

Siltronic AG Full Year 2018 Results

March 5, 2019

Highlights 2018: Financials

Sales

– EUR 1,456.7m (2017: EUR 1,177.3m)

EBITDA

– EUR 589.3m (2017: EUR 353.1m)
– EBITDA margin: 40.5% (2017: 30.0%)

EBIT

– EUR 497.7m (2017: EUR 235.7m)
– EBIT margin: 34.2% (2017: 20.0%)

CapEx

– EUR 256.9m (2017: EUR 123.2m)

Net cash flow

– EUR 240.4m (2017: EUR 124.8m)

Net financial assets

– EUR 691.3m (December 31, 2017: EUR 342.1m)



MARKET UPDATE

Market developments

End Markets 2019

- ▶ Overall volume development signals a mixed picture, but mostly muted in main end markets.
- ▶ Mobile Phones: softening, PCs: flattish, Servers: up, Cars: flattish, EV/HVs: up

Semiconductors

- ▶ Semi units dipped further in December 2018, but were +3.7% YoY.

Silicon wafer market 2018

- ▶ Q4 SEMI market was ~7.0bn cm²/month, -0.6% below Q3'18 average and +8.6% YoY

Wafer demand

- ▶ Demand for 150 mm already started to decline in Q4 2018; declining trend continues in 2019
- ▶ Demand for 200 mm standard wafers very high in Q4 2018 but slightly down beginning of 2019; demand for special products still high
- ▶ Demand for 300 mm very high in Q4 2018 but now slightly down as customer inventories start to increase

Sources WSTS up to December 2018, Semi up to December 2018

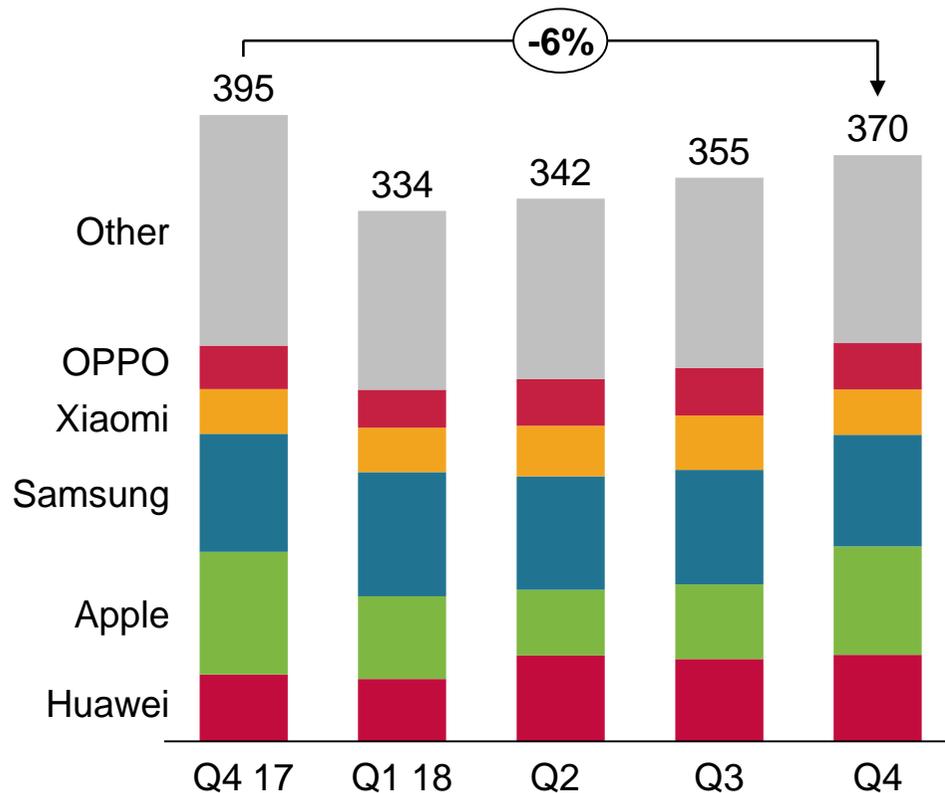
Silicon content grows further in 2019, however impacted by declining or flattish unit numbers in some end markets

Important end markets	Units	Content	Comments
Smartphones / mobile phones			muted content growth due to lower number of high-end smartphones sold
PCs			PC unit shipments flattish in 2018 and damped by CPU shortage in Q4; will extend into Q2/19
Servers			Server unit shipments expected to grow by +6% YoY (2018: +13%)
Cars			Softer start into 2019 in Europe and USA, Japan up; OEMs mostly expect flattish unit shipments
Electro / hybrid			EH/HV have been growing strongly (60%) in 2018 from a small base; expected to grow around 30% in 2019 driven by China

6% YoY less smartphones sold in Q4

Further decline in 2019 possible

Smartphone sales, in million units



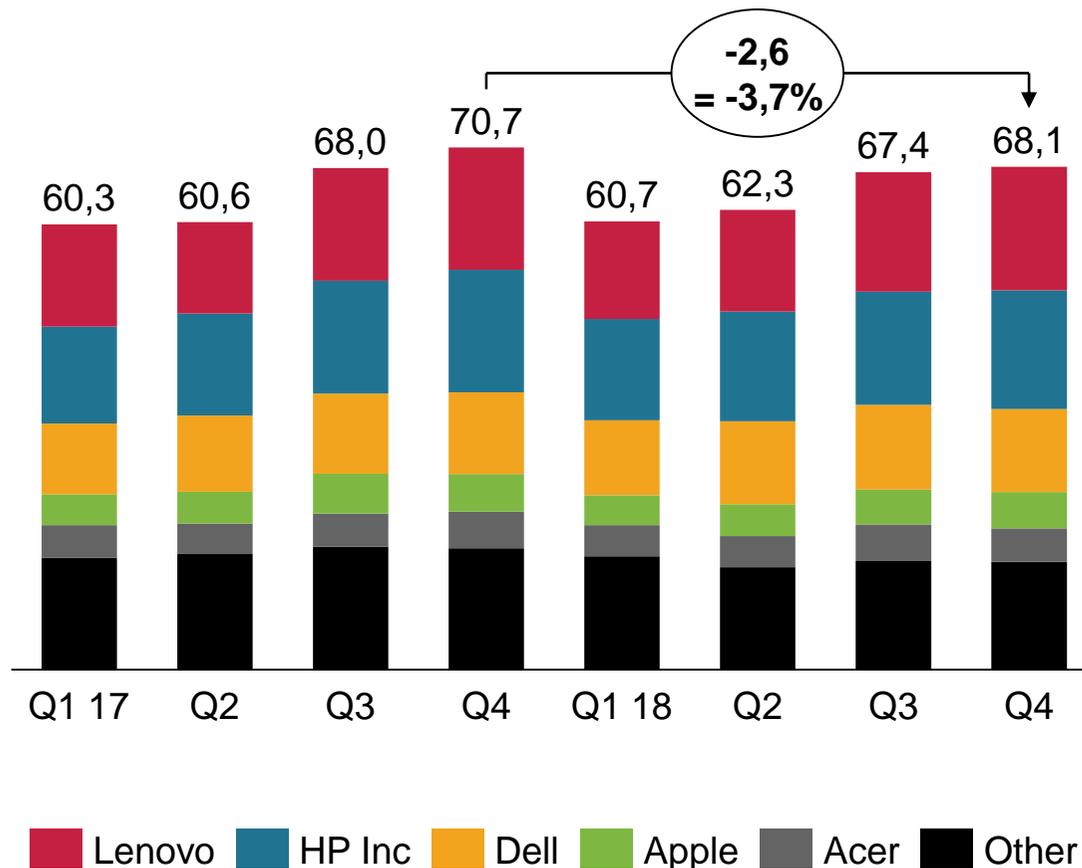
Expectations for 2019

- ▶ IDC (December 2018): small growth
- ▶ IHS (January 2019): +1%
- ▶ Macquarie (January 3, 2019): -5%
- ▶ TSMC (January 17, 2019): negative, especially high-end smartphones, better in H2
- ▶ Content growth due to more sensors, cameras and memory
- ▶ High-end smartphones do not grow as expected

Remark: Q4 Apple is an IDC estimate as Apple stopped reporting units in fall 2019
Source: IDC Jan. 2019

PC business also declining in Q4, mainly due to tight supply

Number of PCs/ laptops /notebooks, in million units (IDC)

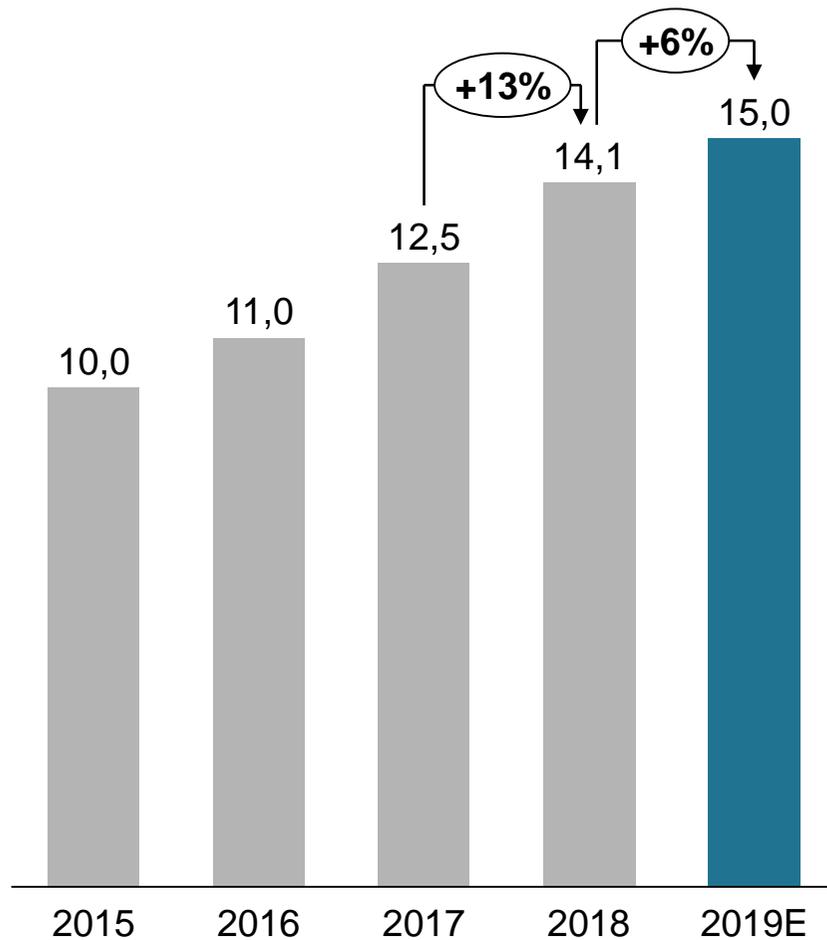


- ▶ In Q4 Intel favored the server business whereby around 2 million CPUs for the PC business were missing
- ▶ Demand basically intact due to transition to Windows 10
- ▶ HPs CEO and Lenovos COO expect that processors will stay short for another 6 months (as of October 2018)

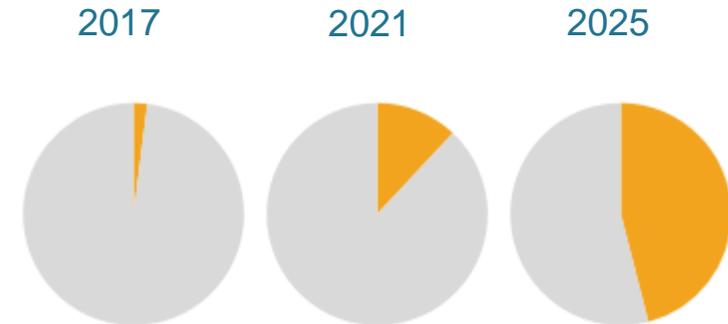
Source: IDC Dec. 2018 and Jan. 2019; Press

Servers grow in units and in content; machine learning is the most important driver

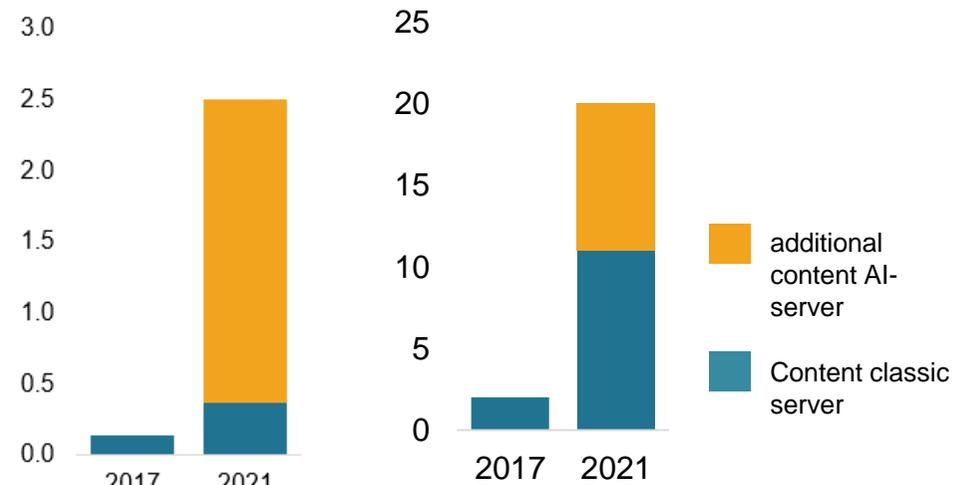
Servers, in million units



AI-compatible servers, as % of all servers sold



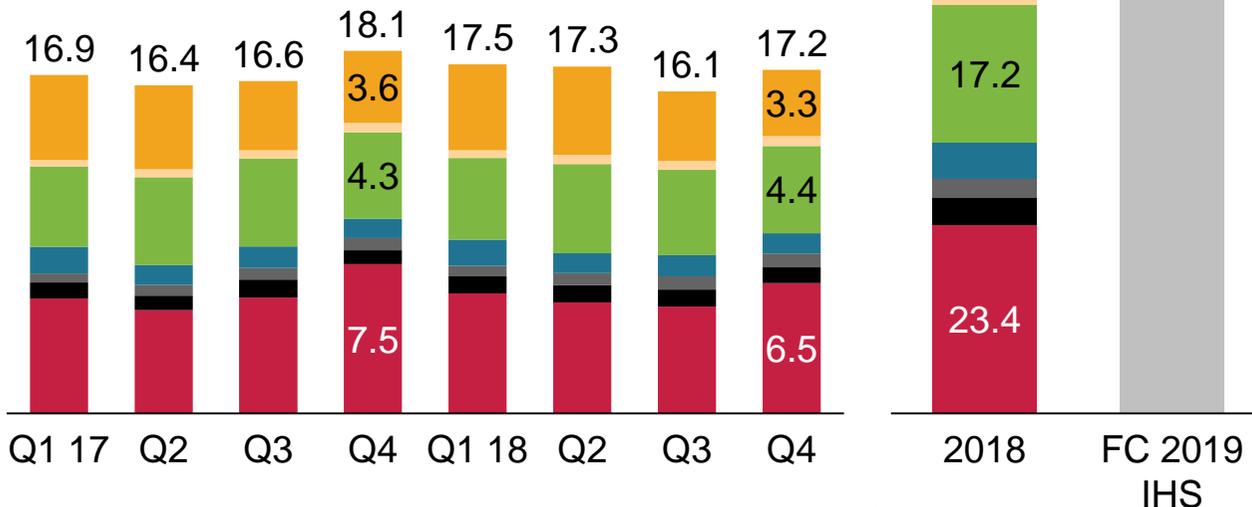
DRAM per server (TB) NAND per server (TB)



Source: Digitimes Research Dec. 2018; Micron 2018

No momentum in the automotive market in 2019

Number of new cars in regional key markets, per quarter and year, in million units



Comments by OEMs



▶ GM (January, 11) expects flat development in USA and China



▶ VW (January, 11) expects slight increase of global demand



Mercedes-Benz

▶ Mercedes (February, 11) expects new record year 2019

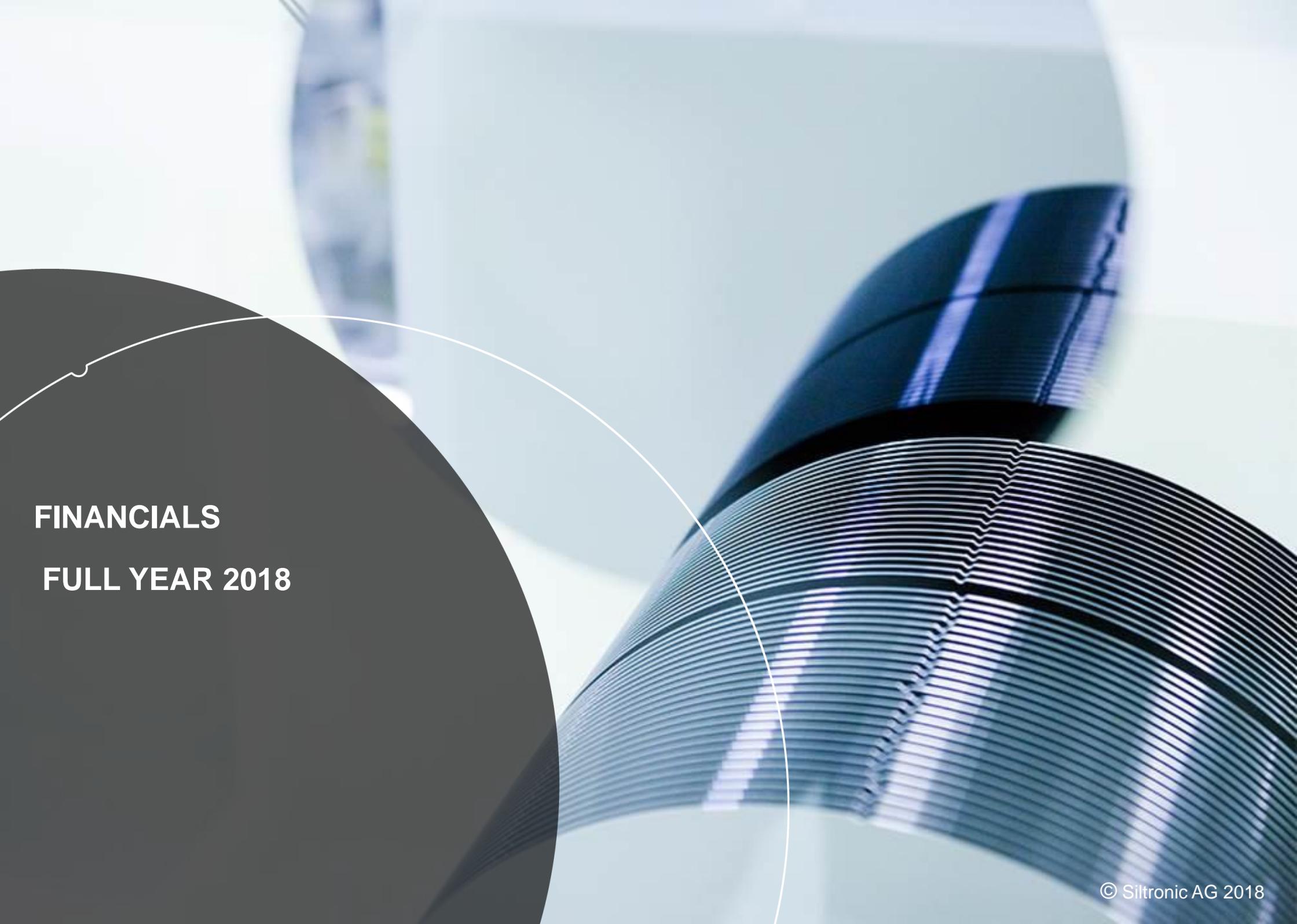


TOYOTA

▶ Toyota (February, 11) expects robust business

Note: key markets comprise 80% of the worldwide sales. The difference of 16.7 million cars compared to 85 million of worldwide sales are made of: 5.1 million cars for Mexico, South America without Brazil and Canada; 4.4 million cars for Asia without Japan and China and 7.4 million cars for Africa and Middle East; Because of the data sources USA, Brazil and Russia also include „Light Vehicles“ which also comprises „light trucks“ and pick-up trucks

Source: : Data based on IHS Markit, Technology Group, Semiconductor Silicon Demand Forecast Tool, Q1 2019 (Forecast 2019 only). Results are not an endorsement of Siltronic. Any reliance on these results is at the third party's own risk. Visit technology.ihs.com for more details.

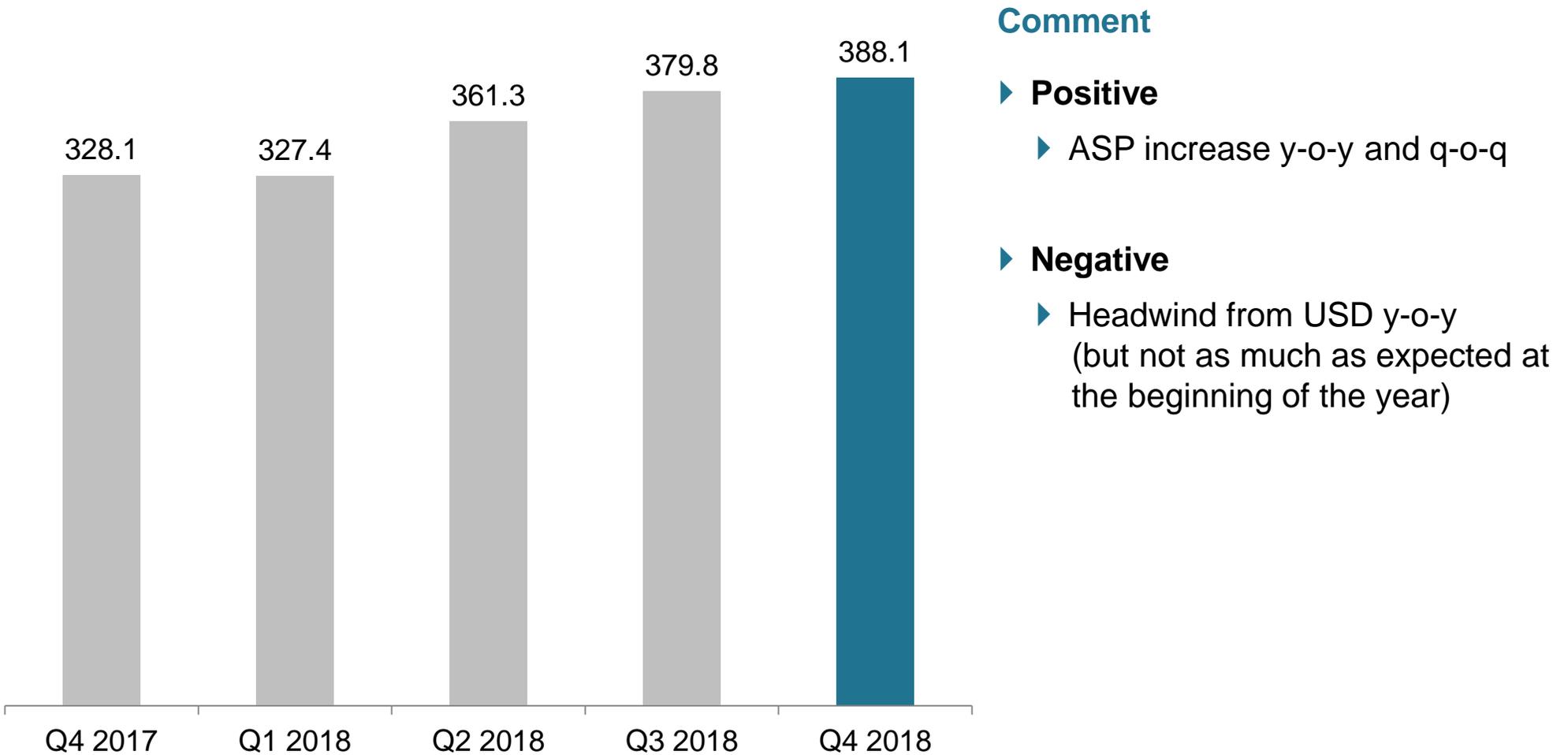


FINANCIALS

FULL YEAR 2018

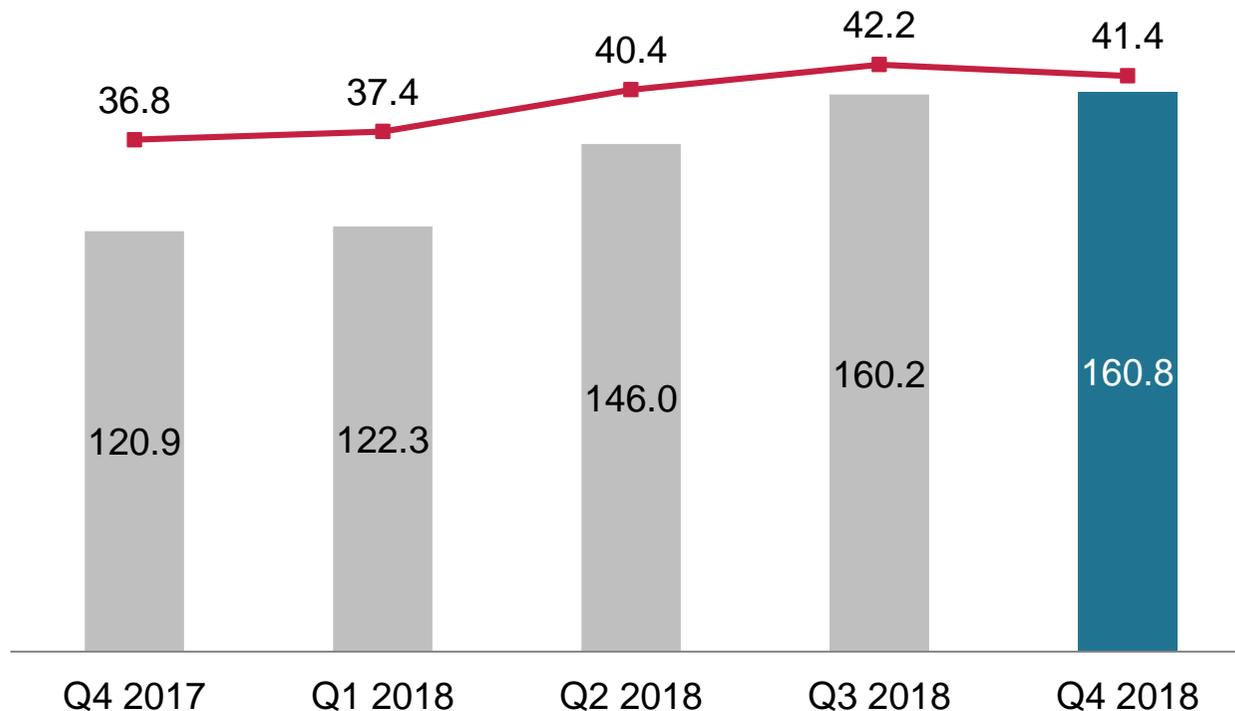
Revenues 2018 increased on a sequential basis

Sales, in EUR million



Q4 EBITDA margin at 41%

EBITDA margin in %; EBITDA in EUR million



Comment

► Positive

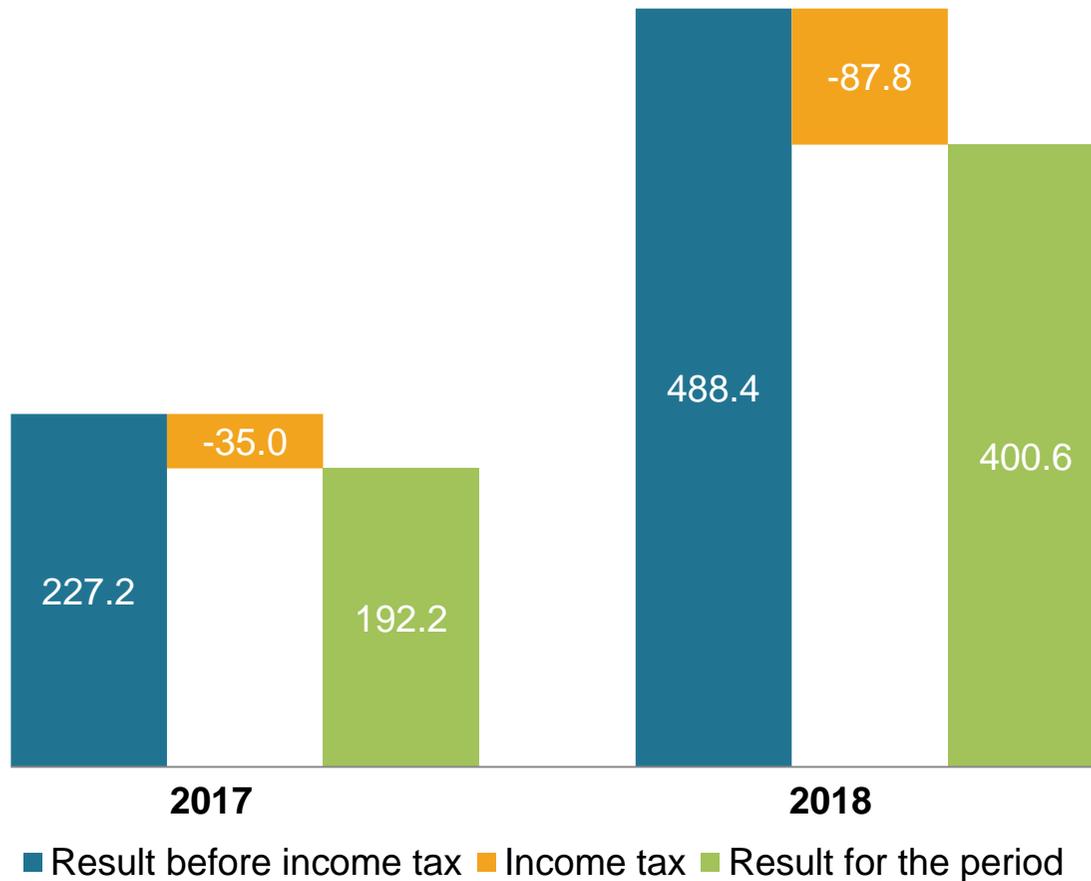
- Higher ASP y-o-y and q-o-q
- Slightly lower cost per wafer area y-o-y and q-o-q

► Negative

- Headwind from USD y-o-y (but not as much as expected at the beginning of the year)

Net profit more than doubled compared to 2017

Result and income tax, in EUR million



Comment

- ▶ Net profit in 2018 more than doubled vs. 2017
- ▶ Higher ASPs and slightly lower cost of sales per wafer area contributed
- ▶ Tax rate of 18% in 2018

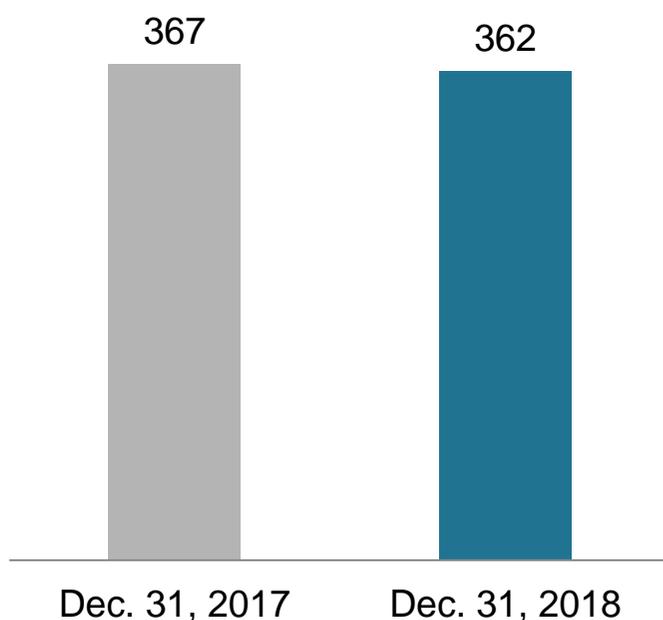
Equity further increased due to strong profit for the period, solid equity ratio stable at about ~50%

Balance sheet, in EUR million

Assets	Dec 31, 2018	Dec 31, 2017	Comments Dec 31, 2018	Equity and liabilities	Dec 31, 2018	Dec 31, 2017	Comments Dec 31, 2018
Non-current	762.8	546.6		Equity	915.7	637.9	
PP&E	683.9	513.3		Siltronic	887.2	637.3	
Other fixed	47.6	32.0	21 intangibles (related to SSW)	Other shareholders	28.5	0.6	Samsung's 22% in SSW
Securities and fixed-term deposits	31.3	1.3		Liabilities	902.5	614.5	
Current	1,055.4	705.8		Pension provision	362.3	367.2	Germany and US
Inventories and contract assets	168.0	149.9		Other provisions	138.2	54.6	38 personnel related (e.g. early retirement)
Trade receivables	156.3	159.9		Trade liabilities	96.6	67.1	
Other current	69.8	53.9	2 hedging	Customer prepayments	231.7	69.8	
Cash, fixed term deposits and securities	661.3	342.1		Other	73.7	55.7	50 employee-related 17 hedging
Total	1,818.2	1,252.4		Total	1,818.2	1,252.4	

Pension provision about stable y-o-y

Pension provision, in EUR million



Comment

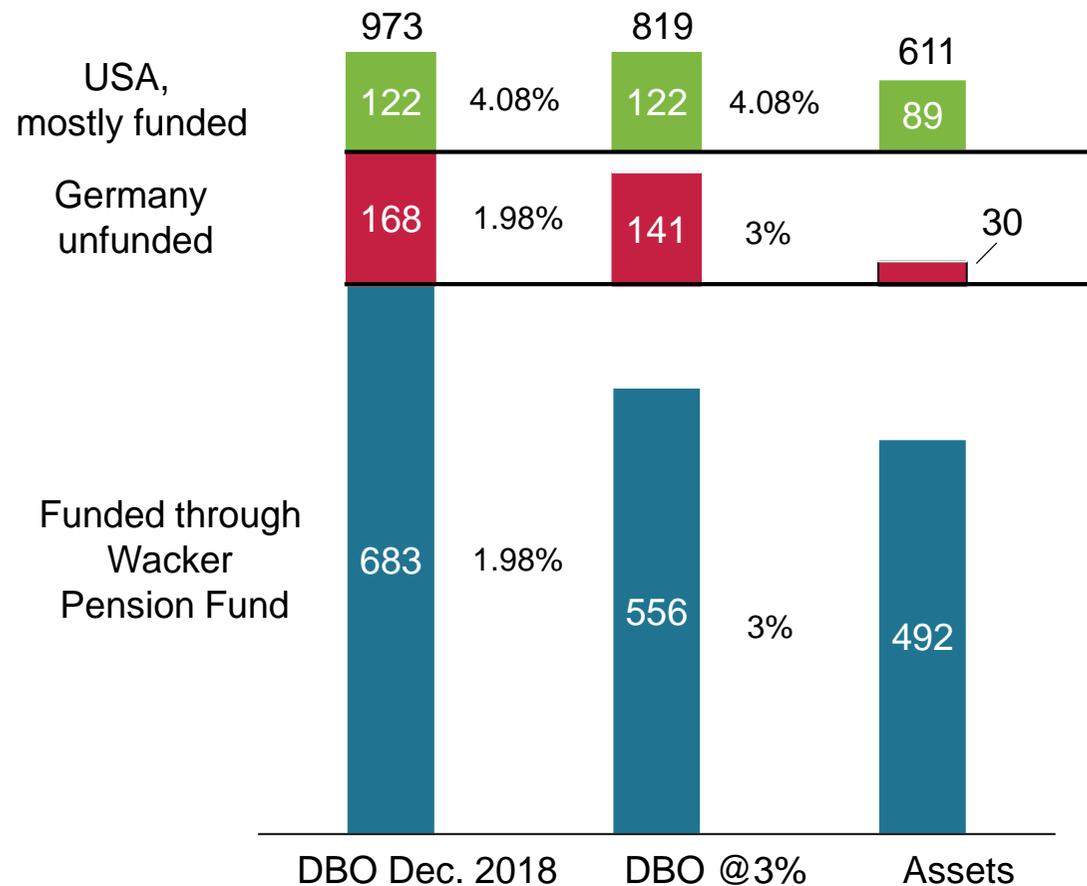
- ▶ Changes in interest rates influence evaluation of pension provision
- ▶ Change in interest rates directly reflected in equity (OCI)
- ▶ One-time payment of EUR 30m into a CTA in 2018

interest rates IFRS

▶ USA	3.45%	4.08%
▶ Germany	2.10%	1.98%

Pension liability impacted by IFRS interest rates used and new mortality tables; funded CTA for other pensions in Germany

DBO and pension reserve, in EUR million



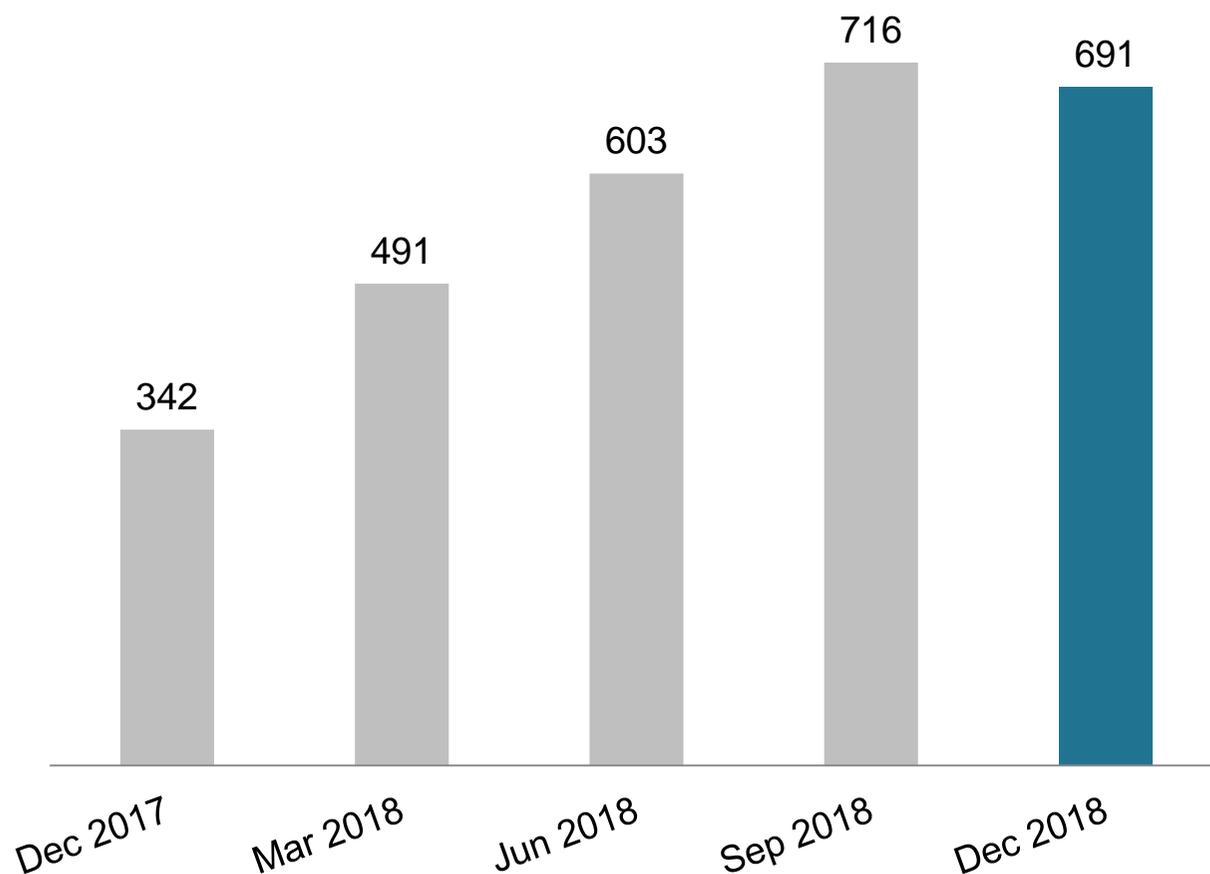
Comment

- ▶ DBO of EUR 973m – assets of EUR 611m = EUR 362m
- ▶ Pension reserve @3% = EUR 208m
- ▶ IFRS interest uses bond yields only, assets include bonds, equity, real estate + derivatives
- ▶ DBO increased EUR 28m due to new mortality tables (Heubeck2018)
- ▶ Wacker pension fund
 - ▶ fully funded under German pension fund regulations using 3.85% interest rate
 - ▶ asset liability study: probability of return in next 20 years:

≥ 3.75%	73%
≥ 3.0%	90%
≥ 2.5%	96%

Net financial assets doubled in 2018

Net financial assets, in EUR million

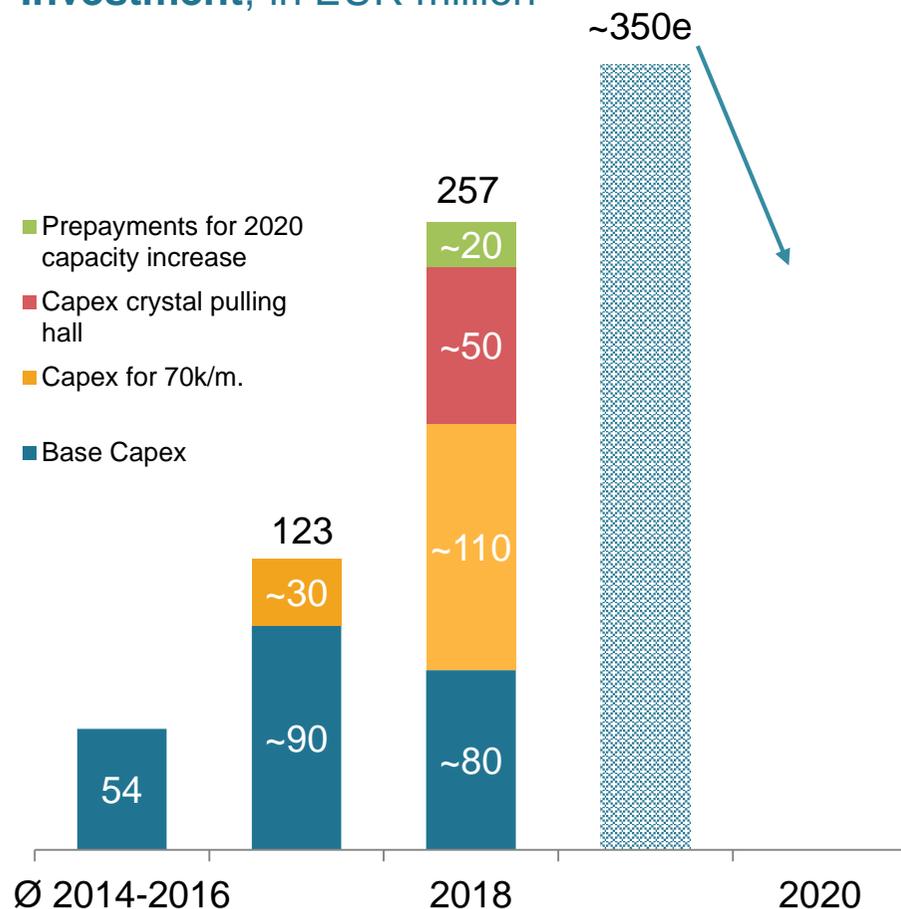


Comment

- ▶ Prepayments of EUR 176m (net) received in 2018
- ▶ Dividend proposal of EUR 5.00 per share (depending on approval of Annual General Meeting in May 2019)
- ▶ Dividend payable in May 2019

Capex 2018 of EUR 257 million slightly below forecast

Investment, in EUR million

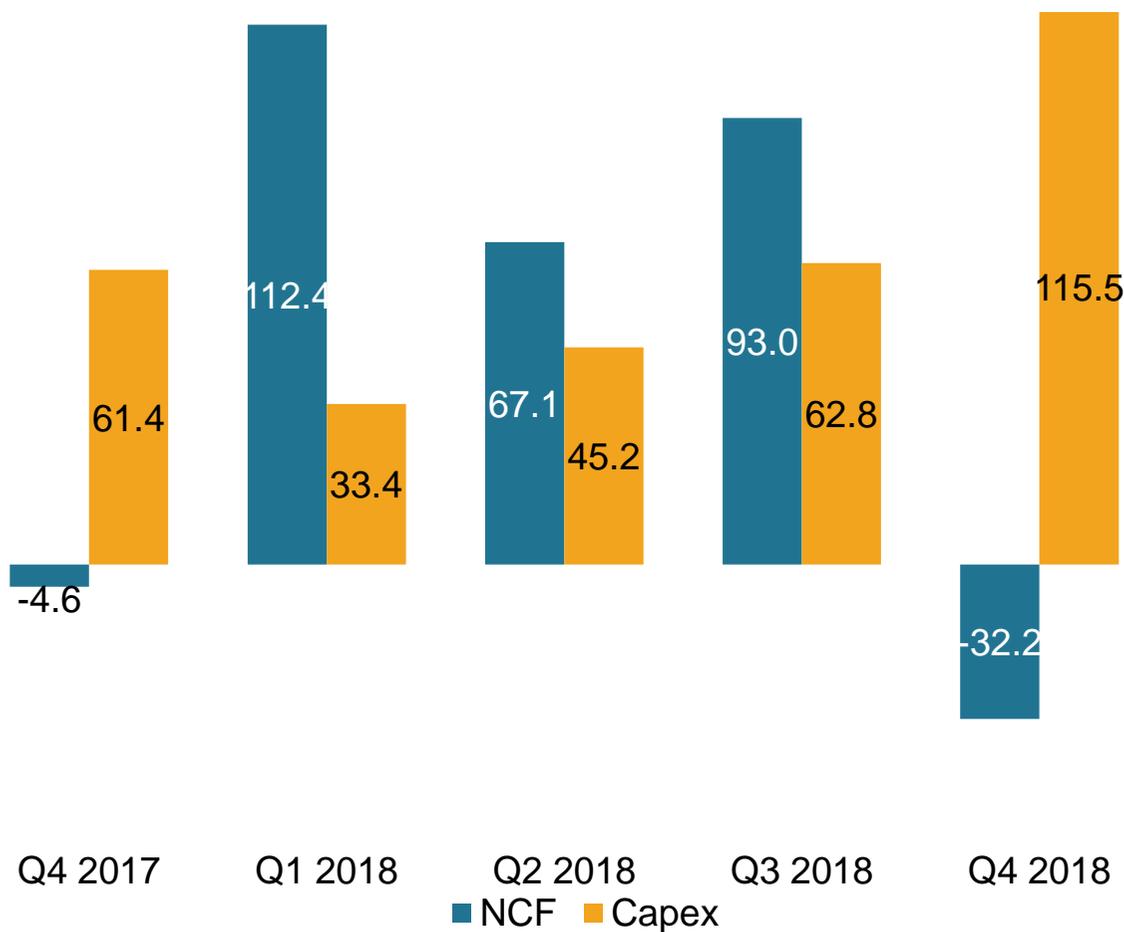


Comments

- ▶ Capex 2018:
 - ▶ EUR ~140m for 70k wafers/month over 2 years
 - ▶ new crystal pulling hall in Singapore
 - ▶ Prepayments for capacity additions in 2020
 - ▶ MOB (maintenance of business), capabilities, cost reductions, automation
- ▶ Capex 2019
 - ▶ around EUR 350m with a strong focus on capabilities and automation and also on 300 mm expansion based on LTAs
- ▶ Capex 2020
 - ▶ significantly down

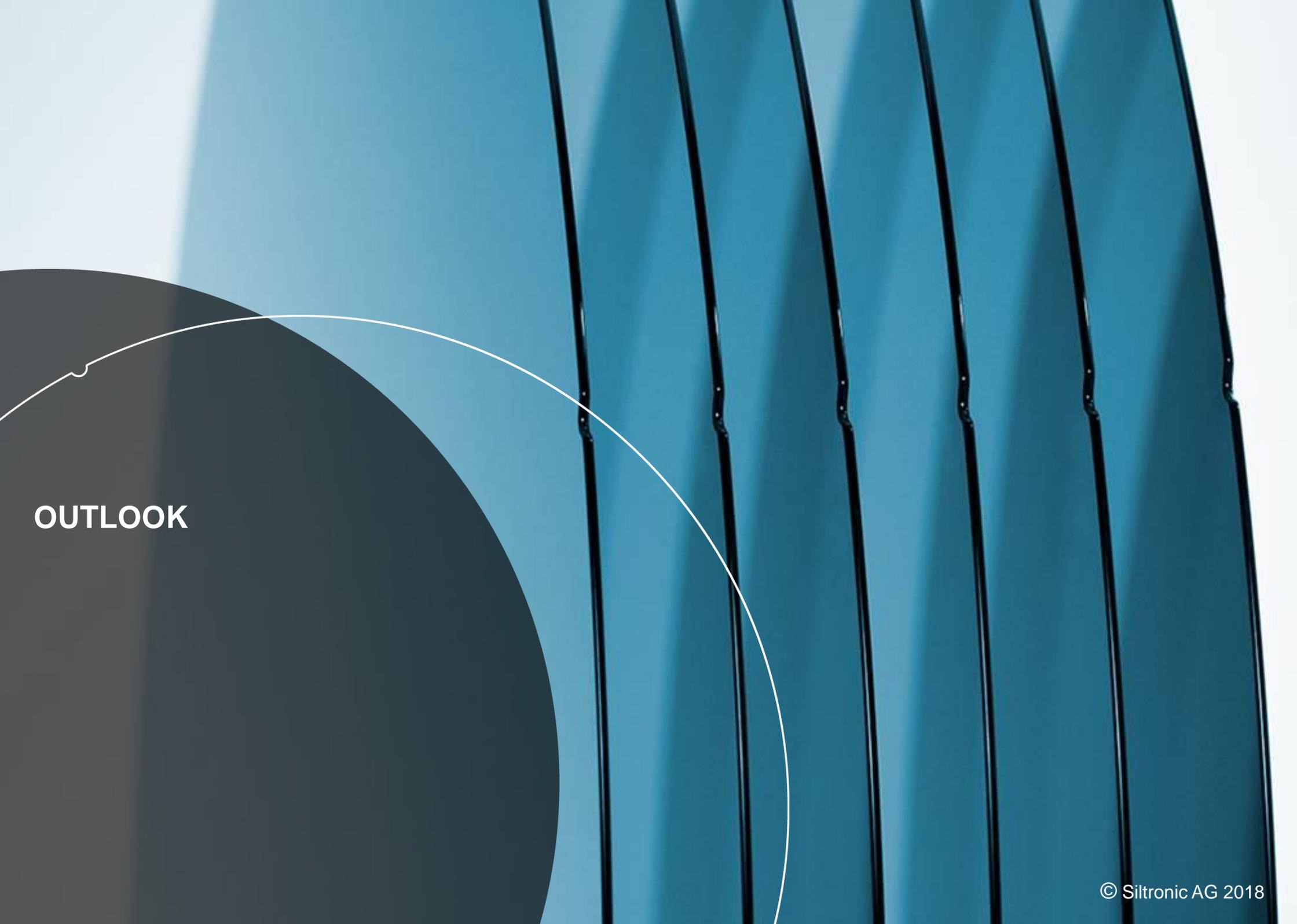
Strong net cash flow despite investments in the future

Capex and NCF, in EUR million



Comments

- ▶ Net cash flow of EUR -32m in Q4 2018 due to high capex level
- ▶ Capex increase in Q4 related to:
 - ▶ capacity expansion in 2019
 - ▶ new crystal pulling hall in Singapore
 - ▶ ongoing automation projects
- ▶ Capex in 2018: EUR 257m

The background features a series of vertical blue stripes of varying shades, creating a sense of depth and movement. 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 center, passing over the dark grey circle.

OUTLOOK

Siltronic Outlook 2019 (as of February 20, 2019)

EBITDA margin

– slightly below 2018

EBIT

– a good 10% below 2018

Net cash flow

– clearly positive, approx. EUR 100m below 2018 due to increased investment: higher in 2020

Sales

– in the region of 2018

Cost position

– negative effect due to tariff increases and EUR 20m higher electricity costs in Germany

FX effects

– negligible vs. 2018 assuming EUR/USD rate of 1.18 and EUR/JPY rate of 130

Depreciation

– around EUR 110m

Tax rate

– between 15% and 20%

Capex

– about EUR 350m in capacity, automation and capabilities; significantly lower in 2020

Earnings per share

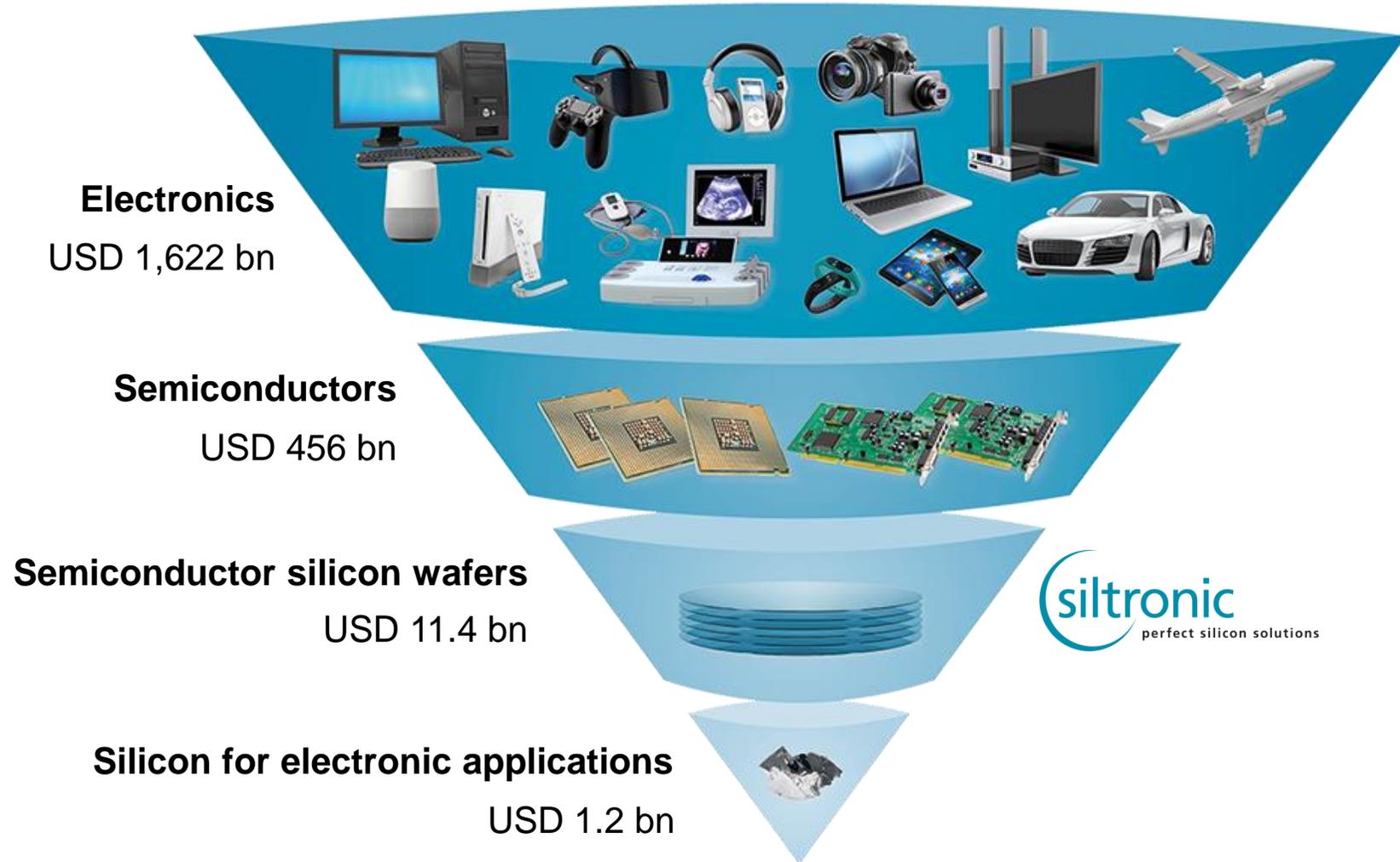
– slightly below 2018



APPENDIX

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

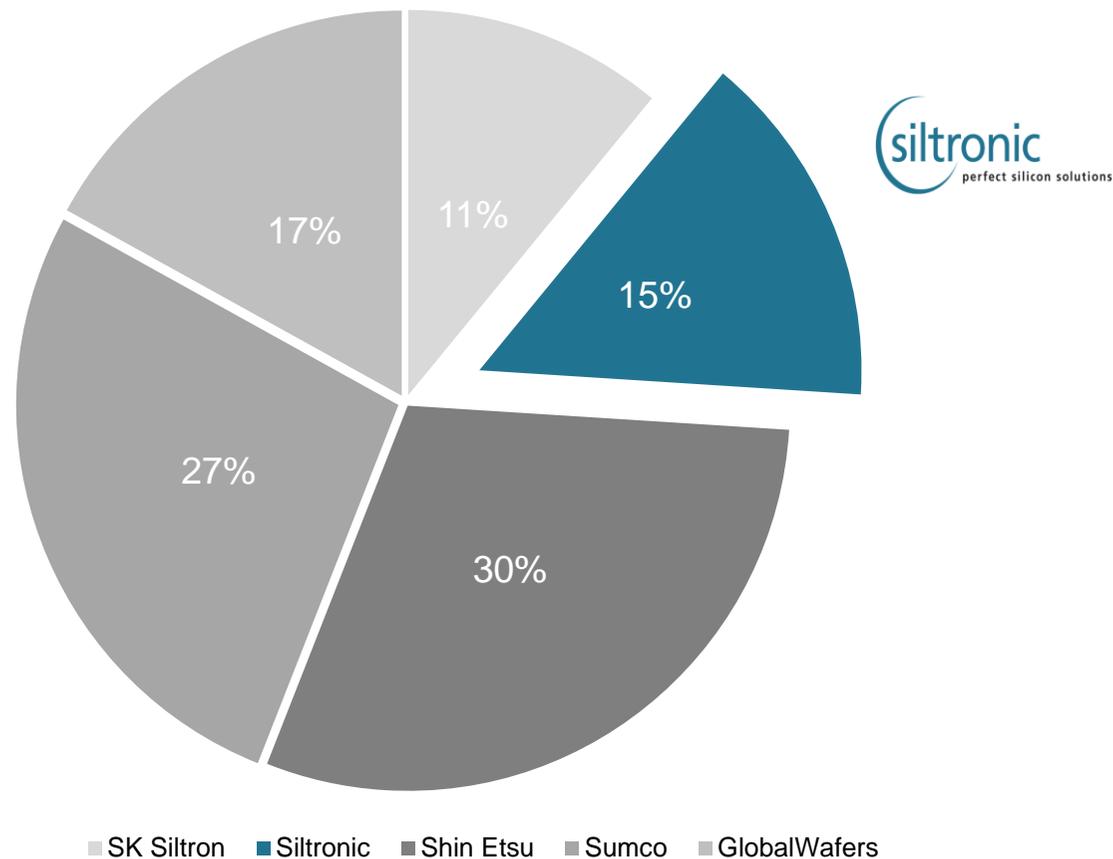
Electronics Value Chain 2018



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

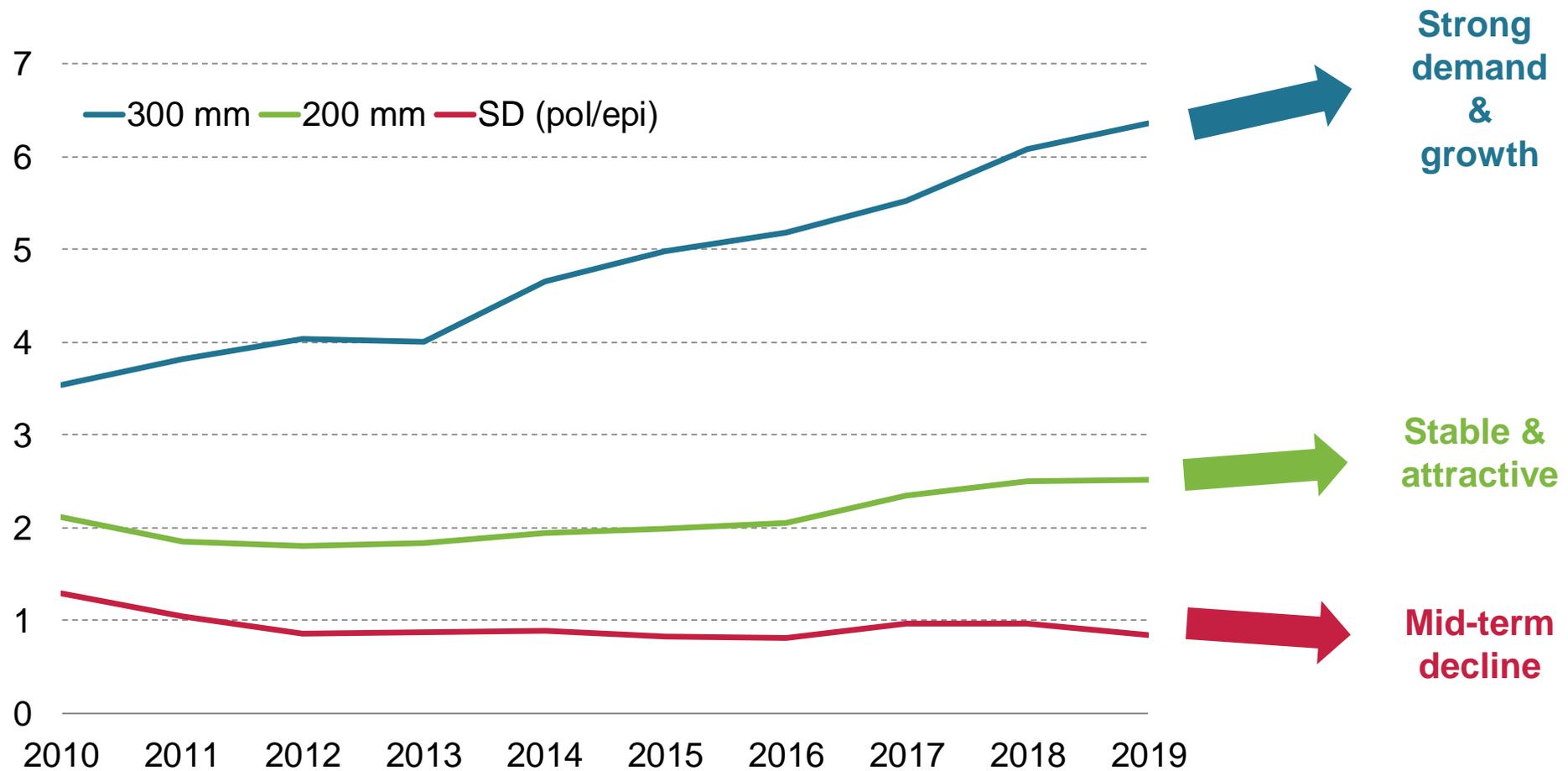
Top 5 wafer producers serve more than 90% of market across all diameters



Sources: reported company revenues Q1-Q3 2018, 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 2019

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

Siltronic is a supplier to all top 20 Silicon wafer consumers

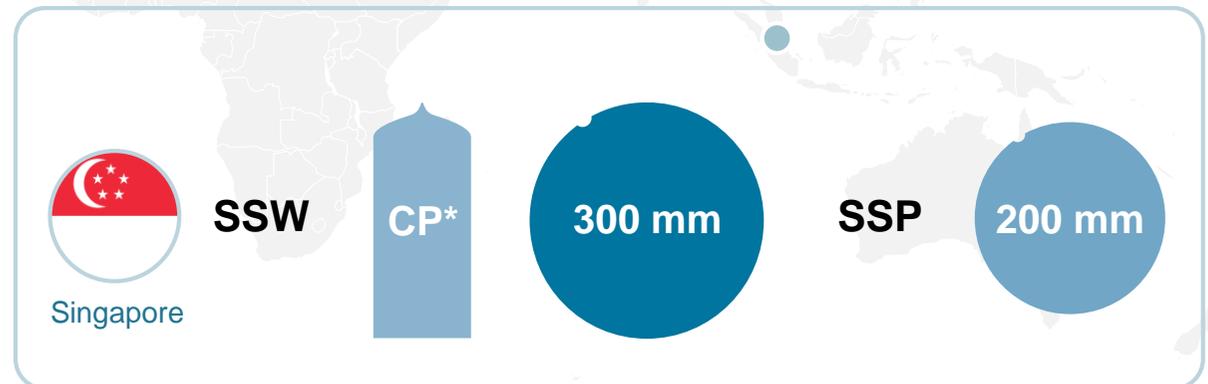
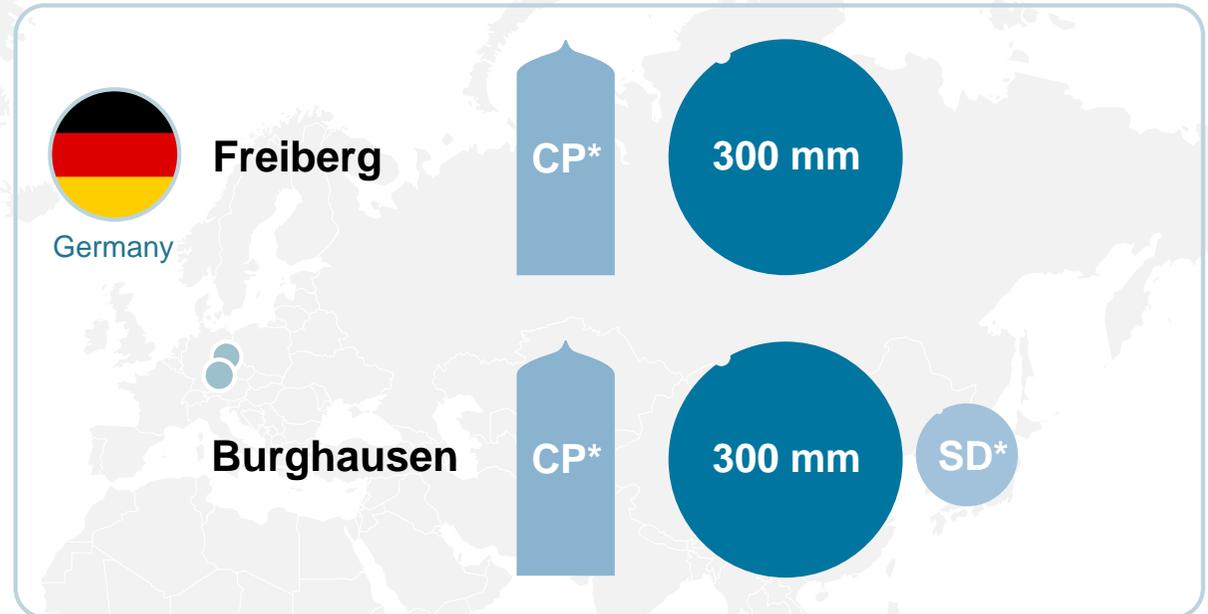


Siltronic well positioned at all major Silicon consumers

Top 10 customers represent ~75% of 2018 revenues

Source: Company Information, Siltronic

International manufacturing network supports market leadership and business focus

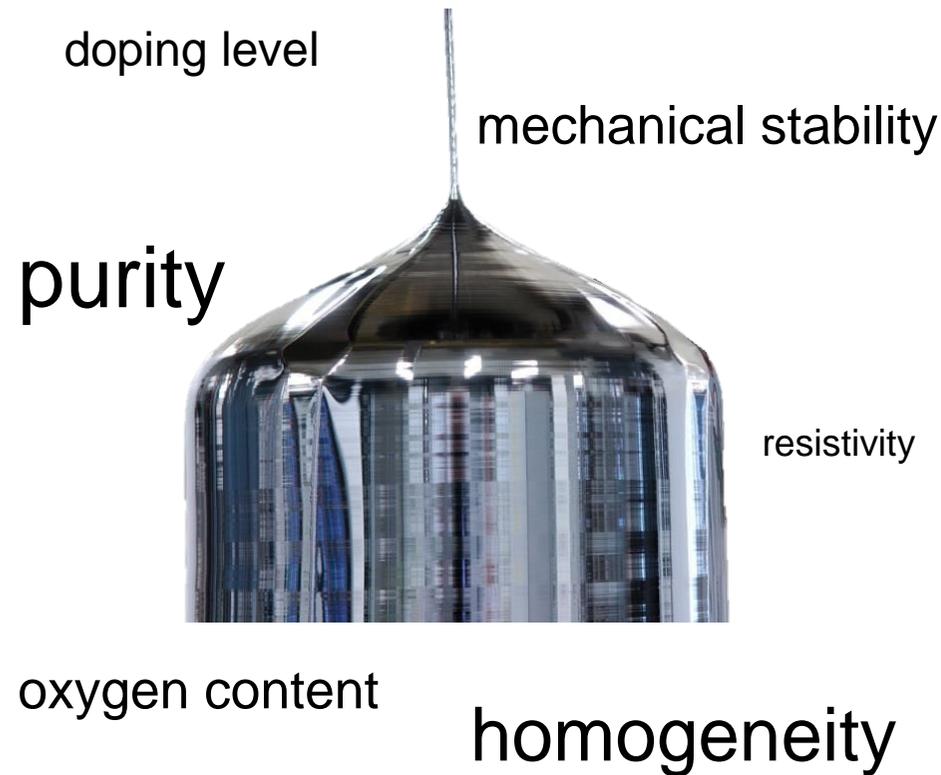


- ▶ **Central R&D hub** in Burghausen
- ▶ **High volume facilities** for 300 mm in Germany and Singapore
- ▶ Among world's **newest & largest fabs** in Singapore

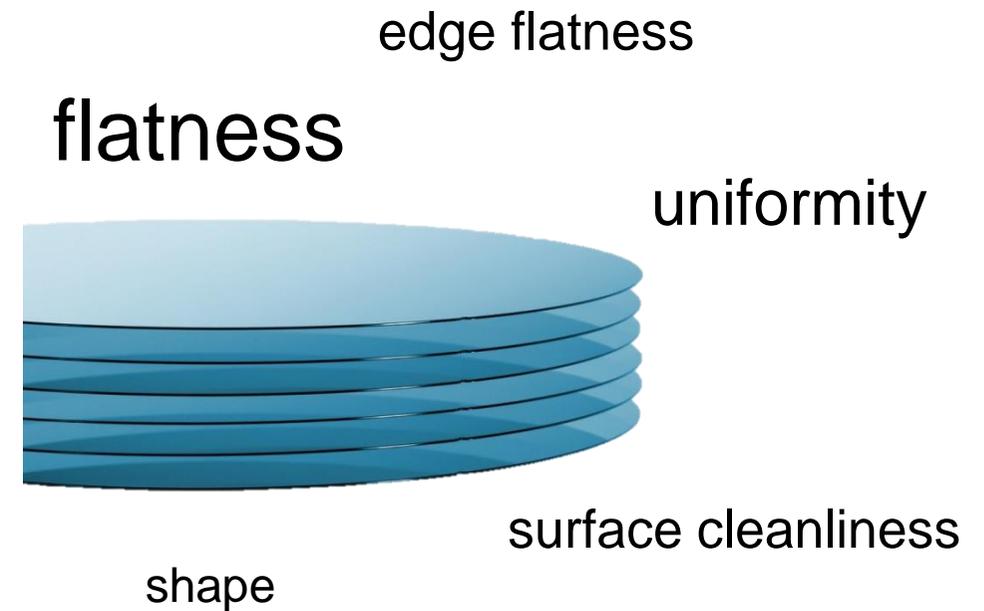
*CP = Crystal Pulling | *SD = 150 mm and smaller

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

Ingot

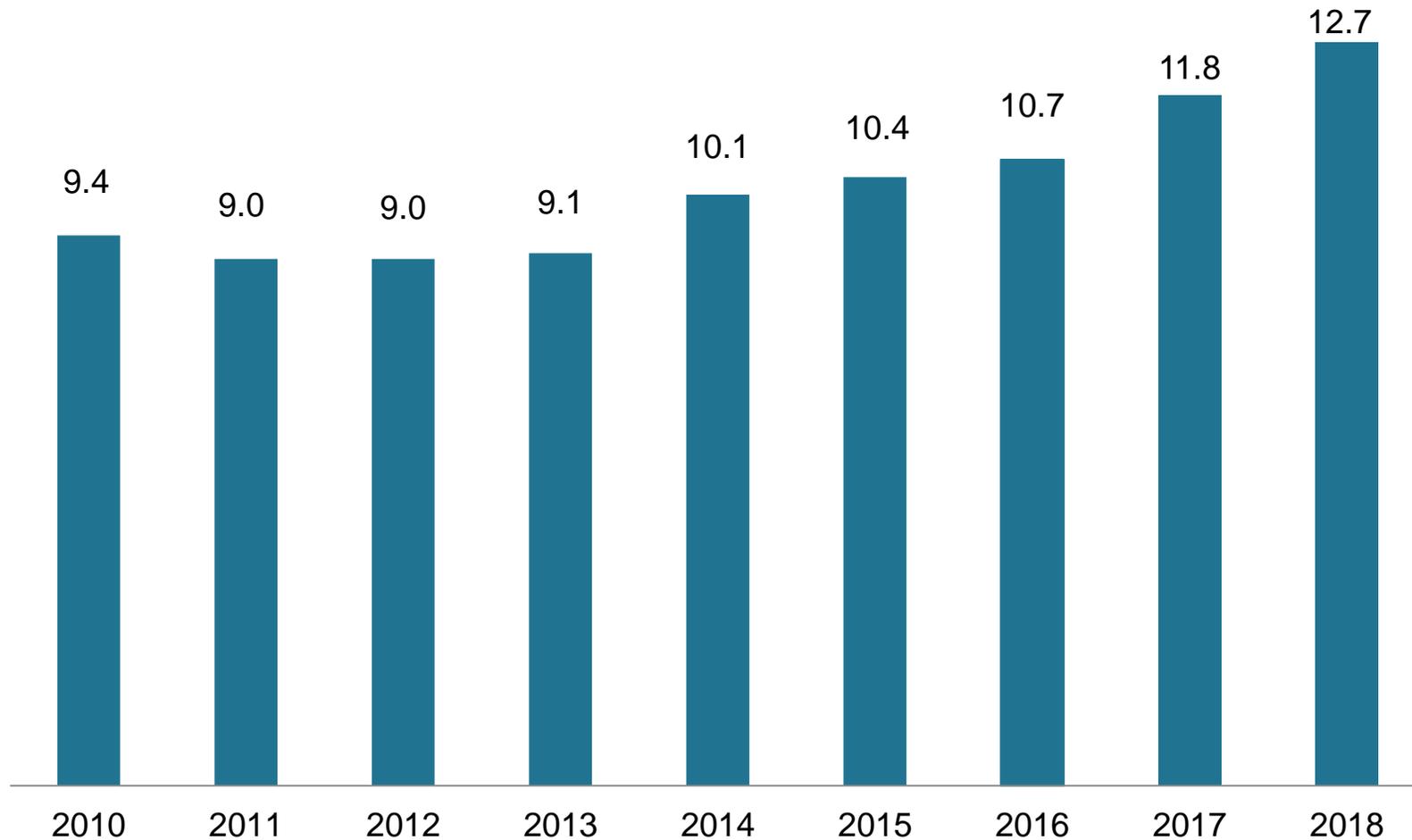


Wafer



Silicon area demand continues to grow

Silicon wafer demand, in bn in²



Source: Data based on IHS Markit, Technology Group, Semiconductor Silicon Demand Forecast Tool, Q1 2019 (Estimate 2019). Results are not an endorsement of Siltronic. Any reliance on these results is at the third party's own risk. Visit technology.ihs.com for more details.

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

Financial Calendar

Q1 Quarterly Statement	May 3, 2019
Annual General Meeting	May 7, 2019
Half Year Report	July 25, 2019
Q3 Quarterly Statement	October 24, 2019



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