



Siltronic AG

**Speech
Annual General Meeting 2024**

May 13, 2024

Dr. Michael Heckmeier, CEO

The spoken word is valid

Dear Dr. Ohler, thank you very much for your remarks.

Dear shareholders, dear shareholder representatives, dear Ladies and Gentlemen, welcome to today's Annual General Meeting.

I am pleased to welcome you for the first time as CEO of Siltronic AG – also on behalf of my Executive Board colleague Claudia Schmitt – to the Annual General Meeting of Siltronic AG.

Let us begin with a summary and review of the past financial year 2023; I will elaborate on each topic later on.

Review of the year 2023

The year 2023 was marked by a challenging demand situation characterized by increased inventories both at our customers and along the entire supply chain. In this environment, Siltronic had a solid performance. Our cost efficiency and agile corporate structure enabled us to partially offset the weak demand and continue to deliver a respectable EBITDA margin.

One of the keys to our success is our ability to anticipate and adapt to technological developments and market trends. In view of the strong growth forecast for our industry, driven by megatrends such as artificial intelligence, digitalization and electromobility, we made significant investments in the future of Siltronic in 2023. In September 2023, we successfully inaugurated the expansion of our crystal pulling hall in Freiberg, and in November 2023, we produced the first test wafers in our new 300 mm fab in Singapore. In doing so, we have both strengthened our global presence and invested in our domestic market.

A key factor was our focus on sustainability, which is not just an obligation for us, but part of our DNA. In addition to strong financial figures and earnings, it is our responsibility to work for the sustainable development of Siltronic and the preservation of our environment for future generations. In 2023, we updated our climate targets and joined the industry renowned RE100 sustainability initiative.

A further highlight of the past year was the publication of our mid-term targets for 2028 at our Capital Markets Day in November. These goals reflect the potential of our Group and underscore our commitment to continued growth and innovation.

Details of the key financial figures for 2023

Let's take a moment to reflect on the key financial figures for the financial year 2023. Despite the weak demand we experienced during the year, we were able to deliver a solid performance, as the following financial figures show:

Highlights 2023

A 16 percent drop in sales to 1.5 billion euros in one financial year is, of course, a lot. On the one hand, this was due to the weak development of the end markets relevant to us, such as smartphones and computers, and on the other hand to the high inventory levels at our customers and along the value chain. The decline in sales was mainly due to lower volumes with stable sales prices. The good news is that we were able to maintain our market share among the top five wafer producers in 2023.

In addition, in 2023 we saw higher material costs and tariff-related personnel cost increases, though at significantly lower levels than in 2022. Against this background, the EBITDA margin of 28.7 percent achieved in 2023 is solid, but well below the previous year's figure of 34.4 percent.

As a result of the decline in operating result, net income and the corresponding earnings per share also declined to EUR 6.15. Despite the decline in earnings, you, dear Siltronic shareholders, will once again participate in the company's success by means of a dividend. I will come back to this in a moment.

As expected, the investments in the future amounting to EUR 1.3 billion led to a noticeably negative net cash flow. With that, the peak of our investments was reached in 2023.

Future investments

Now let's take a closer look at our investments and where we spent the mentioned EUR 1.3 billion.

FabNext, Record investments

Our spending in the previous year clearly focused on the construction of FabNext, the new 300 mm wafer fab in Singapore, and the expansion of the crystal pulling hall in Freiberg. FabNext will reach an EBITDA margin of over 50 percent in the mid-term thanks to its high degree of automation and high cost efficiency. This will also raise the Siltronic Group to a new level of profitability. And our customers greatly appreciate this

investment, as up to 80 percent of the volume during the ramp phase has already been secured through long term agreements, the so-called LTAs. In 2024, our investments will fall to slightly below EUR 550 million. The ramp phase of the new fab, during which it will gradually reach its full capacity, will take several years. The ramp speed will be flexibly adjusted to the respective market demand as much as possible.

Video FabNext

To give you an idea of our new flagship production fab, we brought you a short video – please enjoy. I would like to point out in advance that this video contains a time-lapse sequence with fast image transitions. If you are sensitive to this, please do not look at the screen for the next two minutes.

Commitment to the German sites

As you can see, what we have achieved here is a masterpiece. The Executive Board and the entire Siltronic team are very proud of it. The entire project is on schedule and on budget and I can tell you that the new fab will still bring us a lot of joy.

The same applies to our prominent site in Freiberg, which is located in the heart of Silicon Saxony – Saxony and neighboring Saxony-Anhalt are home to numerous technology and semiconductor companies, such as Intel in Magdeburg. What only few people know is that every second to third semiconductor in Europe currently comes from this region. Our site puts us in an excellent starting position, especially as Europe aims to become increasingly independent of suppliers, especially from Asia, with the EU Chips Act. Accordingly, we have expanded our crystal pulling hall, which was officially inaugurated by Saxony's Minister President Michael Kretschmer and myself in September. This is a clear commitment to Germany as an industrial base: Since 1995, Siltronic has invested more than EUR 1 billion in the expansion of the Freiberg site alone!

Share price development and dividend

Despite the challenging market environment and the decline in sales, we also seem to have done some things right from a capital market perspective. Our share price increased by more than 27 percent in 2023, significantly outperforming the MDAX and TecDax indices. To anticipate it right away - of course, we are not satisfied with the share price performance in 2024. The weak demand resulting from inventory

adjustments has lasted longer than we and many market experts expected. This has also impacted our share price performance.

In view of the current demand situation, the Executive Board is proposing to today's Annual General Meeting that a reduced dividend of EUR 1.20 per share be paid for the financial year 2023, representing a payout ratio of roughly 20 percent of the consolidated net profit attributable to Siltronic shareholders. This is intended to support the quality of our balance sheet.

The total dividend therefore amounts to 36 million euros.

We intend to maintain our proven dividend policy in the future. This policy is based on the principle of distributing approximately 40 percent of the net profit attributable to Siltronic shareholders as a dividend, up to a maximum of EUR 3 per share.

Cost & liquidity package of measures

The current demand situation prompted us to lower our guidance for 2024 on April 26. Considering the prolonged decline in demand, we plan to complete a refinancing via debt capital in 2024. This is an important step to maintain the quality of our balance sheet and ensure an adequate liquidity buffer.

In addition to refinancing, we have launched a package of measures focused on cost and liquidity management. Our production has already been converted from maximum utilization mode to cost optimization mode. We are also keeping an eye on personnel costs by planning flexibility through working time accounts and a reduction in the number of temporary employees, supplemented by a qualified hiring freeze. We are continuously improving our working capital through strict monitoring of receivables, inventories, and liabilities. Our capex has already been reduced due to the slower ramp speed of FabNext for 2024 communicated last year and has been further minimized and restrictively approved this year. The dividend reduction mentioned above is part of this overall package.

Commitment to climate targets

The topic of sustainability, our commitment to ambitious climate goals and the path to achieving them is a very high priority for us.

How we measure ourselves

We are happy to be measured in terms of these targets because we know how important they are for society and for Siltronic. So, what progress have we made in terms of sustainability in 2023, and where do we want to go?

The overall goal is to be climate neutral in terms of our Scope 1 and 2 CO₂ emissions by 2045. By 2030, we aim to have reduced them by 42 percent compared to the base year of 2021. And we are well on track to achieve a 22 percent reduction by the end of 2023. This also applies to the goal of reducing our energy consumption by 20 percent by 2030. As of the end of December 2023, we have already achieved a reduction of 7 percent. We need to make even greater efforts in terms of water consumption, where we have achieved a 1 percent reduction so far, although this is also due to some one-off effects in 2023. We expect to see a significant improvement here in the coming years. We aim to increase our waste recycling rate by a quarter by the end of this decade. By the end of 2023, we will have achieved almost half of this.

On the right side of this slide, you can see a picture of our new photovoltaic system in Portland, installed on an open area of our fab premises. The system will be inaugurated this week and will soon help us meet our climate targets.

As you can see, we take our responsibility in this regard seriously and know how important clearly defined sustainability strategies are for you, dear shareholders, but also for attracting new talent on the job market.

Outlook

Let me now turn to the outlook for the 2024 financial year and beyond. Before I go into the current financial year, I would first like to take a step back and explain how the market in which Siltronic operates is developing.

Dear Ladies and Gentlemen,

We are convinced that we will see a significant increase in demand in the wafer market over the next few years. The only thing that remains uncertain is when exactly this will happen.

Average growth

This chart shows how demand for wafers of different diameters has developed in recent years and the direction in which growth is expected. For our leading diameter, 300 mm, we expect an average growth of 6 percent. The trend for 200 mm wafers is also positive and is driven by many special products. In contrast, time is running out for the smaller diameters of 150 mm or less, the so-called small diameter or SD wafers.

And this is where we made a decision that was necessary for our company.

It relates to the end of our SD wafer production in Burghausen, Germany, as announced in March.

Closure SD wafer production

Siltronic's SD wafer production originated in Burghausen in 1968 and, thanks to the outstanding work of our employees, has contributed to our success for many years. However, the wafer industry has evolved significantly due to structural changes and leaps in innovation. Just 25 years ago, more than half of the silicon wafer market consisted of wafers up to 150 mm in diameter; today, due to the technological changes just mentioned, that figure is less than five percent. In addition, competition, especially from China, is clearly noticeable for small diameters. Approximately 400 employees are affected by the end of the SD production, about half of them on fixed-term and temporary contracts. The aim is to reduce the core workforce in a socially responsible manner through demographic change and partial retirement, or to transfer them internally and avoid layoffs for operational reasons.

In the future, our focus will be on the growth drivers, in particular leading-edge wafers and wafers for the power market, with an emphasis on both 300 mm and 200 mm wafers. The Burghausen site will continue to be of decisive importance for Siltronic. It is home to our research and development center and to the production of 300 mm wafers and 200 mm hyperpure silicon ingots.

Q1 2024

We do not expect any significant negative impact from the end of production in 2024. Nevertheless, we continue to face headwinds this year as demand remains weak – and even stronger than we had anticipated when we announced our guidance in February. As a result, we reduced our guidance at the end of April.

Our key figures for Q1 2024 remain solid, as you can see on this slide. In the first quarter, we achieved sales of EUR 344 million while the wafer area sold remained stable. This was roughly 4 percent below the previous quarter, mainly due to the typical shifts in the product mix. The EBITDA, earnings before interest, taxes, depreciation and amortization, amounted to EUR 90.8 million in Q1 2024 and was therefore roughly on par with the previous quarter. The decline in sales was offset primarily by positive FX effects. Our EBITDA margin improved marginally from 25.5 percent to 26.4 percent. Given the slightly higher tax expenses and financing costs, earnings per share amounted to EUR 0.86 compared to EUR 1.01 in Q4 2023. Capex confirms what I said earlier, as it is significantly lower than in the previous year. Nevertheless, as expected, we reported a negative net cash flow at the end of March 2024. On a positive note, we were able to keep our market share and prices stable in Q1 2024.

Outlook for the full year 2024

So, what led us to adjust our full-year 2024 guidance back in April?

Discussions with key customers in recent weeks have shown that inventory reductions are occurring at a slower pace than originally anticipated. In order to reduce these increased inventories, customers have significantly reduced their orders in 2024 or postponed them to later periods. We now expect 2024 to be a transition year and that the impact of these increased inventories will be felt throughout 2024, although visibility remains limited. At the beginning of 2024, an even stronger recovery in demand was forecast for the second half of the year, which is now unlikely to materialize.

Depending on the further development of weak demand, our Group sales are therefore expected to be roughly 10 percent below the previous year. This is mainly due to lower volumes, as well as both slightly negative FX and price effects. In our guidance at the end of February, we assumed that sales would be in the region of the previous year. The additional decline in sales will also have a negative impact on the development of our earnings. The EBITDA margin is now forecast to be between 21 and 25 percent.

Depreciation and amortization is expected to increase year-on-year from just over EUR 200 million in 2023 to under EUR 300 million in 2024, and our capex will decrease from the EUR 1.3 billion I mentioned earlier to slightly less than EUR 550 million. Although we expect net cash flow to improve, it will still be significantly negative in 2024.

Megatrends

Despite this challenging business development in 2024, why are we still confident about the following years up to 2028 and beyond?

This is due to the megatrends that will drive our growth. First and foremost, artificial intelligence, digitalization and electromobility. An electric car, for example, contains up to twice as much wafer area as a combustion engine. The other megatrends shown here will also have a positive impact on our demand situation. Siltronic is well positioned in the Power and Leading Edge applications thanks to its excellent global presence and high innovative strength in the particularly high-growth wafer segment. We can therefore expect strong and, above all, sustainable growth in the mid-term.

Artificial intelligence

A server designed for artificial intelligence applications requires up to eight times more wafer area than a conventional computer server. Market experts expect these servers to grow at an average annual rate of more than 30 percent over the next few years. Generative artificial intelligence is a key driver of this growth.

The semiconductor market shall grow to more than USD 1 trillion by 2030, market experts estimate, and we are literally laying the groundwork for it.

The heart of semiconductor production, the wafer

To give you an idea of how well positioned we are with our products and how critical wafers are to future global growth, which will undoubtedly be driven by semiconductor production, I would like to give you a rough overview of the value chain. Siltronic is well positioned at the top of the value chain. We produce hyperpure silicon wafers from the raw material polysilicon. Silicon is a key component in the world of electronics. Today, about 99 percent of the semiconductor value chain is based on silicon. We supply our wafers to chip manufacturers who process them directly into chips. Chip manufacturers include companies such as Samsung and Intel, as well as contract manufacturers known as foundries, such as TSMC and Globalfoundries. The contract manufacturers in turn produce for so-called chip designers such as Nvidia or AMD. The semiconductors are then integrated in various stages into end products such as smartphones, computers, or servers.

In summary, we can proudly say that wafers are the fuel of the electronic world!

Growth until 2028

This is the basis for our confidence in our ability to achieve strong profitable growth until 2028. Accordingly, at the beginning of November last year, we confidently defined our ambitions for the coming years.

By the end of 2028, we aim to increase our Group sales to more than EUR 2.2 billion and improve our EBITDA margin to a percentage in the high 30s. This confidence is driven by the increasing relevance of the previously mentioned global megatrends and expected volume growth of 4-5 percent per year. The increase in the Group's profitability will be driven primarily by the expected volume growth from our new Singapore fab and the associated improved cost efficiency, which will significantly exceed the expected inflationary cost increases. These assumptions are based on stable average prices.

Key messages from the Annual General Meeting

Dear Ladies and Gentlemen,

This brings me to the last point of my remarks, and I would like to summarize the key messages of today's Annual General Meeting:

In 2023, we succeeded in achieving a solid margin despite difficult conditions and weak demand.

As discussed, 2024 will be a challenging year. Given the expected weaker sales and earnings performance, it will be a year of transition to profitable growth in the wafer industry driven by megatrends.

Unfortunately, it is not yet clear in which quarter this growth will occur, but we are very well prepared, not least because of our new state-of-the-art fab in Singapore.

We are therefore optimistic about the future with strong potential for sales and EBITDA growth.

Last but not least, on behalf of the Executive Board, I would like to take this opportunity to thank all our employees, whose great commitment to Siltronic has made a significant contribution to the company's success. This is certainly worth a big round of applause.

We would also like to thank our business partners and the members of the Supervisory Board for their successful and constructive cooperation. Our sincere gratitude also goes to you, dear shareholders, for the trust you have placed in us and in Siltronic.

We are very much looking forward to working with you in the future!

Thank you very much for your attention.

And with that, I hand back over to the Chairman of the Annual General Meeting, Dr. Ohler.