

Siltronic Full Year Results 2017

March 5, 2018

Financial year 2017: Highlights

Sales

EUR 1,177.3m (2016: EUR 933.4m)

EBITDA

EUR 353.1m (2016: EUR 146.0m)

EBITDA margin

30.0% (2016: 15.6%)

EBIT & EBIT margin

EUR 235.7m (2016: EUR 27.0m)
20.0% (2016: 2.9%)

CapEx

EUR 123.2m (2016: EUR 88.8m)

Free Cash Flow

EUR 169.6m (2016: EUR 19.0m)

Net Financial Assets

EUR 342.1m (December 31, 2016: EUR 175.0m)



MARKET UPDATE

Market highlights

2017 Review

- ▶ Global economic growth forecasts were continuously revised up since October 2017
- ▶ Semiconductor revenue surged (+22% YoY, Si based), driven by huge memory price increases and strong unit sales (+14% YoY, Si based) for all non-memory devices (e.g. analog, discretes, logic, optoelectronics and sensors)
- ▶ Smartphones growing in H2 2017 driven by introductions of new features
- ▶ Silicon wafer sales reached a new record high of 6.3 bn cm²/month (+10% YoY growth)
- ▶ Wafer suppliers report full fab loading and orders allocation for all wafer diameters

Source: IMF (International Monetary Fund), IC Insights, WSTS (World Semiconductor Trade Statistics), IHS Markit Technology, SEMI SMG (Silicon Manufacturing Group)

IHS Markit forecasts 4.5% growth for Silicon area in 2018, with broad based growth in a wide range of applications.

Wafer Demand 2000 / 2017, in bn cm²



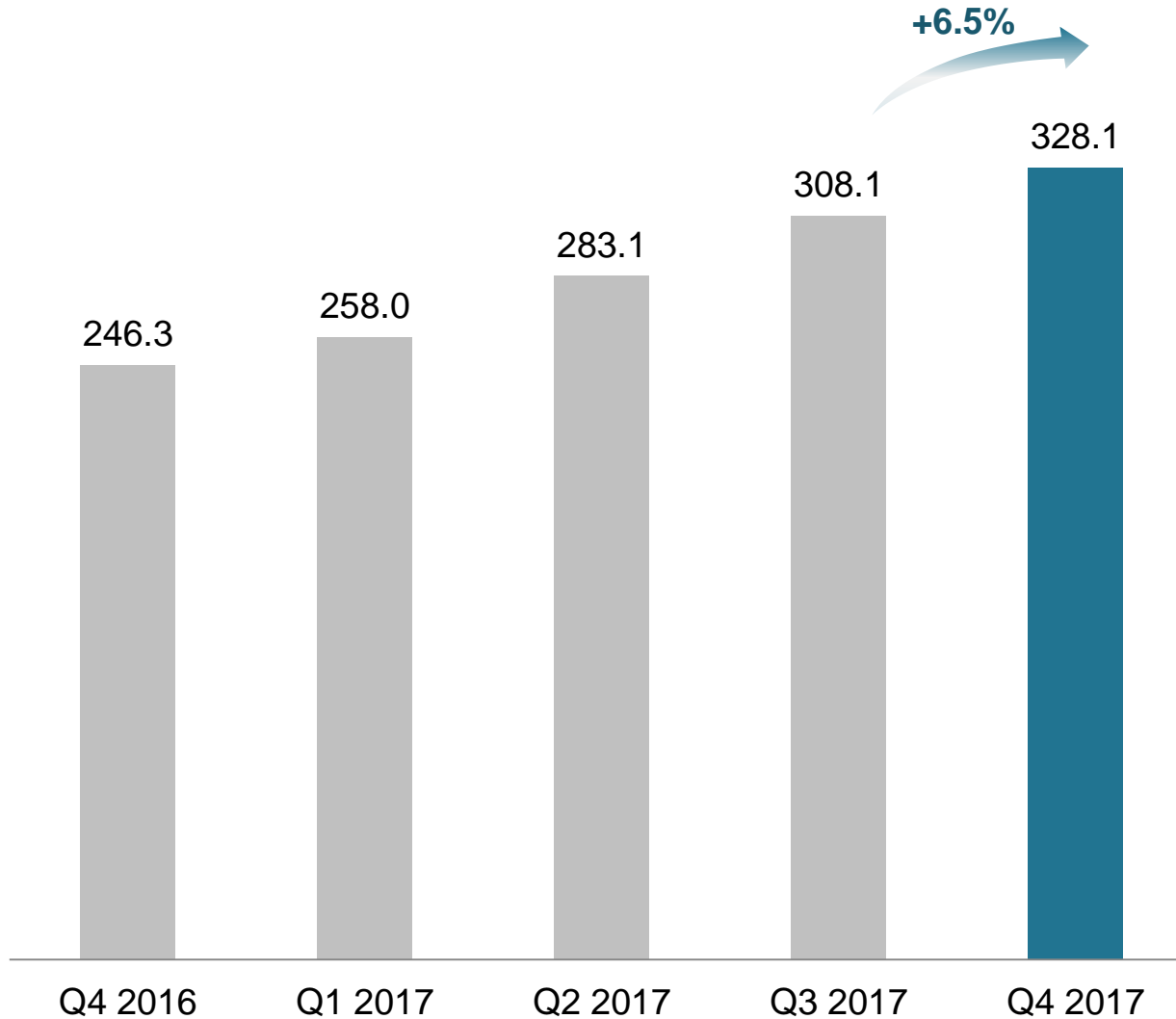
Source: IHS Markit Technology (Semiconductor Silicon Demand Forecast Tool, Q1'18 Update)

A photograph of a laboratory setting. In the foreground, a computer monitor is visible, displaying a blurred image. To the right, a microscope is partially visible. The background shows laboratory equipment and a clean, professional environment. A large teal circular graphic is overlaid on the left side of the image, containing the text 'FINANCIALS 2017'.

FINANCIALS 2017

Q4 sales development driven by increased prices

Sales, in EUR million



Comments

▶ Positive

- ▶ Higher wafer prices for 300mm and 200mm in Q4
- ▶ ASP up y-o-y and q-o-q
- ▶ Further price increases negotiated for 2018
- ▶ LTAs signed for additional 70k capacity coming online until mid-2019
- ▶ EUR/USD exchange rate roughly stable q-o-q

▶ Negative

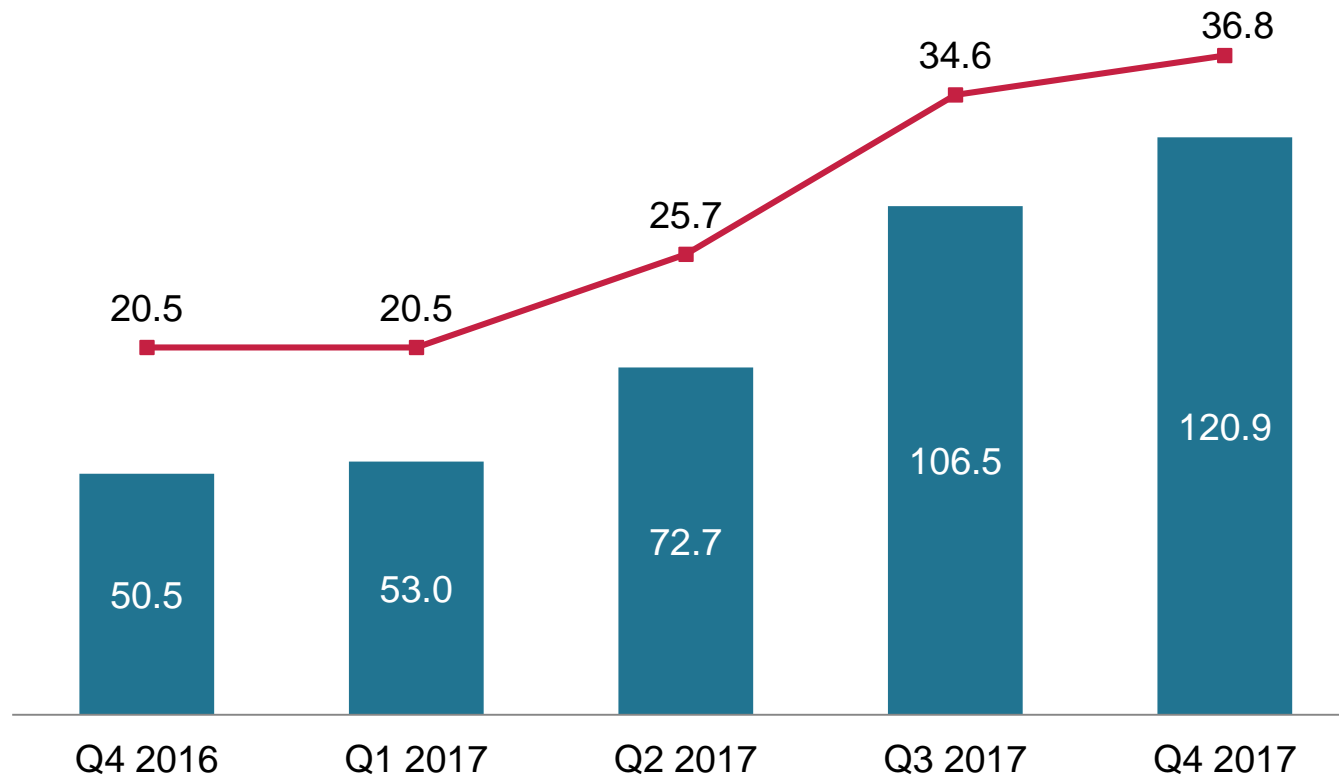
- ▶ Headwind from USD y-on-y

Positive development of EBITDA and EBITDA margin mainly due to higher ASP

EBITDA margin in %; EBITDA in EUR million

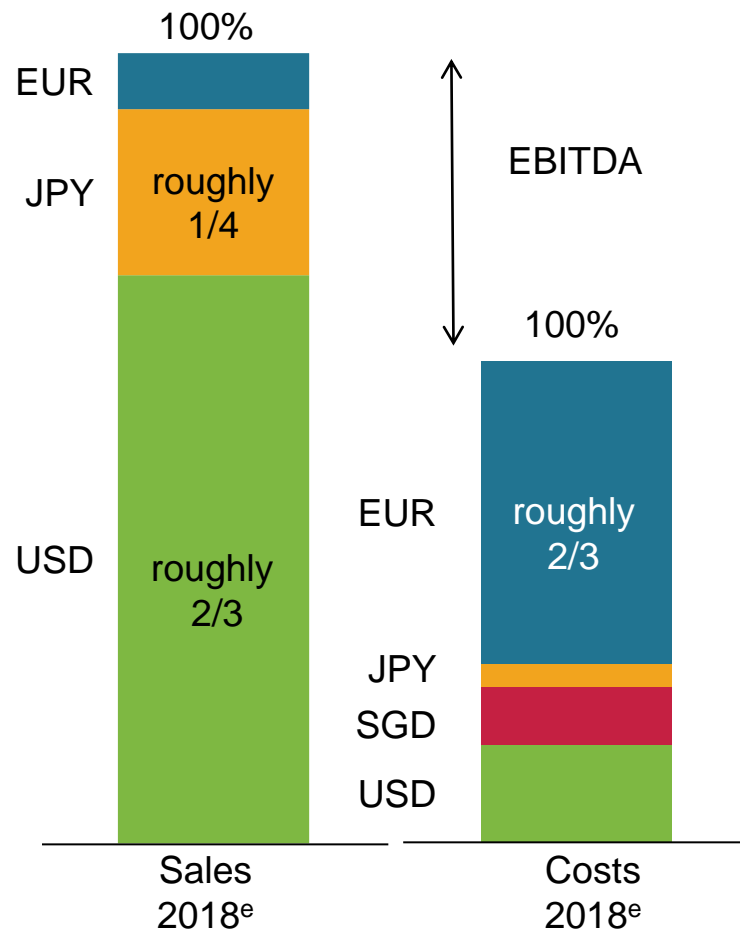
Comments

- ▶ Positive
 - ▶ Higher ASP y-o-y and q-o-q
 - ▶ Successful cost reduction program continued – COGS per wafer area decreased



Increasing FX exposure due to higher margins

FX exposure



USD exposure 2018

- ▶ hedging ratio approx. 40%

excl. profit

- ▶ hedging ratio approx. 75%

JPY exposure 2018

- ▶ hedging ratio approx. 30%

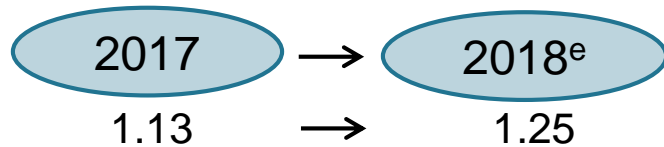
excl. profit

- ▶ hedging ratio approx. 50%

At current FX rates (1.25/135) sales would be negatively impacted by approx. EUR 100m and EBITDA by approx. EUR 60m

Change USD, in EUR million

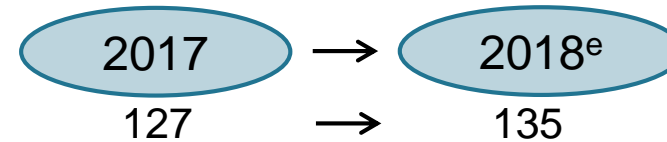
- 1 ct ~ EUR 7.5m sales
- ~ EUR 6.5m gross margin
- ~ EUR 4.5m EBITDA after hedging



- ~ EUR -90m sales
- ~ EUR -55m EBITDA

Change JPY, in EUR million

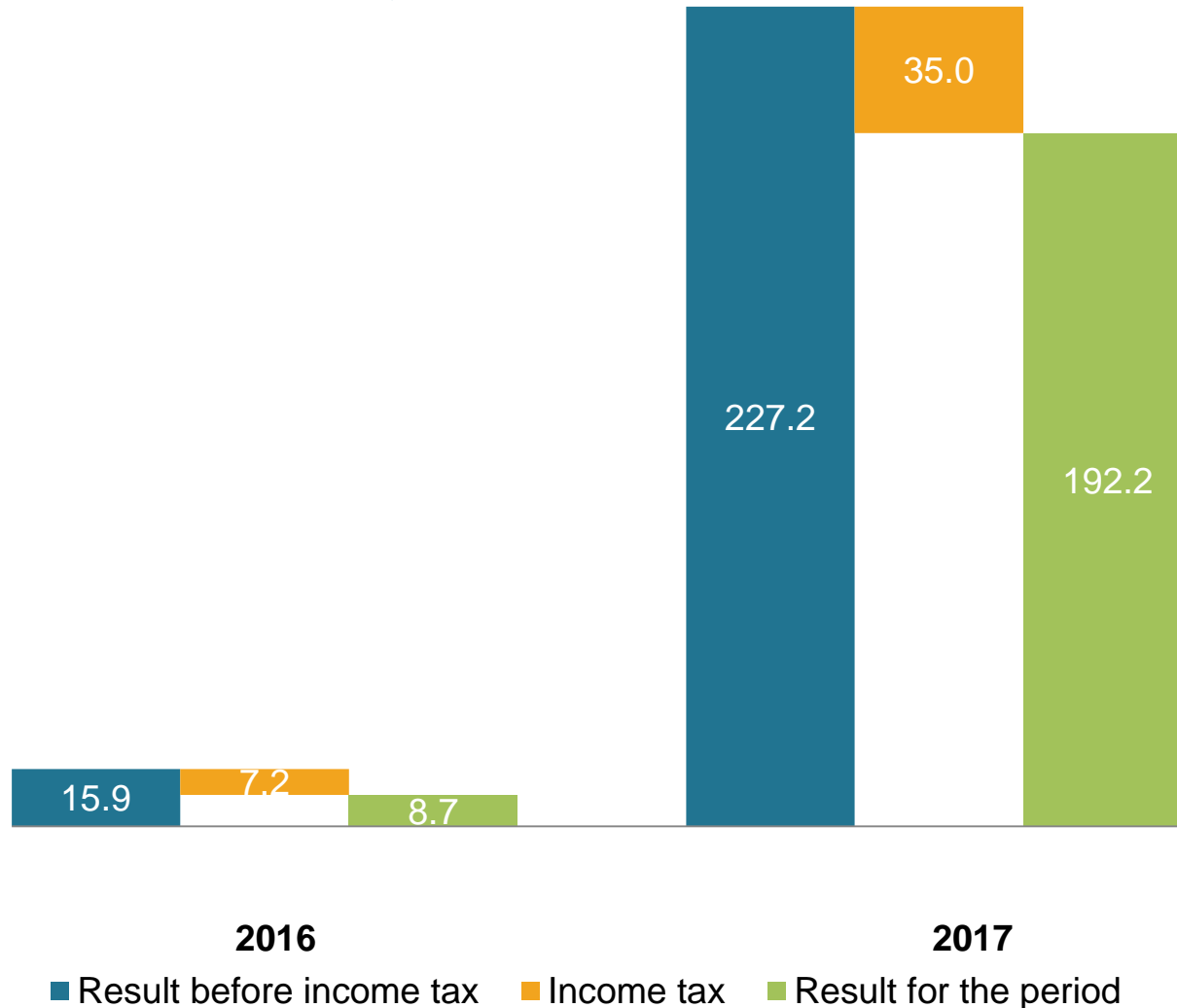
- 1 JPY ~ EUR 2m sales
- ~ EUR 2m gross margin
- ~ EUR 1m EBITDA after hedging



- ~ EUR -17m sales
- ~ EUR -10m EBITDA

Positive development of net result due to price increases

Result and income tax, in EUR million



Comments

- ▶ Net profit of EUR 192.2m in 2017
- ▶ Positive effects of price increases and lower cost of sales per wafer area
- ▶ EUR 35.0m effective taxes
- ▶ Potential future tax advantages based on tax losses carried forward not capitalized (accounting policies)

Equity ratio of 51%

Net financial assets of EUR 342.1m

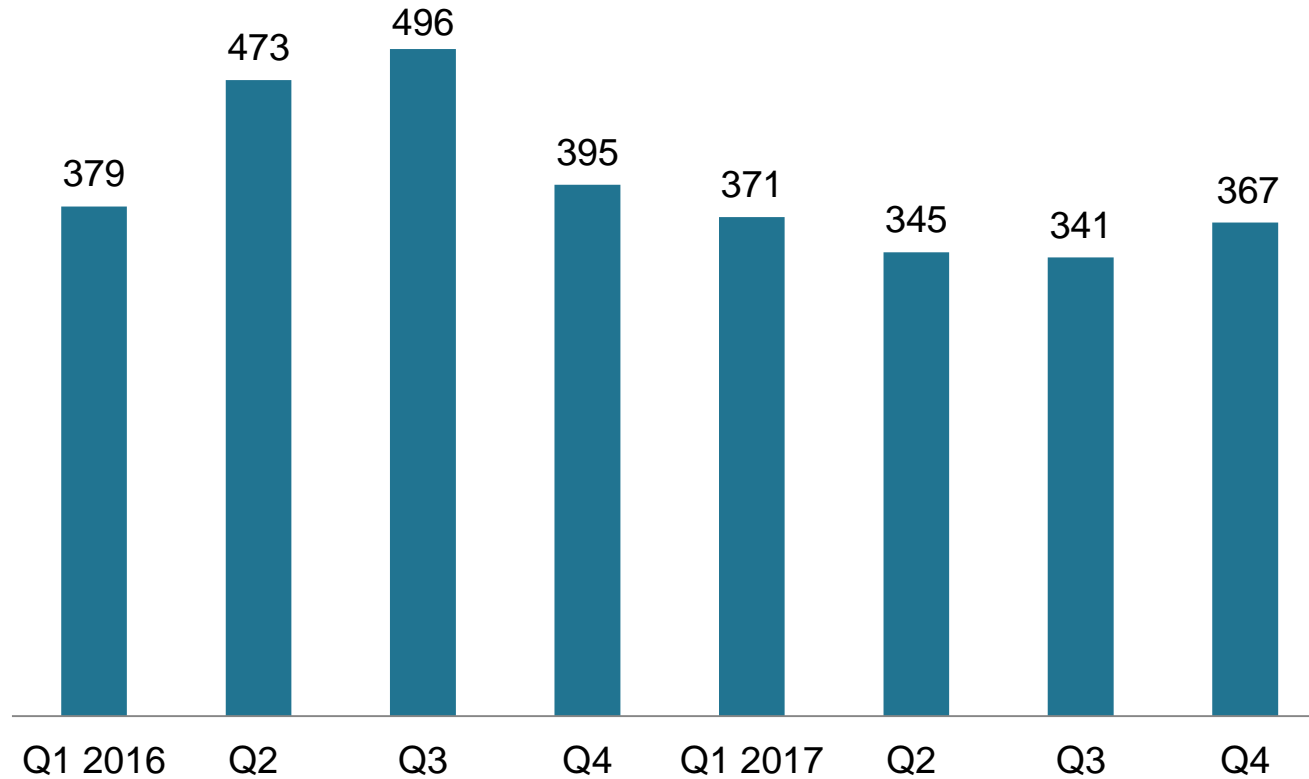
Balance sheet, in EUR million

Assets	Dec 31, 2017	Dec 31, 2016	Comments Dec 31, 2017
Non-current	546.6	554.1	
PP&E	513.3	519.8	
Other fixed	33.3	34.3	23 intangibles (related to SSW) 2 hedging
Current	705.8	502.7	
Inventories	149.9	140.9	
Trade receivables	159.9	118.2	
Other current	53.9	28.2	18 hedging
Cash and fixed term deposits	342.1	215.4	
Total	1,252.4	1,056.8	

Equity and liabilities	Dec 31, 2017	Dec 31, 2016	Comments Dec 31, 2017
Equity	637.9	425.3	
Siltronic	637.3	431.9	
Other shareholders	0.6	-6.6	Samsung's 22% in SSW
Liabilities	614.5	631.5	
Pension provision	367.2	395.1	Germany and US
Other provisions	54.6	51.1	43 personnel related (e.g. early retirement)
Financial debt	0.0	40.4	repayment of loan related to SSW
Trade liabilities	67.1	81.6	
Other	125.6	63.3	70 prepayments 44 employee-related 1 hedging
Total	1,252.4	1,056.8	

Fluctuations in pension provision due to interest rate movements

Pension provision, in EUR million



Comments

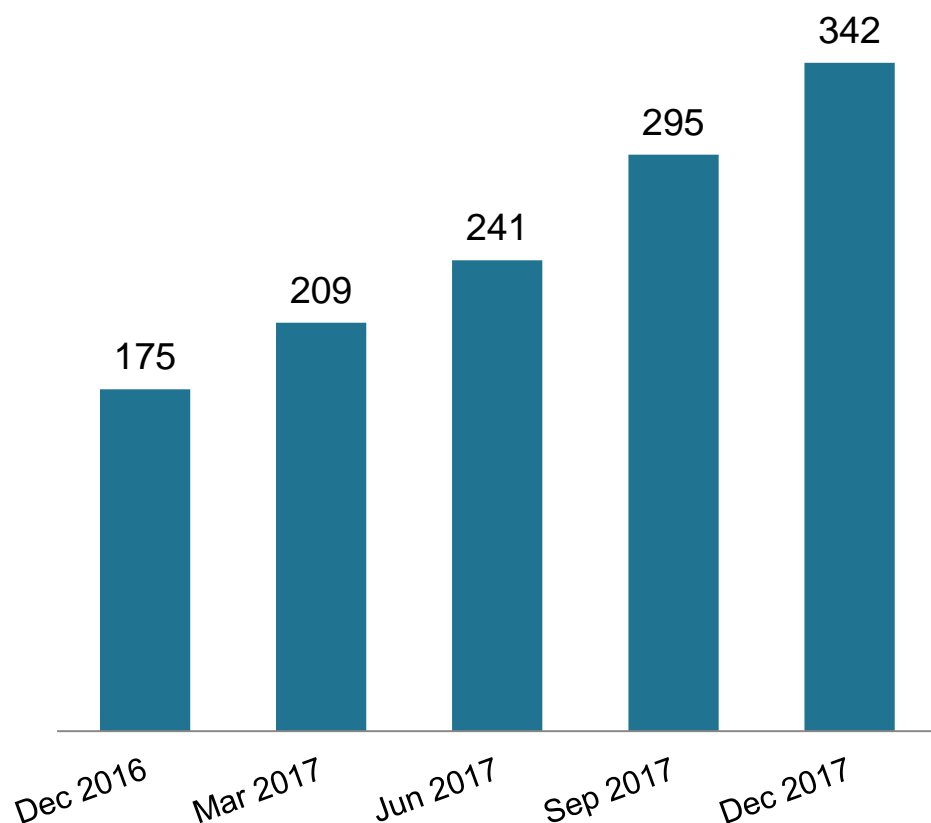
- ▶ Changes in interest rates influence evaluation of pension provision
- ▶ Change in interest rates directly reflected in equity (OCI)

interest rates IFRS

▶ USA	3.78%	3.47%	3.43%	3.92%	3.90%	3.65%	3.61%	3.45%
▶ Germany	2.15%	1.60%	1.38%	1.94%	2.07%	2.19%	2.21%	2.10%

Net financial assets nearly doubled since IPO

Net financial assets, in EUR million



Proposed dividend of 2,50 euro for financial year 2017

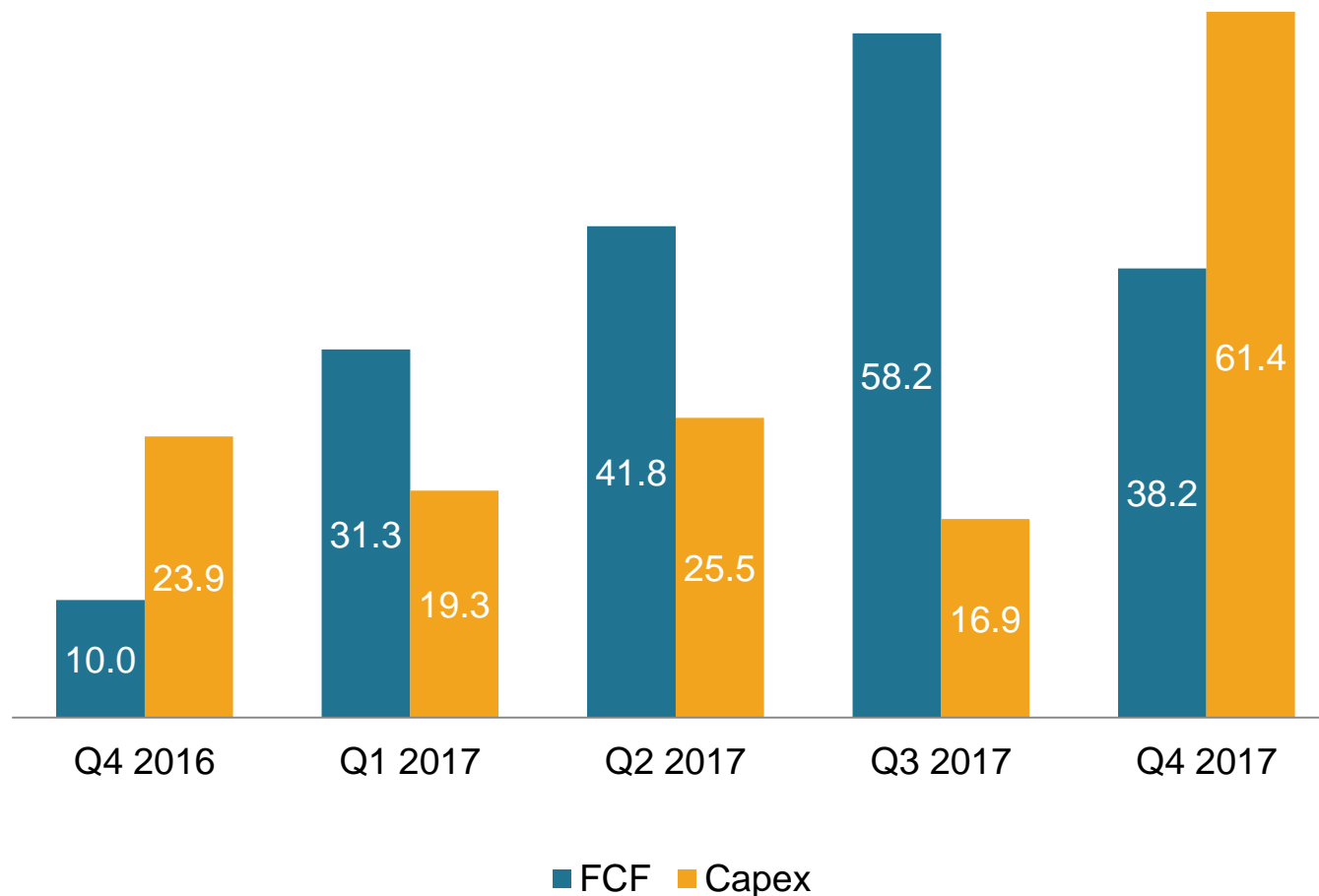
- ▶ General dividend policy stipulates pay-out ratio of ~40% of net shareholder earnings based on IFRS standards
- ▶ Proposed dividend for 2017
 - ▶ payable in April 2018
 - ▶ depending on approval of Annual General Meeting in April 2018
- ▶ High cash flow supports dividend payment of EUR 75m

Increasing free cash flow generation y-o-y

Capex and FCF, in EUR million

Comments

- ▶ Customer prepayments 2017
 - ▶ Repaid EUR ~24m
 - ▶ Received EUR ~69m for product mix optimization and for additional capacities coming online until mid-2019
 - ▶ Net increase of EUR ~45m
- ▶ Further prepayments of EUR >100 million will follow in 2018



Net cash flow representing free cash flow excluding impacts of customer prepayments

Cash flow, in EUR million

	2016	2017
Cash flow from operating activities	115.6	298.9
<i>thereof one-time payment to pension fund</i>	-11.1	0
Proceeds/payments for CapEx	-96.6	-129.3
Free cash flow	19.0	169.6
<i>+customer prepayments / -repayment of prepayments</i>	-20.5	44.8
Net cash flow	39.6	124.8

Comments

- ▶ High free cash flow despite capex for investments in state-of-the-art crystal pullers and further automation of production sites
- ▶ Net cash flow represents free cash flow without timing differences resulting from the inflow and outflow of customer prepayments



OUTLOOK

Positive development in 2017 carries into 2018

Q4 2017 comments

- ▶ Sales volume basically stable q-o-q due to full loading in 200 mm and 300 mm and very high loading in SD
- ▶ Higher ASP q-o-q due to increased prices

Full year 2017 comments

- ▶ Sales volume slightly increased due to sequentially higher loading in SD and successful OEE measures in 200 mm and 300 mm
- ▶ Cost reductions around EUR 15 million
- ▶ 30%-EBITDA margin considerably higher than in 2016, mainly due to higher ASP

2018 challenges and opportunities

- ▶ Silicon area growth limited by tight supply
- ▶ Positive price negotiations continue. However, price increases expected to slightly slow down compared with previous quarters
- ▶ New crystal pulling hall in Singapore creates sufficient crystal pulling capacity to further expand wafer capacity
- ▶ Negative FX effects expected due to significantly stronger Euro

Semiconductor and silicon markets showed significant growth in 2017 leading into 2018 with great momentum

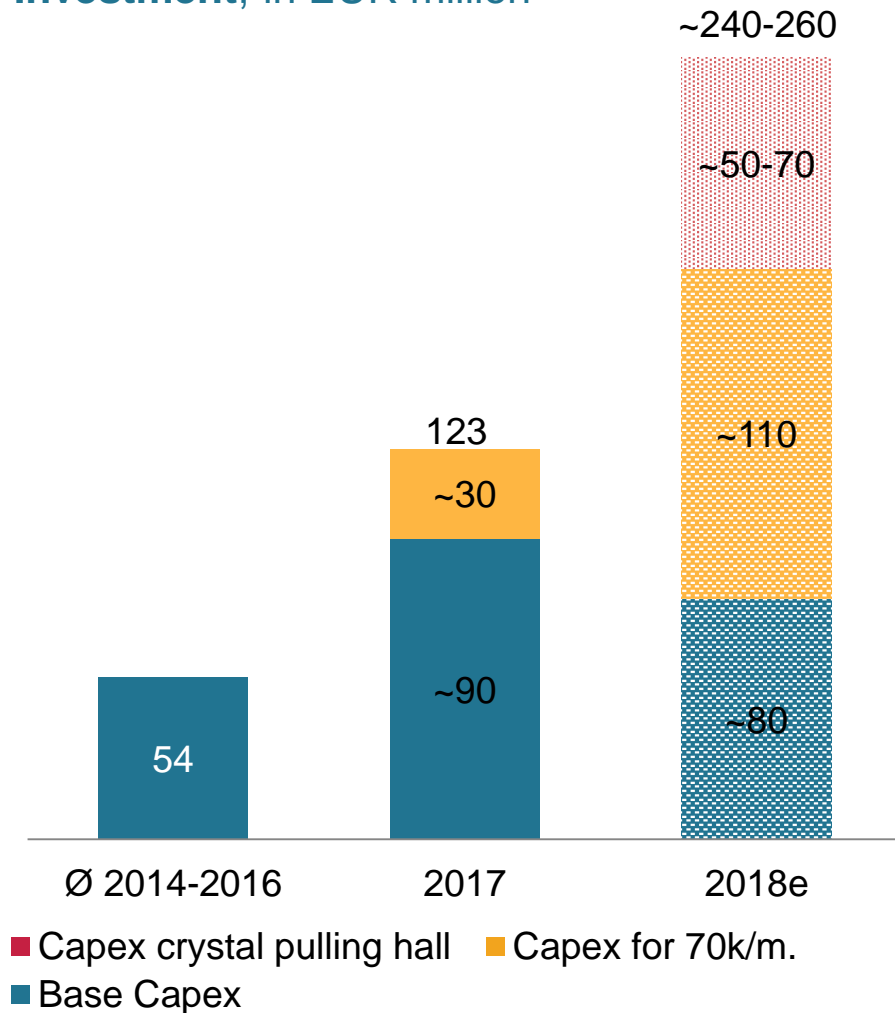
2018 Outlook

- ▶ Solid global economy (+4% YoY) is expected to drive electronic system sales (+4%) and semiconductor growth (+8%)
- ▶ Total smartphones shipments are forecast to grow again to 1.6 bn units (+7% YoY). Mid-tier smartphones (+13% YoY unit growth) provide most new features at the lowest price. High-tier smartphones are also expected to grow +9%
- ▶ Thus, silicon wafer demand is expected to grow noticeably (~4% on average)
- ▶ Wafer supply constraints are expected to continue throughout 2018, with no significant changes expected in supply capacities

Source: IMF (International Monetary Fund), IC Insights, WSTS (World Semiconductor Trade Statistics), IHS Markit Technology, SEMI SMG (Silicon Manufacturing Group)

Capex will rise to EUR 240m to EUR 260m in 2018

Investment, in EUR million



Comments

- ▶ Capex of EUR ~140m for 70k wafers/month over 2 years
- ▶ Capex in 2018 includes new crystal pulling hall in Singapore to create sufficient crystal pulling capacity to further expand wafer capacity
- ▶ Due to long lead-times additional crystal pullers already ordered
- ▶ Capex base level to sustain business:
 - ▶ MOB (maintenance of business)
 - ▶ Capabilities
 - ▶ Cost reductions
 - ▶ Automation

Siltronic Outlook 2018 (as of March 5, 2018)

EBITDA margin	close to 40%
ROCE	clearly higher than in 2017
Net cash flow	clearly higher than in 2017
Sales	clearly above EUR 1.3bn, depending on FX effects
R&D	approx. 5% of sales
Cost position	negative effect on savings potential due to tariff increases and inflation
FX effects	assuming an EUR/USD exchange rate of 1.25 and an EUR/JPY exchange rate of 135 negative FX impact of approx. EUR 100m on sales and approx. EUR 60m on EBITDA
Depreciation	approx. EUR 90m
Tax rate	between 15% and 20%
Financial result	relatively stable
CapEx	approx. EUR 240m and EUR 260m
Earnings per share	significantly higher than in 2017

Contact and Additional Information

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Additional Information

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

Financial Calendar

Annual General Meeting	April 19, 2018
Q1 2018 Results	April 25, 2018
Q2 2018 Results	July 25, 2018
Q3 2018 Results	October 25, 2018

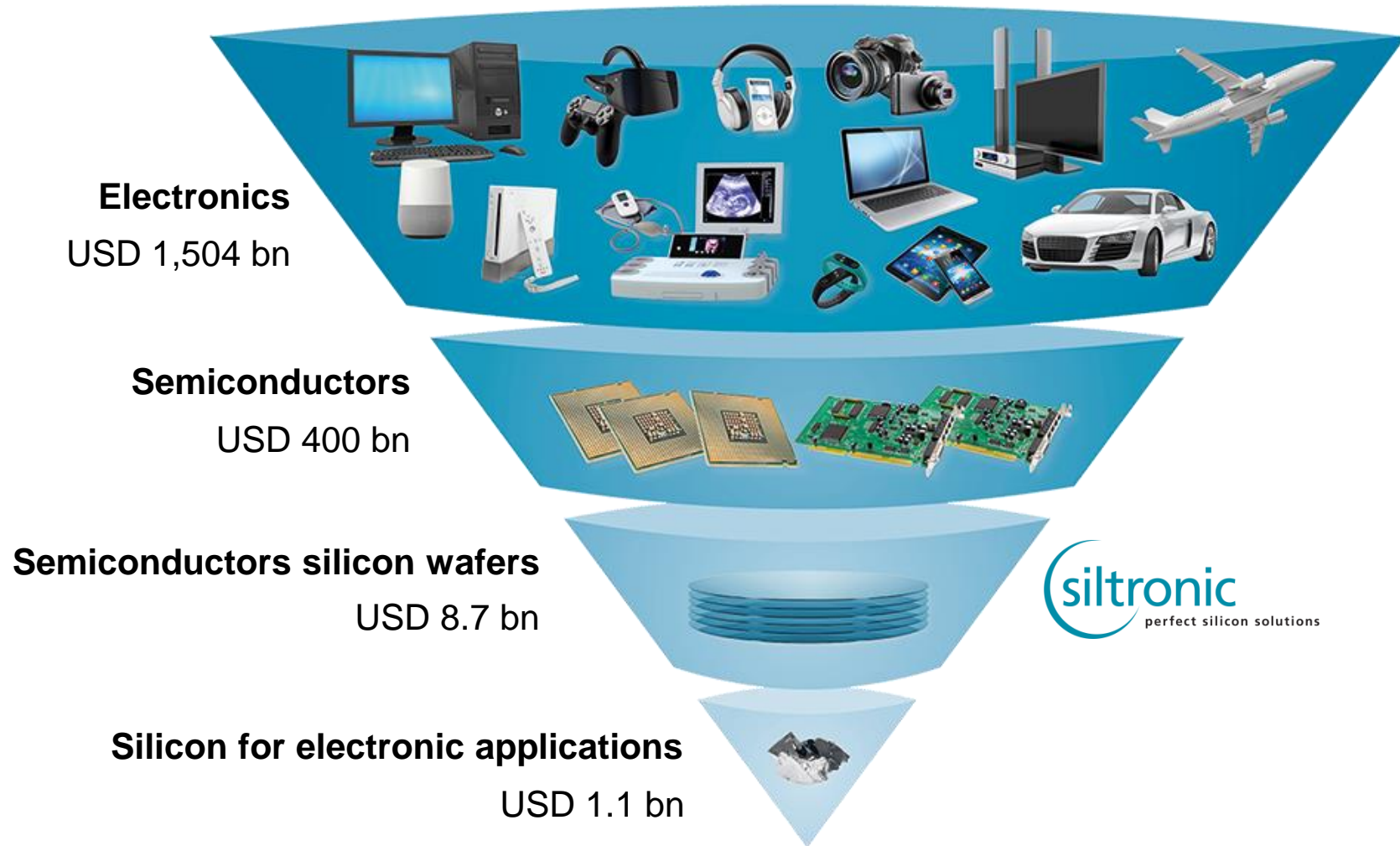


The image features a close-up, microscopic view of a silicon wafer, showing its characteristic circular shape and the fine, concentric lines of the silicon surface. A dark, semi-circular overlay is positioned on the left side of the frame, partially obscuring the wafer. The text 'APPENDIX' is printed in white on this dark area. The background is a soft, out-of-focus light blue.

APPENDIX

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

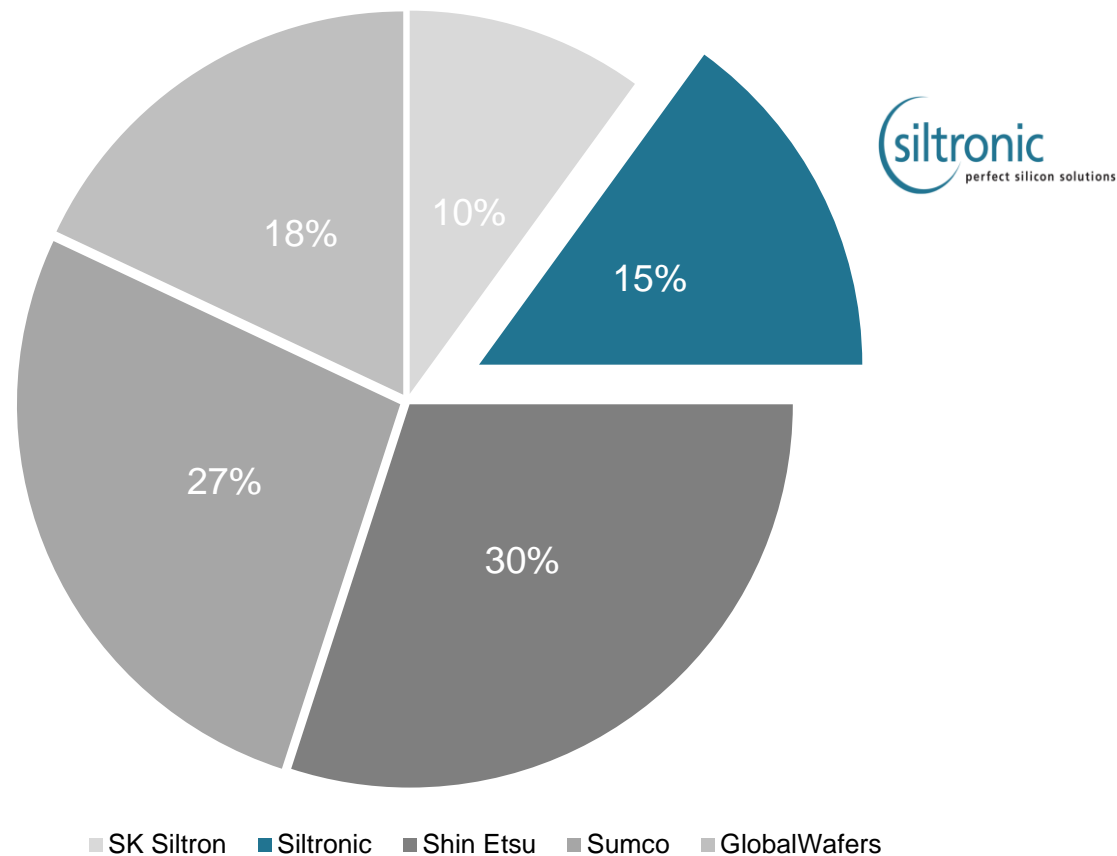
Electronics Value Chain 2017



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

Siltronic is a strong wafer supplier with leading-edge technology

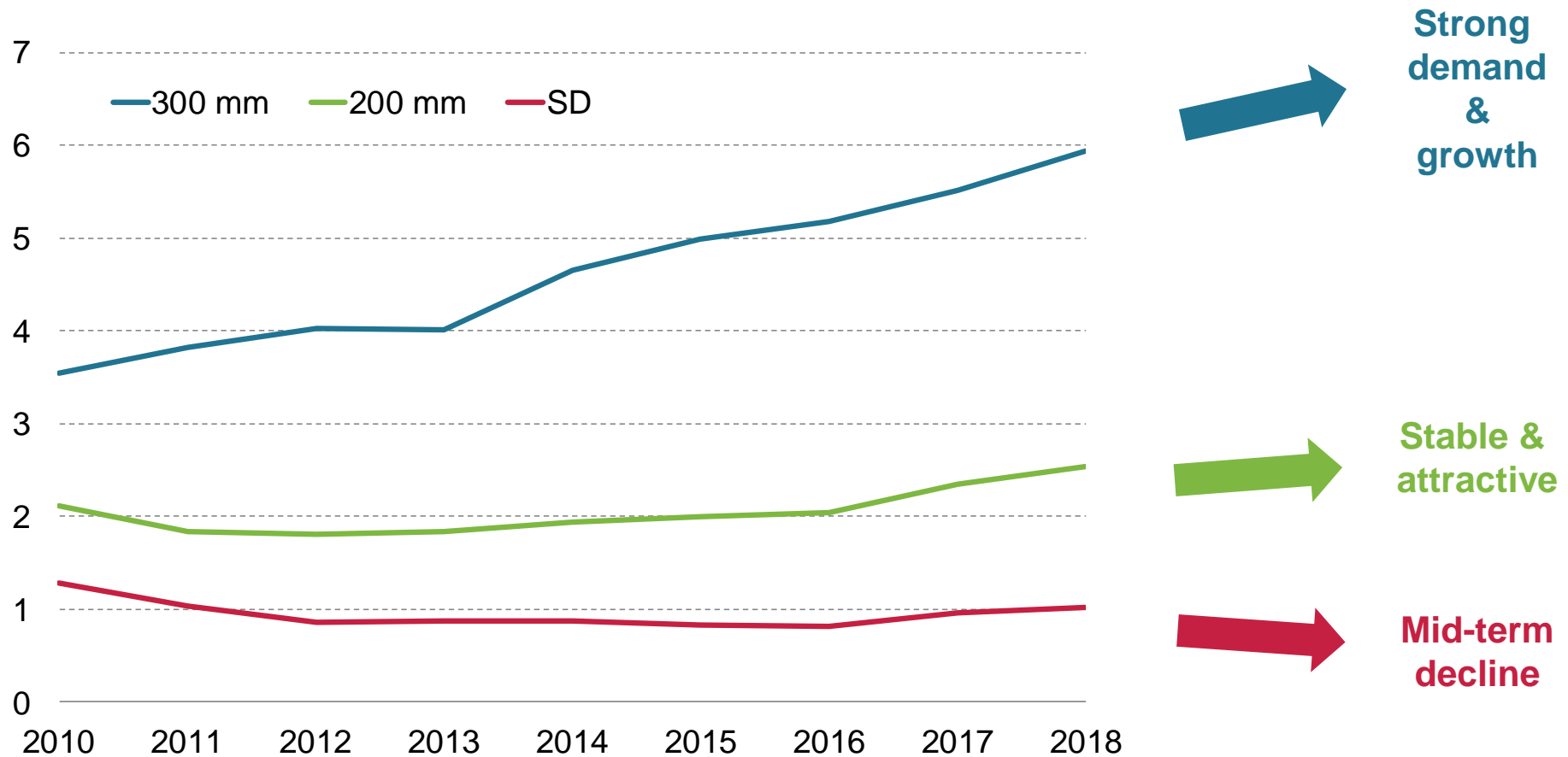
Top 5 wafer producers serve more than 90% of market across all diameters



Sources: reported company revenues Q1-Q3 2017, converted to USD million

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 2018

Customer base well diversified across all major semiconductor silicon wafer consumers

Siltronic is a supplier to all top 20 Silicon wafer consumers

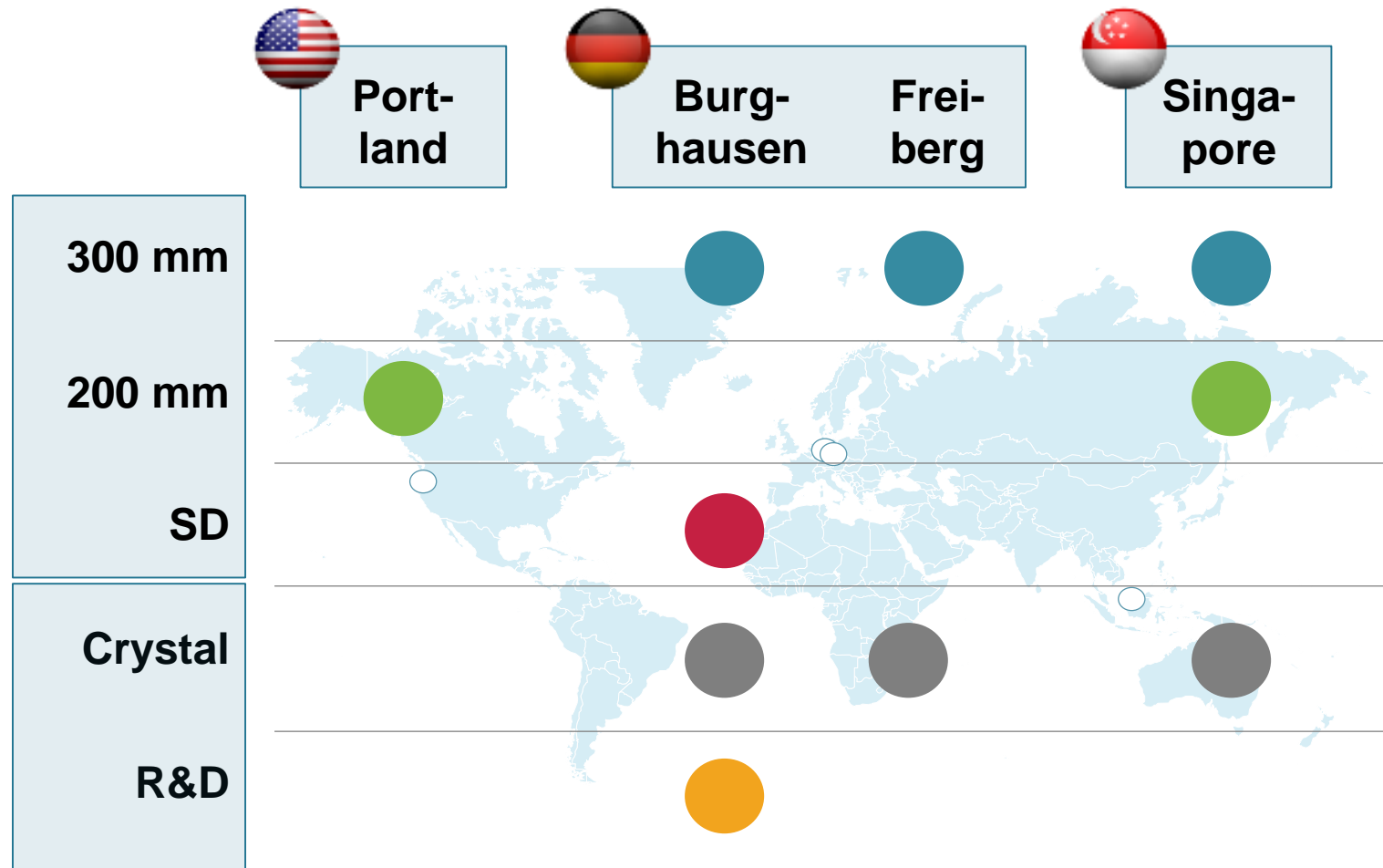


Siltronic well positioned at all major Silicon consumers

Top 10 customers represent ~73% of 2017 revenues

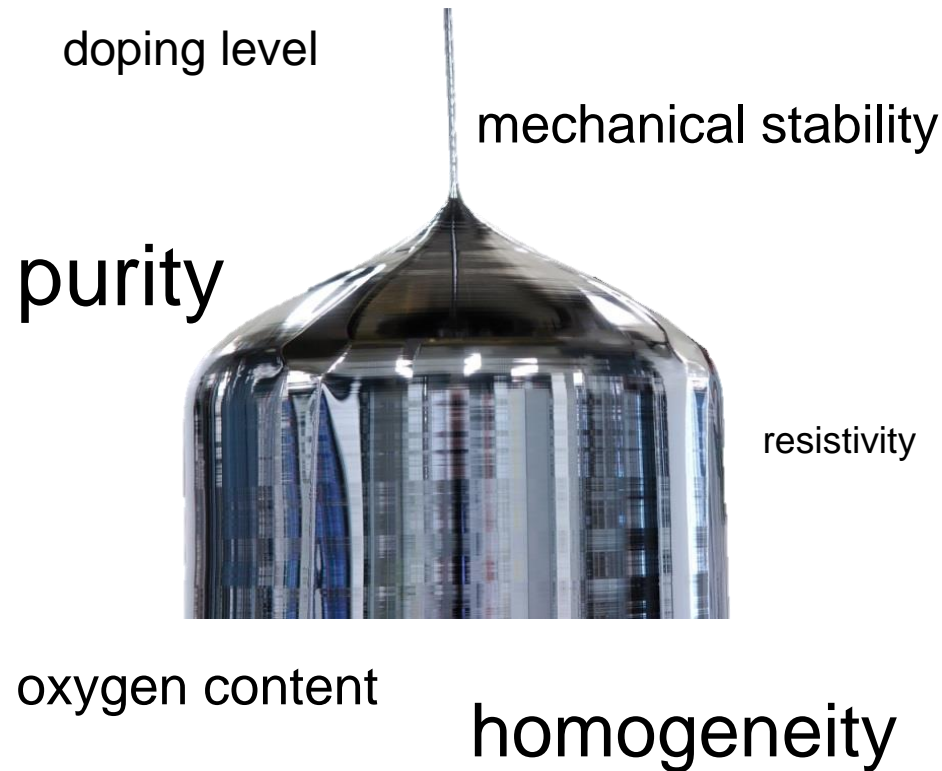
Source: Company Information, Siltronic

International manufacturing network supports market leadership and business focus

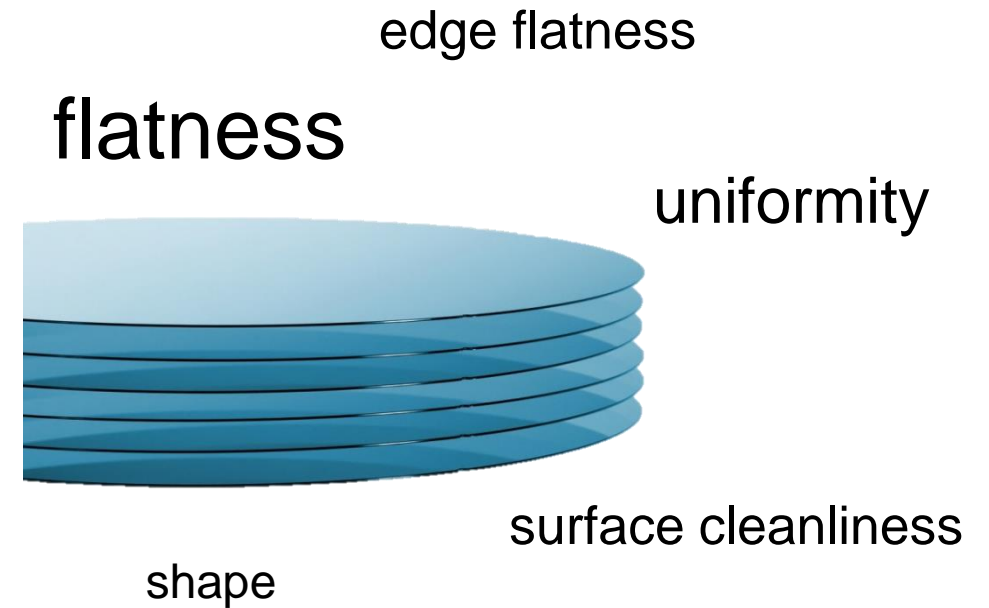


Continuous improvement of key ingot and wafer properties to meet customers' requirements

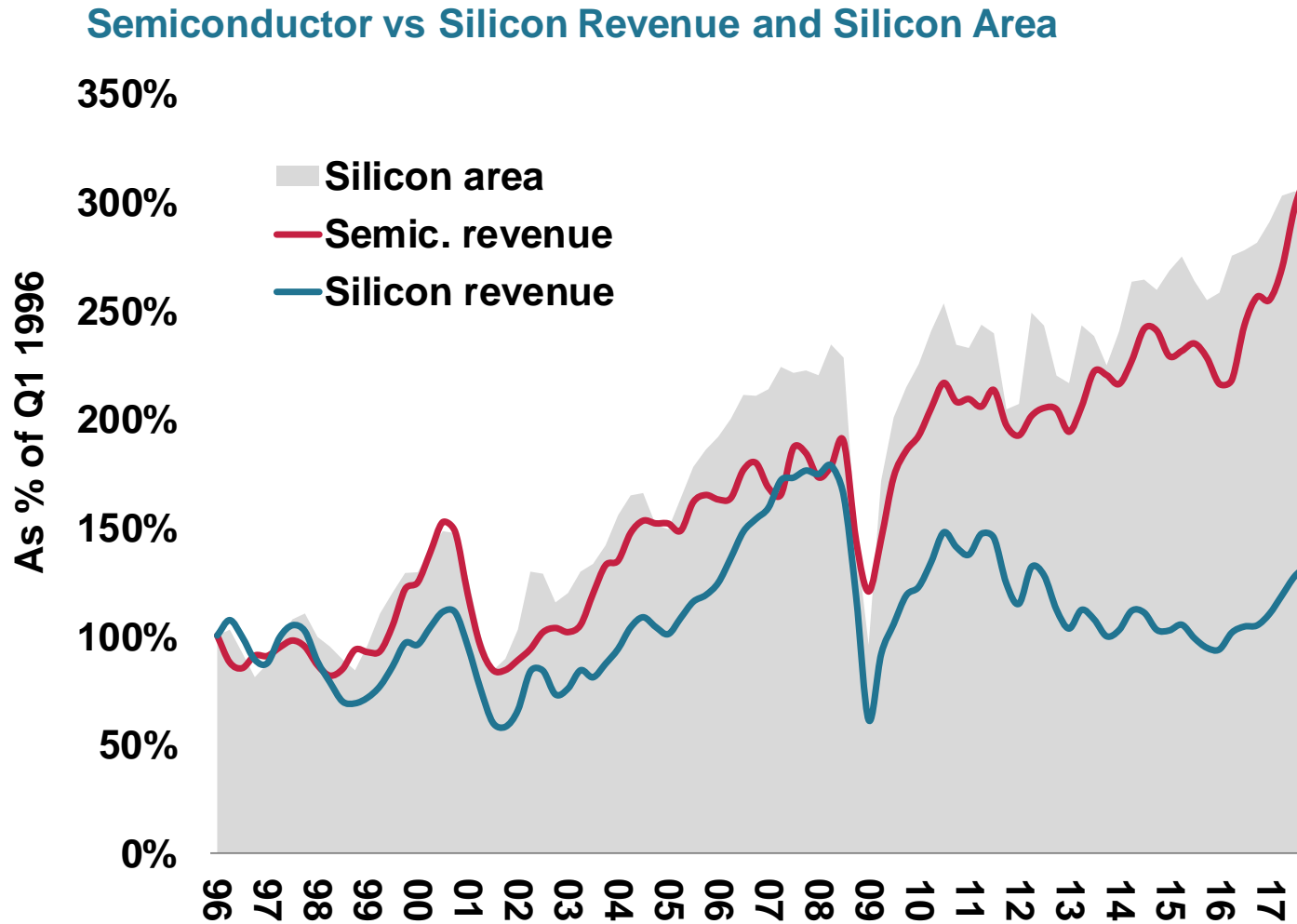
Ingot



Wafer



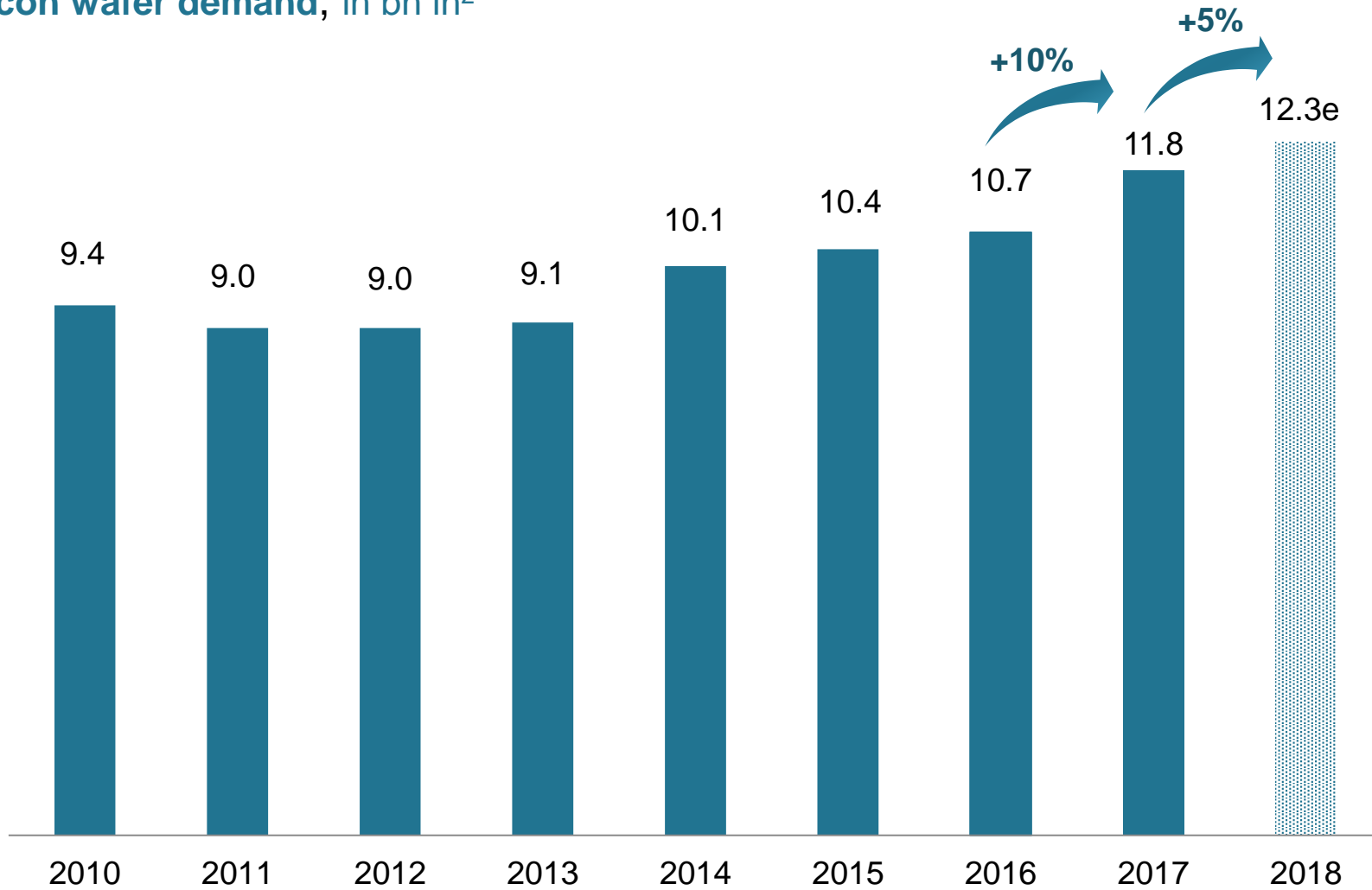
Semiconductor Revenue vs Silicon Area and Silicon Revenue.



Source: WSTS and SEMI up to Q4 2017

Silicon area demand continues to grow

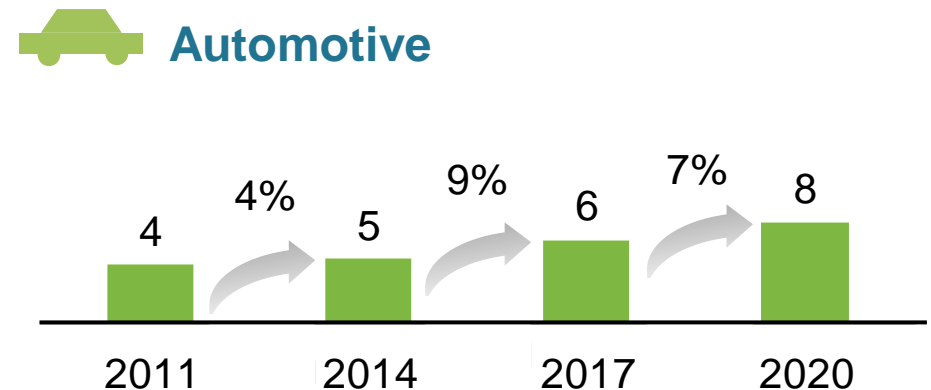
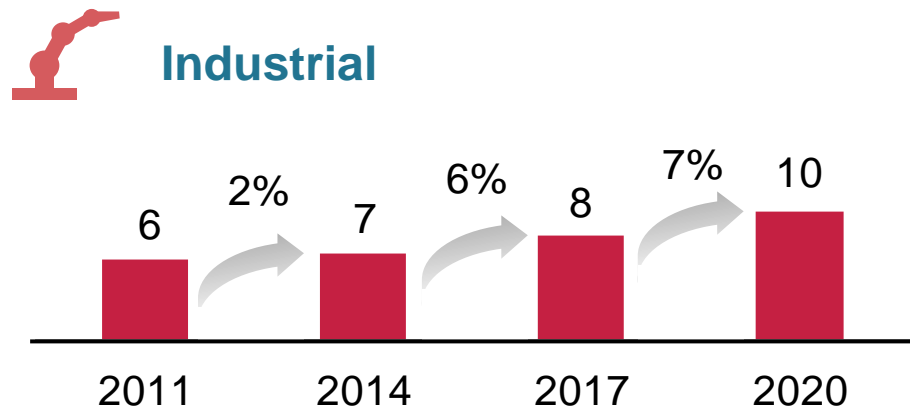
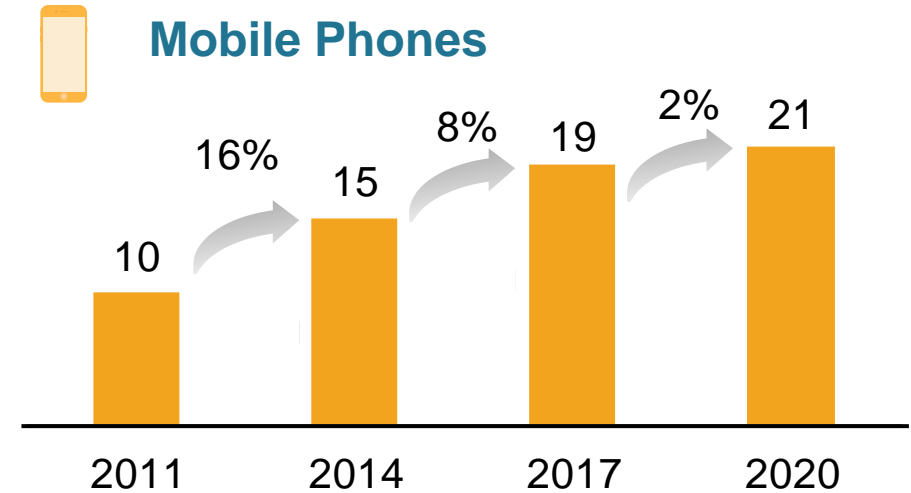
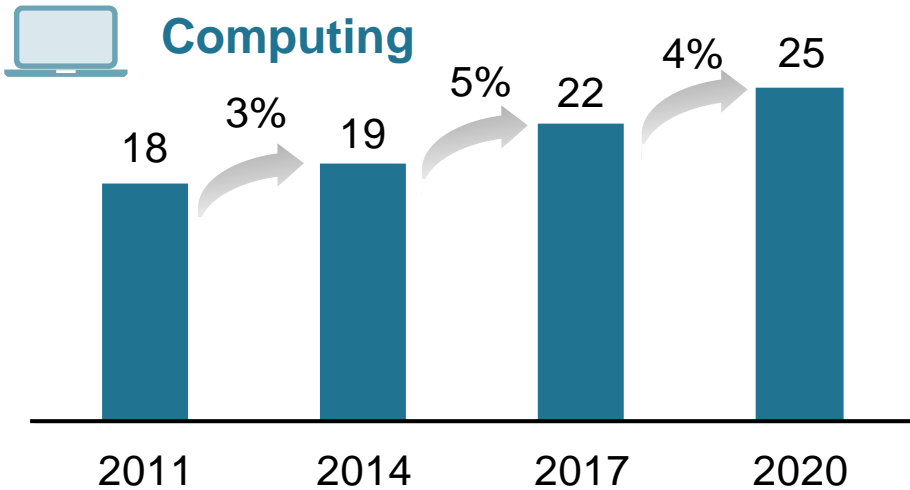
Silicon wafer demand, in bn in²



Source: SEMI (Silicon Area until 2017), IHS Markit Technology (Semiconductor Silicon Demand Forecast Tool, Q1'18 Update, Estimate 2018)

Silicon demand for industrial and automotive applications is expected to record high growth in the next years.

Silicon demand for main wafer consuming applications, bn cm² and CAGR

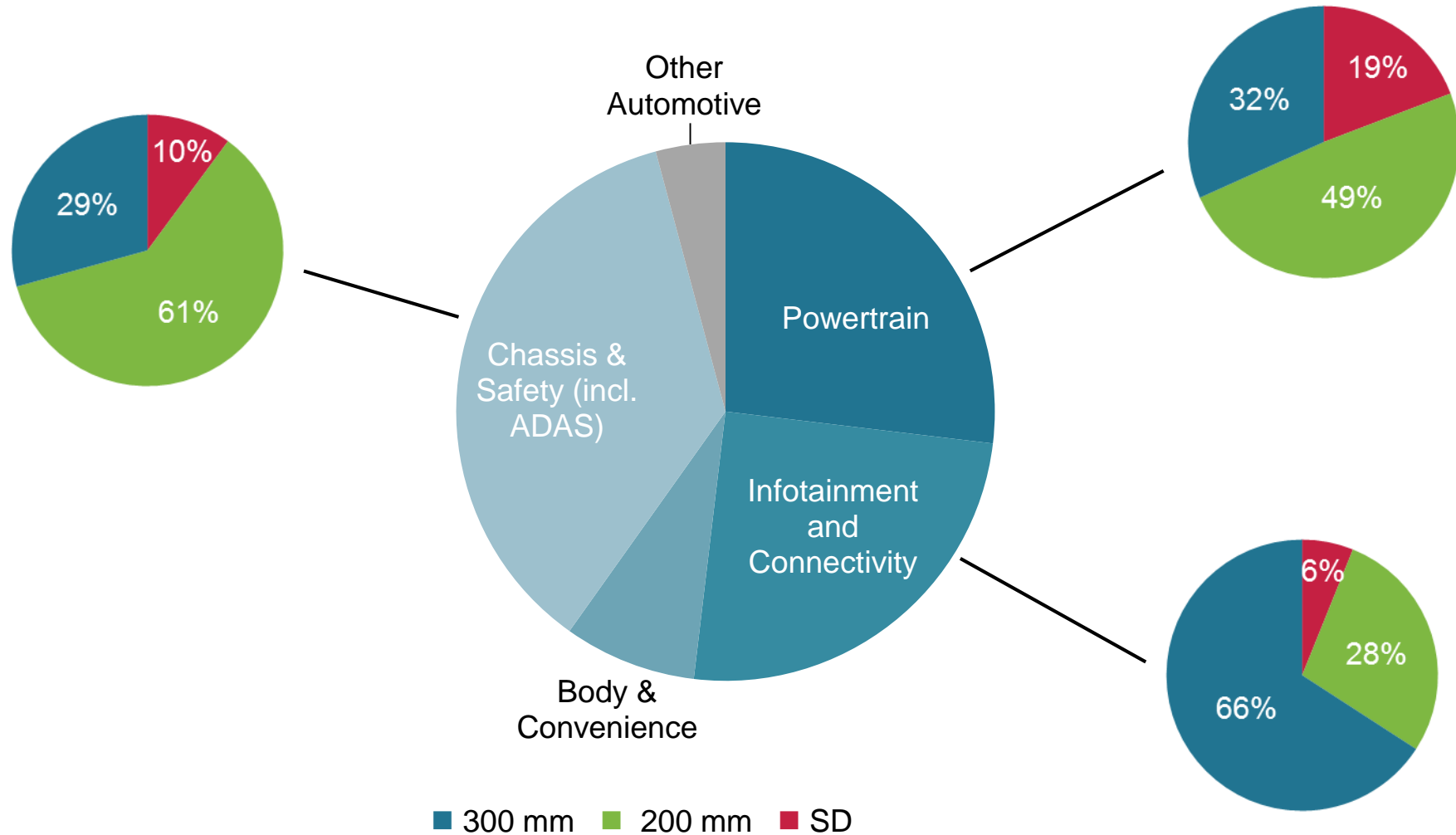


Source: IHS Markit Technology (Q1'18 Update)

Note: **Mobile phones:** Smart & Feature phones; **Computing:** Desktop, Notebook & Server PC & periphery, Tablets, SSD & DRAM

Within a car, most silicon is used for powertrain, infotainment and safety.

300 mm demand in automotive, in %

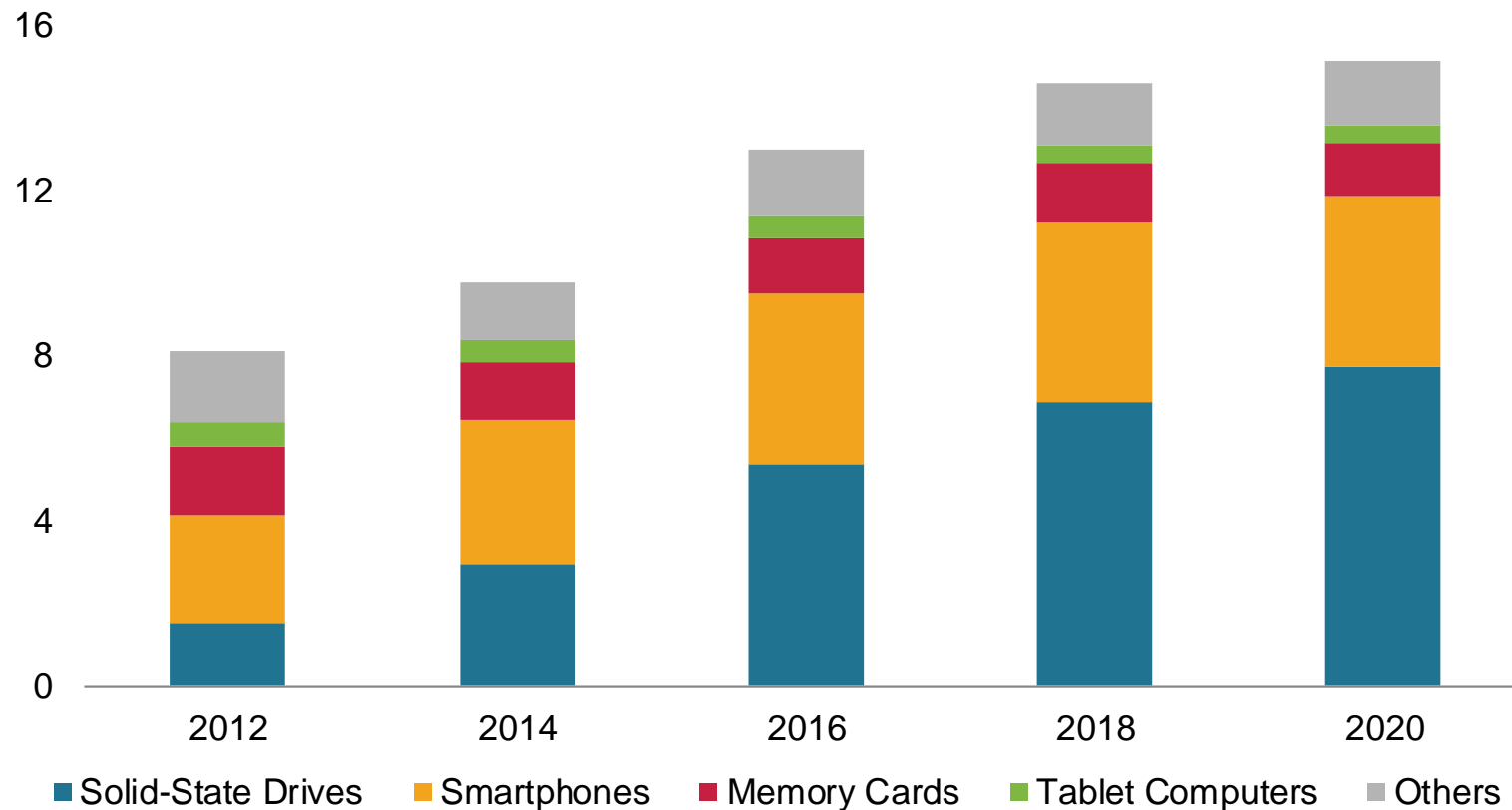


¹ ADAS = advanced driver assistance system

Source: IHS Markit Technology (Q1 2018 Update)

Silicon demand for NAND driven by growing demand for solid-state drives and increasing storage in smartphones

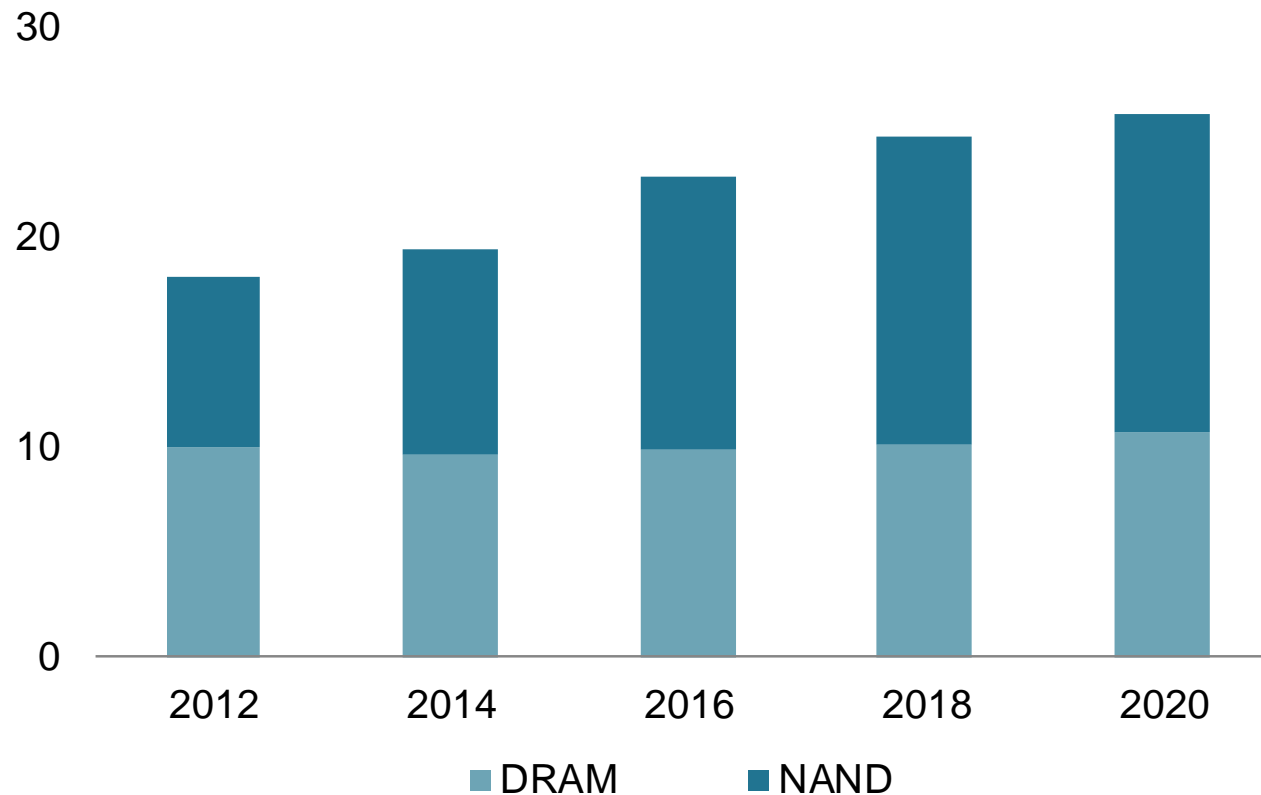
NAND silicon area demand by applications, bn cm² p.a.



Source: IHS Markit Technology (Semiconductor Silicon Demand Forecast Tool, Q1'18 Update)

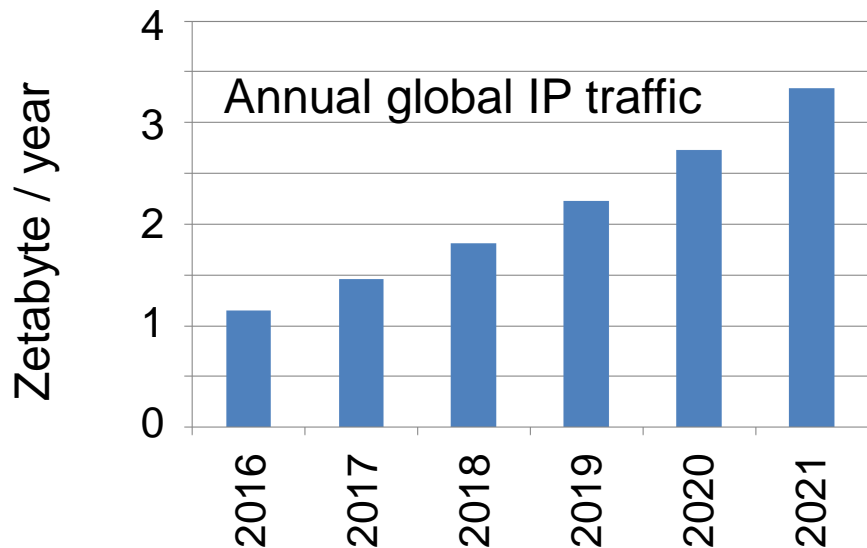
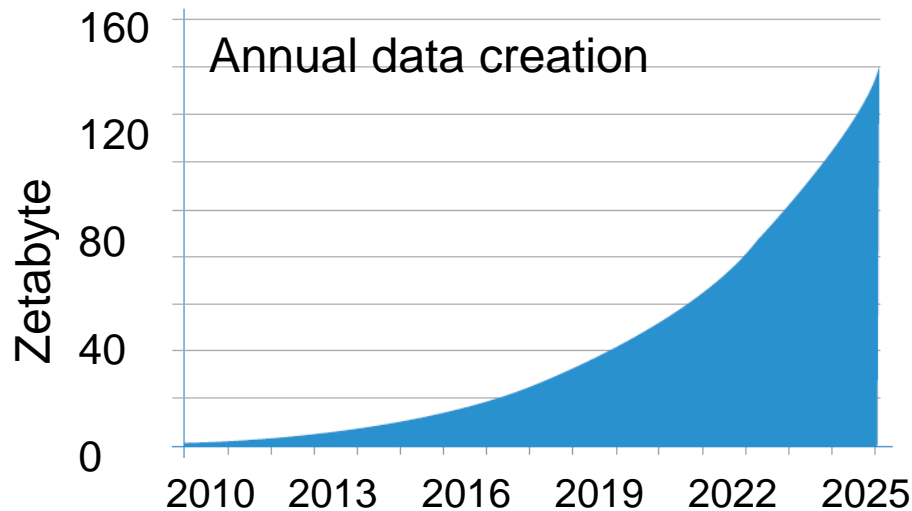
NAND is the growth engine in the memory sector while silicon area for DRAM only shows moderate growth

Split of memory silicon area market by DRAM and NAND, bn cm² p.a.

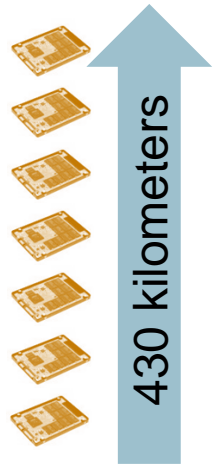


Source: IHS Markit Technology (Semiconductor Silicon Demand Forecast Tool, Q1'18 Update)

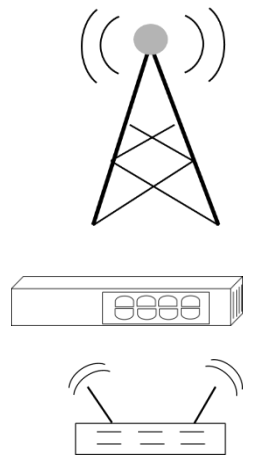
Silicon is needed to generate much more data, but even more Silicon is needed to store, move and process ever more data



- ▶ The number of networked devices will grow from ~17 billion in 2016 to ~27 billion in 2021
- ▶ By 2020, data centers are expected to have 1.84 Zetabytes of storage: If SSDs for this were stacked, they would stretch 430 km high -- the distance from Munich to Vienna
- ▶ Strong increase in cloud storage will drive 300 mm silicon demand for memory as well as high bandwidth communication



- ▶ With 24% CAGR, annual global IP traffic will reach 3.3 ZB per year by 2021:
- ▶ It would take more than 5 million years to watch the amount of video that will cross global IP networks each month in 2021.
- ▶ Infrastructure required to support this traffic includes items like routers, switches, hubs, 5G and cell equipment



Source: Cisco VNI Forecast, IDC Data Age 2025 Study, Cisco Cloud Index (GCI), IHS, Siltronic Estimate

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