

# Siltronic AG Roadshow Presentation

January, 2018

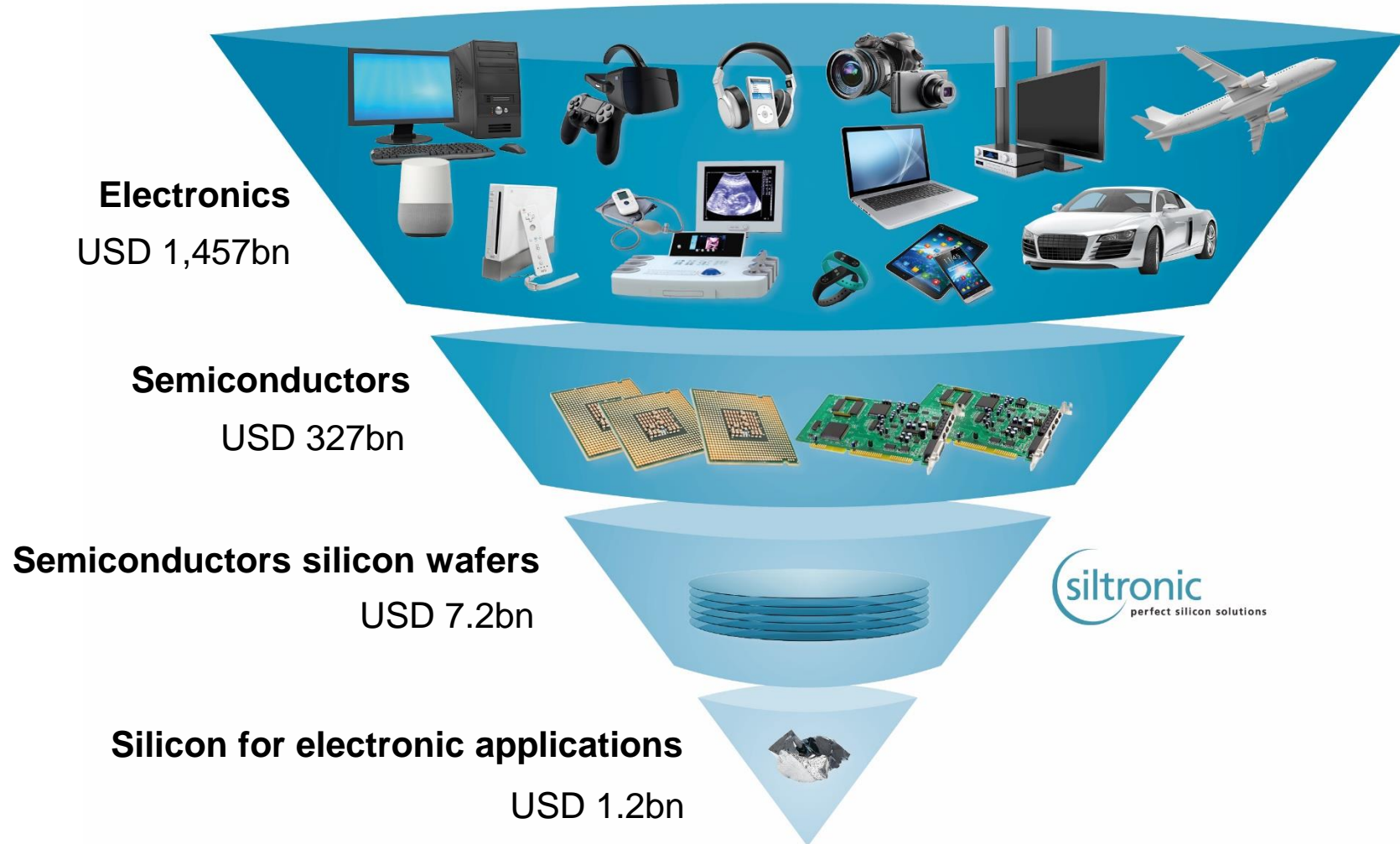


## **MARKET OVERVIEW & CAPEX STRATEGY**

**.....Capabilities, automation  
and incremental invest to  
keep stable market share  
without providing excess  
capacity to the market .....**

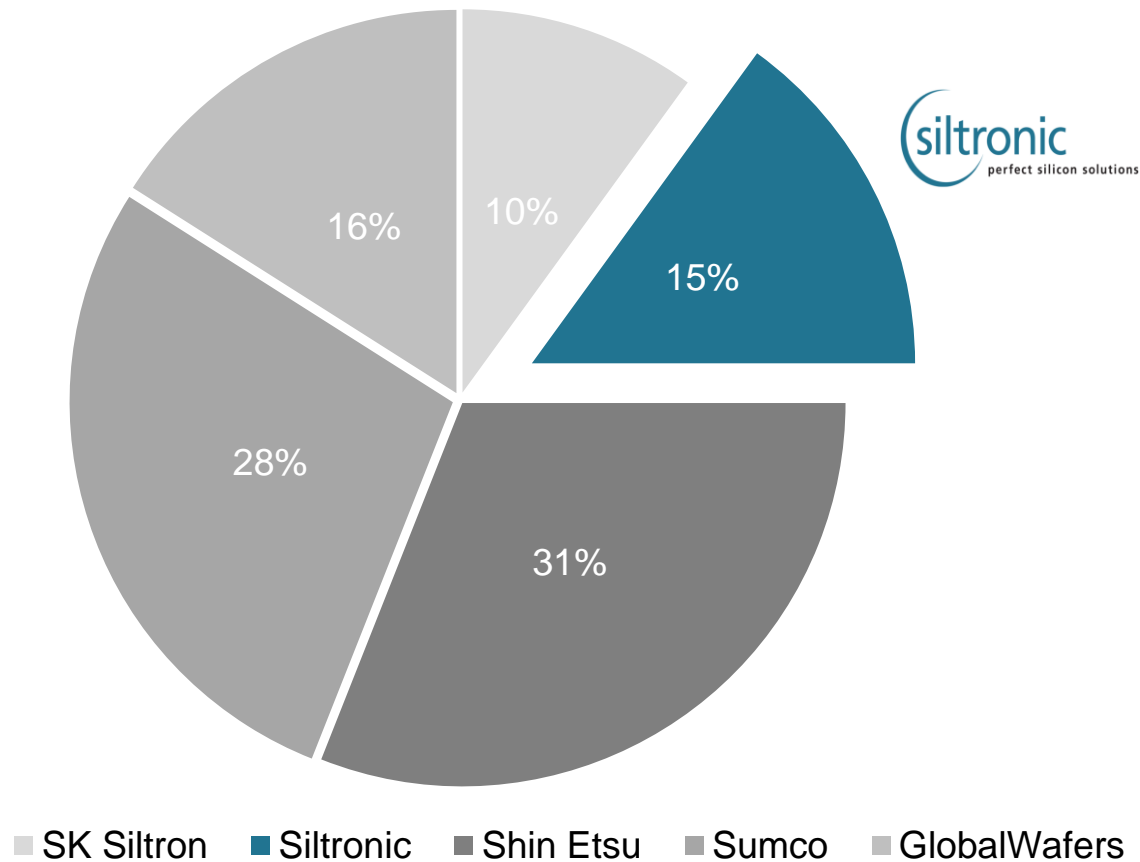
# Increasing demand for electronic devices and new applications drive semiconductor growth, which in turn fuels silicon demand

## Electronics value chain 2016



# Siltronic is a strong wafer supplier with leading-edge technology

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

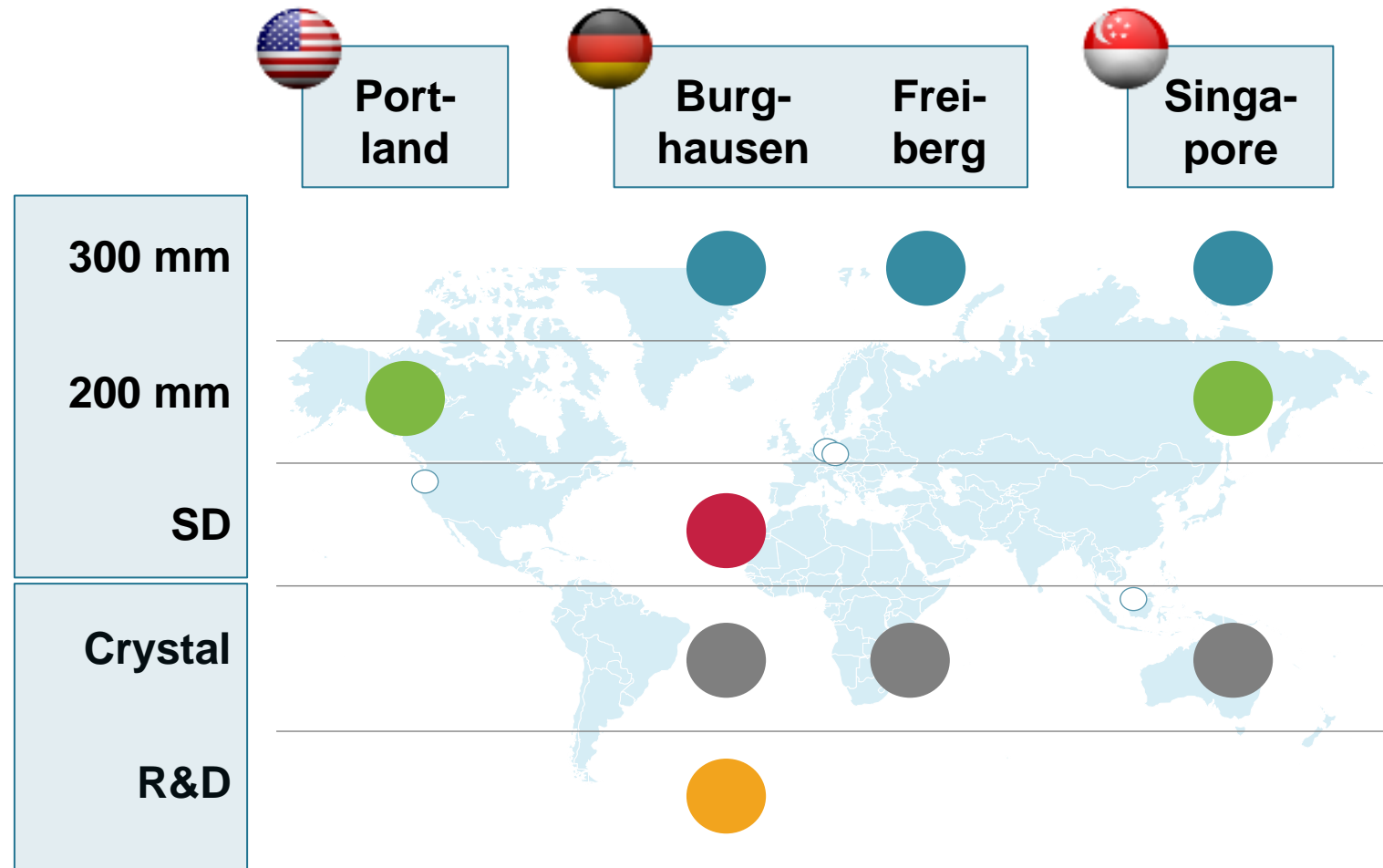


## Comments

- ▶ Siltronic with long-term stable market share of around 15%
- ▶ Siltronic recognized as technology leader in the industry
- ▶ Joint development programs with most 300mm customers
- ▶ Qualified at latest Design Rules

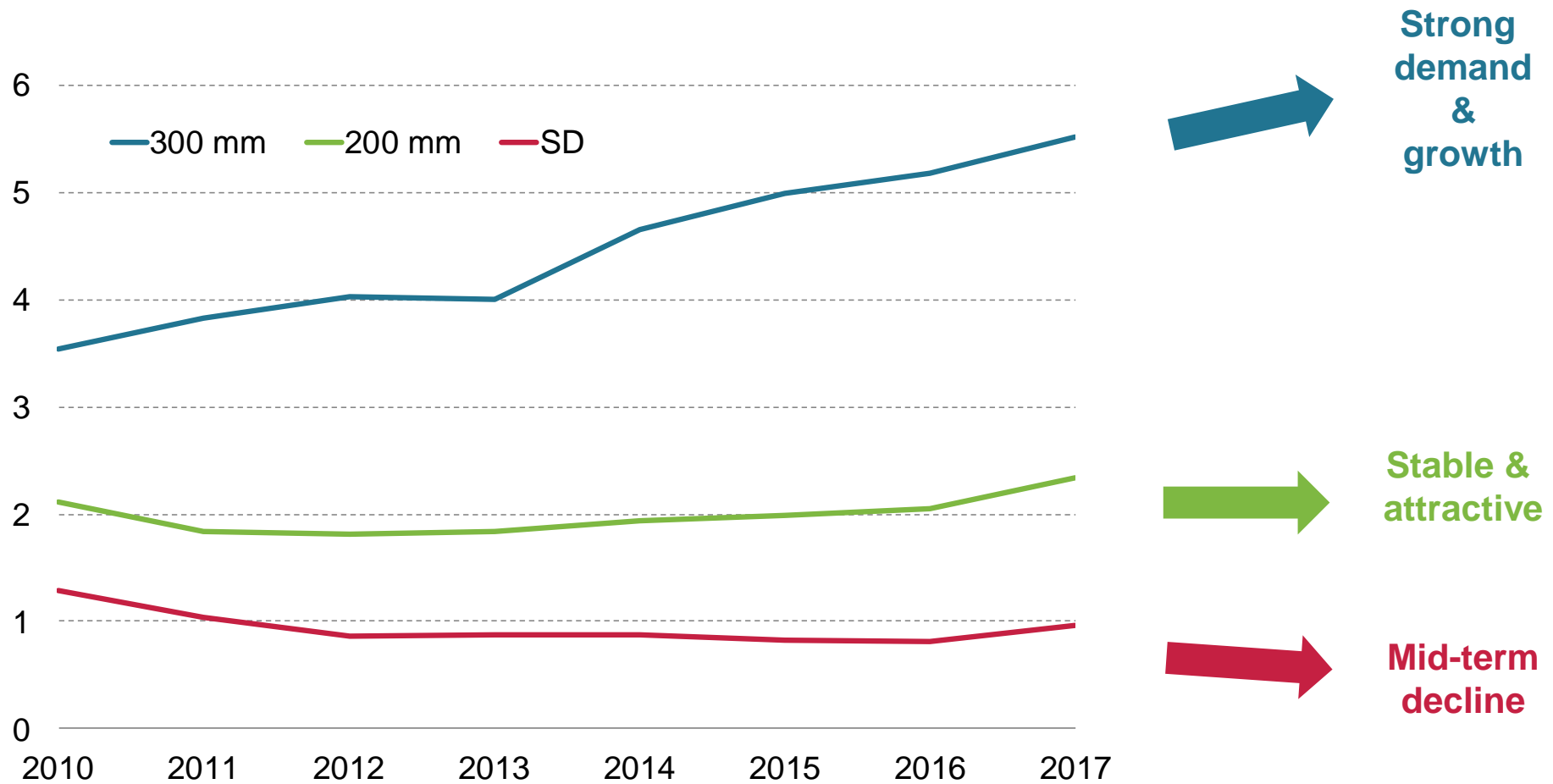
Sources: Companies' revenue reports 2016, converted to USD million

# International manufacturing network supports market leadership and business focus



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

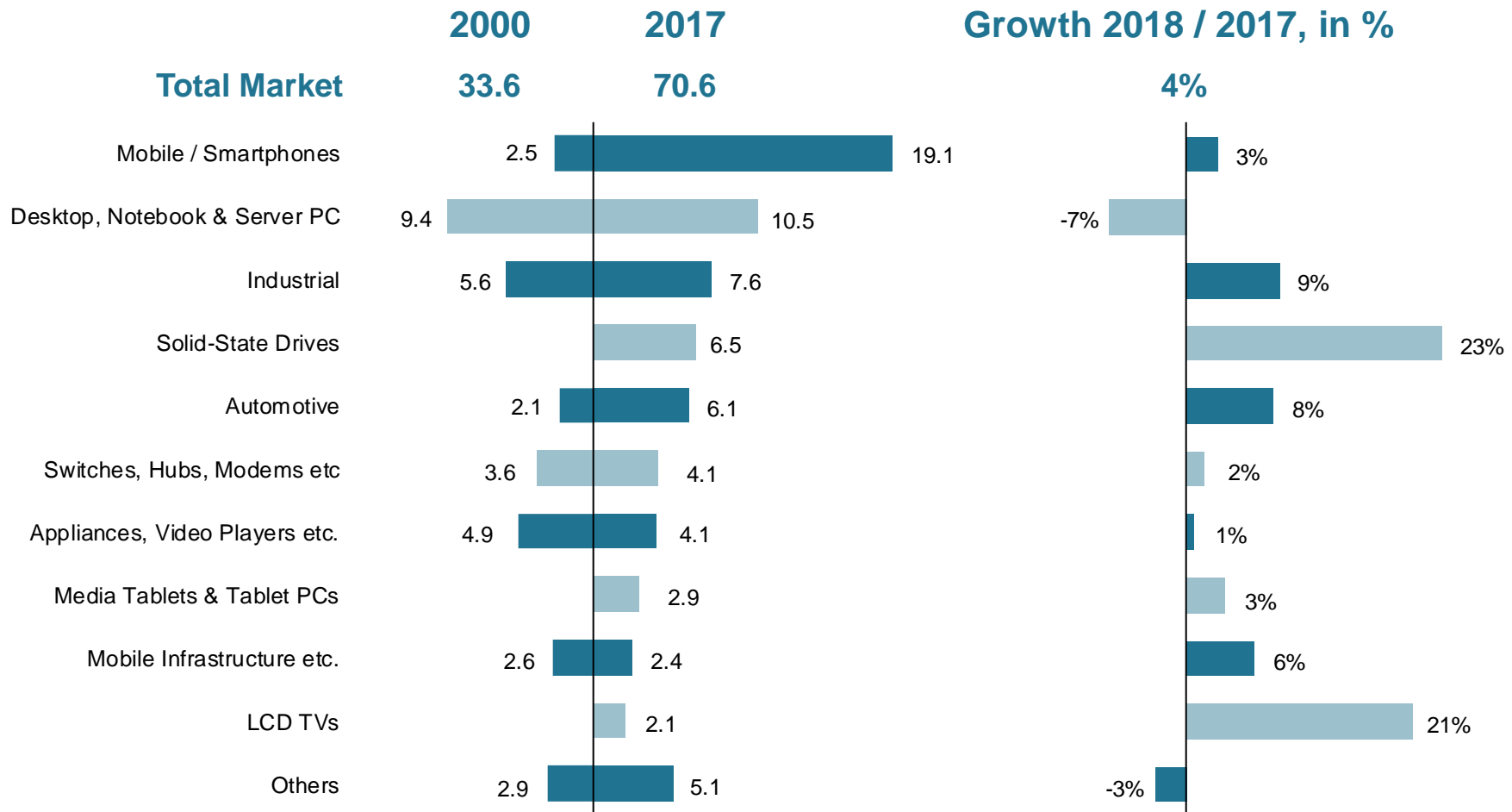
Development of total wafer demand per diameter, in million 300mm equivalents per month



Source: SEMI up to Oct 2017, Siltronic estimates

# IHS Markit forecasts 4% growth for silicon area in 2018, with broad based growth in a wide range of applications

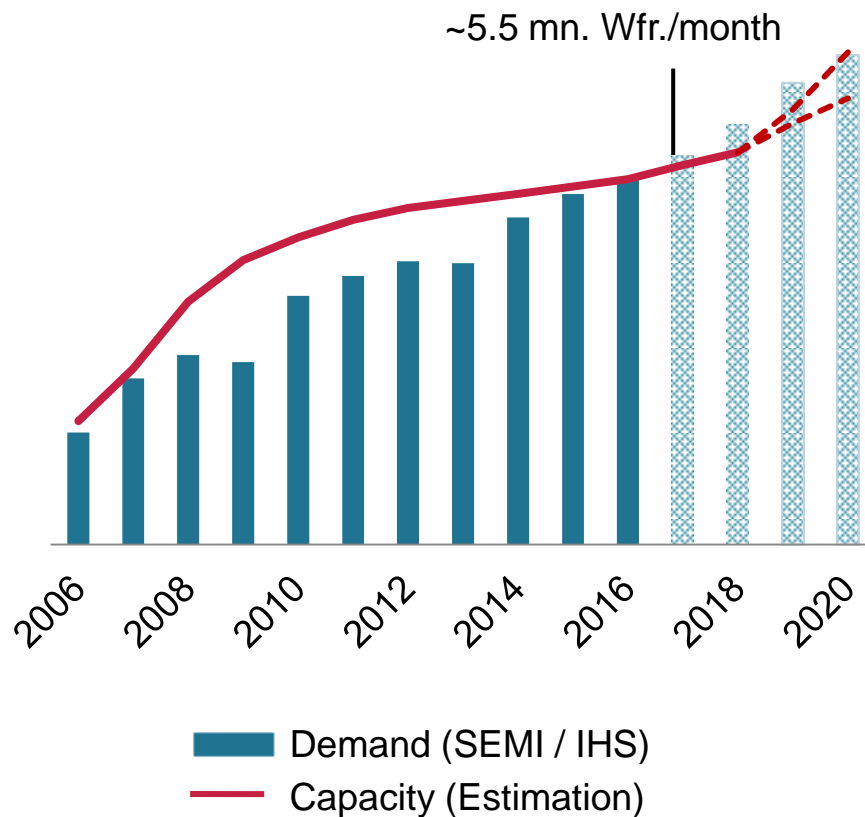
Wafer demand 2000 / 2017, in bn cm<sup>2</sup>



Source: IHS Markit Technology (Semiconductor Silicon Demand Forecast Tool, Q4'17 Update)

# Wafer suppliers not able to support 300mm wafer demand during 2018 and 2019

## 300mm demand vs. supply capacity, in kw/month



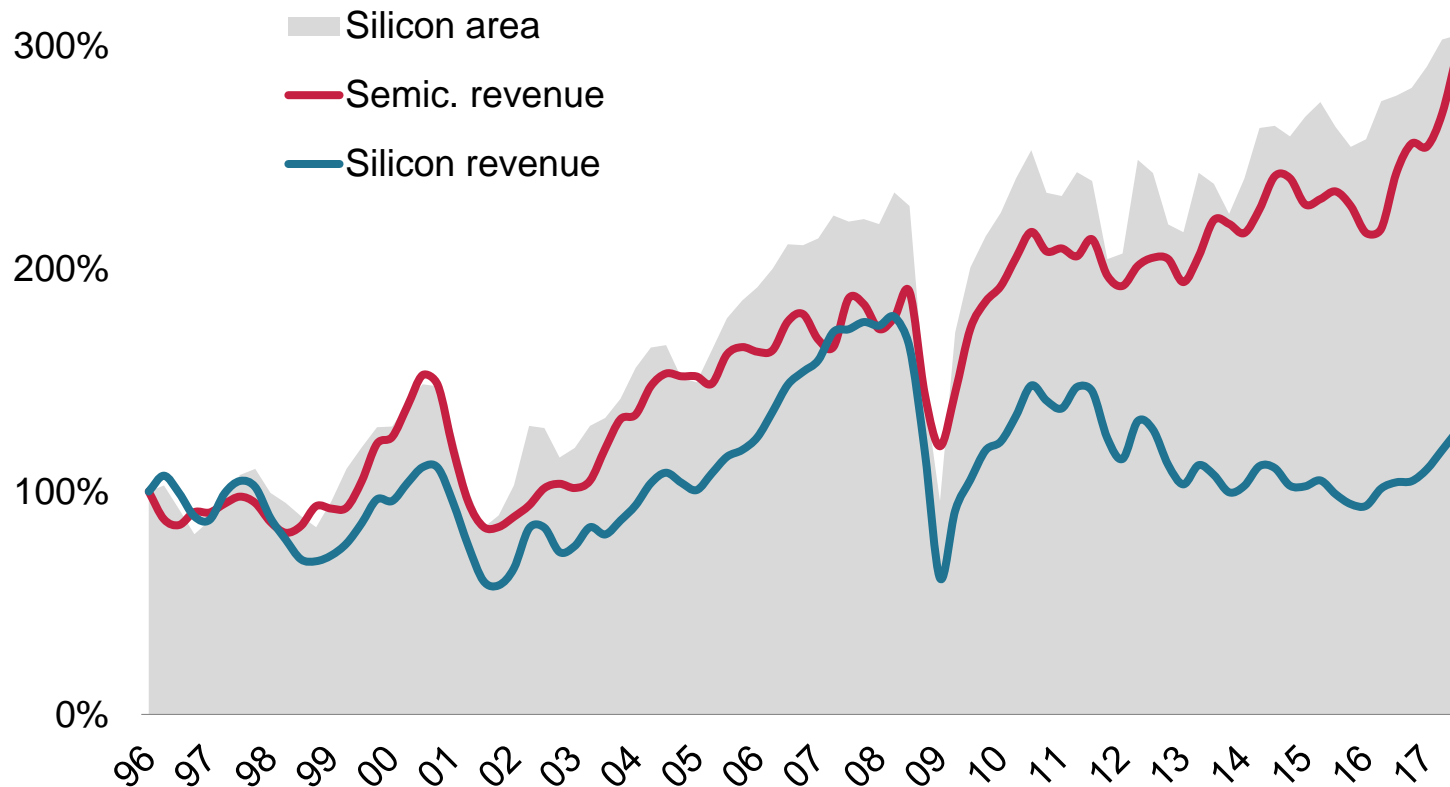
- ▶ Customers bringing new FABs online – total demand increase 2017-2020: ~1.900 kw/m
- ▶ Capacity increase of wafer suppliers limited by equipment supply potentials / lead times
- ▶ Wafer suppliers seem to act rationally by only adding capacities in incremental steps
- ▶ Industry probably constrained by wafer supply until 2020

Sources: SEMI, IHS, Siltronic estimates



# Semiconductor revenue vs. silicon revenue and silicon area

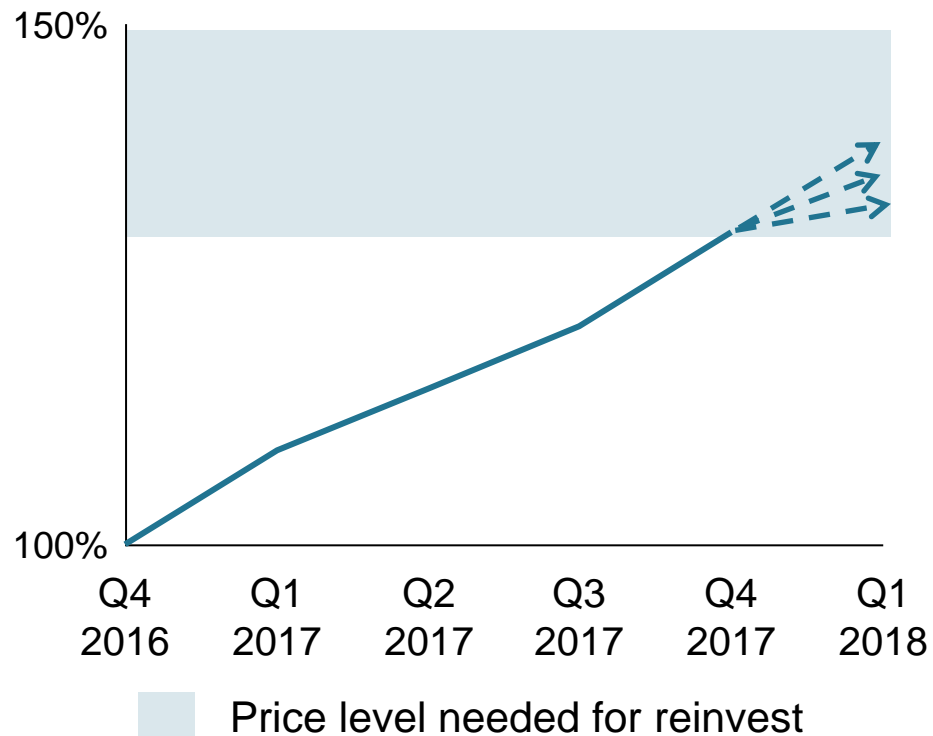
Semiconductor vs silicon revenue and silicon area, as % of Q1 1996



Source: WSTS and SEMI up to Q3 2017

# Siltronic Q4/2017 300mm ASP 30% up versus Q4/2016 in USD

300mm polished price levels, in %  
(Q4 2016 = 100%), in USD



## Comments

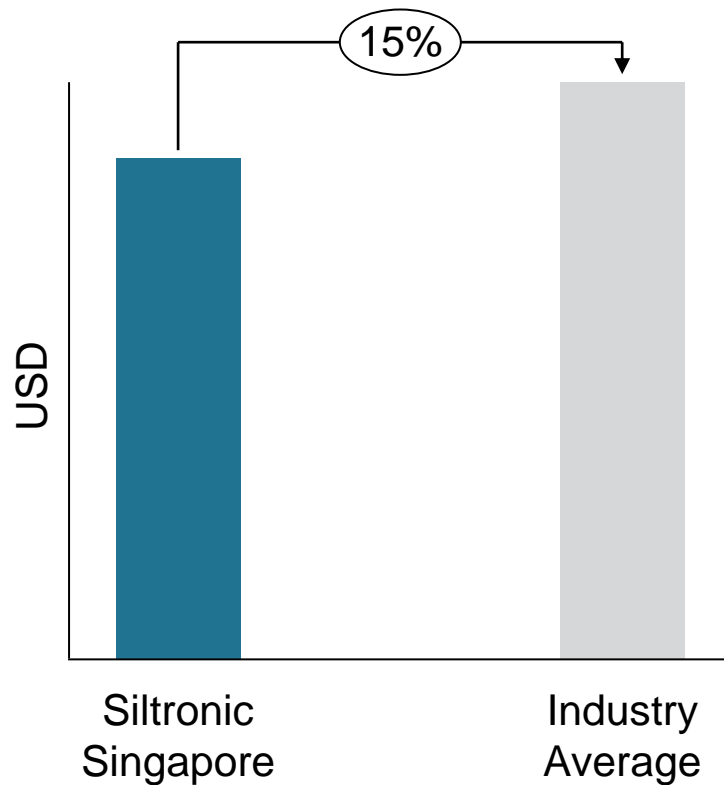
- ▶ ASP in Q4 2017 up more than 30% vs. Q4 2016
- ▶ Positive price trend expected to continue throughout 2018
- ▶ Customers with increasing concerns regarding long-term supply

# Siltronic will incrementally add 70kWfr/month by mid-2019

- ▶ 2017/18 only debottlenecking / OEE improvement possible
- ▶ Decision taken to add ~70kWfr/month by mid-2019: around 15-18 months lead-time
- ▶ Capacity extension supported by LTAs & customer prepayments
- ▶ Keep 300mm market share of ~ 15%
- ▶ Invest of EUR ~2m need per 1kWfr/month
- ▶ Capable cleanroom space and facilities available
- ▶ Siltronic will continuously invest to support the market growth and to keep stable market share and to ensure long term prices stay on reinvest level

# 300mm Siltronic Singapore with competitive advantages regarding cash costs per wafer

## Cash costs per 300 mm wafer polished, in USD



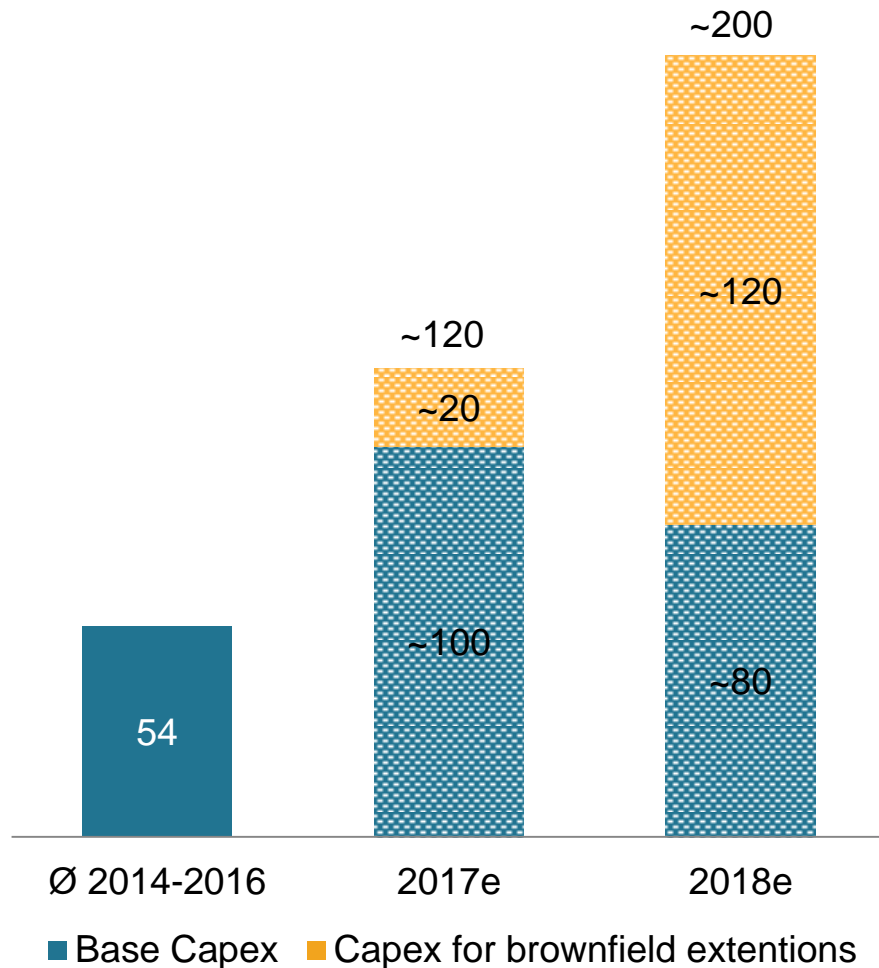
## Comments

- ▶ Cash costs per 300mm wafer produced in Singapore are ~15% below average industry costs
- ▶ High automation/modern equipment park
- ▶ Competitive labor costs & well trained operators
- ▶ Low energy costs
- ▶ Higher share of Siltronic wafers produced in Singapore leads to a reduction of average cash costs per wafer manufactured

Source: Siltronic Estimates

# Capex will rise to EUR ~200m in 2018

## Investment, in EUR million



## Comments

- ▶ Capex of EUR ~140m for 70k wafers/month over 2 years
- ▶ Exchange of ingot pullers (capability improvement) in Freiberg to be completed in 2017
- ▶ First preparations already needed in 2017 to incrementally increase capacities in following years
- ▶ Capex base level to sustain business:
  - ▶ MOB (maintenance of business)
  - ▶ Capabilities
  - ▶ Cost reductions
  - ▶ Automation

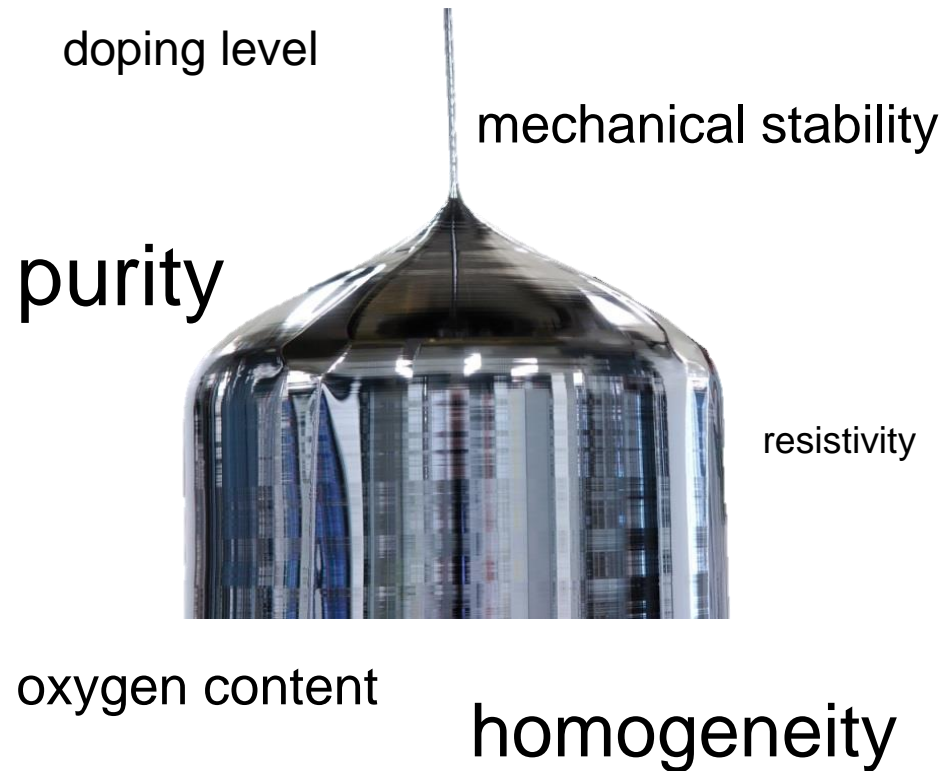


**SILTRONIC - AN INDUSTRY  
TECHNOLOGY LEADER**

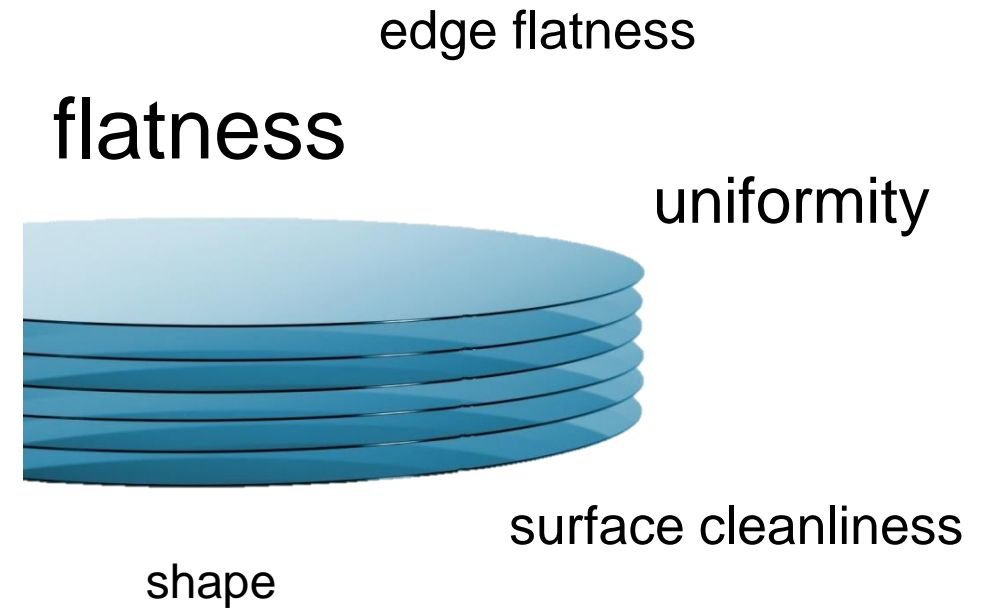
**.....Technological  
leadership - a constant race  
for improvement.....**

# Flatness just one example – A number of key ingot & wafer properties needs to be continuously improved to meet customers' requirements

## Ingot

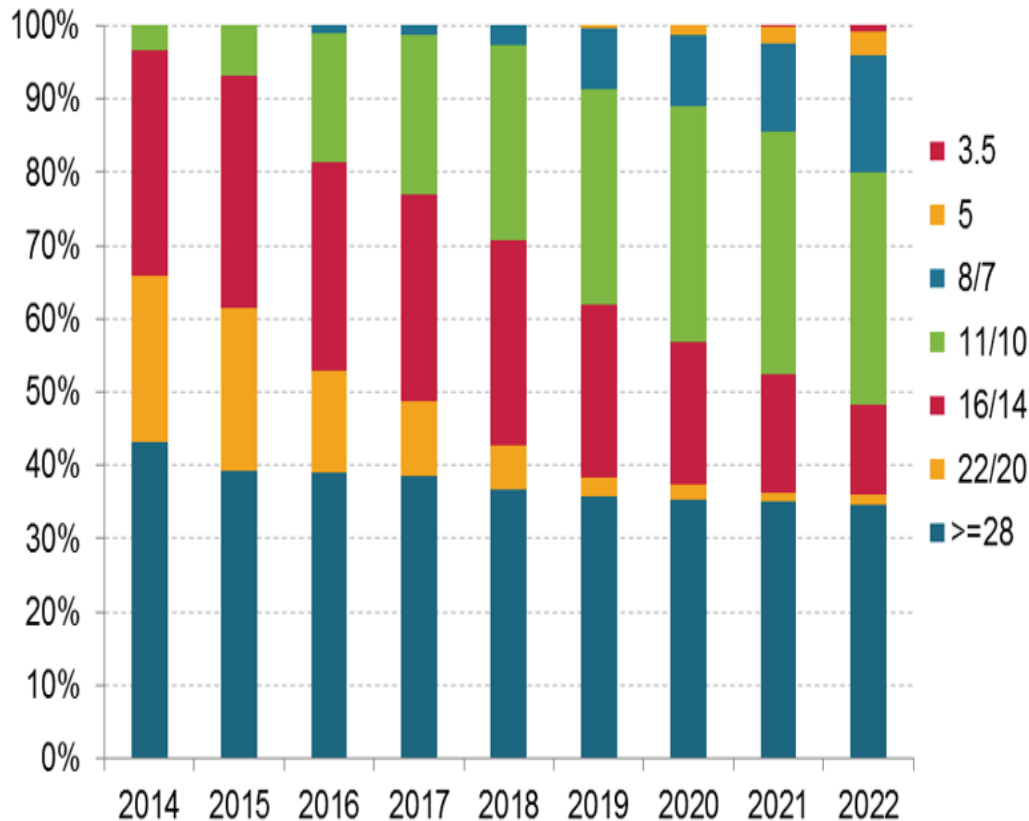


## Wafer



# Demand moving for leading edge capability drives invest – Siltronic focuses on joint development project with main customers

300mm wafer market by Design Rule



Siltronic focused to be qualified at latest DRs at main customers



**TOSHIBA**



- ▶ A high number of successful 300mm joint development programs with industry leaders are a strategic target of Siltronic

Source: Siltronic internal estimates and classification



# Siltronic is a leader in wafer technology and quality

## Technology leadership complemented with the highest level of quality

- ▶ First supplier to ship 300mm wafers
  - ▶ Development of 8 nm design rule started in 2013 (commercialization 2017);
  - ▶ Concurrently optimizing on 50+ wafer parameters of each design rule
  - ▶ >400 engineers worldwide
  - ▶ Approximately 1,700 patents issued and pending (as of Dec. 31, 2016)
  - ▶ Single wafer traceability for 300mm
  - ▶ Standardized processes across sites enabling “copy exactly” at product level
- ▶ Quality awards from several top semiconductor players



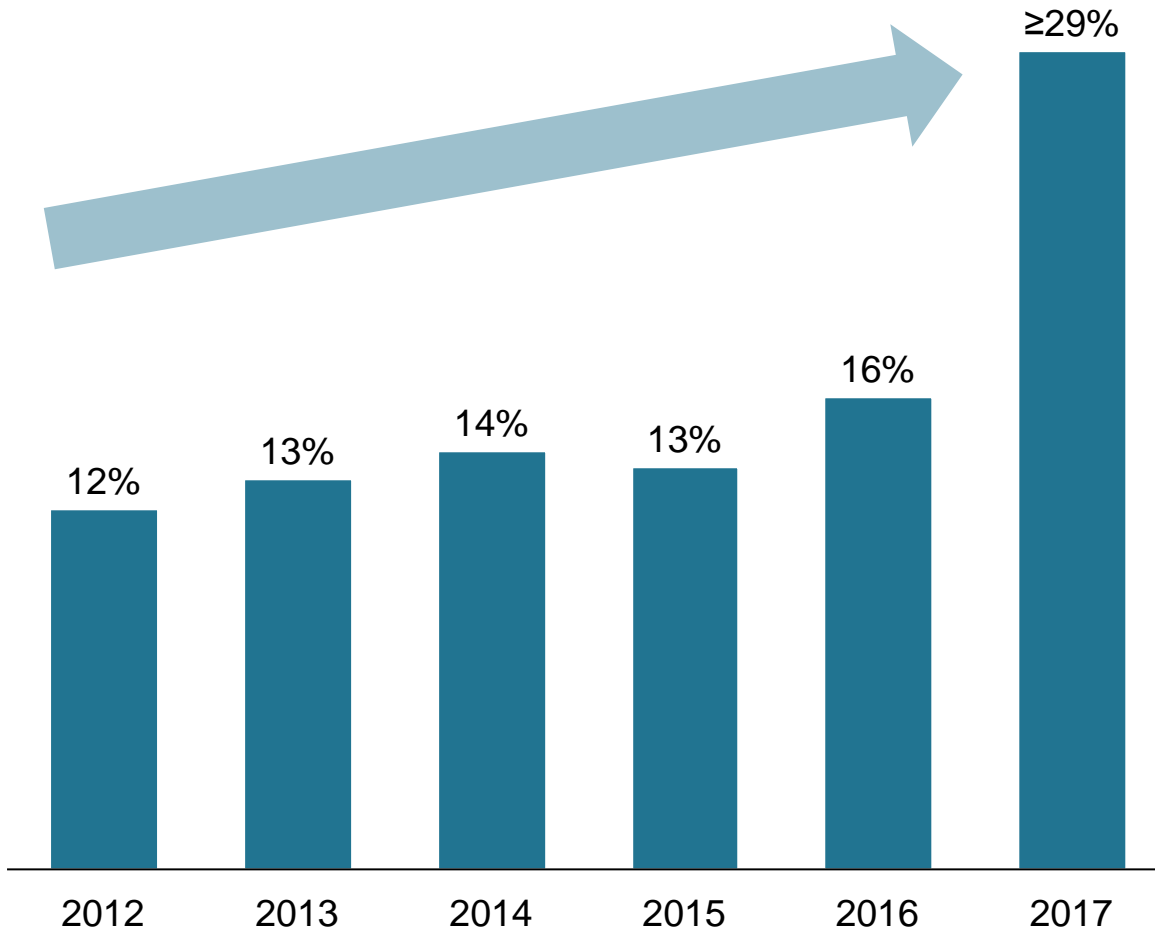
The background features a series of concentric, curved lines in shades of blue and black, creating a sense of depth and motion. A large, semi-transparent teal circle is positioned on the left side of the frame, partially overlapping the curved lines.

## **SILTRONIC PERFORMANCE**

**...well prepared to gain from  
future growth.....**

# Long-term EBITDA margin trend clearly above industry average

Adjusted<sup>1</sup> EBITDA margin, in % w/o hedging



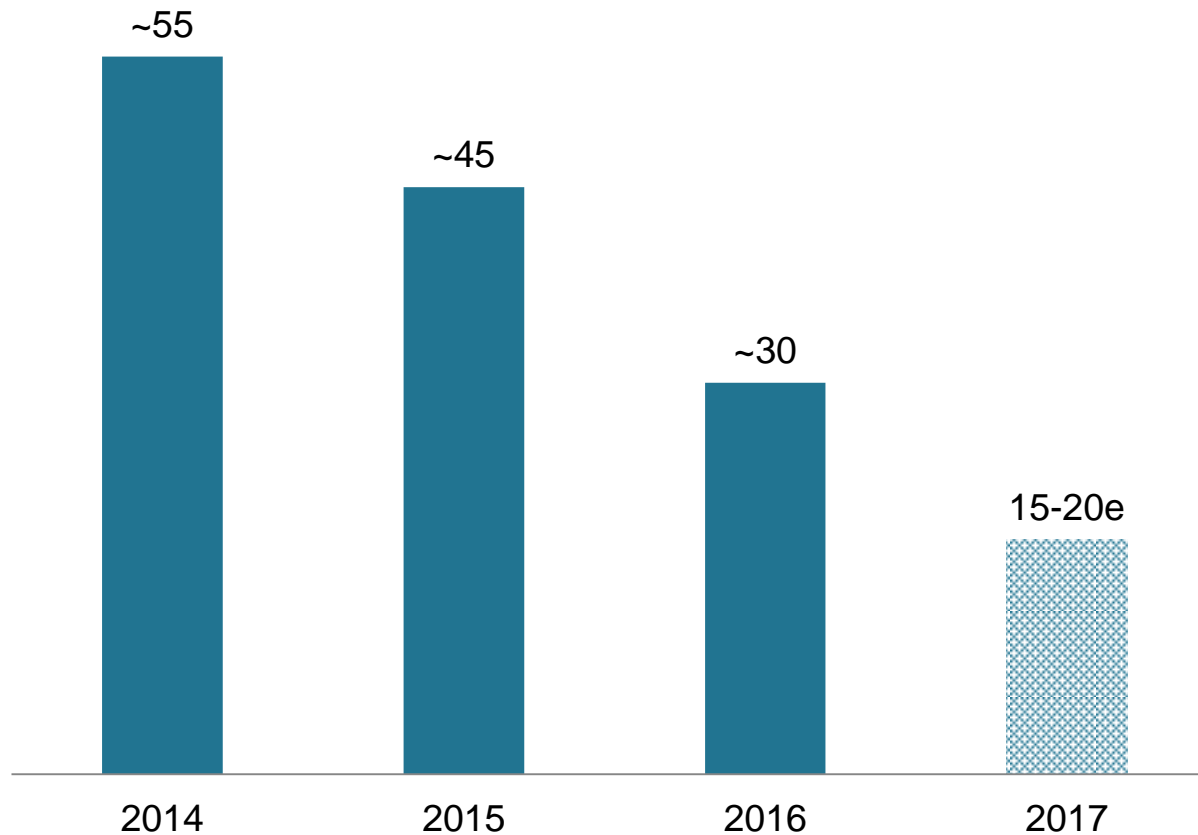
## Comments

- ▶ Siltronic targets to become one of the two wafer suppliers with highest EBITDA margin for the full year 2017

<sup>1</sup> figures 2012-2014 adjusted for consolidation effects resulting from acquisition of SSW and restructuring Source: Siltronic Guidance: EBITDA margin 2017 at least 27%

# Successful cost reduction programs continue

Cost savings, in EUR million<sup>1</sup>



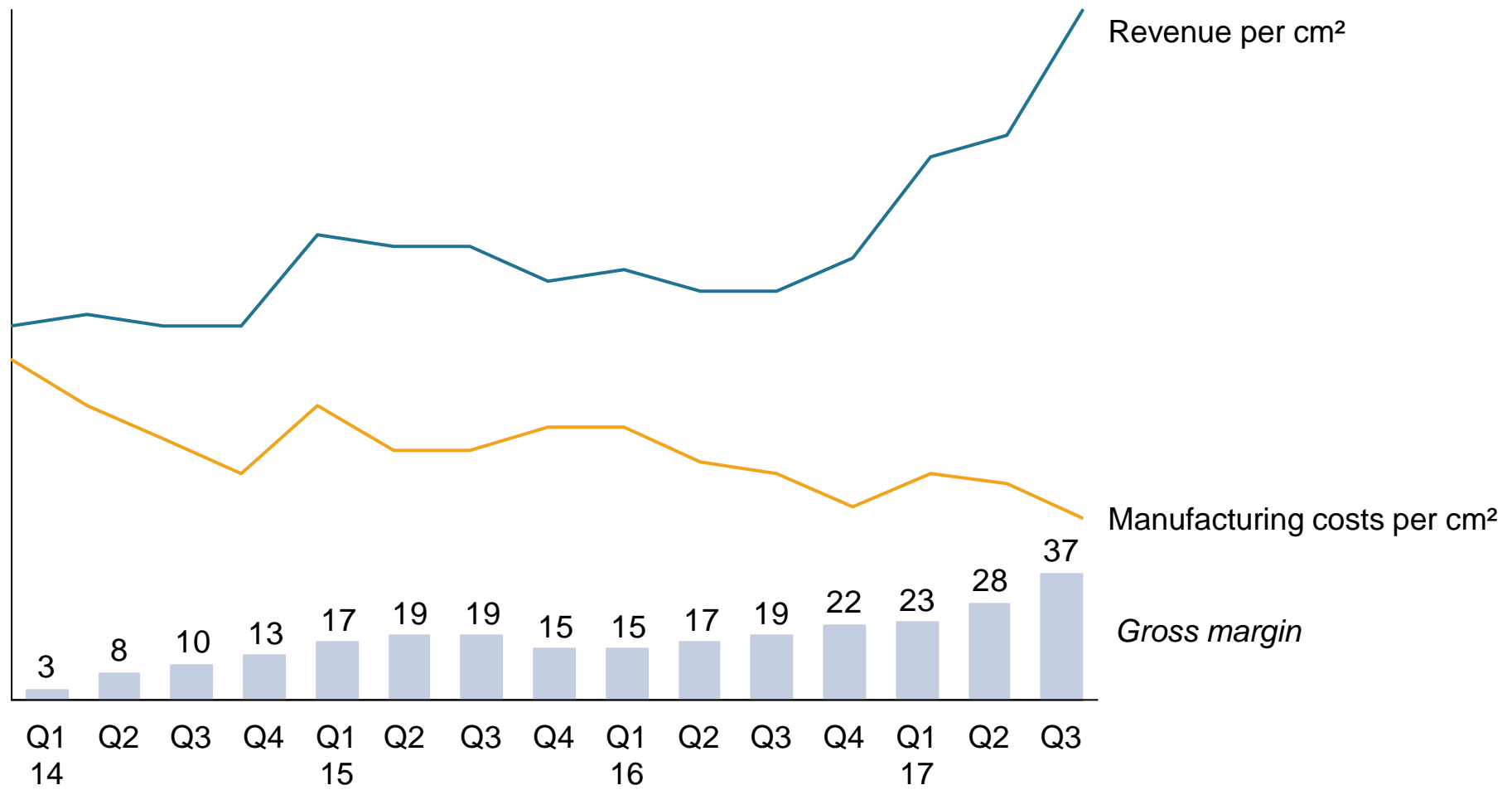
## Additional savings levers

- ▶ Investing in automation in Germany
- ▶ Investing in new pullers to improve yields and capabilities
- ▶ Poly cost optimization ongoing
- ▶ Further productivity increases through various initiatives

<sup>1</sup> Based on prior year cost basis to current year volumes and adjustments to certain current year costs to reflect prior year contractual and economic parameters (e.g. prior year unit labor cost).

# Gross margin improves steadily

Revenue vs. manufacturing costs, in €-cent/cm<sup>2</sup> and gross margin, in %



# Financials improved strongly over the last years

Adjusted <sup>1</sup> financial figures (EUR million)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Q1-Q3 2017	FC 2017
<b>Sales</b>	1030.0	875.5	853.4	931.3	933.4	849.2	≥ 1.16bn
<b>EBIT</b>	(75.5)	(87.3)	(31.6)	2.7	27.0	144.6	./.
<b>EBIT margin in %</b>	(7.3)	(10.0)	(3.7)	0.3	2.9	17.0	./.
<b>EBITDA</b>	122.5	112.6	117.7	124.0	146.0	232.2	./.
<b>EBITDA margin in %</b>	11.9	12.9	13.8	13.3	15.6	27.3	≥ 29%
<b>CapEx</b>	144.3	39.7	40.7	75.0	88.8	61.7	around 120m
<b>Free cash flow</b>	(134.4)	64.7	86.3	37.4	19.0	131.4	by far above 2016

<sup>1</sup> figures 2012-2014 adjusted for consolidation effects resulting from acquisition of SSW and restructuring



## STRATEGY AND OUTLOOK

.....no change in our  
proven strategy while  
enjoying improving  
returns.....

# Siltronic strategy - capitalize on market opportunities while focusing on 300mm & technological leadership by growing with the market

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

## Strategic Focus

### Benefit

from market  
growth

### Ensure

technology &  
quality leadership

### Improve

financial performance  
& cash flow

### Execute

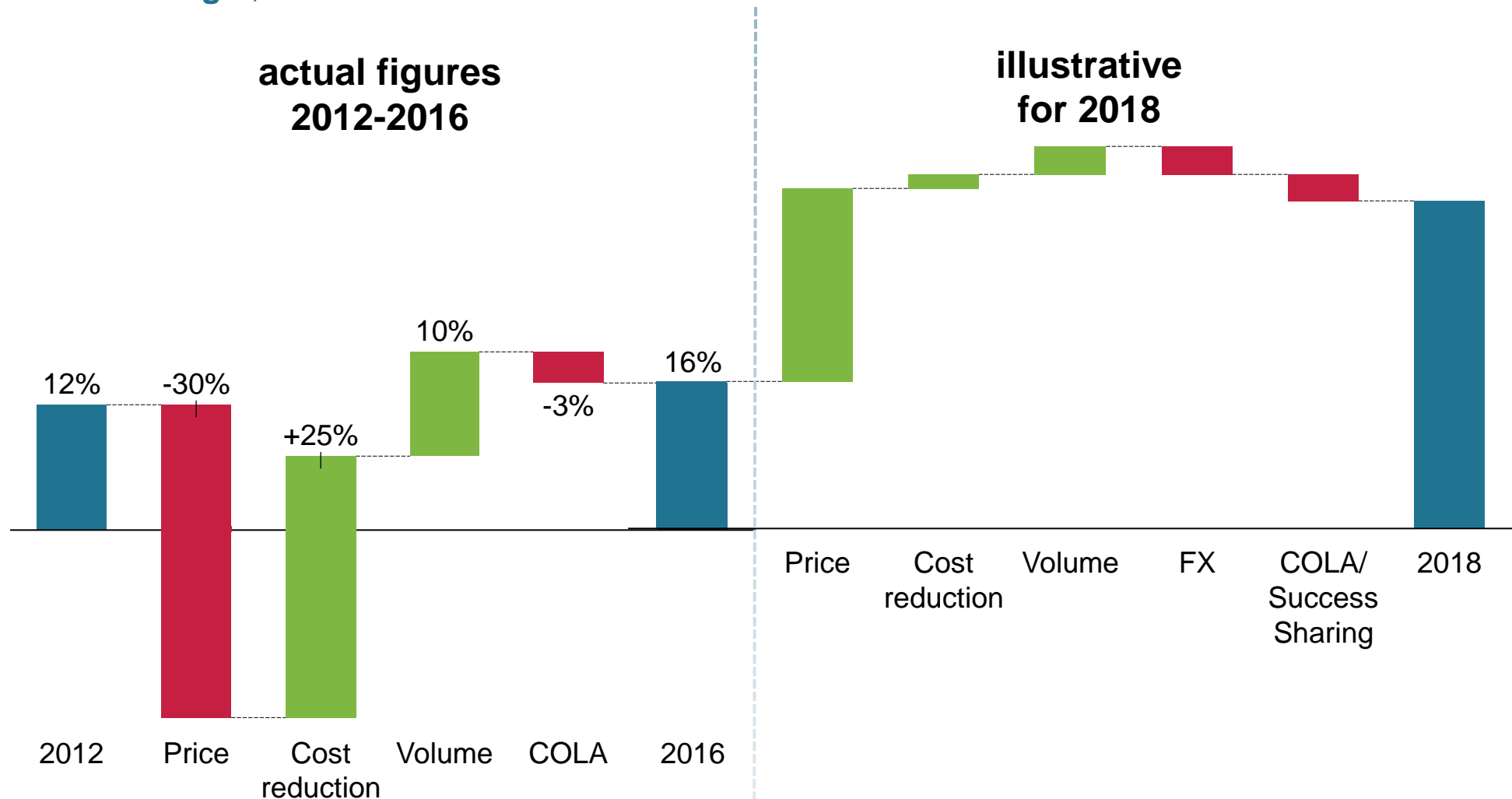
cost reduction  
roadmaps &  
debottlenecking  
concepts

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



# Once price reductions reversed, Siltronic will unveil its true earnings potential

EBITDA margin, in %





**THANK YOU!**

**Appendix**



## FINANCIALS Q3/2017

...price increases  
accelerate continuous  
improvement .....

# Highlights Q3/2017: Financials

## Sales

Sales of EUR 308.1m (Q2/2017: EUR 283.1m)

## EBITDA

EUR 106.5m (Q2/2017: EUR 72.7m)

## Margin

EBITDA margin of 34.6% (Q2/2017: 25.7%)

## EBIT & ROCE

EUR 77.8m (Q2/2017: EUR 43.4m)  
ROCE 43.4% (Q2/2017: 24.0%)

## CapEx

EUR 16.9m (Q2/2017: EUR 25.5m)

## Free Cash Flow

EUR 58.2m (Q2/2017: EUR 41.8m)

## Net Financial Assets

EUR 294.8m (December 31, 2016: EUR 175.0m)

# Market highlights

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## Semiconductors

- ▶ Semiconductor market continued its strong growth in August
- ▶ Units grew +14.8% y-o-y (3MMA)

## Silicon wafer demand

- ▶ Silicon shipment volumes forecast to be 11,448 million square inches in 2017, 8.2% up y-o-y

## Price increases

- ▶ Price increases for 300 mm wafers continued
- ▶ Substantial price increase for 200 mm wafers reached
- ▶ Siltronic negotiated additional price increases for Q4

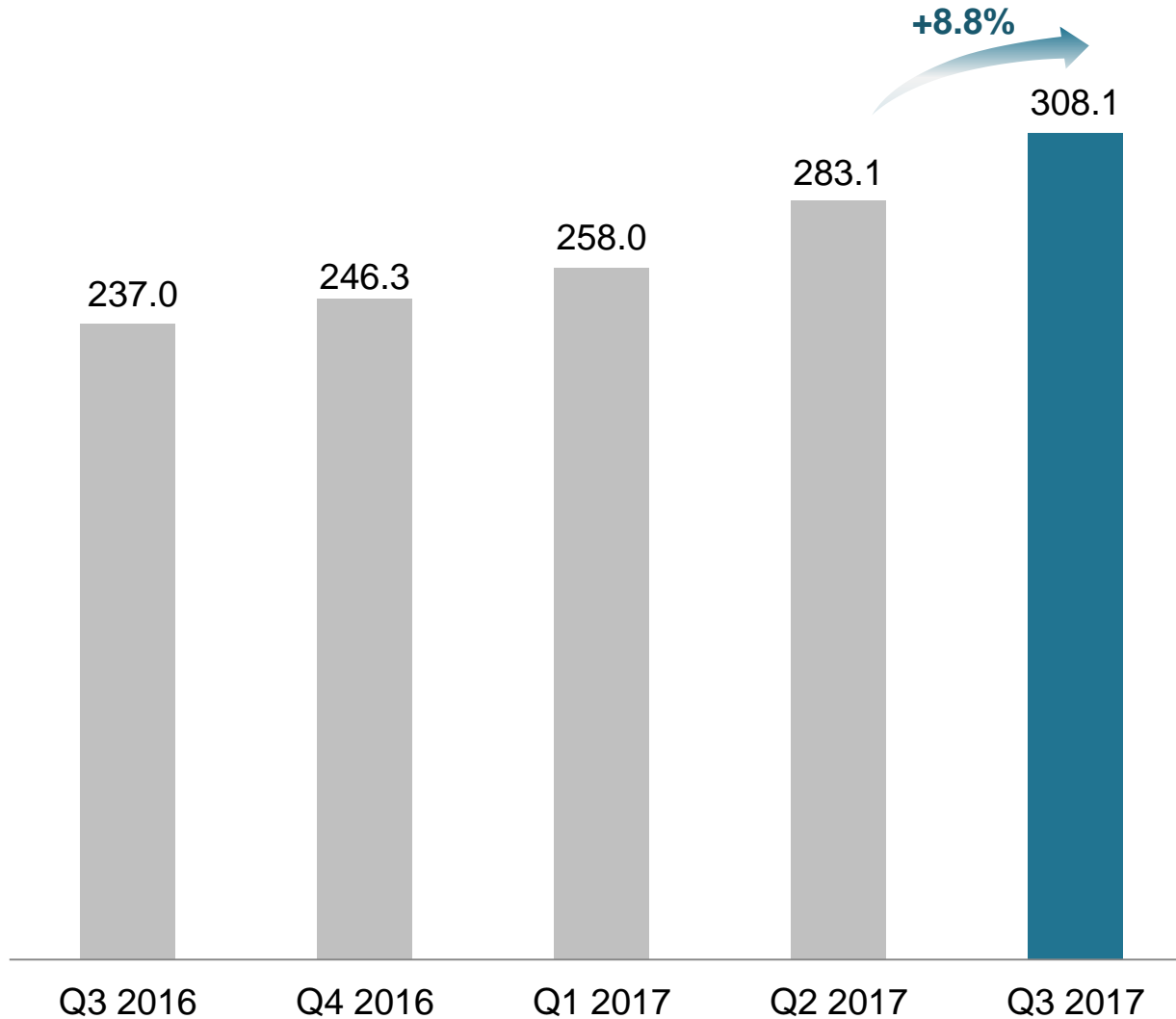
## Competition

- ▶ Wafer suppliers continue to report strong demand for all diameters, with fully utilized 200 mm and 300 mm lines

Source: WSTS up to August 2017, SEMI press release October 16, 2017

# Q3 sales development driven by increased prices

Sales, in EUR million



## Comments

### ▶ Positive

- ▶ Slight volume growth q-o-q, especially in smaller diameters
- ▶ Higher wafer prices for 300mm and 200mm in Q3
- ▶ ASP up y-o-y and q-o-q
- ▶ Further price increases negotiated for Q4

### ▶ Negative

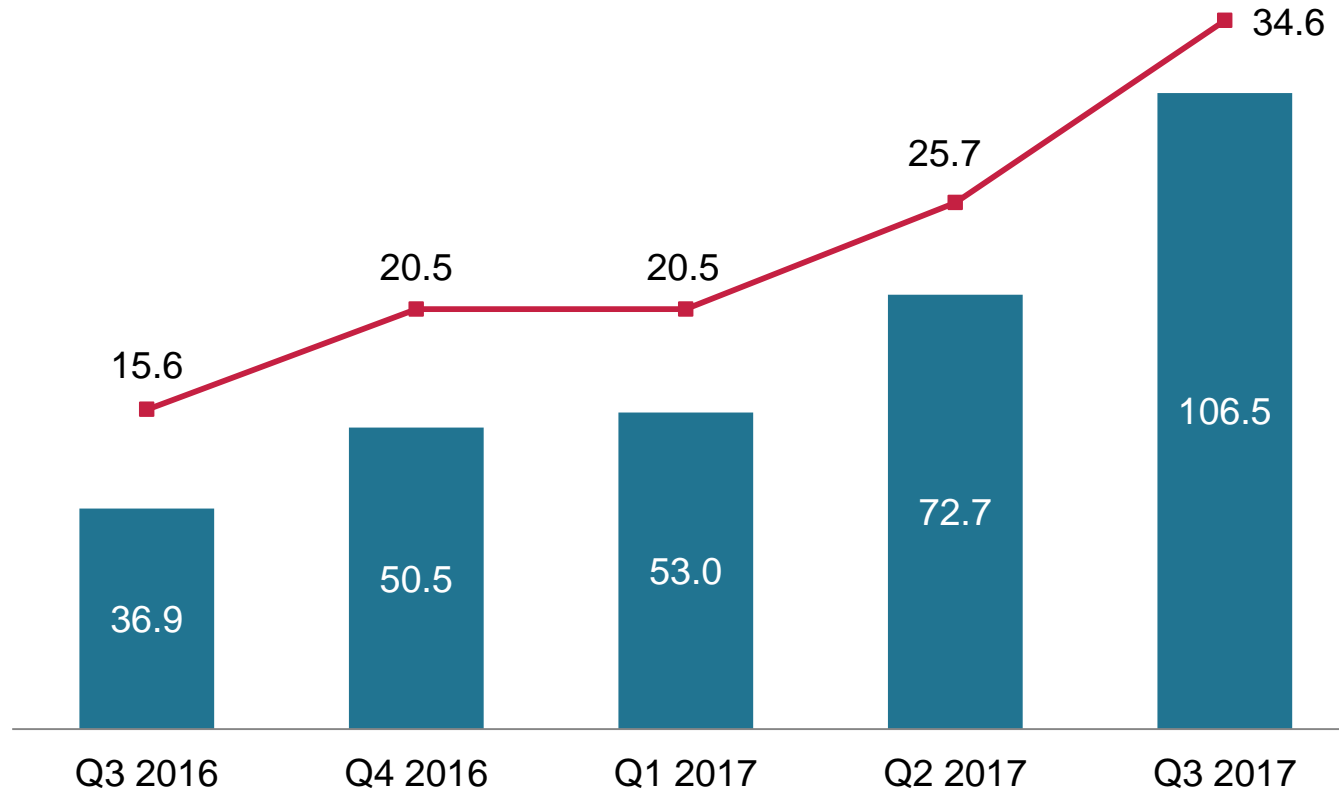
- ▶ Some headwind from USD q-on-q

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

EBITDA margin in %; EBITDA in EUR million

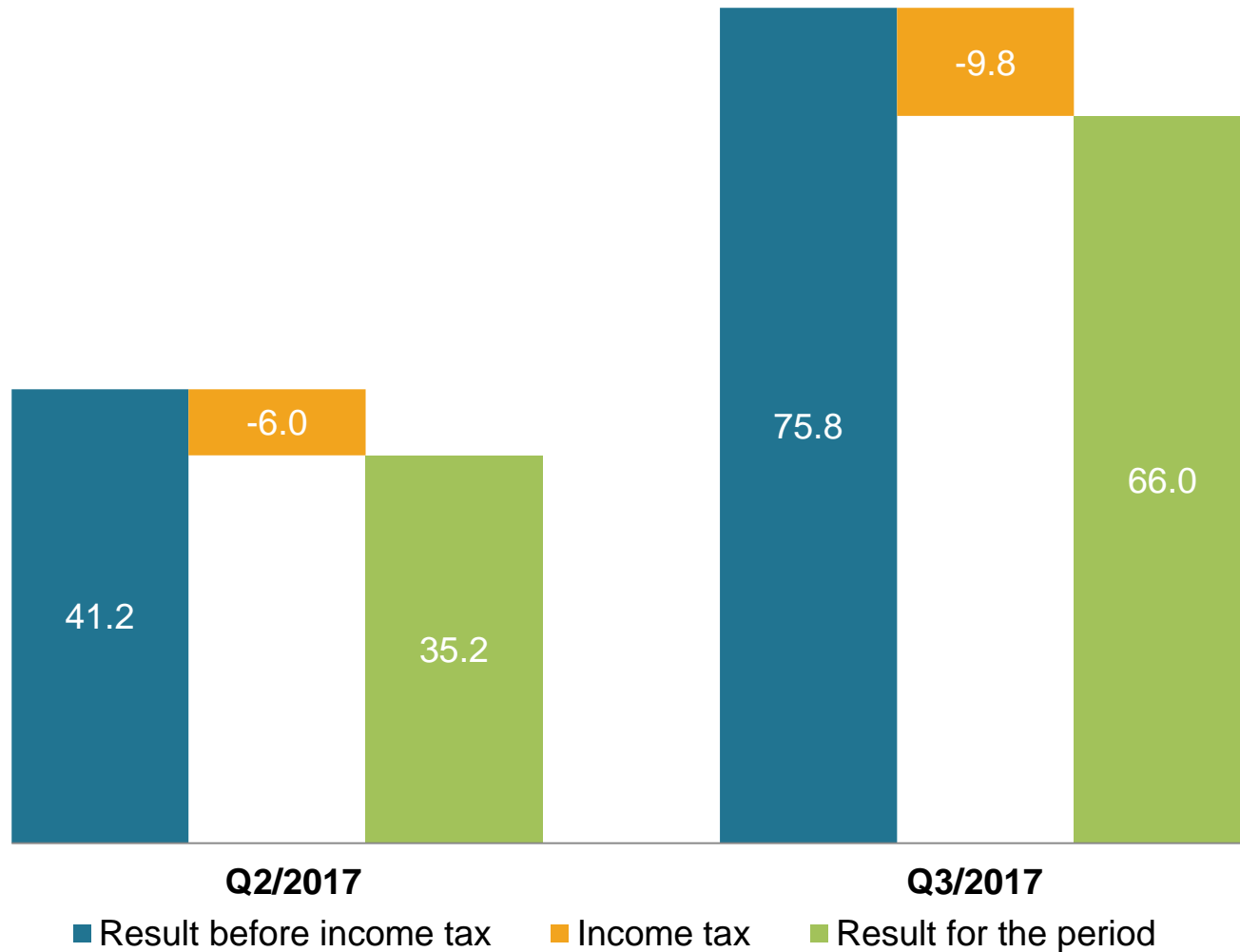
## Comments

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



# Positive development of net result due to price increases

Result and income tax, in EUR million



## Comments

- ▶ Net profit of EUR 66.0m in Q3/2017
- ▶ Price increases and lower cost of sales per wafer area had positive effects
- ▶ EUR 9.8m effective taxes
- ▶ Potential future tax advantages based on tax losses carried forward not capitalized (accounting policies)



# Equity ratio of ~50%

## Net financial assets of EUR 295m

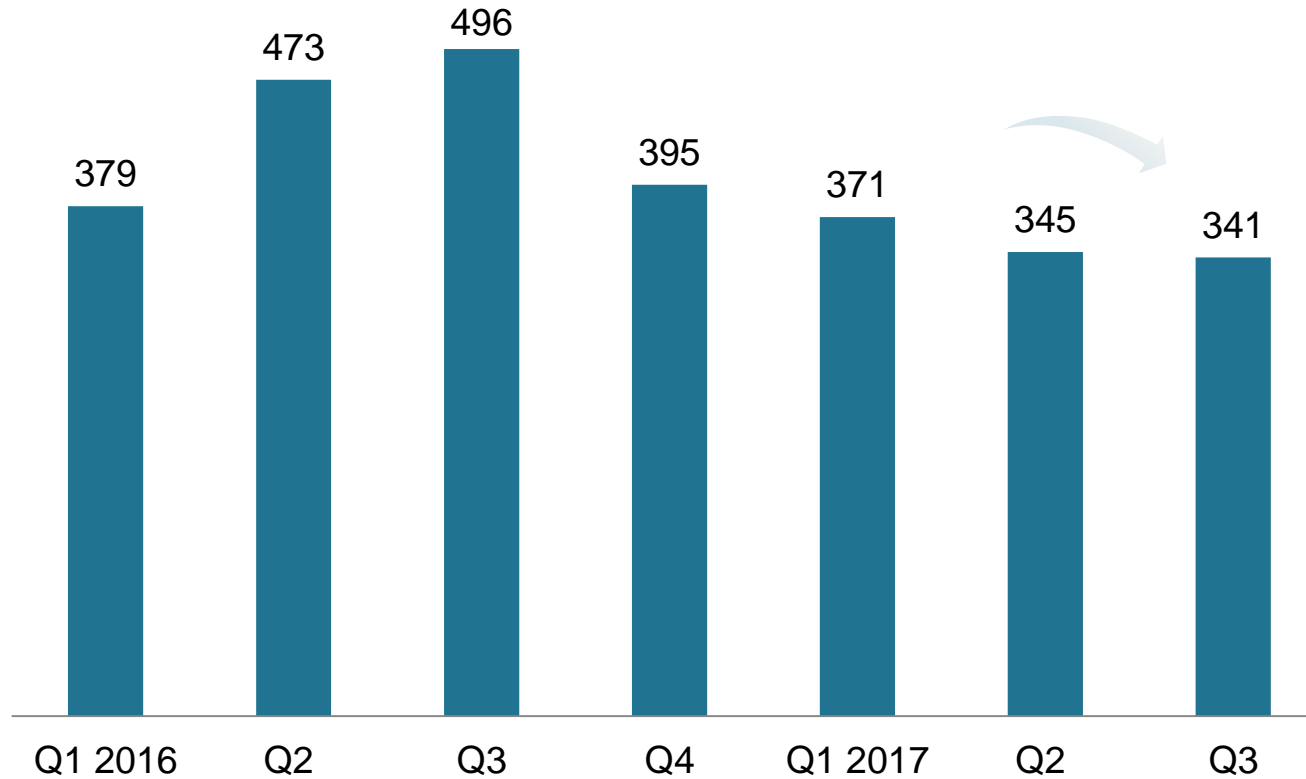
### Balance sheet, in EUR million

Assets	Sep 30, 2017	Dec 31, 2016	Comments Sep 30, 2017
<b>Non-current</b>	<b>516.1</b>	<b>554.1</b>	
PP&E	<b>481.2</b>	519.8	
Other fixed	<b>34.9</b>	34.3	24 intangibles (related to SSW) 3 hedging
<b>Current</b>	<b>668.6</b>	<b>502.7</b>	
Inventories	<b>143.3</b>	140.9	
Trade receivables	<b>150.3</b>	118.2	
Other current	<b>40.8</b>	28.2	16 hedging
Cash and fixed term deposits	<b>334.2</b>	215.4	
<b>Total</b>	<b>1,184.7</b>	<b>1,056.8</b>	

Equity and liabilities	Sep 30, 2017	Dec 31, 2016	Comments Sep 30, 2017
<b>Equity</b>	<b>588.3</b>	<b>425.3</b>	
Siltronic	<b>590.6</b>	431.9	
Other shareholders	<b>-2.3</b>	-6.6	Samsung's 22% in SSW
<b>Liabilities</b>	<b>596.4</b>	<b>631.5</b>	
Pension provision	<b>340.5</b>	395.1	Germany and US
Other provisions	<b>65.3</b>	51.1	43 personnel related (e.g. early retirement)
Financial debt	<b>39.4</b>	40.4	Samsung
Trade liabilities	<b>79.0</b>	81.6	
Other	<b>72.2</b>	63.3	27 prepayments 38 employee-related 2 hedging
<b>Total</b>	<b>1,184.7</b>	<b>1,056.8</b>	

# Fluctuations in pension provision due to interest rate movements

Pension provision, in EUR million



## Comments

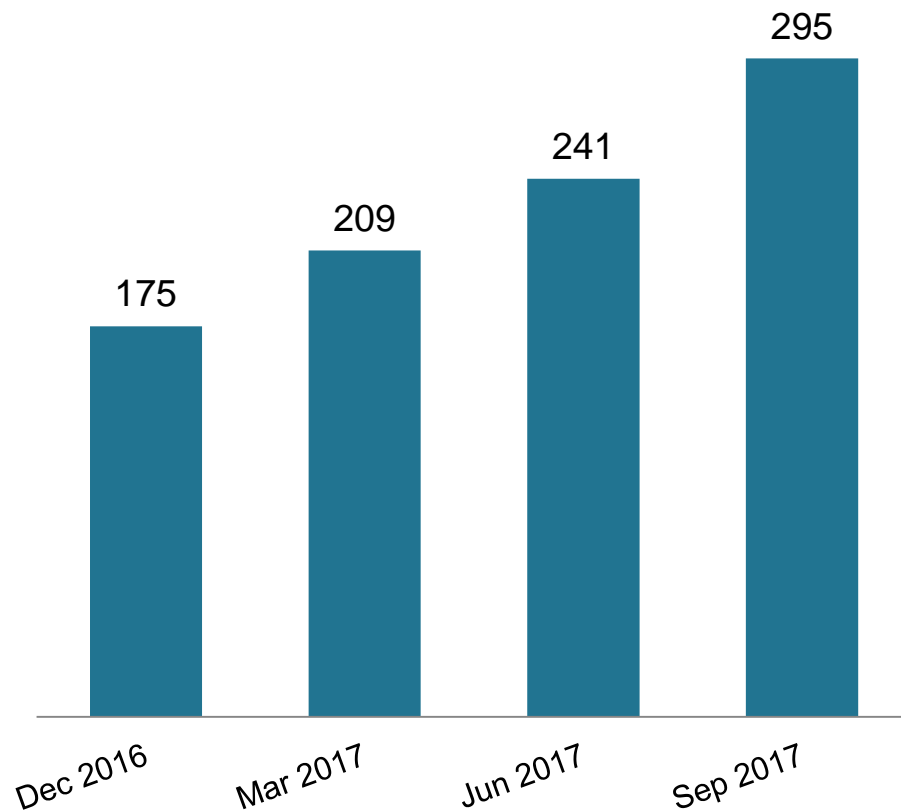
- ▶ Changes in interest rates influence evaluation of pension provision
- ▶ Change in interest rates directly reflected in equity (OCI)

### interest rates IFRS

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

# Net financial assets nearly doubled since IPO

Net financial assets, in EUR million



## Dividend policy introduced in September 2017

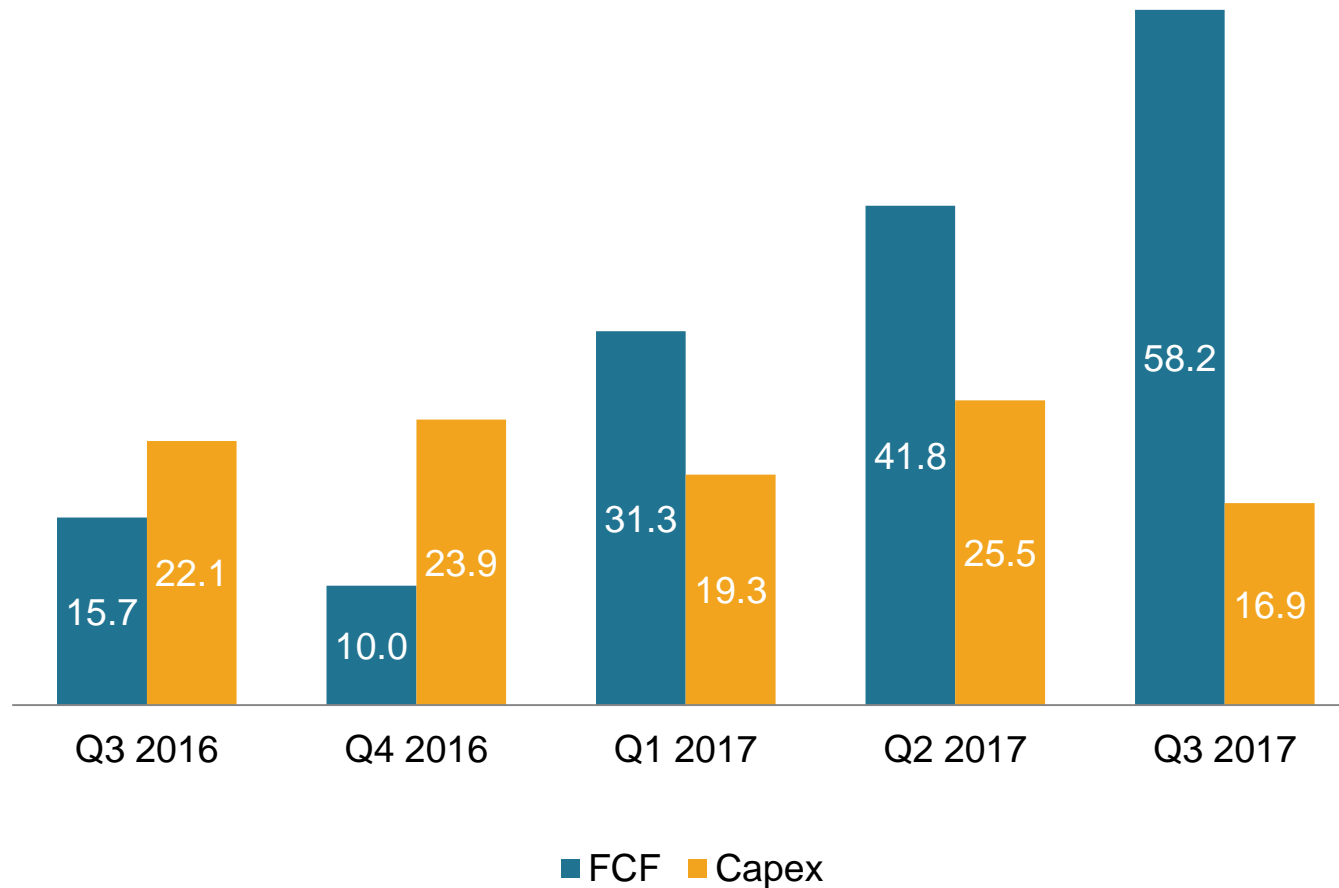
- ▶ Pay-out ratio of ~40% of net shareholder earnings based on IFRS standards
- ▶ Dividend for 2017 payable in 2018
  - ▶ depending on approval of Annual General Meeting in April 2018
- ▶ High cash flow supports dividend payment

# Increasing free cash flow generation


Capex and FCF, in EUR million

## Comments

- ▶ Repayment of prepayments:
  - ▶ EUR ~5m per quarter
- ▶ Customer prepayments
  - ▶ EUR 17.3 m received up to Q3/2017 for product mix optimization
  - ▶ Expect further prepayments in 2017 and 2018
- ▶ **Capex 2017: EUR ~120m**



# Siltronic Outlook 2017 (Update as of October 26, 2017)

<b>EBITDA margin</b>	at least 29% <b>update</b>	
<b>ROCE</b>	substantially higher than in 2016, considerably higher than WACC	
<b>Free Cash Flow</b>	clearly positive; by far above 2016	
<b>Sales</b>	at least EUR 1.16bn <b>update</b>	
<b>R&amp;D</b>	approx. 6% of sales <b>update</b>	
<b>Cost Position</b>	potential savings of around EUR 15m to EUR 20m	
<b>Hedging Expenses</b>	below EUR 10m <b>update</b>	
<b>Depreciation</b>	on the level of 2016	
<b>Tax rate</b>	below 20% <b>update</b>	
<b>Financial Result</b>	roughly EUR 10m interest expense	
<b>Earnings per Share</b>	significantly higher than in 2016	
<b>CapEx</b>	around EUR 120m due to prepayments in brownfield extensions in 2019 <b>update</b>	

# 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

Full Year 2017 Results	March 5, 2018
Annual General Meeting	April 19, 2018
Q1 2018 Results	April 25, 2018
Q2 2018 Results	July 25, 2018
Q3 2018 Results	October 25, 2018



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