

# Siltronic – a leading producer of silicon wafers

Roadshow Presentation  
June 2017

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

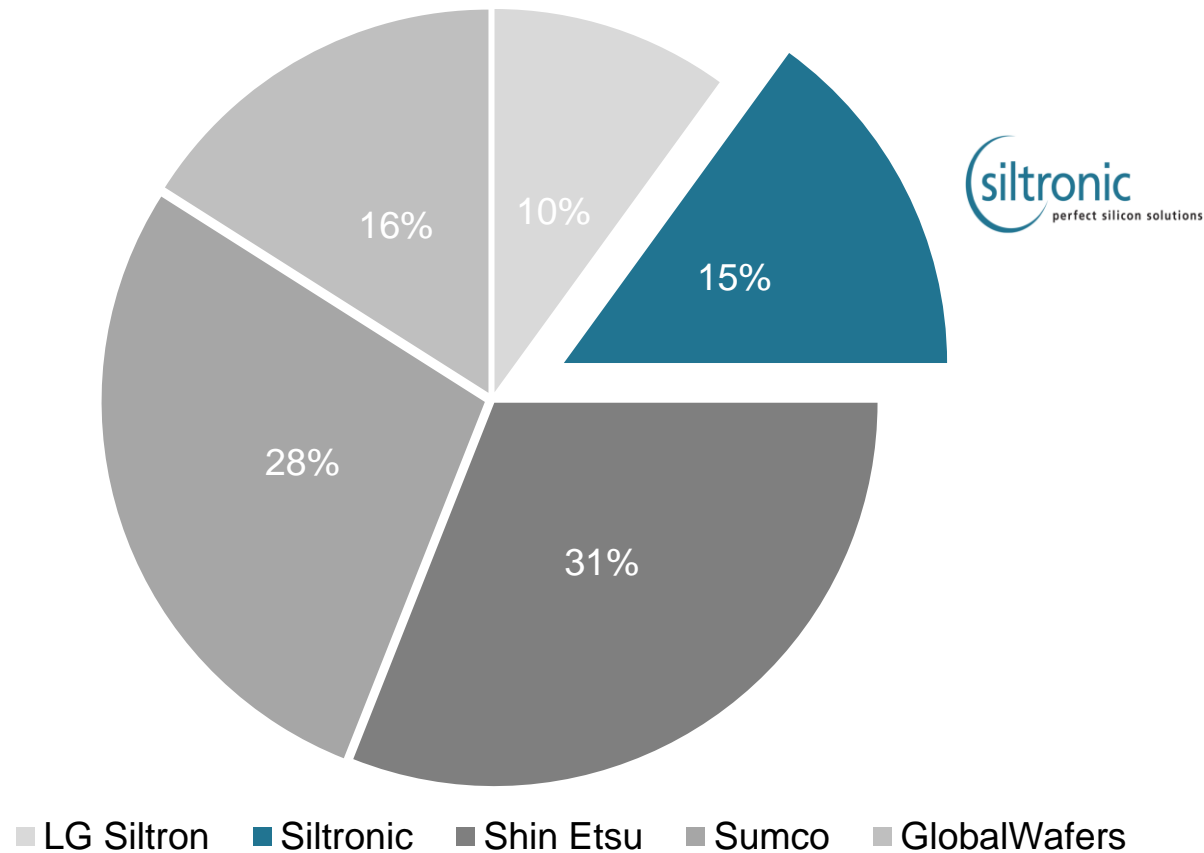
## Electronics value chain 2016



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

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

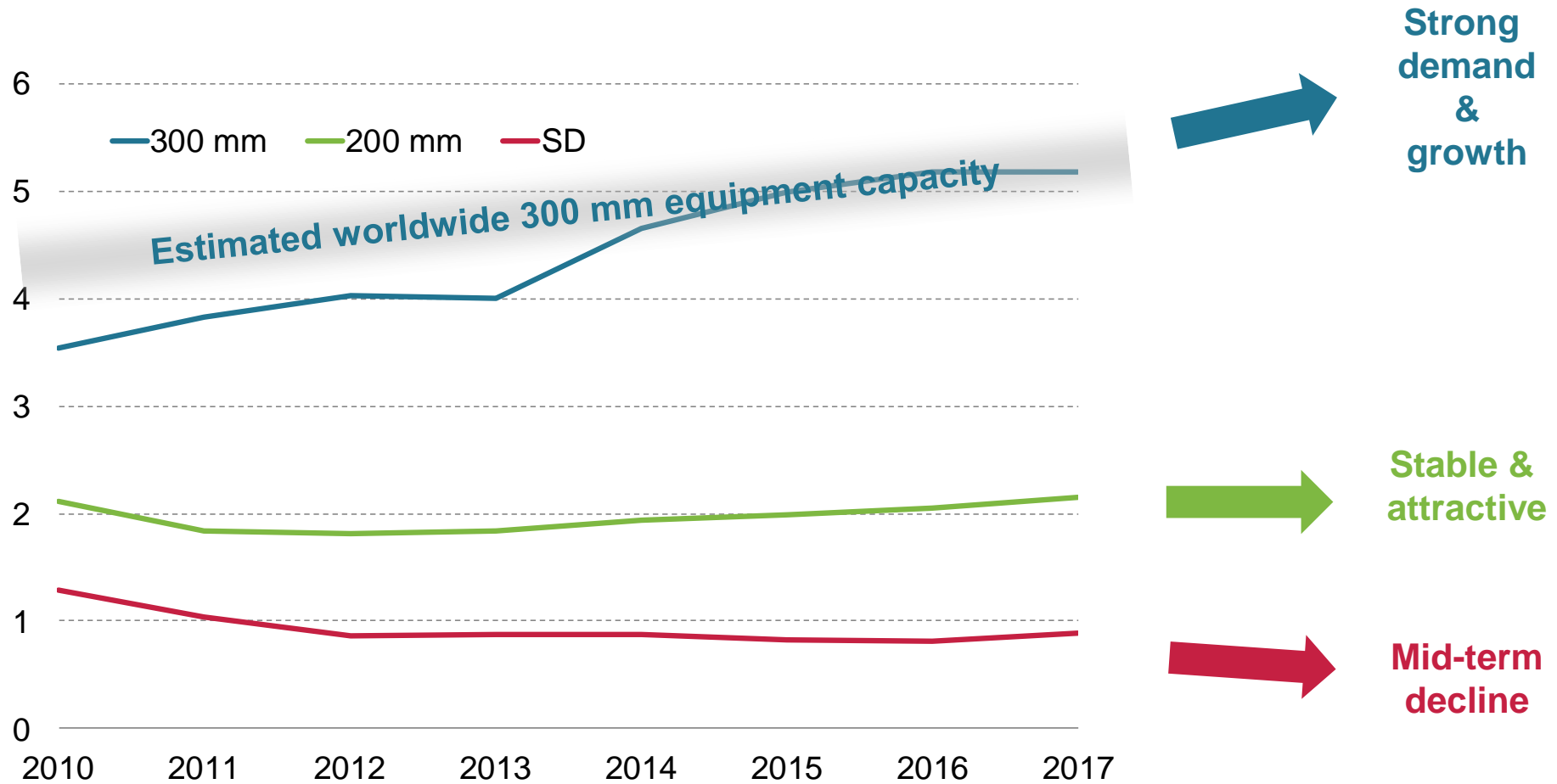
Top 5 wafer producers serve more than 90% of market across all diameters



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

# Siltronic is Focused on Growing 300 mm and Attractive 200 mm Business

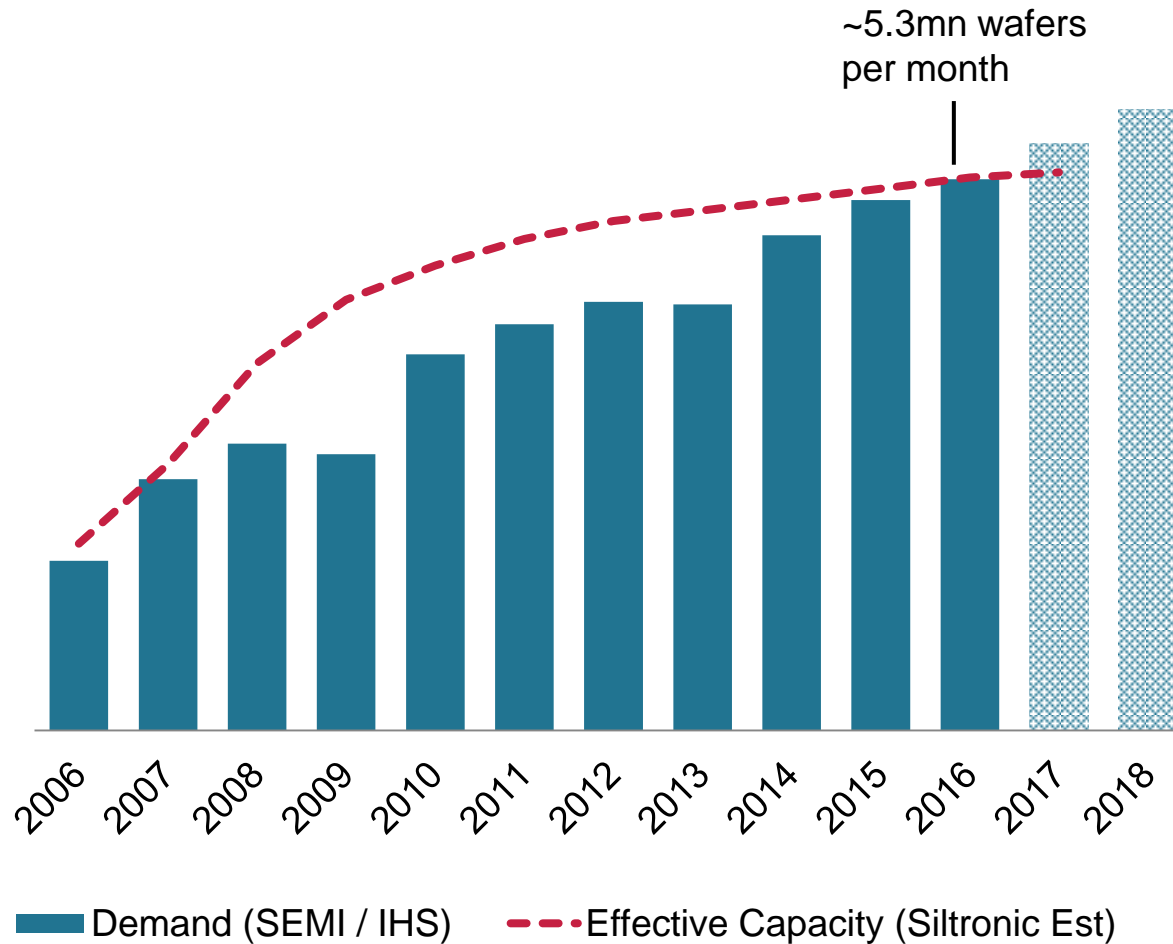
Development of Total Wafer Demand per Diameter, in million 300mm equivalents per month



Source: SEMI up to Feb 2017, Siltronic estimates

# 300mm demand is expected above industry capacity, after almost a decade of over-supply

300mm effective capacity vs. demand, kpcs per month



## Comments

- ▶ Extension not considered at current price levels
- ▶ ~30% to 35% overall empty shell capacity estimated to be available
  - ▶ Would allow for cost-efficient brownfield extension according to demand growth without need of creating over-capacity
- ▶ Takes around 12-18 months to bring brownfield capacity online

Sources: SEMI, IHS, Siltronic

# Market highlights

## Silicon wafer demand

- ▶ Wafer demand stays strong, exceeding supply
- ▶ Siltronic's 300mm and 200mm production fully utilized since Q3/2016
- ▶ Demand in SD wafers (<200mm) picked up; high utilization by now
- ▶ Customers want to negotiate expiring contracts at earlier stages and ask for longer contract terms

## Price increases

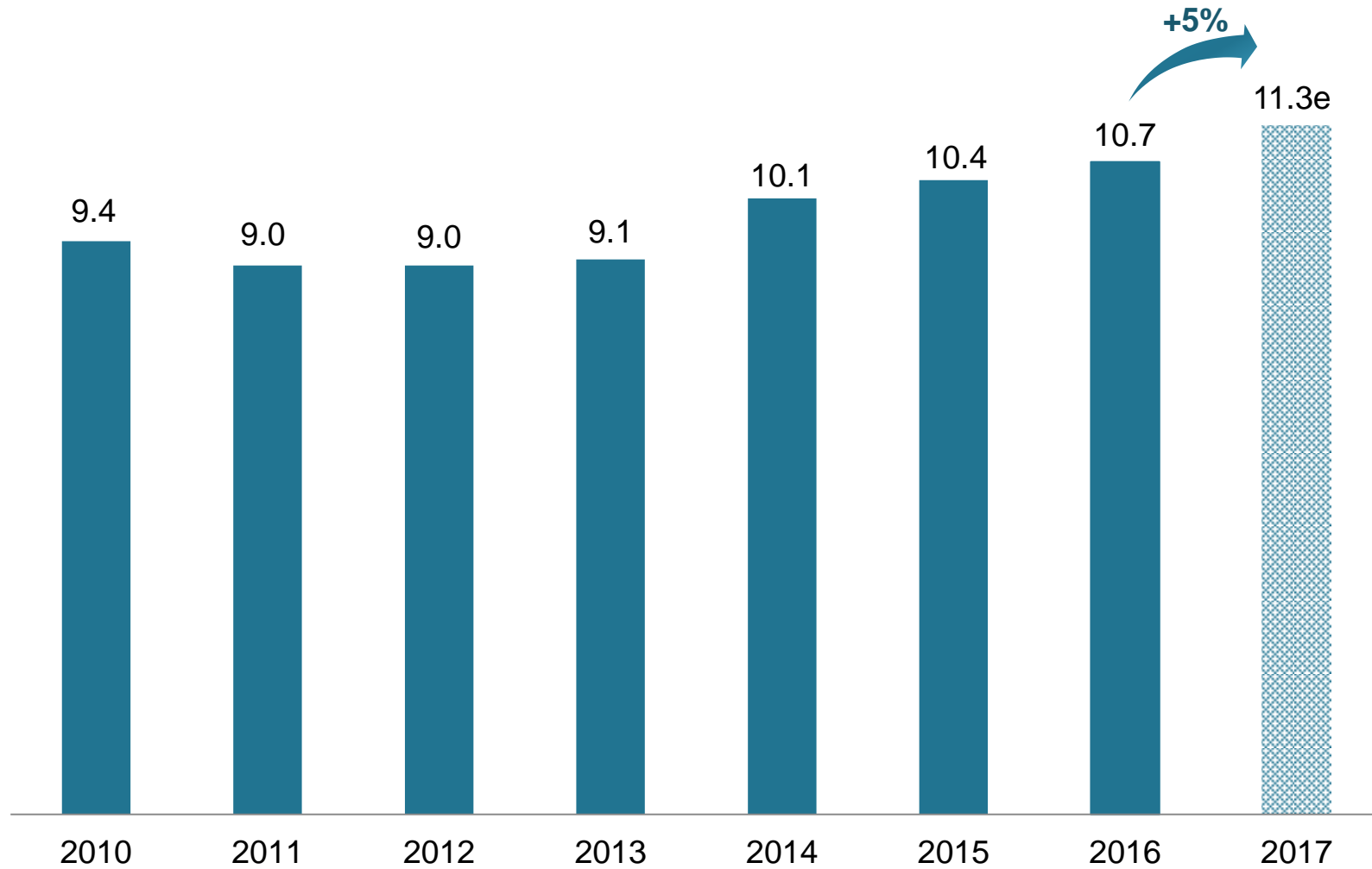
- ▶ Substantial increase in wafer prices for 300mm in Q1
- ▶ 200mm wafer prices also increased but not in the same magnitude as for 300mm
- ▶ Siltronic negotiated additional price increases for Q2
- ▶ Continuing positive price trend expected for Q3

## Customer prepayments

- ▶ Customers prepayments in 2017 of around USD 20m negotiated
- ▶ Prepayments partly received in Q1; further payments will be received during 2017
- ▶ Prepayments will be invested in production equipment for leading-edge products
- ▶ This will not lead to additional capacities but improve Siltronic's product mix

# Silicon area demand continues to grow

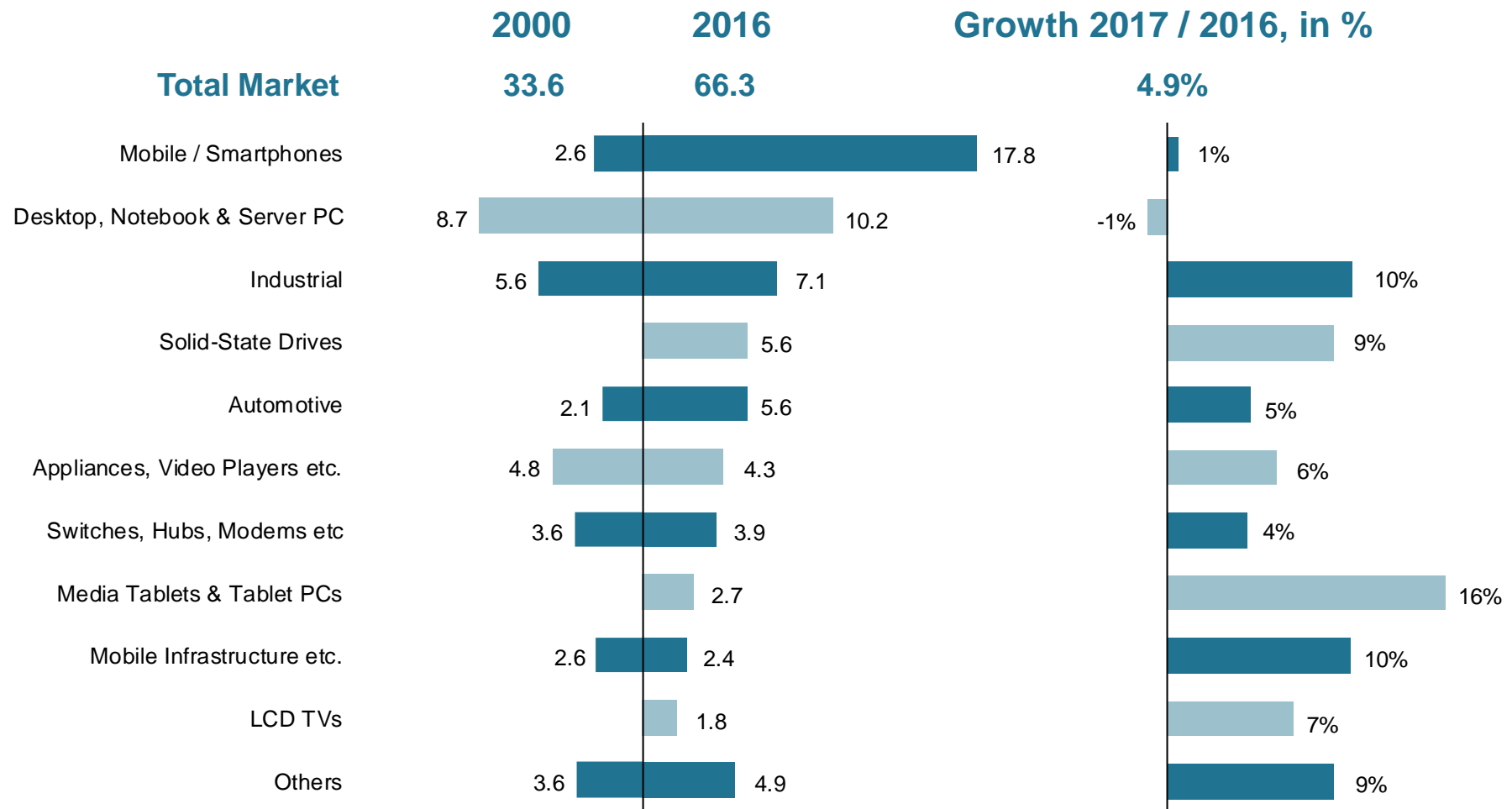
Silicon wafer demand, in bn in<sup>2</sup>



Source: SEMI (Silicon Area until 2016), IHS Markit Technology (Semiconductor Silicon Demand Forecast Tool, Q1'17 Update, Estimate 2017)

# IHS confirms silicon area growth forecast of 4.9% for 2017, with growth spread upon a wide range of applications.

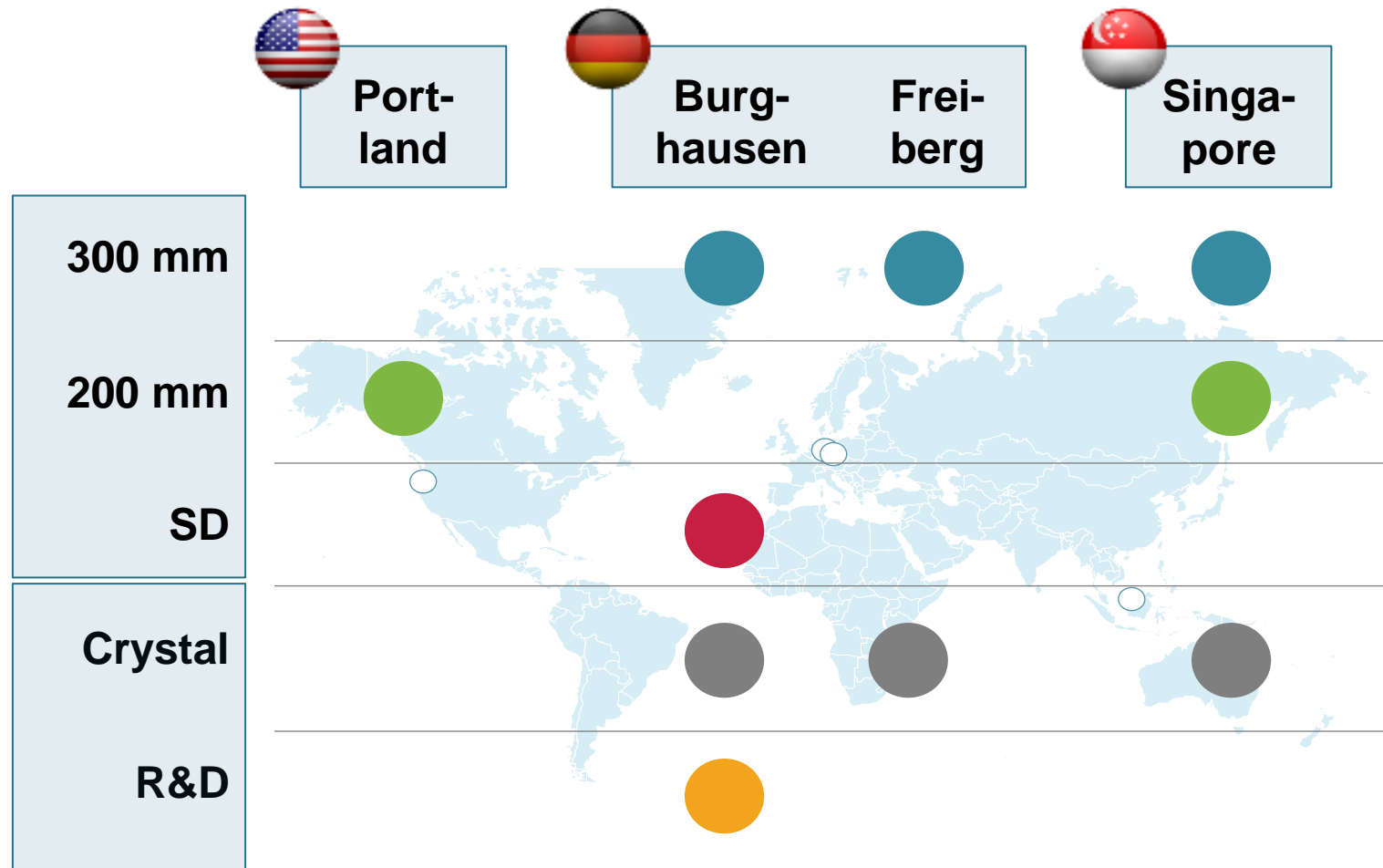
## Wafer Demand 2000 / 2016, in bn. cm<sup>2</sup>



Source: IHS Markit Technology (Semiconductor Silicon Demand Forecast Tool, Q2'17 Update)



# International manufacturing network supports market leadership and business focus



# 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 ~65% of 2016 revenues

Source: Siltronic

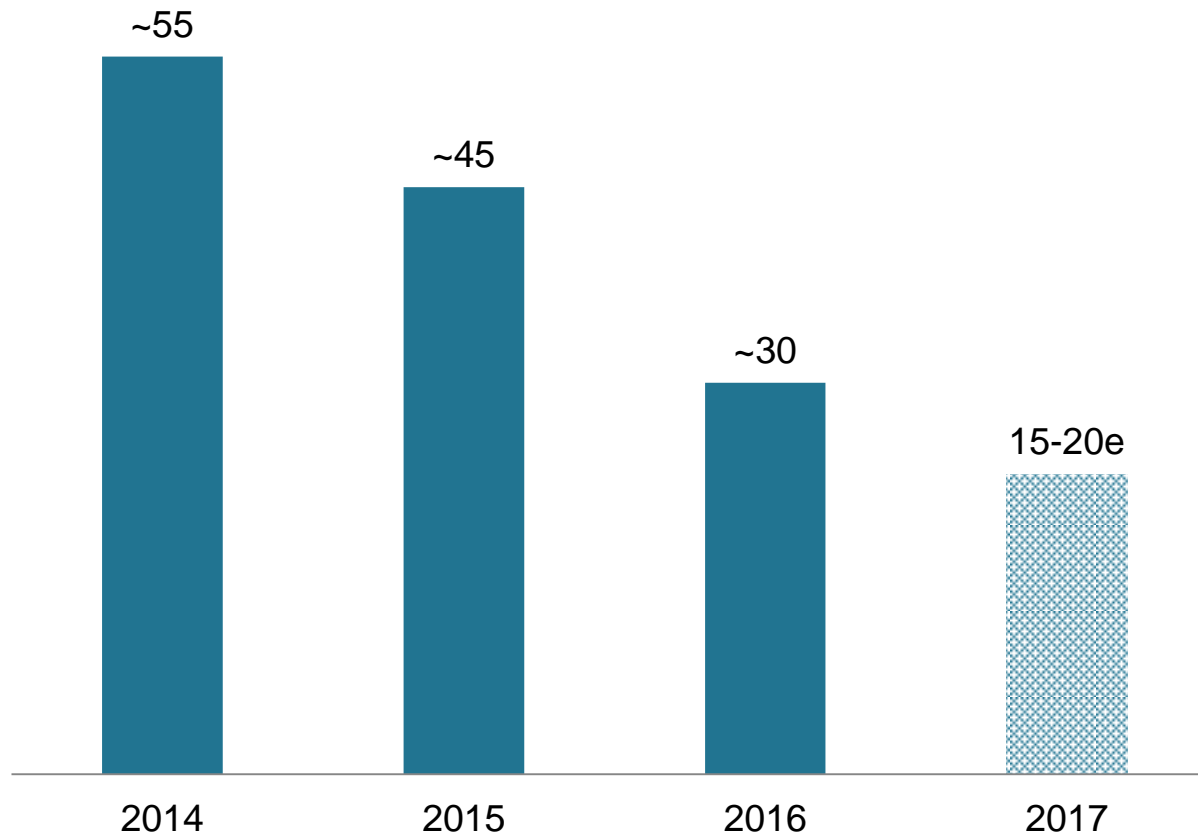
# Financials improved strongly over the last years

| Adjusted <sup>1</sup> financial figures<br>(EUR mn) | 2012    | 2013   | 2014   | 2015  | 2016  |
|---|---------|--------|--------|-------|-------|
| <b>Sales</b>  | 1030.0  | 875.5  | 853.4  | 931.3 | 933.4 |
| <b>EBIT</b>   | (75.5)  | (87.3) | (31.6) | 2.7   | 27.0  |
| <b>EBIT margin in %</b>                             | (7.3)   | (10.0) | (3.7)  | 0.3   | 2.9   |
| <b>EBITDA</b>                                       | 122.5   | 112.6  | 117.7  | 124.0 | 146.0 |
| <b>EBITDA margin in %</b>                           | 11.9    | 12.9   | 13.8   | 13.3  | 15.6  |
| <b>CapEx</b>  | 144.3   | 39.7   | 40.7   | 75.0  | 88.8  |
| <b>Free cash flow</b>                               | (134.4) | 64.7   | 86.3   | 37.4  | 19.0  |

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

# Successful cost reduction programs continue

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



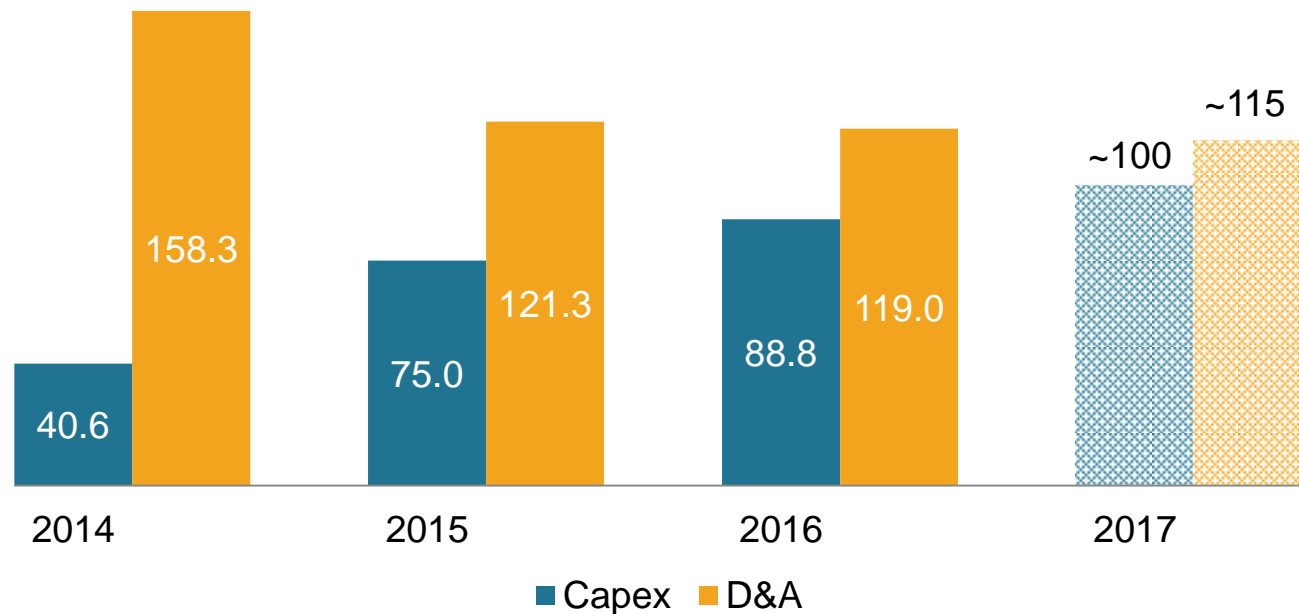
## Additional savings levers:

- ▶ 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).

# CapEx: spending mostly for capability and cost reductions

Adjusted<sup>1</sup> CapEx and D&A, in EUR mn



## CapEx 2015 and 2016






- ▶ New crystal pulling hall in Freiberg
- ▶ Exchange of old crystal pullers vs. state-of-the-art equipment
- ▶ Automation projects in Germany

## 2017 focus on

- ▶ Capability improvement
  - New design rules
  - New generation crystal pullers
- ▶ Cost reduction (e.g. further automation)
- ▶ Debottlenecking

<sup>1</sup> adjustments are based on the assumption that SSW would have been consolidated prior to January 1, 2014. Initial consolidation of SSW was made as of January 24, 2014. The adjustments are not in compliance with IFRS.

# Siltronic Outlook 2017 (Update as of April 27, 2017)

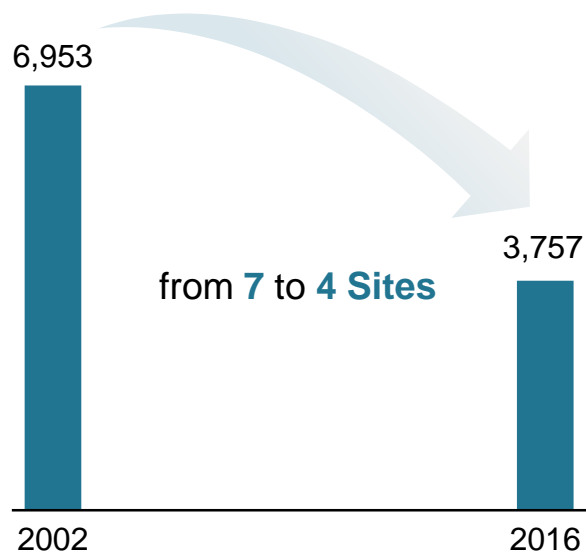
|                           |   |
|---------------------------|---|
| <b>EBITDA margin</b>      | at least 23%: <b>update</b>    |
| <b>ROCE</b>               | substantially higher than in 2016, considerably higher than WACC: <b>update</b>  |
| <b>Free Cash Flow</b>     | clearly positive; by far above 2016   |
| <b>Sales</b>              | at least EUR 1.06bn: <b>update</b>   |
| <b>R&amp;D</b>            | unchanged at approx. 7% of sales  |
| <b>Cost Position</b>      | potential savings of around EUR 15m to EUR 20m: <b>update</b>                    |
| <b>Hedging Expenses</b>   | substantially lower around EUR 10m (at EUR/USD = 1.05; EUR/JPY = 120)   |
| <b>Depreciation</b>       | on the level of 2016  |
| <b>Tax rate</b>           | 20% or slightly below: <b>update</b>   |
| <b>Financial Result</b>   | roughly EUR 10mn interest expense   |
| <b>Earnings per Share</b> | significantly higher than in 2016   |
| <b>CapEx</b>              | around EUR 100m, partly financed by USD 20m customer prepayments  |

# Appendix

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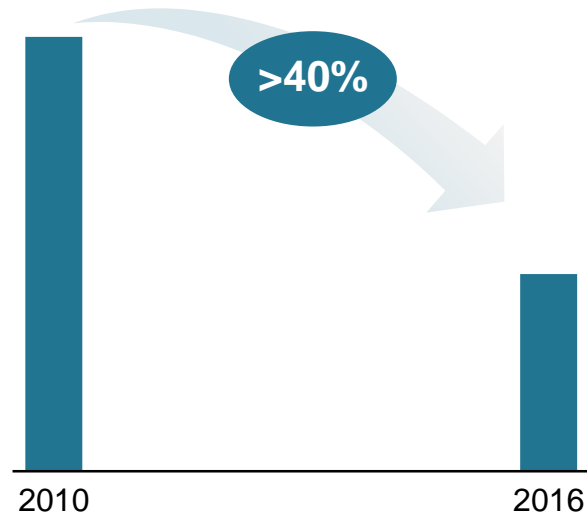
# Major successes in cost reduction and efficiency improvements

Number of employees



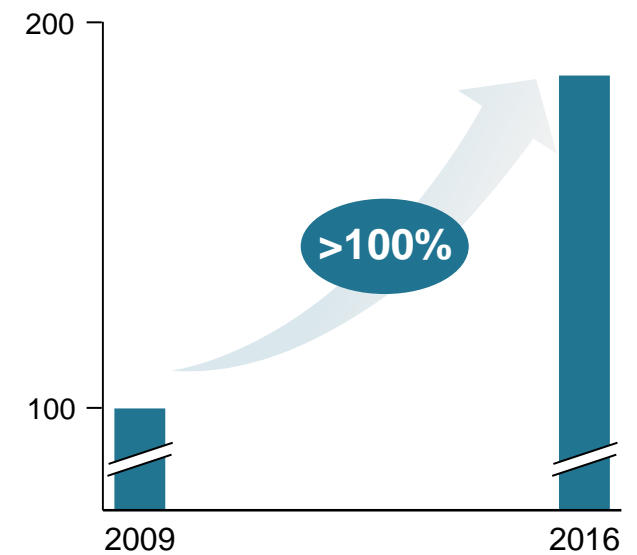
Successful restructuring including Germany

Variable costs of 300 mm wafer (Germany), in EUR / Wafer



More than 40% reduction of variable unit costs in 300mm wafers

300 mm Productivity<sup>1</sup> (Germany)



Almost 100% increase of employee productivity in 300mm wafers

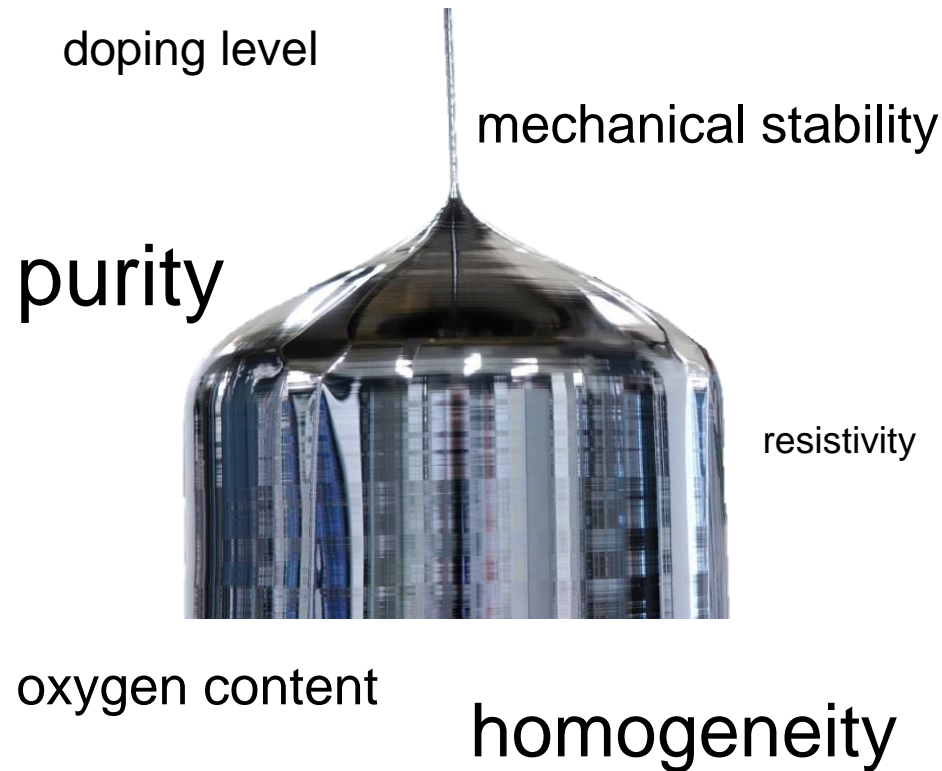
<sup>1</sup> Delivered wafer / paid hours (2009 = 100)



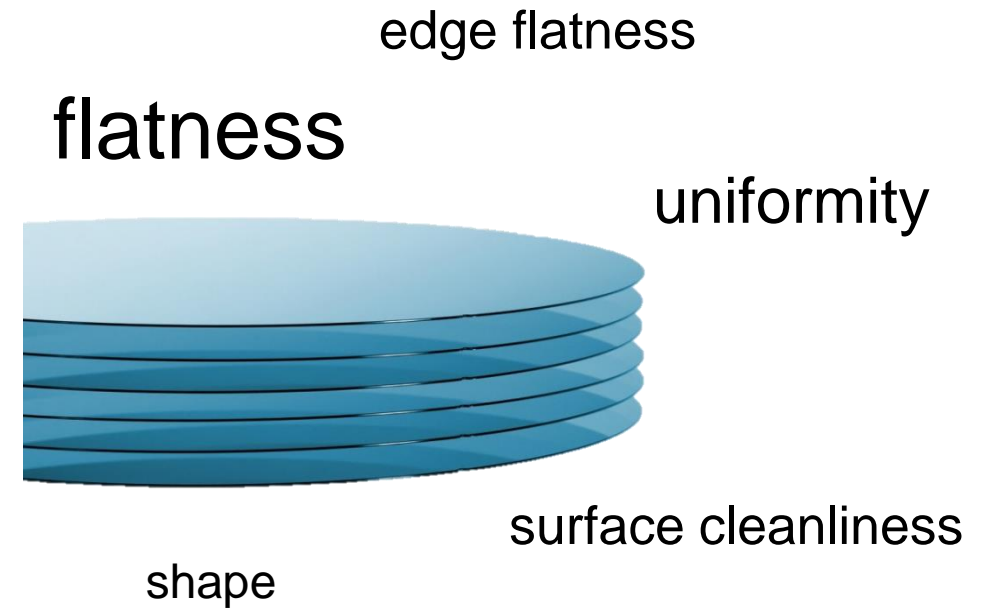
# Continuous improvement of key ingot and wafer properties to meet customers' requirements

## Improvement of key ingot and wafer properties

### Ingot



### Wafer



# Financial Year 2016: Highlights

|                       |   |
|-----------------------|---|
| <b>Sales</b>          | Sales of EUR 933.4mn (2015: EUR 931.3mn)  |
| <b>EBITDA</b>         | EUR 146.0mn (2015: EUR 124.0mn),<br>Without negative FX effects* EBITDA would have been EUR 166.9mn                                 |
| <b>Margin</b>         | EBITDA margin 15.6% (2015: 13.3%)<br>Without negative FX effects* EBITDA margin would have been 17.9%                               |
| <b>EBIT</b>           | positive at EUR 27.0mn (2015: EUR 2.7mn)  |
| <b>Cost Savings</b>   | around EUR 30mn   |
| <b>Investments**</b>  | EUR 88.8mn (2015: EUR 75.0mn), mainly in enhanced capabilities  |
| <b>Free Cash Flow</b> | EUR 19.0mn (2015: EUR 37.4mn), despite EUR 11.1mn one-time payment to pension fund and EUR 20.5mn repayment of customer prepayments |
| <b>Net Cash</b>       | EUR 175.0mn (2015: EUR 155.9mn)   |

\*other operating income and expenses influenced by FX effects, mainly due to hedging . In 2016, FX effects added up to expenses of EUR 20.9mn.

\*\* without investment in financial assets

# Highlights Q1/2017: Financials

## Sales

Sales of EUR 258.0m (Q4/2016: EUR 246.3m)  
+4.8% q-o-q

## EBITDA

EUR 53.0mn (Q4/2016: EUR 50.5m)  
+5.0% q-o-q

## Margin

EBITDA margin of 20.5% (Q4/2016: 20.5%)  
stable despite the usual higher cost base in Q1 compared to Q4

## EBIT

EUR 23.4m (Q4/2016: EUR 20.0m)  
+17.0% q-o-q

## CapEx

EUR 19.3m (Q4/2016: EUR 23.9m)

## Free Cash Flow

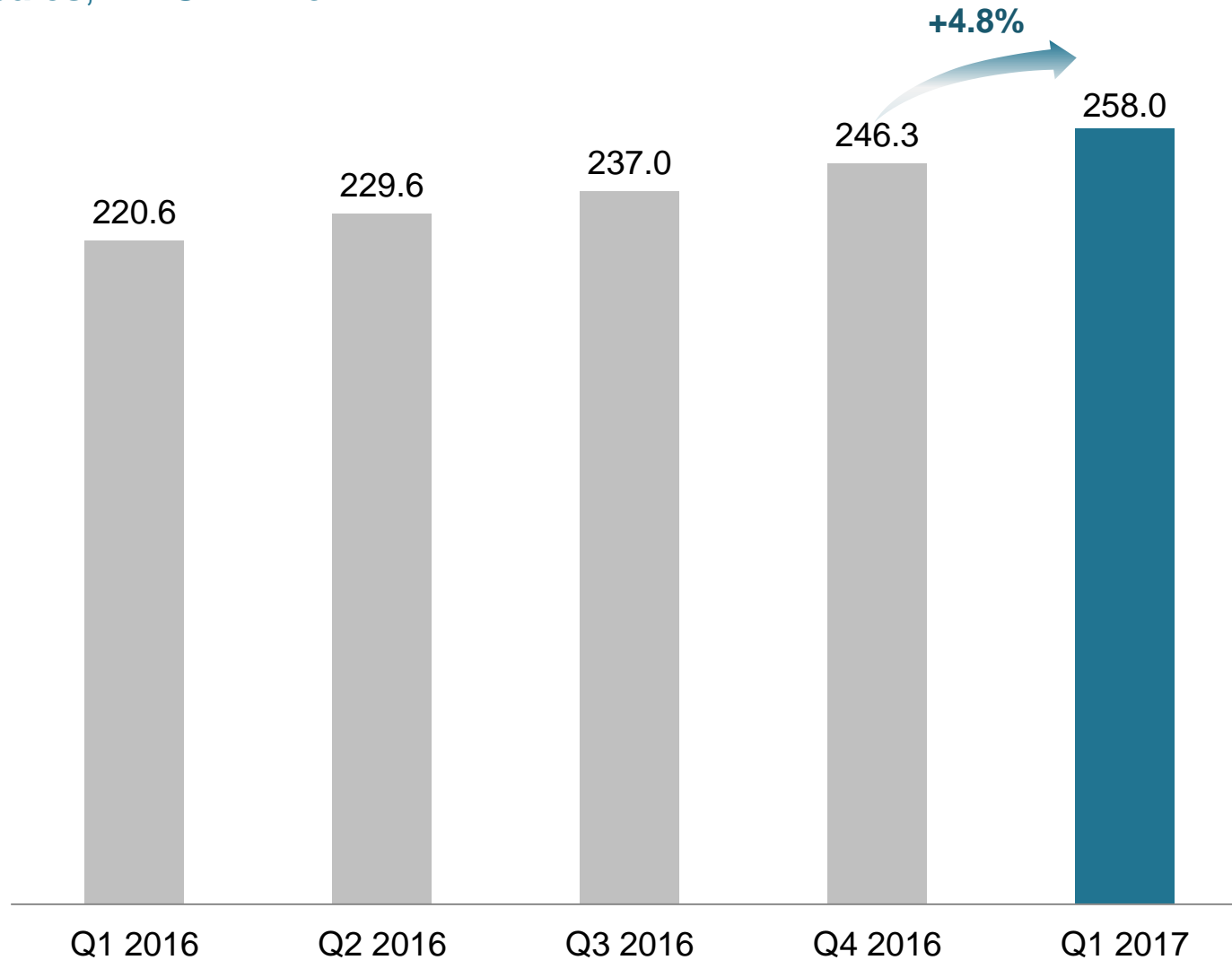
EUR 31.3m (Q4/2016: EUR 10.0m)

## Net Cash

EUR 209.1m (December 31, 2016: EUR 175.0m)

# Q1 sales development driven by increased prices, higher wafer volumes and some tailwind from USD

Sales, in EUR million



## Comments

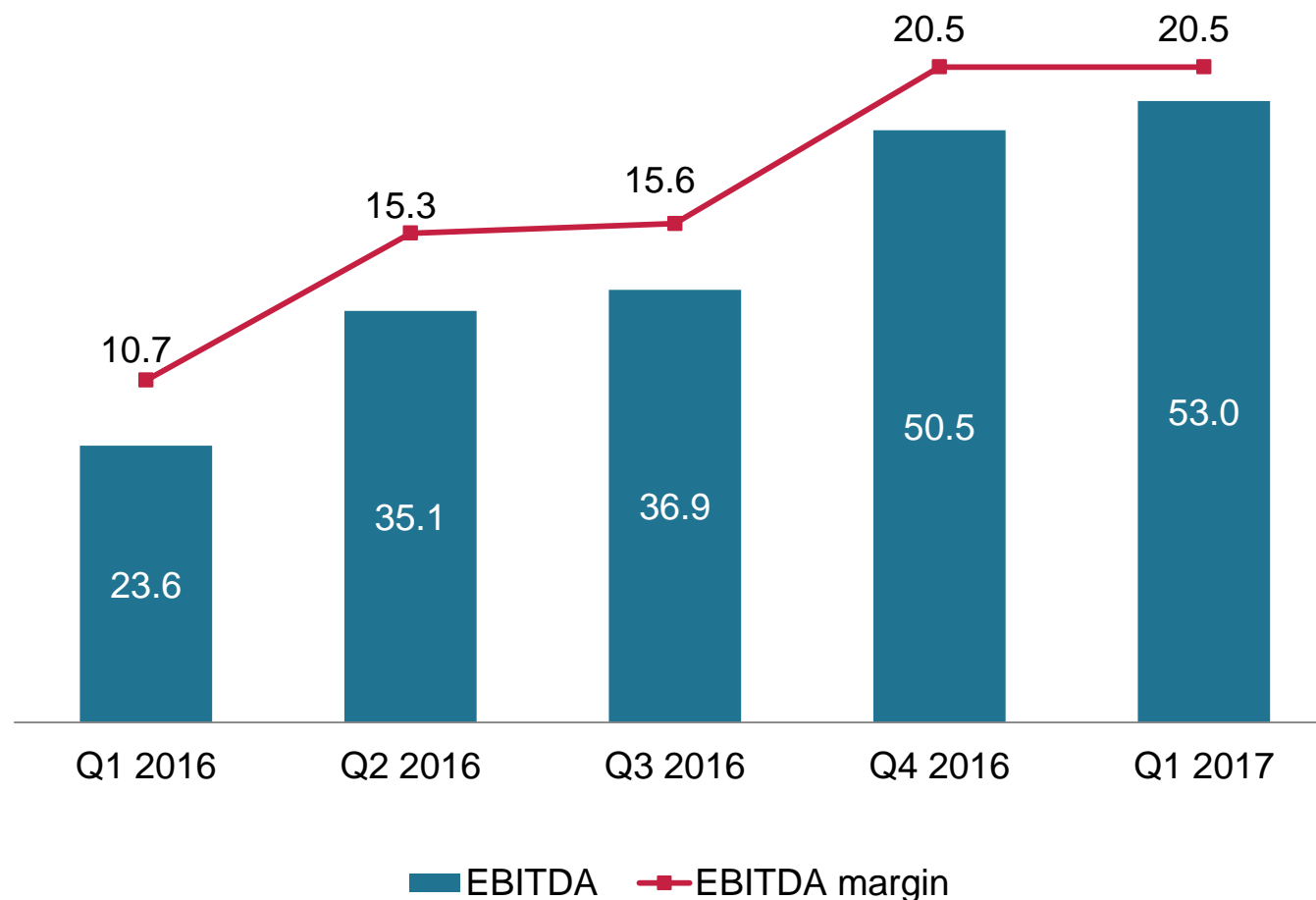
- ▶ Positive
  - ▶ Volume growth y-o-y
  - ▶ Higher wafer prices for 300mm and to some extent for 200mm in Q1
  - ▶ ASP up y-o-y and q-o-q
  - ▶ Some tailwind from USD compared to Q1/2016
  - ▶ Price negotiations with customers for 2017 ongoing with more price increases to follow

# Positive development of EBITDA and EBITDA margin due to higher ASP, cost reductions and decreasing hedging expenses

EBITDA margin in %; EBITDA in EUR million

## Comments

- ▶ Positive
  - ▶ Higher ASP y-o-y and q-o-q
  - ▶ Successful cost reduction program continued
  - ▶ Lower hedging expenses\* y-o-y:
    - ▶ Q1/2017: EUR 4.5m
    - ▶ Q4/2016: EUR 1.5m
    - ▶ Q1/2016: EUR 9.7m
  - ▶ Positive effects of strong USD (compared to Q1 2016) on sales and gross profit outweigh negative effects on other operating income and expense



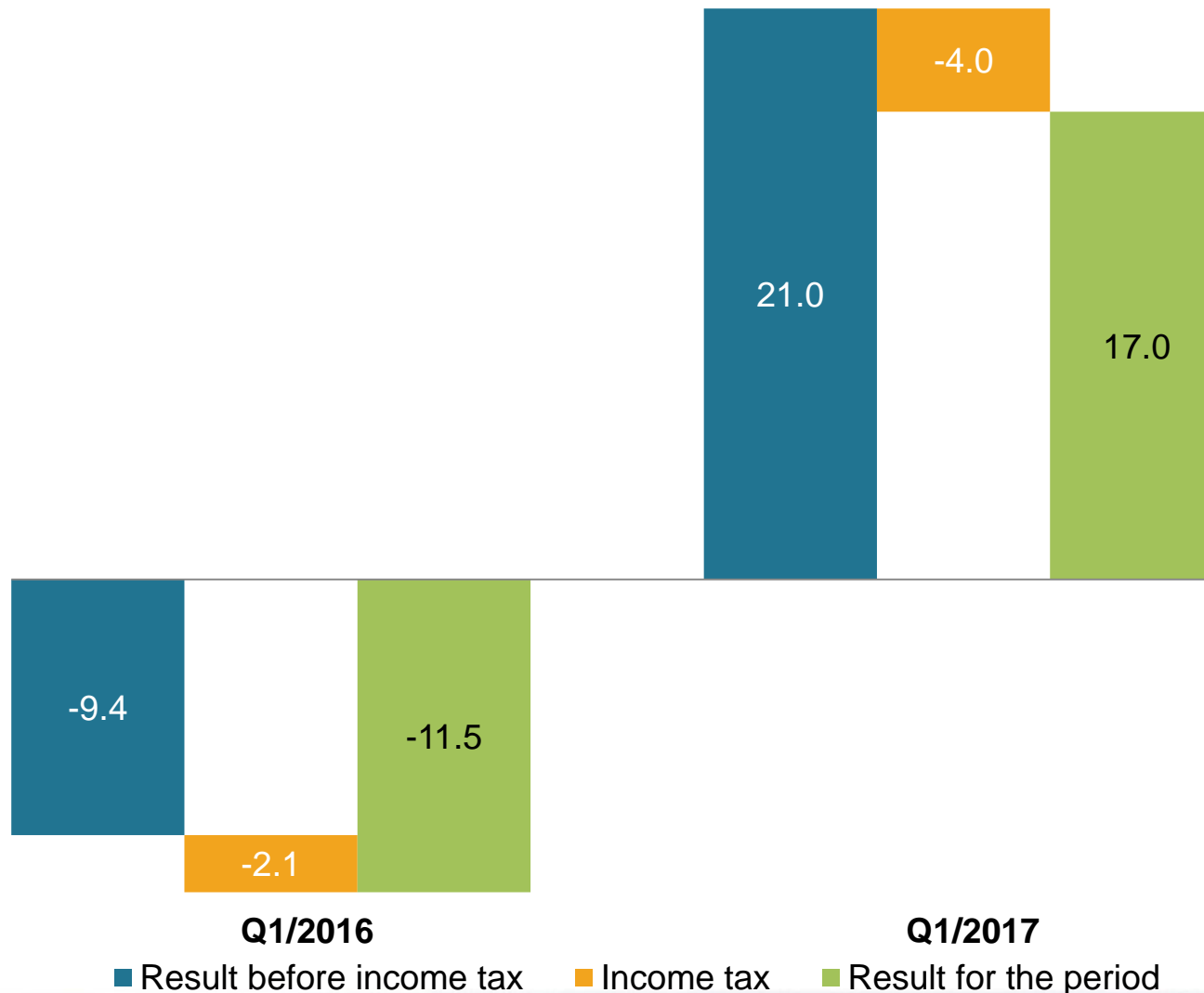
\*Other operating income and expenses influenced by FX effects, mainly due to hedging

# Positive development of net result due to price increases, higher wafer volumes and lower costs per wafer area

Result and income tax, in EUR million

## Comments

- ▶ Net profit of EUR 17.0m in Q1/2017
- ▶ Driven by price increases, higher wafer volumes and lower manufacturing costs per wafer area
- ▶ EUR 4.0m effective taxes
- ▶ Potential future tax advantages based on tax losses carried forward not capitalized (accounting policies)



# Equity ratio of 43.3%

## Net financial assets of EUR 209m

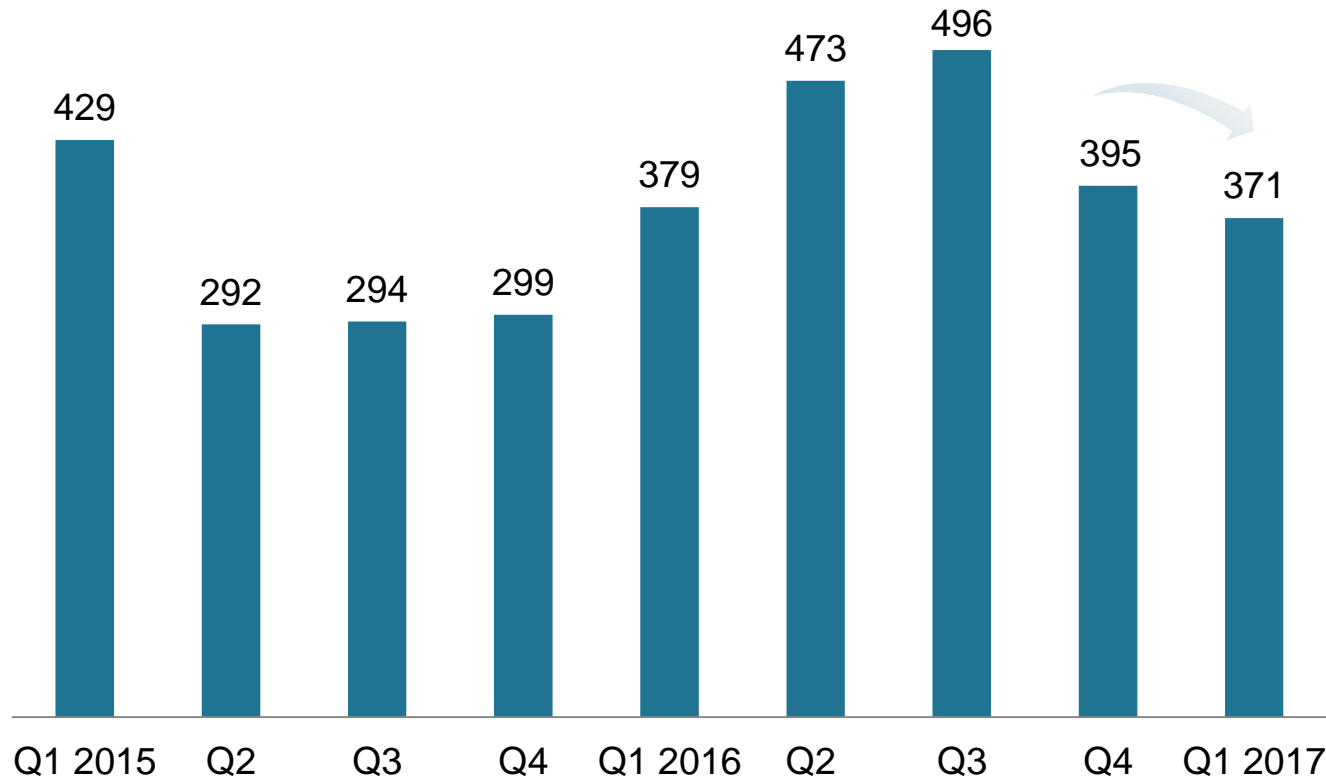
### Balance sheet, in EUR million

| Assets                       | Mar 31, 2017   | Dec 31, 2016   | Comments Mar 31, 2017           |
|------------------------------|----------------|----------------|---------------------------------|
| <b>Non-current</b>           | <b>547.0</b>   | <b>554.1</b>   |                                 |
| PP&E                         | <b>514.6</b>   | 519.8          |                                 |
| Other fixed                  | <b>32.4</b>    | 34.3           | 25 intangibles (related to SSW) |
| <b>Current</b>               | <b>550.2</b>   | <b>502.7</b>   |                                 |
| Inventories                  | <b>144.3</b>   | 140.9          |                                 |
| Trade receivables            | <b>128.4</b>   | 118.2          |                                 |
| Other current                | <b>26.8</b>    | 28.2           | 2 hedging                       |
| Cash and fixed term deposits | <b>250.7</b>   | 215.4          |                                 |
| <b>Total</b>                 | <b>1,097.2</b> | <b>1,056.8</b> |                                 |

| Equity and liabilities | Mar 31, 2017   | Dec 31, 2016   | Comments Mar 31, 2017                              |
|------------------------|----------------|----------------|--|
| <b>Equity</b>          | <b>475.1</b>   | <b>425.3</b>   |  |
| Siltronic              | <b>481.4</b>   | 431.9          |  |
| Other shareholders     | <b>-6.3</b>    | -6.6           | Samsung's 22% in SSW                               |
| <b>Liabilities</b>     | <b>622.1</b>   | <b>631.5</b>   |  |
| Pension provision      | <b>371.4</b>   | 395.1          | Germany and US                                     |
| Other provisions       | <b>52.0</b>    | 51.1           | 40 personnel related (e.g. early retirement)       |
| Financial debt         | <b>41.6</b>    | 40.4           | Samsung  |
| Trade liabilities      | <b>82.3</b>    | 81.6           |  |
| Other                  | <b>74.8</b>    | 63.3           | 27 prepayments<br>33 employee-related<br>7 hedging |
| <b>Total</b>           | <b>1,097.2</b> | <b>1,056.8</b> |  |

# Pension provision increased y-o-y due to lower interest rates; however down q-o-q

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     | 3.61% | 4.30% | 4.18% | 4.20% | 3.78% | 3.47% | 3.43% | 3.92% | 3.90% |
| ▶ Germany | 1.65% | 2.70% | 2.80% | 2.75% | 2.15% | 1.60% | 1.38% | 1.94% | 2.07% |



# Payments for CapEx partly financed by customer prepayments

Cash flow, in EUR million

|   | Q1/<br>2017 | Q4/<br>2016 | Q1/<br>2016 |
|---|-------------|-------------|-------------|
| Cash flow from operating activities     | 48.7        | 28.7        | 26.8        |
| <i>thereof repayment of prepayments</i> | -5.1        | -5.9        | -5.0        |
| <i>thereof new customer prepayments</i> | 5.5         | 0           | 0           |
| Payments for CapEx                      | -17.4       | -18.7       | -33.5       |
| <b>Free cash flow</b>                   | <b>31.3</b> | <b>10.0</b> | <b>-6.7</b> |

## Comments

- ▶ CapEx for investments in:
  - state-of-the-art crystal pullers and further automation of production sites
  - product mix optimization (leading-edge products)
- ▶ CapEx for 2017 will be around EUR 100m; partly financed by USD 20m customer prepayments
- ▶ Strong net profit lead to high free cash flow of EUR 31.3m in Q1

# Contact and Additional Information

## Issuer and Contact

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## Additional Information

|                 |  |
|-----------------|--|
| ISIN:           | DE000WAF3001                               |
| WKN:            | WAF300                                     |
| Deutsche Börse: | WAF  |
| Listing:        | Frankfurt Stock Exchange<br>Prime Standard |

## Financial Calendar

|                 |                  |
|-----------------|------------------|
| Q2 2017 Results | July 28, 2017    |
| Q3 2017 Results | October 26, 2017 |



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