.0	

¹ 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.

Key investment highlights

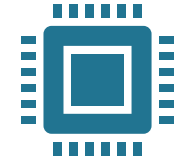
Market Position

- ▶ Strong market position in the semiconductor and wafer industry



Strategy

- ▶ Best-in-class technology and quality



Customers

- ▶ Supplier to all top 20 silicon wafer consumers



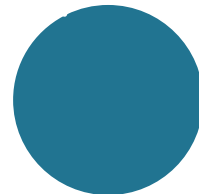
Financials

- ▶ Profitable sales increase and on-going efficiency improvement



Products

- ▶ High-quality wafers made of hyper pure silicon



Management

- ▶ Experienced management team and highly skilled workforce





**Corporate Social
Responsibility**

Sustainability at Siltronic

Clear commitment to sustainability

- ▶ **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 the United Nations Global Compact.
- ▶ **Goal:** We want to reconcile the effects of our business activities with the expectations and needs of society.



Responsible Business Alliance
Formerly the Electronic Industry Citizenship Coalition
Advancing Sustainability Globally



CSR targets until 2030



Reduce specific energy consumption by 20%¹



Increase waste recycling by 25%¹



Reduce specific water consumption by 20%¹



Increase water recycling by 25%¹



Reduce specific greenhouse gas emissions by 20%¹

Ratings













Climate Change "B | Management"
Water Security "B | Management"



„Prime“ rating

¹ base value 2015

CSR track record 2020

CSR topic	Target 2020	Status	Notes
	Reduce energy intensity by 1.5%	✓	 Energy consumption reduced by 7.1 GWh in 2020 with energy efficiency program
	Increase waste recycling ratio by 1.5%	✓	 With a waste recycling ratio of 70.3% target for 2020 was reached. Since base year 2015 recycling ratio has increased >10%
	Reduce specific water usage in production by 1.5%	✓	 Specific water consumption decreased by 5.4% in 2020
	Increase water reuse ratio by 1.5%	✗	 Slight decrease of water reuse ratio in 2020; however increase of > 10% since base year 2015
	Reduce CO ₂ emission intensity by 1.5%	✓	 Reduction of absolute Scope 1 and 2 emissions by 2.2% p.a. compared with base year 2015

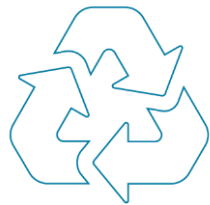
Siltronic enables technologies for a sustainable future

Resource efficiency

Innovation driver for environmentally friendly and resource-saving technologies

Industrial automation and smart factories

Increasing wafer content



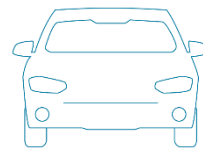
- Raw materials
- Energy consumption
- Water recycling
- Emissions

Sustainable mobility

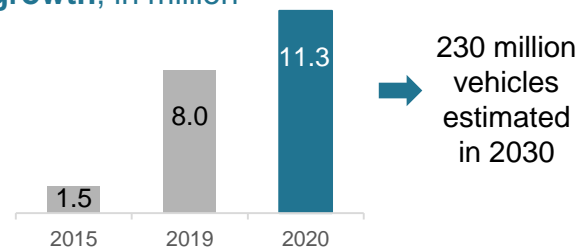
Reduction of transport emissions and carbon footprint to achieve climate targets

Increasing safety and efficiency

EV's with substantially higher wafer content



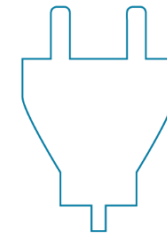
Global EV growth, in million



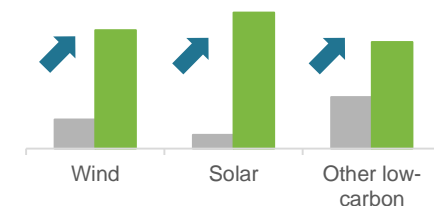
Clean energy

Wafer as a foundation for semiconductors enable clean, renewable energy sources and improving energy efficiency

Renewable energy needs more and more wafer content



Change in global electricity, 2000 - 2019 vs. 2019 - 2040



Source: IEA Global EV Outlook 2021; IEA 2020 World Energy Outlook



Highlights and Financials
Q2 2021

Silicon wafer area in Q2 2021 up q-o-q and y-o-y

Smartphones

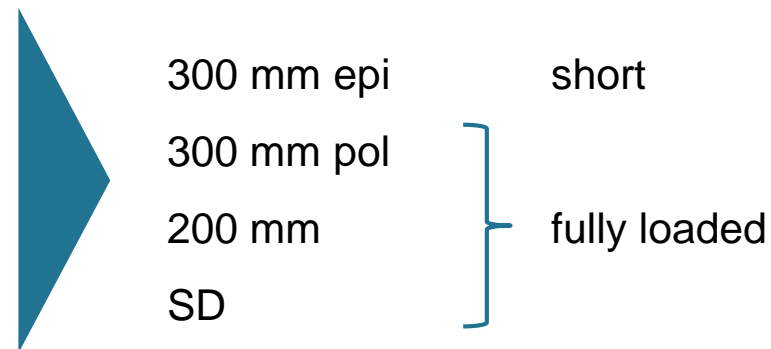
- ▶ Q2 demand softer due to Q1 pull-in effects, seasonality and chip shortages
- ▶ 5G role with higher content per device out continues

Industry / Auto

- ▶ Auto: continue recovery but are limited by supply shortages
- ▶ xEVs: share accelerating
- ▶ Industrial orders going very strong

Servers / PC

- ▶ Servers showed good growth
- ▶ PCs including Chromebooks still growing



- ▶ ASP flat q-o-q

Highlights: Financial figures Q2 2021

Sales

– EUR 341.1m (Q1 2021: EUR 316.1m)

EBITDA

– EUR 108.0m (Q1 2021: EUR 91.7m)
– EBITDA margin: 31.7% (Q1 2021: 29.0%)

EBIT

– EUR 69.6m (Q1 2021: EUR 54.2m)
– EBIT margin: 20.4% (Q1 2021: 17.2%)

CapEx

– EUR 52.8m (Q1 2021: EUR 36.9m)

Net cash flow

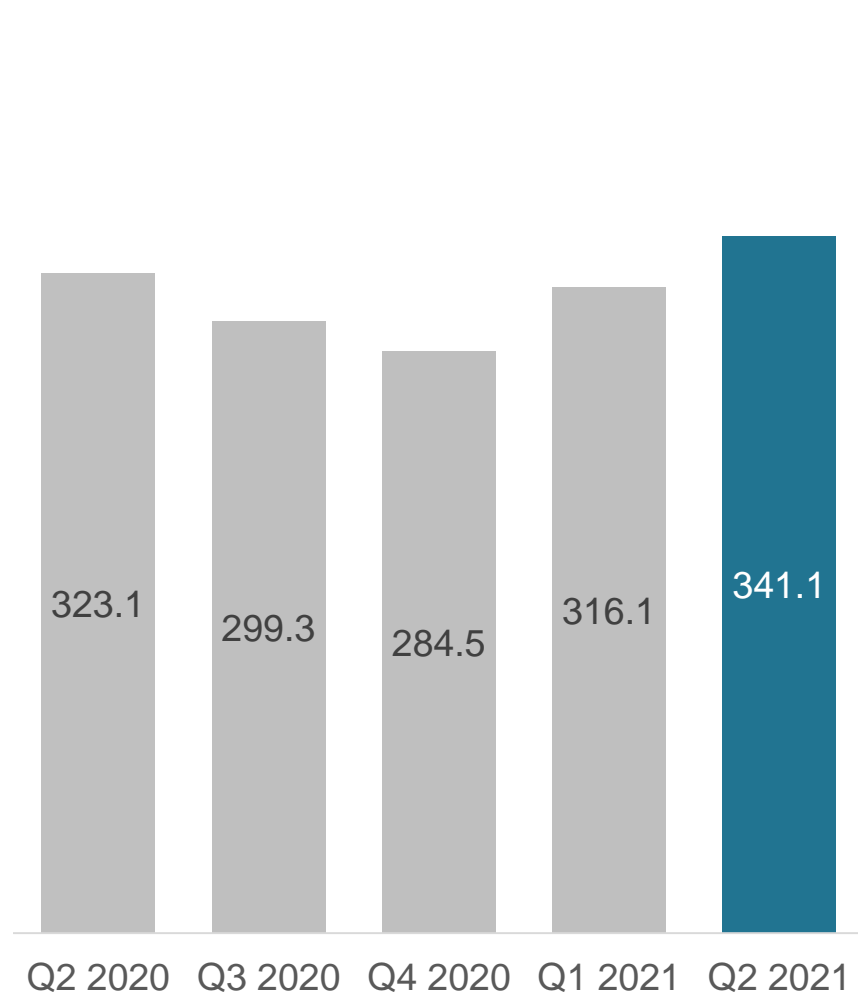
– EUR 43.3m (Q1 2021: EUR 27.9m)

Net financial assets

– EUR 528.4m (December 31, 2020: EUR 499.2m)

Strong sales growth based on higher wafer area sold and increase in market share

Sales, in EUR m



Ø FX rates	Q2/20	Q3	Q4	Q1/21	Q2
EUR / USD	1.10	1.10	1.17	1.19	1.21
EUR / JPY	120	118	124	125	132

Comments

▶ Positive

- ▶ Wafer area sold up q-o-q and y-o-y
- ▶ ASP flattish q-o-q
- ▶ Only minor FX impact q-o-q
- ▶ Market share up q-o-q and y-o-y

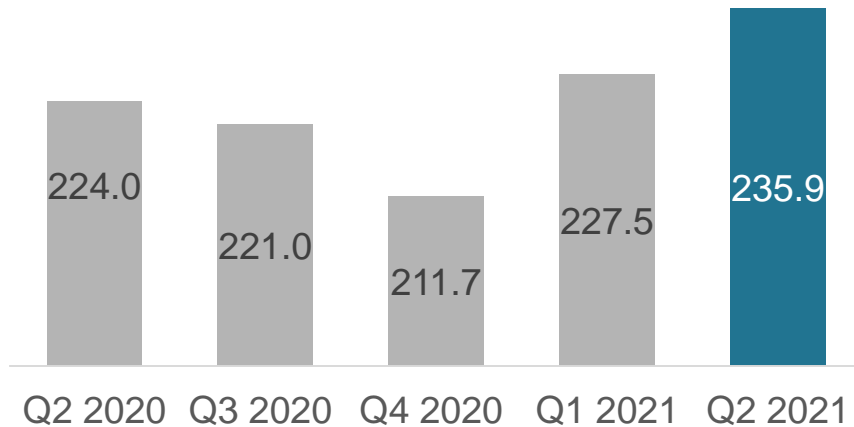
▶ Negative

- ▶ Continuing headwind from strong Euro y-o-y

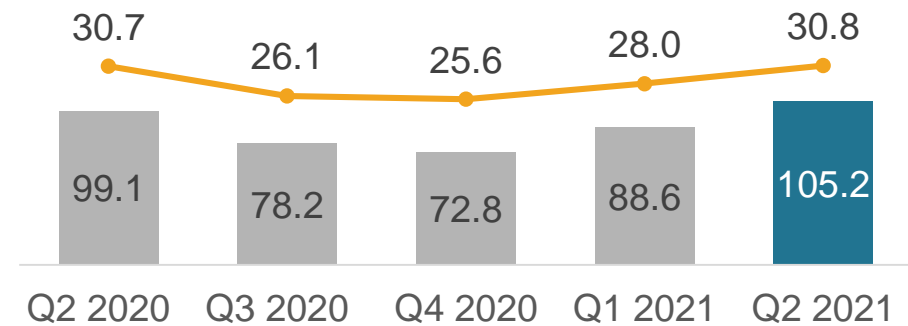
COGS up due to higher wafer area sold

COGS per wafer area down

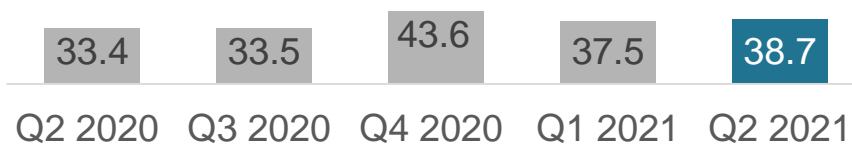
Cost of sales, in EUR m



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



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

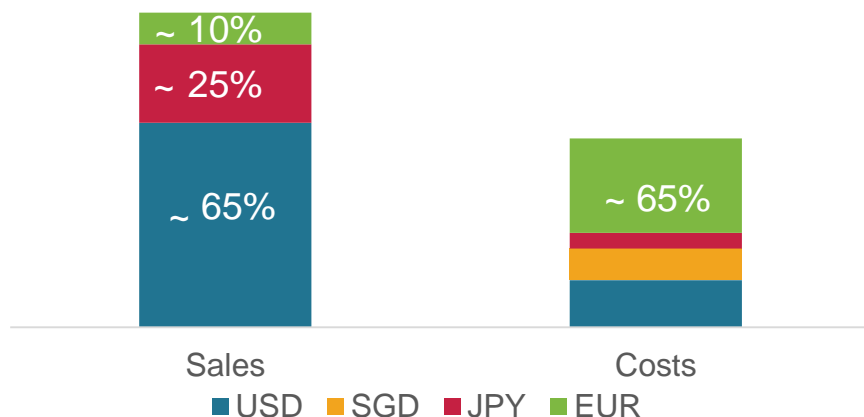


Comments

- ▶ Cost per wafer area down due to fix cost dilution and productivity improvements
- ▶ Administration expenses up due to costs for external advisors on GlobalWafers' tender offer
 - ▶ Q1 2021: EUR 2m
 - ▶ Q2 2021: EUR 2.7m

High US-Dollar and Japanese Yen exposure

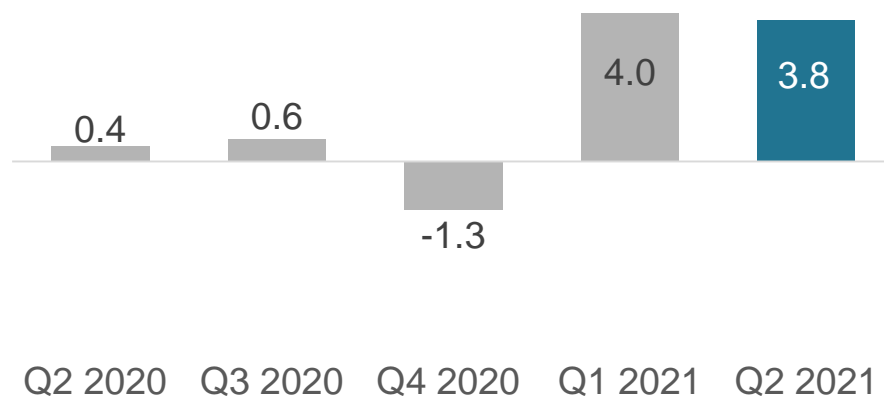
FX exposure, in %



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

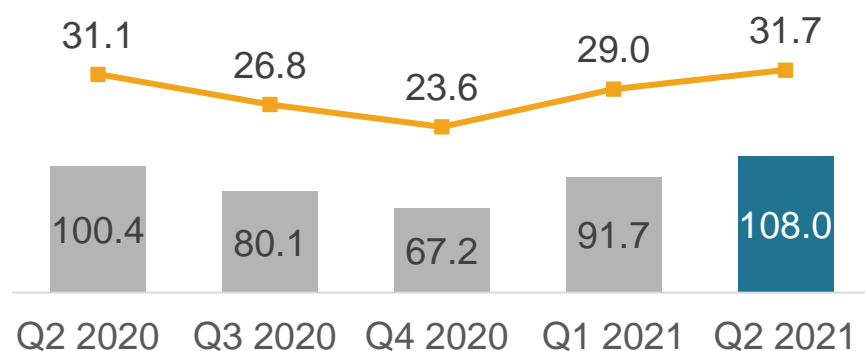


Comments

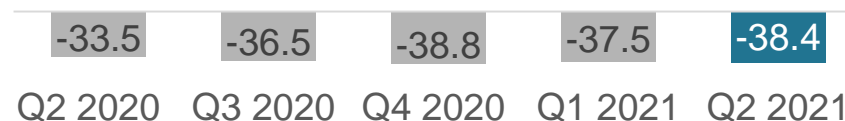
- ▶ Continuing strong Euro
- ▶ Other currency effects of EUR 3.8m in Q2 2021

Higher wafer area sold leads to strong EBITDA and EBIT

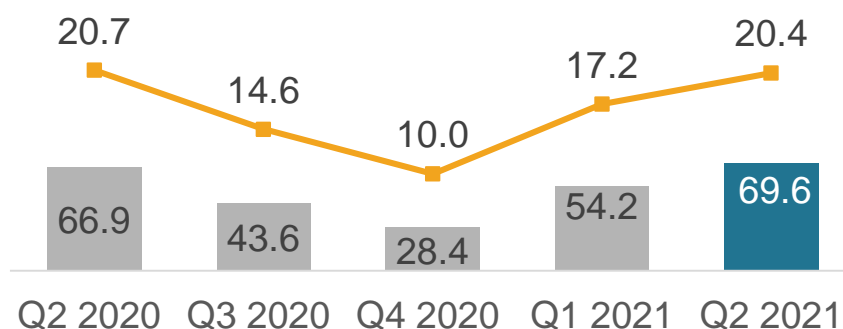
EBITDA, in EUR m / EBITDA margin, in %



Depreciation, in EUR m



EBIT, in EUR m / EBIT margin, in %

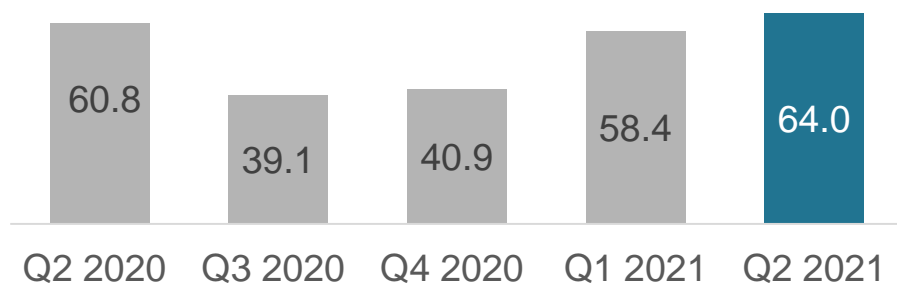


Comments

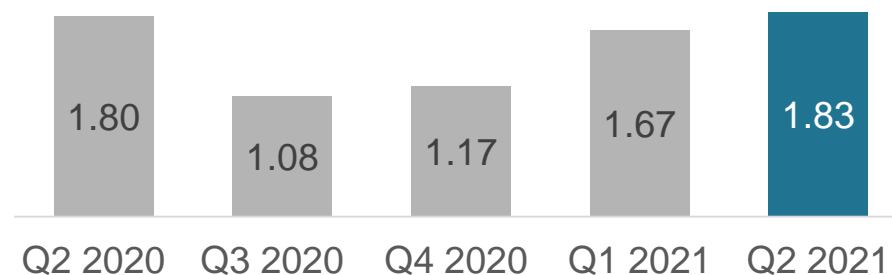
- ▶ **Positive**
 - ▶ Wafer area sold significantly up q-o-q and y-o-y
 - ▶ ASP stable q-o-q but down y-o-y
 - ▶ Advisory costs relating to GlobalWafers' tender offer flattish q-o-q
 - ▶ Only minor FX impact q-o-q
- ▶ **Negative**
 - ▶ FX impact y-o-y due to strong Euro

Net profit of EUR 64 million in Q2 2021

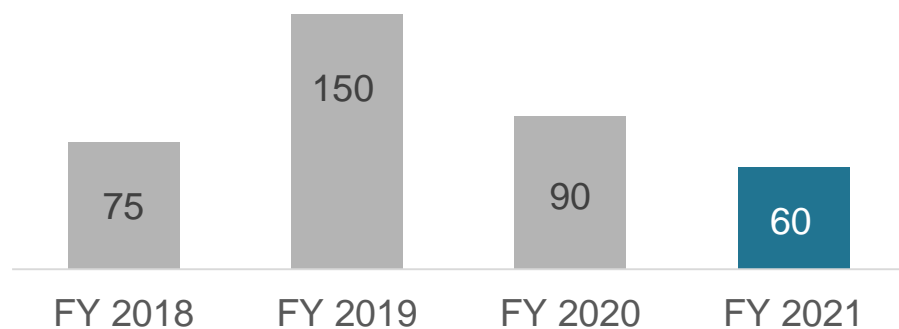
Net profit, in EUR m



EPS, in EUR



Dividend payment, in EUR m

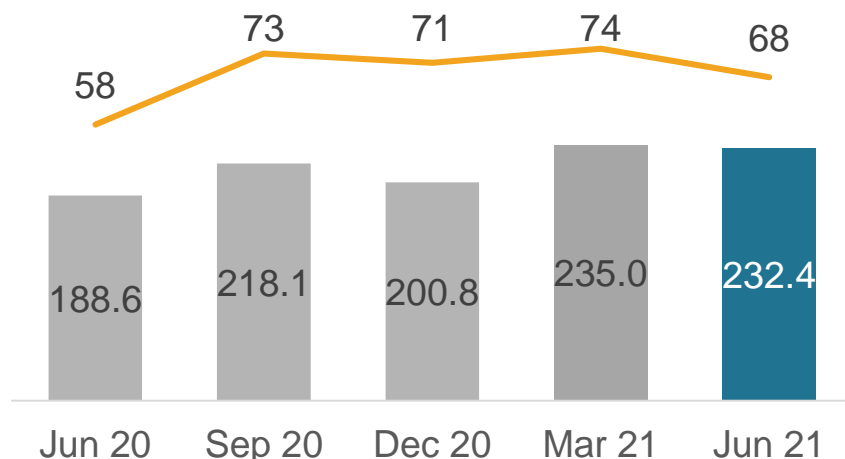


Comments

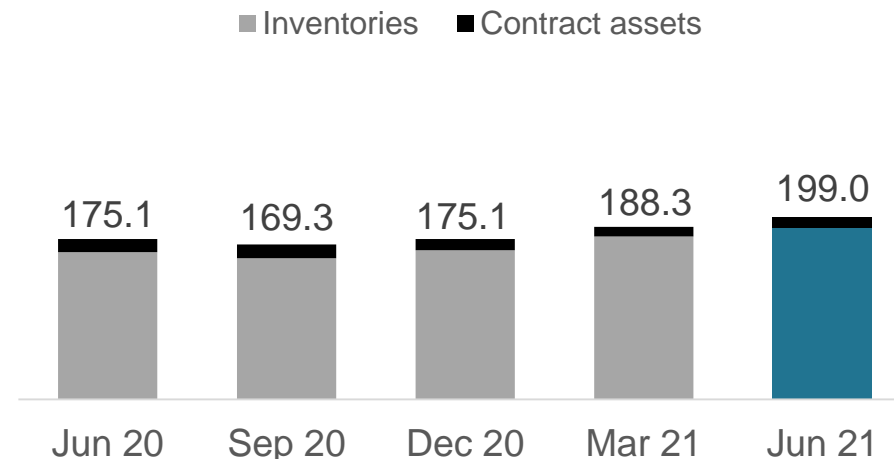
- ▶ Net profit of EUR 64.0 million in Q2 2021; thereof EUR 54.9m attributable to Siltronic shareholders
- ▶ Dividend of EUR 2.00 per share = EUR 60m dividend paid in May 2021

Trade receivables and inventories high due to increased demand

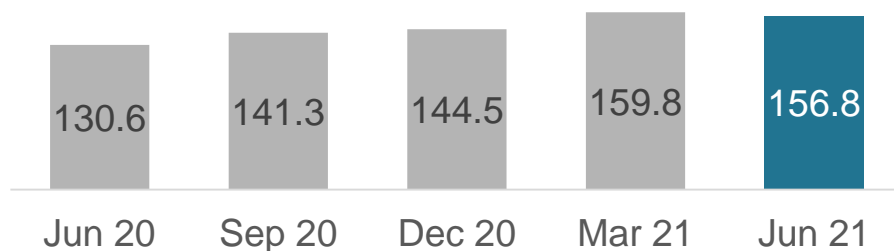
Working capital, in EUR m,
Working capital ratio to quarterly sales, in %



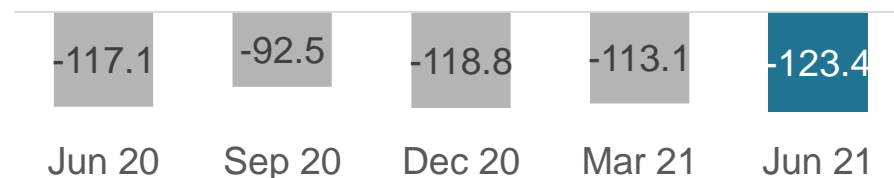
Inventories and contract assets, in EUR m



Trade receivables, in EUR m

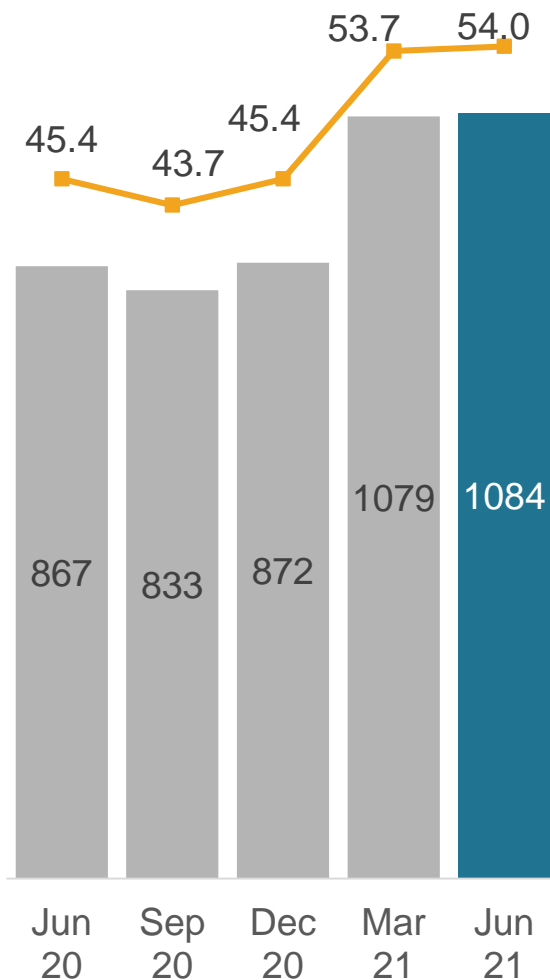


Trade liabilities, in EUR m



Strong equity ratio and solid net financial assets

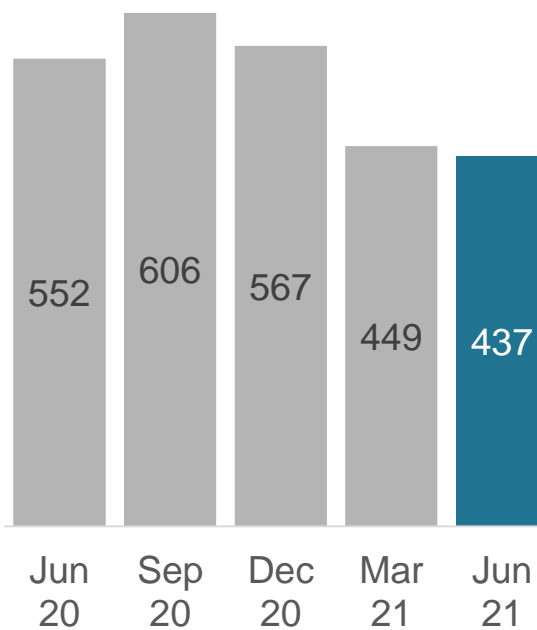
Equity, in EUR m
Equity ratio, in %



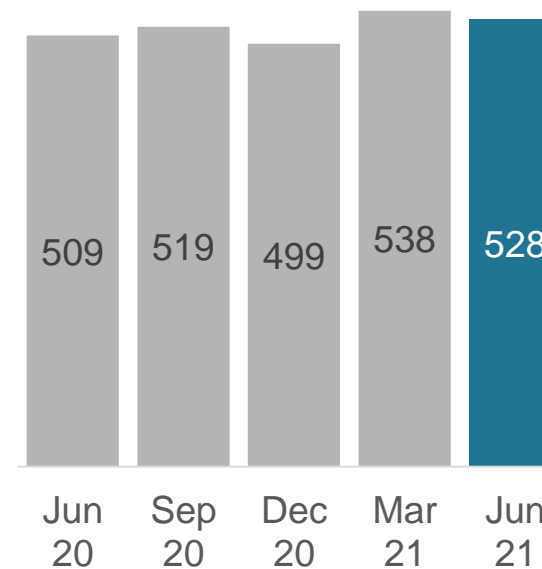
Provisions for pensions,
in EUR m

Interest rates IFRS

USA	2.46%	2.41%	2.07%	2.77%	2.39%
Germany	1.23%	0.95%	0.69%	1.11%	1.14%

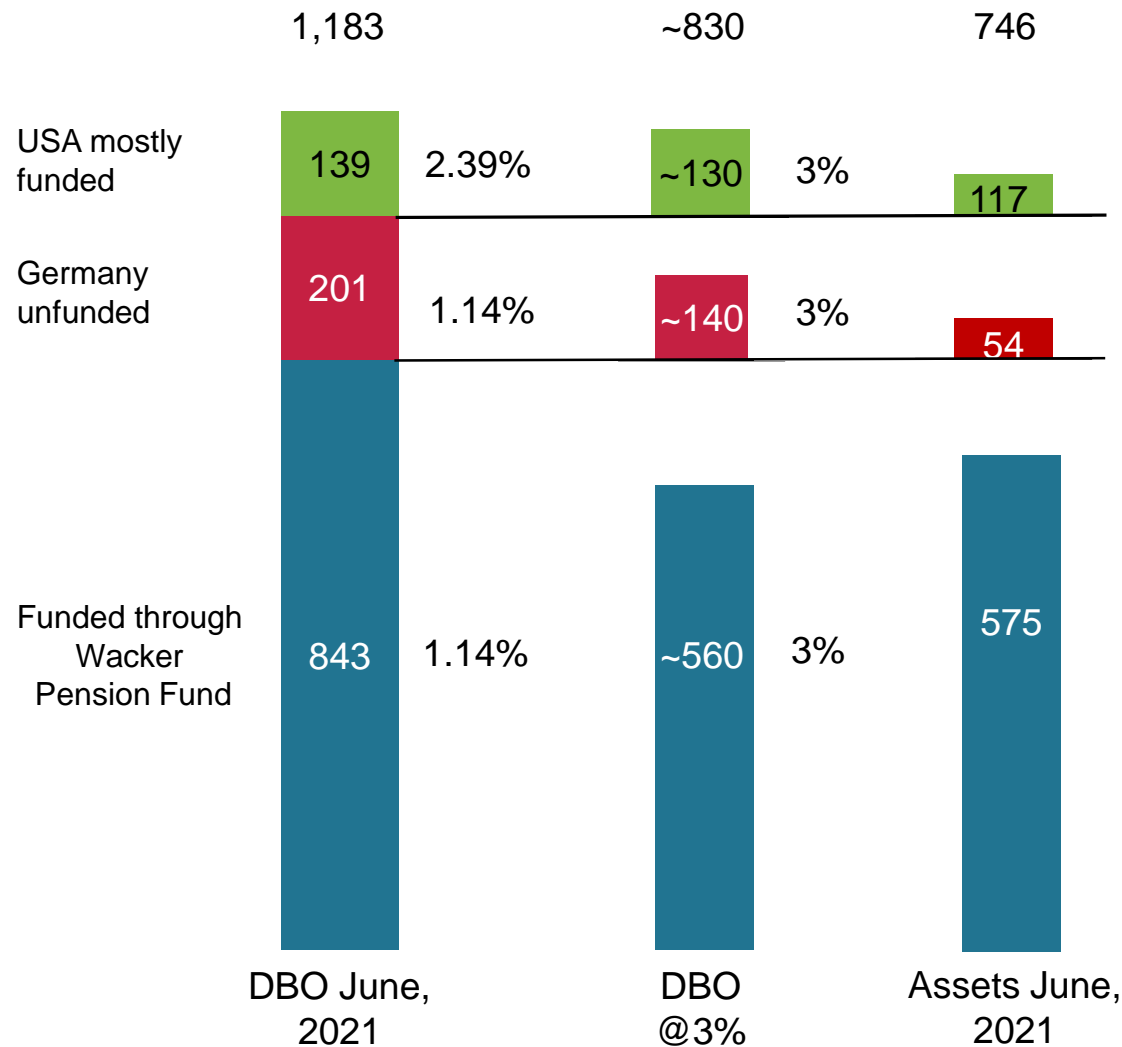


Net financial assets,
in EUR m



Pension reserves decreased mainly due to higher IFRS interest rates

DBO and pension reserves, in EUR m



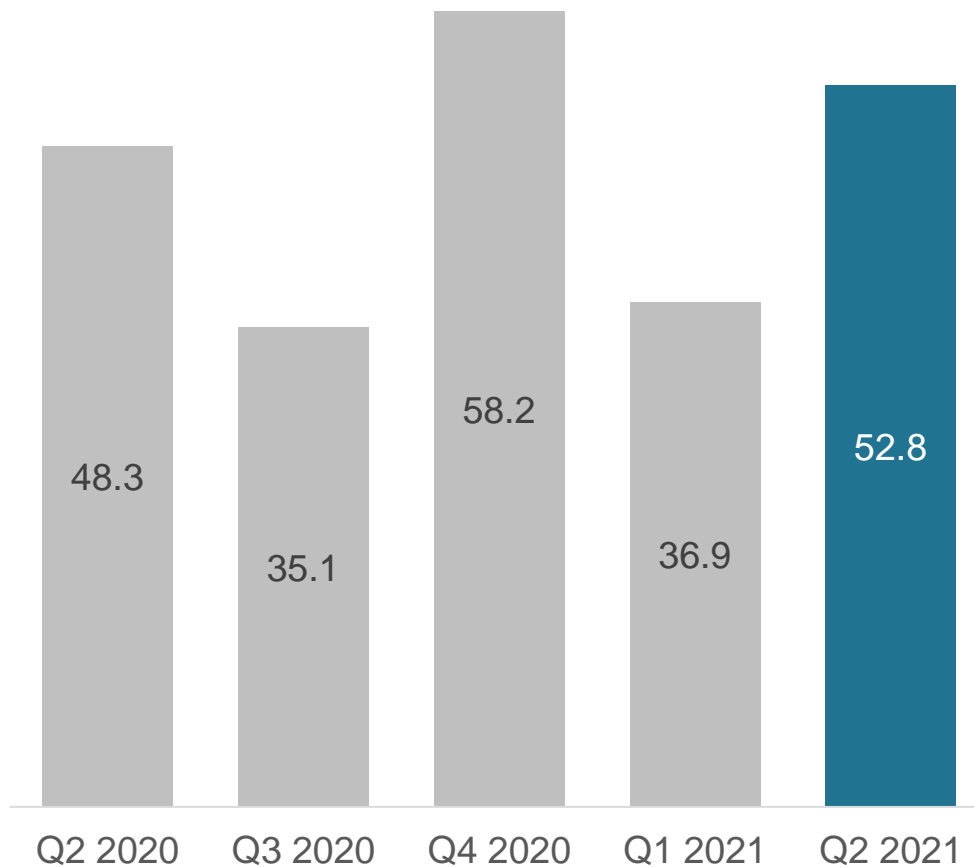
Comment

- ▶ DBO of EUR 1,183 million ./ assets of EUR 746 million = EUR 437 million
- ▶ Pension reserves @3% = DBO of EUR ~830 million ./ assets EUR 746 million = EUR 84 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 3.23% interest rate
 - ▶ asset liability study: probability of return in next 20 years:

≥3.5%	59%
≥3.0%	75%
≥2.5%	87%

Capex Q2 2021 significantly up vs. Q1 2021

Investment, in EUR m

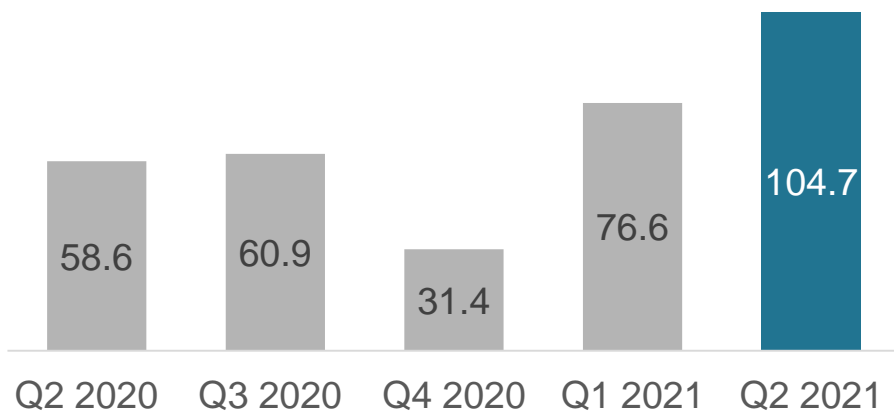


Comments

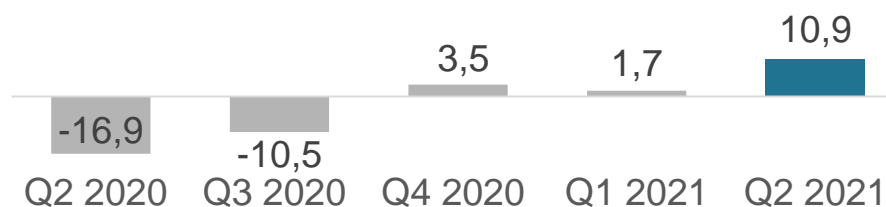
- ▶ Capex in H1 2021
 - ▶ MOB
 - ▶ epi capacities
 - ▶ capabilities
 - ▶ expansion of crystal pulling hall to replace older equipment in Freiberg

Strong net cash flow

Operating cash flow (OCF), in EUR m



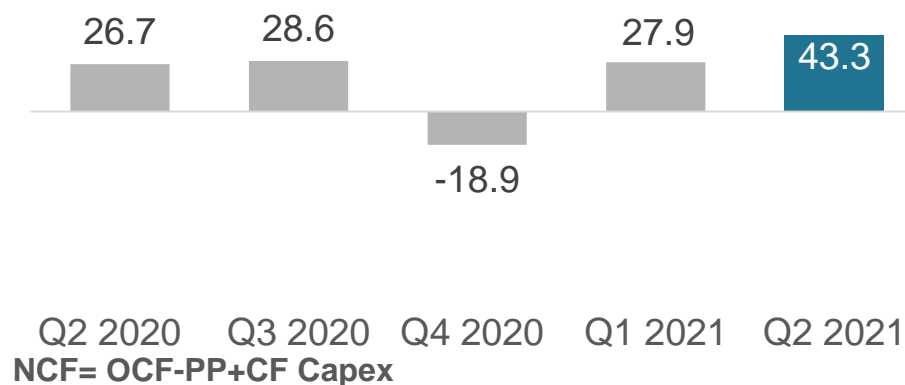
Customer prepayments net (PP), in EUR m



CF Capex, in EUR m



Net cash flow (NCF), in EUR m



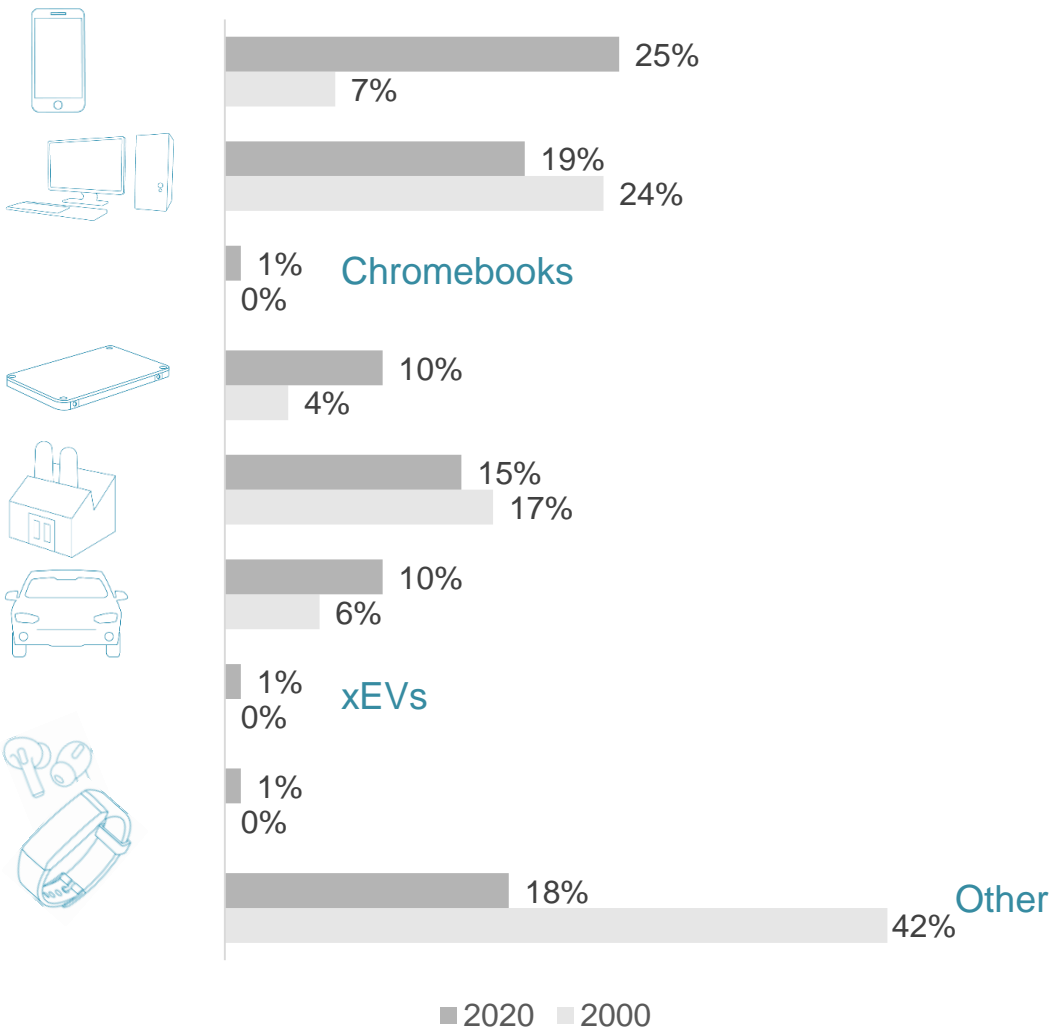


Outlook 2021

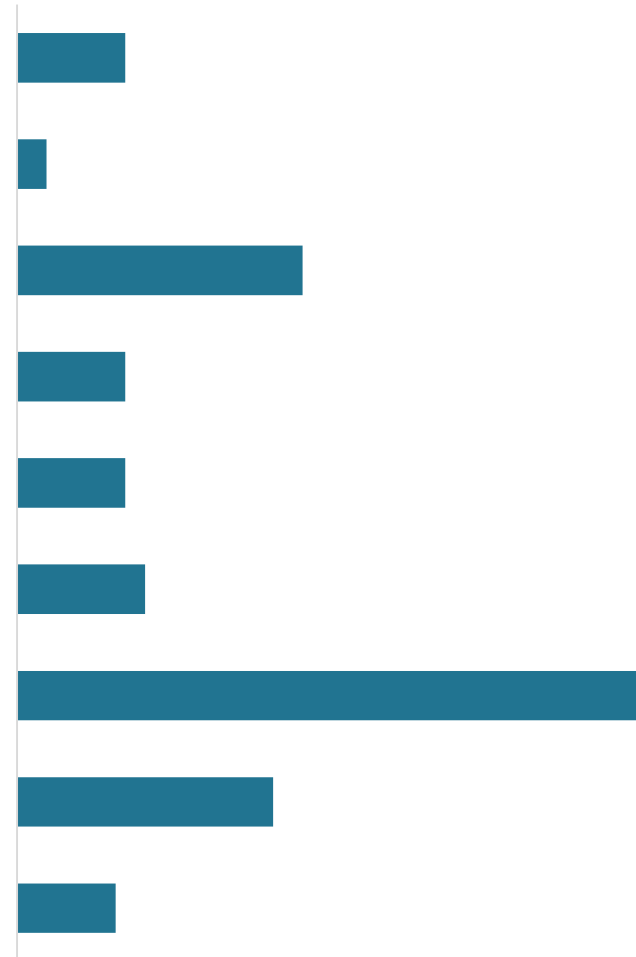
Further shift in main applications of silicon demand

Logic and Power grow fastest

Wafer area sold, in million cm²



Estimated wafer area growth of 15% in 2021



Source: Siltronic Marketing July 2021 based on external market research studies

Siltronic Outlook 2021 (as of July 27, 2021)

Sales	– at least 10 percent above 2020	=
EBITDA margin	– between 30 and 32 percent	=
Depreciation	– around EUR 155m to EUR 160m	=
EBIT	– significant increase	=
Tax rate	– significantly below 10%	=
CapEx	– around EUR 400m (mainly in 300 mm epi, capabilities and expansion of crystal pulling hall to replace older equipment, fab next)	+
Net cash flow	– slightly positive, but significantly below prior year	-
Earnings per share	– significant increase	=

Contact and Additional Information

Issuer and Contact

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Additional Information

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

Financial Calendar 2021

Q3 Quarterly Statement	October 26, 2021
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